National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-329/FESCO-2015/6369-6371
May 11, 2017

Subject: **Decision of the Authority in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Company Ltd. (FESCO) against Determination of the Authority for the FY 2015-16 to FY 2019-20 Dated December 31, 2015 -** [Case # NEPRA/TRF-329/FESCO-2015]

Dear Sir,

This is in continuation of this office letter No. NEPRA/TRF-329/FESCO-2015/18462-18464 dated December 31, 2015 whereby Determination of the Authority in the matter of Petition filed by Faisalabad Electric Supply Company Ltd. (FESCO) for the Determination of its Consumer end Tariff Pertaining to Financial Year 2015-2016 to FY 2019-20 was sent to the Federal Government for notification in the official Gazette.

2. Please find enclosed herewith the subject Decision of the Authority along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX (91 pages) in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Company Ltd.

3. The Decision is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

4. The Order part along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX of the Decision needs to be notified in the official Gazette.

Enclosure: As above

11.05.16

(Syed Safeer Hussain)

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

CC:

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

DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO) AGAINST DETERMINATION OF THE AUTHORITY FOR TE FY 2015-16 TO FY 2019-20 DATED DECEMBER 31, 2015

1. Background

1.1 Faisalabad Electric Supply Company Limited (FESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed Motion for Leave for Review (MLR) vide letter no. 566-67 CFO/FESCO/CPC on January 19, 2016 against the decision of the Authority in the matter of petition filed by the Petitioner for the determination of its multi-year consumer-end tariff pertaining to the FY 2015-16 to 2019-20 under Multi Year Tariff Regime, dated December 31, 2015.

1.2 The Petitioner has requested the Authority to reconsider its decision to the extent of following issues ;

i) To revise T&D losses target i.e. 10.90%,10.56%, 10,40%, 10.15% and 9.98% for FY 2015-16 to 2019-20 respectively;

ii) To allow the recruitment Plan of 3,094 persons with financial impact of Rs.476 Million;

iii) To allow the creation of divisions/ sub-divisions with financial impact of Rs.1,432 million;

iv) To allow bifurcation of operations and maintenance (O&M) costs into controllable and uncontrollable i.e. Rent and Regulatory Fees;

v) To allow revision of adjustment mechanism for O&M costs i.e. efficiency factor "X" may be revised at 0% for first Three Years and 0.5% and 1% for last Two Years;

vi) To determine repairs and maintenance (R&M) expenditure through a K factor at 3.0% of GFA;

vii) To revise Weighted Average Cost of Capital (WACC) by taking into account a higher risk and expectation of return on equity as well as lower weightage of debt in the capital structure. WACC @ 18.91% based on RoE @ 24.13% and Cost of Debt @ 16.67% may be allowed;

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viii) To reconsider Petitioner's earlier decision regarding Prior Year Adjustment and allow the amount of Rs.4,827 million for the inconsistent application of previous multi-year tariff and Rs.6,186 Million as Supplementary Charges;

ix) To allow independent treatment of LPS and Mark up payable to CPPA (G);

x) To allow Z-factor for extra ordinary events;

xi) Performance Standards be revised;

xii) To revisit the Peak and off peak rates of Tariff;

2. Proceedings

2.1 The Review motion was admitted by the Authority on 2nd February, 2016. Although the filed MLR was time barred , however the Authority following the principle of natural justice condoned the delay in filing of the MLR. In order to provide a fair opportunity to the Petitioner, a hearing was held on March 24, 2016 at NEPRA Tower Islamabad. Accordingly, Notices of admission & hearing were sent to the Petitioner and the Interveners. During hearing, the Petitioner was represented by its Chief Executive Officer along-with his Technical and Financial Team.

3. Intervention Request

3.1 In response to the notices, the Interveners i.e. Anwar Kamal Law Associates (AKLA) and All Pakistan Textile Mills Association (APTMA) filed the following contentions;

3.2 AKLA

3.2.1 A brief of the contentions submitted by AKLA are as under;

i. Ex facie this Review Motion appears to have been filed beyond time and thus was non-maintainable.

ii. Neither the observations given in the Intervention Request were fully and truly reflected in the Determination nor have been addressed on merits. The treatment of the Surplus amount which the Petitioner has earned on account

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of non-passing of the benefit of Fuel Charges Adjustment to the consumers using up to 300 kWh electricity is one example of it.

iii. The Authority has approved the Investment Plan of the Petitioner but details which show the proposal on which the Investment will be made along with its cost-benefit ratio and time-lines to complete such proposal are neither given in the Determination nor are available anywhere else in the public domain.

iv. NEPRA has not provided AKLA a copy of the transcript of the Hearing despite the request made for it.

3.3 Rejoinder by the Petitioner

3.3.1 The Petitioner filed the following rejoinder on the points raised by AKLA ;

3.3.2 On the issue of filing of MLR beyond time, the Petitioner stated that it filed a condonation of delay on 19th January, 2016.

3.3.3 On the issue of investments, the Petitioner submitted that year wise detail of projects to be completed along with cost benefit analysis were provided in the IGTDP submitted with the MYT petition and the same can be downloaded from NEPRA's website. The IGTDP was aimed to meet upcoming requirement of the system efficiency, stability, consistent power supply to the customers and special emphasis to eliminate load shedding from the country up to 2018.

3.3.4 On the issue of provision of information, the Petitioner has mentioned that it has always provided the information demanded by the Interveners and Commentators on the tariff issues.

3.3.5 On the remaining points as per the Petitioner , they relate to NEPRA.

Authority's Response

3.3.6 On the point of AKLA regarding delayed submission of review motion, the Authority considers that as per Regulation 3 (3) of NEPRA (Review Procedure) Regulations 2009, the Authority may condone the delay considering the peculiar facts and circumstances of the matter in question.

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3.3.7 The observations made by AKLA in its Intervention Request that its contentions have not been addressed is not correct. The Authority has discussed its comments in detail under para 7.4 of the determination dated December 31, 2015. Further, the point of not passing on the benefit of FCA to certain classes of consumers has been deliberated thoroughly at paras 30.11 to 30.15 of the afore referred determination, under the issue of Prior Year Adjustment. Here it is pertinent to mention that the amount left with the Petitioner is not allowed as its income rather the same would be adjusted against its TDS bill.

3.3.8 On the point of Investment Plan, the Authority at para 13 of the aforementioned determination of 31st December, 2015, has discussed in detail the Investment Proposal of the Petitioner pertaining to the FY 2015-16 to 2019-20 along-with its expected benefits. Further, details with respect to the target projects to be carried out in the tariff control period along with their completion time lines under each head of investment i.e. STG, DoP expansion & rehabilitation, ELR, CIP, Civil Works and HR Improvement Plan, are available in Annexure-VII to the determination.

3.3.9 Copy of the transcript of hearing can be obtained from the office Registrar after completion of due process and payment of the requisite fee.

3.4 APTMA

3.4.1 A brief of contentions submitted by APTMA is an under;

I. The reference RFO price (Rs.47,981/M.Ton) used by NEPRA for determining monthly reference Fuel Oil Charges component of the Power Purchase Energy Cost is not Justified.

a. A World Bank quarterly report on commodity markets outlook issued in January, 2016 has concluded, "All main commodity price indices are

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projected to decline in 2016 relative to last year due to persistently elevated supplies and, in the case of industrial commodities, weak growth prospects in emerging market economies. Energy prices are expected to fall 25 percent from 2015, with oil prices projected to average $37/bbl in 2016." The US commodity markets predictions expect the RFO price to range between US$20-40 in 2016 (January-December).

b. Independent statistics and analysis of the US. Energy Administration in its short term energy outlook (STEO) issued in March, 2016 reveals that the Brent crude oil prices are forecast to average $34/b in 2016 and $40/b in 2017 respectively. Brent crude oil prices are about US$ 5.00/ or more higher than the OPEC Basket crude oil price from where Pakistan imports oil to cater its demand.

c. NEPRA determined actual fuel prices in its FPA determinations for the Months of July 2015 to January, 2016 as compared to its reference monthly fuel prices in its Annex-IV (Power Purchase Cost) of the NEPRA MYT determination in the matter of Petitioner for FY 2015-16, are contradicting to each other as illustrated below:

	Fuel Charges Component of PPC Rs./kWh						
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
FPA Determinations	4.3559	3.8546	3.5527	5.5222	5.2383	4.2676	5.8236
MYT Determination (Annex IV)	4.9811	4.7552	5.1217	5.2366	5.0497	5.8619	7.1241
Refrence Fuel Cost Overstated	14%	23%	44%	-5%	-4%	37%	22%

d. NEPRA's claim that its determination is futuristic that keeps in consideration the future oil scenario is absolute misrepresentation of the facts and misuse of its authority to bulldoze its irrational decision

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since all major stakeholders' analysis and market reports have been altogether ignored and no evidence, rationale or oil forecast scenario of NEPRA has been presented in its determination to justify the RFO price assumption of Rs.47,981/M Ton.

e. APTMA provided the following scenarios of the Average RFO price in 2016 & 2017 using average international price of US$ 30 for 2016 and US$ 35 for 2017 respectively;

Description	2016			2017		
	Base Case	Scenario 1	Scenario 2	Base Case	Scenario 1	Scenario 2
Average Price/Barrel US$	30	32	29	35	37	33
Avergae Price/M.Ton US$ @ 7.14 Barrel/M.Ton	214	225	204	250	263	238
Landed Cost US$/M.Ton	228	239	218	265	277	252
Oil Marketing Companiess Margin US$/M.Ton	6	6	6	6	6	6
Estimated Delivered Cost US$/M.Ton	234	245	224	271	284	259
Estimated Delivered Cost PKR/M.Ton Delivered	23,671	24,754	22,588	27,381	28,644	26,118

f. NEPRA determined RFO price of Rs. 47,981/M.Ton is based on international RFO price of about US$ 62/barrel, which is a most cruel treatment with the customers.

g. Setting a higher fuel cost will result in higher tariff upfront though compensated through FPA later but in the process forces the industry to quote higher costs that make their bids uncompetitive and upfront payment of GST that places unnecessary liquidity pressure on the industry. The DISCOs also face adverse circumstances in months when huge FPA amounts are paid back.

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h. The RFO price used by NEPRA for reference fuel price cost calculation is grossly overstated, in contradiction of its own earlier determination for Nandipur, FPA determinations and totally in the opposite direction of the fuel price scenario predictions of World Bank and other Market forces.

i. The reference fuel oil power purchase energy price be revised downwards using RFO price of Rs.23,000/M.Ton that is not expected to increase in near future as forecasted by the market forces.

II. NEPRA's determination of the Petitioner's T&D Loss as 9.5% is grossly overstated since;

a. Determination of the Petitioner's T&D loss target is not aligned to the weighted average T&D loss calculated based on section wise losses indicated in it's petition.

b. The Asian Development Bank Multi tranche financing Facility deliverable requirement i.e. "Systems technical losses are reduced each year by 10% of the previous year's loss figure" has neither been taken into account by the Petitioner nor by NEPRA in setting the T&D annual Targets.

c. Cost of service principle recognizes that all costs associated with power distribution system assets dedicated for a specific voltage level should be recovered from the customer classes served at that level. APTMA understands that the Petitioner has followed this principle for allocation of costs to various customer classes to determine its cost of service for each class. However, it did not follow the same principle in

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estimating the energy power purchase requirement that resulted in overestimation of energy power purchase requirement.

d. The Petitioner's reported its voltage level technical losses in its petition as follows:

FESCO's T&D Loss Target for FY 2015-16 as Given in its Petition (Table 3.5)		
LT (0.2/0.4 kV)	HT (11kV) Line +Transformer + Cable	Transmission (132/66 kV)
2.3%	6.1%	2.00%

Based on the voltage level losses indicated above, the aggregate Petitioner's level technical T&D loss comes to 7.77% as explained below:

Power Distribution by Voltage Level	Technical Loss	MkWh Demand at Power Intake Points			
		Meter	LT	HT	CDP
0.2.0.4 kV (LT) Customers	2.30%	7,436	7,611	8,105	8,255
11 kV (HT) Customers *	6.10%	1,491		1,588	1,617
132 kV Customers inc. **	1.81%	2,924			2,978
FESCO WEIGHTED AVERAGE T&D LOSS	7.77%	11,851	7,611	9,693	12,850

*Include 62 MkWh Export to DISCOs

**Include 1495 MkWh Export to DISCOs

e. Units lost on account of technical loss for flow of power from each voltage circuit have been estimated and indicated in the above table. Therefore, NEPRA's determination of the Petitioner's T&D loss as 9.5% for 2015-16 is not justified since total Unit sales consist of:

- Units Sold at 132 kV Level FESCO Customers
- Units Lost during Export to Other DISCOs at 132 & 11kV Level
- Units Sold at 11 kV (HT) Level to FESCO Customers
- Units Sold at 0.2/0.4 kV (LT) Level FESCO Customers

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f. As a consequence of all the above technical appreciation, uniform T&D loss level cannot be used to determine power purchase requirements for delivering units at 132kV, HT(11kV) and LT(0.4/0.2 kV) levels.

g. NEPRA's instant determination with regards to the T&D Loss assumption for power export to other DISCOs using 132kV and 11kV network as 6% (Para 41.III.iii) comprising of 1% 132kV and 5% 11kV(HT) system loss. This means that if LT loss of 2.3% as proposed by Petitioner is added to 132&11kV T&D loss, the total T&D loss of FESCO comes to 8.3%.

h. Therefore, the NEPRA determined target of 9.5% T&D loss for 2015-16 should be corrected downwards ideally within the range of 7.8% to 8.3%, but in any case it should not exceed beyond the level of 9.13% as determined by NEPRA for FY 2013-14 unless NEPRA has a very strong justification, which as a matter of fact has not been given in the determination. Proper calculation of the weighted average T&D loss based on the voltage level losses and voltage level power distribution mix should also be provided in the determination.

III. NEPRA in its determination continued with its previous practice of recovering export wheeling cost from the Petitioner's customers by keeping it a part of the total revenue requirement used for determining the tariff rates. NEPRA did not determine the amount of wheeling charge for export of power to other DISCOs based on its own formula and excluded it from the total revenue requirement to be recovered from the Petitioner's customers. Therefore, NEPRA should work out the amount of wheeling charge for the time being in accordance with its own crafted formula and exclude it from the total revenue requirement to be recovered from

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the Petitioner's Customers. This will put pressure on the Petitioner to ensure billing of the wheeling charges for export of power and avoid its loss if not billed.

IV. NEPRA's approved investment plan for the Petitioner is too optimistic and difficult to implement since:

a. NEPRA determination reveals incapability of the Petitioner that could implement only 28%-58% of the approved investments programs in the last 4 years, but NEPRA still allowed an unprecedented mega size investment program over a 5 year program. This may not be acceptable to the new investor if FESCO is privatized as scheduled and thus the Regulator's determination in this regards is a matter of serious concern.

b. The Petitioner has expressed its total inability to achieve the performance targets determined by NEPRA, however, if all these conditions are to stay even after the approved investments, then the subject investment program should not be included in Rate base for RORB determination.

c. NEPRA determined the performance targets to be achieved as result of the approved investments in the five year period, but did not determine the course of action including relief to the customers in case the NEPRA set targets are not achieved after implementing the approved investments by the Petitioner.

d. The Petitioner's approved investment plan is very ambitious and beyond the capability of the Petitioner. NEPRA must get the following information before making any decision that is not limited to the following:

- Assets Addition (Jul-Dec, 2015)
- CWIP as of 31-12-2015
- Contracts/Purchase Orders issued and expected to be completed by June, 2016.
- Month wise Procurement Plan for 2016

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e. Financing of the Petitioner's investment plan is also dependent on the self-financing condition imposed by the donors. The Petitioner is expected to have liquidity constraints since it will have negative prior year adjustments on it revenue requirement. Therefore, once the requirement is determined by NEPRA, the cash flow needs to be developed to ascertain the liquidity level of the Petitioner.

f. Another necessary step that needs to be taken-up by the DISCOs, the Regulator (NEPRA) and the GoP is that the Consumer End Tariff for a particular financial year should be notified before the start in June, so that it is rightly enforced / implemented from the 1st July of that particular financial thus doing away with a major reason for the present huge prior year adjustments – which lead to high revenue collection in one year and much less than required revenue in the next. In other words, presently a continued debt remains with the Power Sector, which is due to its customer base.

g. Approval of the Investment Program assumption that new Investor after Privatization will execute it as stated in NEPRA determination is not justified since:

- Timing of the Privatization is unknown
- Whereabouts of the Investor are unknown
- Willingness of the New Investor to implement this is uncertain

h. Therefore, NEPRA is requested to ensure that investment size is rational. RORB part of the investments failing to achieve determined performance targets should be withdrawn from the tariff as negative prior year adjustment to ensure that the requisite investments are not made to merely enhance the Distribution Margin.

3.5 **Rejoinder by the Petitioner**

3.5.1 The Petitioner has submitted the following rejoinder on the points raised by APTMA;

3. 5.2 Regarding the issue of IGTDP, the Petitioner has submitted that IGTDP was in accordance with the power policy of Ministry of Water and power, Government of Pakistan to support the current and future energy needs of the country with special

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emphasis to eliminate load shedding from the country up to 2018. In addition, the IGTDP was aimed to meet the requirement of system efficiency stability and consistent power supply to the customers. Further, cost benefit analysis of all projects proposed in the IGTDP has been given therein.

3. 5.3 On the point of performance standards, the Petitioner has stated that the Performance Standards set by NEPRA cannot be achieved immediately keeping in view the existing conditions. The performance Standards proposed by the Petitioner were based on the investment plan for the entire 5 year period.

3. 5.4 Information regarding addition in assets, CWIP, Contracts/ PO issued and month wise procurement plan has been provided by the Petitioner. The Petitioner further added that addition of Assets & CWIP in the first six months will not present a true picture as most of the time during this period spent in finalization of tendering process. Much of the progress is achieved in the last months of financial year.

3. 5.5 Regarding Financing Plan, the Petitioner has mentioned that it will meet the self-financing condition, if imposed by the donors, out of its distribution margin being determined by NEPRA. As regards timely determination of the tariff, the Petitioner agreed with the remarks/ comments of the intervener.

3. 5.6 On the remaining points, the Petitioner has mentioned that these pertain to NEPRA/ GoP.

Authority's Response

3. 5.7 The Authority after careful review of the Interveners concerns on the assessment of reference fuel cost component is of the view that it has determined references for the Petitioner based on the best estimates, keeping in view the past trends and available information on the future trend of the fuel prices. The Authority while projecting the future RFO prices was cognizant of the decreasing oil prices scenario therefore the new reference for RFO was assessed as an average of Rs.47,981 /M.Ton instead of previously determined average of Rs. 65,000 / M.Ton. The Intervener stated that the Authority's argument of determining fuel price references keeping in view the futuristic approach is absolute misrepresentation of the facts and misuse of its authority and referred World Bank's quarterly commodity markets outlook (issued in January , 2016) and Independent statistics and analysis of the US Energy Administration in its short term energy outlook (STEO) issued in March, 2016, in order to justify its claim. The Authority brings on record that the same World Bank's commodity report issued in July , 2015 covering the control period projected crude oil as USD. 57 /b. Further, Independent statistics and analysis of the US Energy Administration, in its short term energy outlook (STEO) issued in July 2015, projected WTI crude oil rates as USD. 59/ b

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for the month of July and showed an increasing trend up to USD. 66 / b. Based on the latest projections provided by the aforementioned reports and the analysis of Intervener, whereby it claims that the future RFO prices would not increase more than Rs. 23,000/M.Ton (based on USD. 30/b) has already proven wrong as the WTI crude oil has already touched USD. 42.17/b (on 12th April, 2016). Here it is pertinent to mention that it is not Brent Oil (for which a price of $ 34/b is projected), which as per the Intervener is USD 5 /b higher that the WTI.

3. 5.8 The Authority being cognizant of the fact that every projection has some limitation. It is not possible for anyone to apprehend and foresee all the factors causing variations in fuel prices, owing to which the mechanism of monthly fuel price adjustment is introduced so that neither the consumers nor the DISCOs should take the undue benefit of the variation in fuel prices, since the Authority cannot change its projection on mark to mark basis. The FPA mechanism ensures that in case of any variation in fuel prices from the reference prices, the impact of the variation is either recovered from the consumers or the benefit of the same is passed on to the consumers through monthly FCA mechanism. Further, the argument the reference fuel price determined in the case of Nandipur Project is contradictory to the Authority's determined fuel references is not correct as the determined RFO price of Rs. 47,981 / MTon, is an average of twelve month's projection of RFO's future prices which are subject to review as per the approved Methodology, whereby the RFO reference price set for Nandipur Project would continue same for the life of the project. Thus, the perspective of setting both references are different. In view aforementioned discussion, the Authority considers that APTMA's observation in this regard is not valid. However, the Petitioner's input in this regard was very valuable and is strongly encouraged to participate in the future proceedings.

3. 5.9 The Authority on the point of T&D losses observed that the weighted average T&D loss of 7.77% worked out by APTMA is not correct being based on incorrect sales mix and therefore cannot be relied upon. Further, the referred reduction of 10% is from the actual loss figure is an operational target from the lender and cannot be construed as a regulatory target. The Authority in its determination in the matter of the Petitioner with respect to the Motion for Leave for Review filed against the Authority 's decision pertaining to the FY 2013-14, has elaborated on the rationale for the assessment of 9.50% at para 4.8. In addition to aforementioned, the rationale for allowing a T&D loss target of 9.5% has also been discussed in detail and with reasonable clarity under para 10 to 12 of the MYT determination in the matter of the Petitioner, dated December 31, 2015. The rational for the assessment of 9.50%

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3.5.10 The issue of wheeling charges has already been addressed under para 31 of the MYT determination of the Authority dated December 31, 2015.

3.5.11 The rationale / basis for allowing the investment plan of Rs.44,625 million has been discussed in detail under the issue of "Investments" under para 13 of the aforementioned determination dated December 31, 2015. Here it is pertinent to mention that the Authority has incorporated a true up mechanism whereby each year, the amount of actual expenditure would be considered and any undue benefit drawn by the Petitioner would be adjusted and vice versa. Further, the Authority would also extensively monitor the execution of allowed investments.

4. Transmission and Distribution Losses

4.1 The Petitioner in its review motion stated that although the Authority allowed the requested IGTDP as submitted by Petitioner however, it had reduced the limit of Transmission and Distribution (T&D) Losses and determined 9.50% as a base line for setting future T&D losses target during the control period. It was further contented that the Authority considered the proposal of the Petitioner for the reduction of 1.02% in T&D losses, as conservative, for the control period and instead assessed 1.4% reduction in losses over the five year's control period.

4.2 The Petitioner on setting the base line as 9.5% with respect to T&D loss submitted that;

i. The Authority in its determination for the FY2013-14, for the very first time directed to the Petitioner to bring down the level of it T&D losses from 10.83% to 9.13%. The determination was given in the end of the relevant financial year at time when the summer season was approaching. Against the decision of the Authority, the Petitioner sought a review by filing a motion for leave to review, however, the same was also denied by the Authority. The Petitioner at the same time was directed to approach the Authority with "studies" of the losses.

ii. While deciding the MLR the Authority enhanced the T&D losses to 9.5% from the earlier allowed target of 9.13% and disallowed requested administrative loss of 1.70%. However, by doing so, the Authority accepted the contention of the Petitioner that administrative loss is not merely the theft but certain other factors are included therein.

iii. Without further arguments on that point, the Petitioner believed that the Authority will consider the ground realities and actual state of affairs of the

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Petitioner in this regard. On creation of the Ex-WAPDA companies, there was no actual study of the losses and therefore even for quite long time, Authority determined tariff on basis of assumptions and market practice continued thereafter. Meanwhile, the Authority directed for "studies" as well as for installation of "AMR" at CDPs. The purpose was obvious that the Authority intended to have actual state of affair before it. The Petitioner always made effort to stand shoulder by shoulder with Authority and same is the approach even today.

iv. In compliance of the directions of the Authority and for the benefit of the Petitioner itself, Petitioner got conducted studies from well-known experts in the field. They have completed major chunk of their assignment. Being conscious of the quality of the report, Petitioner contractually mandated the experts that their report should be of the standard acceptable to the Authority. Therefore, if the Authority is not satisfied with the report, the Petitioner shall not be referring the same. On the other hand, the relevant expert, under the arrangement with Petitioner, shall be appearing before the Authority to explain their work.

4.3 Based on the aforementioned grounds the Petitioner submitted that since it is stepping into a lock-in period of five years, establishing a fair quantum of permissible losses is critical for its commercial existence. The Petitioner also stated that the base line of 9.50% is set by the Authority keeping in view that the Petitioner failed to get studies in time, therefore it appears to be high time that the Authority may reconsider the targets of losses keeping in view the "studies" already conducted; the targets set in the IGTDP approved by Authority and the fact that existing losses as recorded by the Petitioner are 11% (June 30, 2015).

4.4 The Petitioner submitted that the Authority expects that it would achieve the base line T&D losses (i.e. 9.50%) immediately and thus without any investment at this stage. The Petitioner stated that as per determination, after investment of Rs.44.625 Billion (including Rs. 13,060 Million as consumer financing) over a period of 5 years, the Authority has assessed a reduction of 1.4%, whereas, the decrease from 11% (current) to 9.50% (determined) in a single year i.e. 1.5%, is not only too aggressive but also impossible as 6 months of the current financial year has already elapsed.

4.5 The Petitioner submitted that the "studies" regarding transmission losses is 100% completed whereas the distribution segment of the study is also on verge of completion and the preliminary results of the "studies" conducted so far deliver a fair picture of state of affairs for Petitioner. The Petitioner stated that according to the findings of studies, the losses are determined to be 12.84% accumulative (based on 45% study of

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distribution network). The Petitioner further stated that despite these findings of the study, the Petitioner, is in effort to mitigate losses from the power sector and to support efforts of the Authority, has set itself the target of putting in vigorous efforts to maintain the T&D losses level of 11% or even less. In view of afore going the Petitioner requested to set the base line for T&D losses as 10.89%. The Petitioner also mentioned that losses studies have been shared with the Authority and requests that the studies should be presented by the experts in order to justify the quality of the studies. The Petitioner also requested to provide sufficient time to produce quality work in order to comply with the Authority's directions.

4.6 Here it is pertinent to mention that the Petitioner during hearing of its MLR stated that study of Transmission and Transformation (T&T) losses has been completed and according to the study, its T&T losses are 2.55%. The Petitioner further stated that study of its distribution network is 62% complete whereby its distribution network loss is 9.49%. The Petitioner submitted that as per the latest figure, its accumulative transmission and distribution losses works out as 12.04%.

4.7 The Authority has observed that while assessing the T&D losses of the Petitioner in the matter of MLR pertaining to FY 2013-14, the Petitioner's arguments of 1.70% administrative loss was clearly rejected by the Authority in para 4.6 and 4.7 of the MLR of FY 2013-14 and the rational / basis of allowing T&D loss target of 9.50% for the FY 2013-14 has been discussed in detail at para 4.8 of the afore referred MLR.

4.8 Further, the rational / basis for setting the base line of T&D losses at 9.50% for the FY 2015-16 has been discussed in detail in para 11.8 and 11.9 of the MYT determination of FESCO for the FY 2015-16 to FY 2019-20.

4.9 In view thereof, the Petitioner's claim of not having sufficient time to achieve the target level of T&D losses of 9.5% is not maintainable as the level of T&D losses has not been changed for the last year's assessment. Thus, the Petitioner was aware of the target of 9.5% before the start of the FY 2015-16.

4.10 The Authority is of the considered view that level of losses of the Petitioner's distribution network may vary with the change in sample size as evident from the status presented by the Petitioner during hearing of its MLR whereby the finding of its distribution losses have reduced from 10.29% to 9.49%, with increase in sample size from 45% to 62%.

4.11 Notwithstanding completion of the study or otherwise, the Authority cannot rely on the intermediate results of the study. However, the Authority may consider the results

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of the study once it is complete and the Authority is satisfied with the quality of the study.

4.12 Based on the aforementioned grounds and discussion, the Authority considers that the Petitioner has failed to submit any new evidence / rationale in support of its claim which would provide the basis to the Authority to revise its earlier decision in this regard. Hence the Petitioner's request is rejected.

5. **Recruitment Plan & New Divisions/Sub Divisions**

5.1 The Petitioner in MLR has stated that the Authority, at Para 9.2.13 MYT determination, has not allowed the requested additional recruitment of 3,094 personnel having an impact of Rs.476 million with the remarks that the quantified benefits provided by the Petitioner neither include the exiting state of affairs nor it include the future targets, rather it gives generic statement e.g. better service to consumer, system will improve, efficient utility functions etc. The Petitioner submitted that at the time of incorporation of XWDISCOs the Business Transfer Agreement was executed and at the same time, the Operation and Development Agreement was signed. The Petitioner submitted that under the Operation and Development agreement the employees of WAPDA were transferred to the newly created companies with protection that nothing adverse to their rights would be enforced. The Petitioner also informed that the same is provided in Section 3(2) of Civil Servants Act, 1973. The Petitioner delineated that, later on, the XWDISCOs offered employment to the said employees as per the transitional phases envisaged under the Power Sector Restructuring Plan that was approved by Council of Common Interest in 1993.

5.2 The Petitioner stated that all the rules and regulations those were applicable in WAPDA were made applicable to the newly incorporated DISCOs, until they have had their own rules and regulations. The Petitioner stated that this continued even till FY 2007 when by General Order No.1, WAPDA got separated from PEPCO and other companies. The Petitioner stated that one of the said rules was the SOP dated 08.08.2002 wherein the yardstick for creation of new operational establishments was revised.

5.3 The Petitioner stated that these were the reasons that the Authority has even allowed the O&M and other costs, related to the manpower, to DISCOs, GNECOs, NTDC and WAPDA without providing any particular yardstick at its own. The Petitioner also stated that being company established under the Companies Ordinance, the Petitioner also got sanction of its Board of Directors. The Petitioner delineated that it has always attempted to follow the directions of the

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Authority with sincere efforts. The Petitioner stated that although the Authority has not provided any specific yardstick until recent and the Petitioner is not contesting that the Authority has disowned yardstick provided by WAPDA.

5.4 The Petitioner pointed out that while circulating for comments the "Commercial Procedure" reviewed by the Authority, vide letter No. NEPRA/R/SA(M&E)/CPM-01/2497-2519 dated March 02, 2015, certain annexure have also been produced. The Petitioner stated that said circulated procedure, bit or more, bears the same yardstick as was in WAPDA regime. The Petitioner also pointed out that by letter No. NEPRA/R/TRF-100/12654-63 dated August 26, 2015while providing criteria for creation of new Sub Divisions, Divisions and Circles in the DISCOS, the Authority has itself referred to the above mentioned SOP dated 08.08.2002 of WAPDA.

5.5 The Petitioner submitted that in view of the legacy under the plan of reforms and restructuring of WAPDA, the then existing standards / yardsticks for creation of divisions and hiring of employees, circulated commercial procedure after its review by the Authority, the reliance on the SOPs of WAPDA by the Authority, compliance of regulatory requirements under SECP laws as well as regulatory instructions of the Authority by Petitioner, the Petitioner contended that there was no bar on it to manage its affairs in best interest of the consumers with no undue burden. The Petitioner stated that keeping in view the all above points which is not considered by the Authority in the current determination, the strength proposed by Petitioner (keeping in view of its growth over years and time to come) was justified and for the ultimate benefit of its consumers.

5.6 The Petitioner submitted that the required hiring, in consonance with the IGTDP, as replacement and against the new operational offices already allowed by the Authority for the purposes of committed performance. The Petitioner requested to the Authority to provide regulatory instructions and guidelines, if any, those have to be followed in rules and regulations to be made by Ex-WAPDA entities in future. The Petitioner requested to review the decision of the Authority and allow around Rs. 476 million under prudent utility practice.

5.7 The Petitioner argued that while determining MYT for FY 2015-16 to FY 2019-20 the Authority has reverted its previous decision of allowing the creation of new circle, divisions and sub divisions with the remarks that decision was specific under single year tariff regime, whereby each year its financial and qualitative impact may be evaluated/analyzed. The Petitioner stated that the Authority in the MYT decision argued that, under multiyear tariff regime, the instant decision becomes irrelevant as the existing state of affairs of the Petitioner is considered as

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benchmark for future efficiencies. The Petitioner submitted that the issue of bifurcation/creation of operation sub-divisions, divisions and circles was raised by the Petitioner, in its Tariff Petition for FY 2013-14 and FY 2014-15 with detailed justifications. The Petitioner further stated that the Authority after conducting a separate hearing on the issue accepted the proposal initially to the extent of Phase - I only and during the hearing dated September 21, 2015, Petitioner informed the Authority that 3 new Divisions, 3 Revenue Offices and 12 Sub Divisions have been created in Phase-1 with effect from August 01, 2015. The Petitioner on the Authority's contentions of non-submission of quarterly progress reports, submitted that, results of newly created offices could not be compiled/compared after one month of creation. The Petitioner stated that the progress of newly created offices has been evaluated in terms of reduction in losses as well as improvement in recovery and found that creation is going to achieve the desired results.

5.8 The Petitioner submitted that it has created new Divisions/Sub-divisions etc. in compliance of Authority's directions and the provided yard stick. The Petitioner also added that the Authority has very rightly approved civil works for creation of new circle/ divisions/ sub divisions in the MYT determination, so the O&M cost required for newly created offices may also be allowed for all three phases. The Petitioner also requested to allow creation of new circle/ divisions/ sub divisions under 2nd and 3rd phase besides allowing O&M expenses of all three phases.

5.9 The Authority after careful consideration of the Petitioner's arguments is of the view that the Petitioner has not fully comprehended the justification given by the Authority in para 19.2.11 to 19.2.13 of the MYT determination, wherein it has been mentioned that the Petitioner had been directed previously to quantify the benefits of additional recruitments in view of improved customer service, losses reduction etc., which the Petitioner has not provided. The Authority has never decided anything against the rights of the employees which were transferred to the newly created XWDISCOs and their rights were protected, owing to which the Authority kept on allowing the inflationary increases over incurred O&M costs. Thus, the endorsement of the Authority was to the extent of "cost" of then existing employees only transferred to the newly created XWDISCOs that is the reason why the Authority principally decided to allow the replacement hiring cost with the condition of provision of certificate of from the Auditor. The certificate also establishes the movement in "costs" and the same it allowed (as it was treated in the case of the Petitioner). The Authority considers that the notion that since the aforementioned employees were initially recruited on the WAPDA yard stick hence the yard stick also stand approved, is not correct

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as the Authority has not carried out any due diligence on the referred yard stick. That is the main reason that the Petitioner was directed in the past, to get its yard stick approved from the Authority, in case it intends to carry out any additional hiring. It was further directed that the proposed yard stick must be based on the best utility practices including the exiting state of affairs. The Authority has always emphasized on the best utility practices and exiting state of affairs as it is of the firm view that since the referred yard stick was approved way back decades before and totally ignores the latest technological advancements in terms of IT and Engineering. The direction was never complied with by the Petitioner.

5.10 The issue regarding bifurcation/creation of operation sub-divisions, divisions and circles was raised by the Petitioner in its Tariff Petition for the FY 2013-14. The Authority before making any decision of the issue decided to have separate presentation from the Petitioner in this regard.

5.11 The Petitioner gave detailed presentation in July 2014 and built up its case by stating that the excessive number of consumers merit creation of new circles. The Petitioner also presented the mode of creation of circles and bifurcated it into three phases with each phase having a cost of Rs. 570.32 million, Rs. 555.57 million and Rs. 538.11 million respectively, resulting in a total cost of Rs.1,664 million. The Petitioner also enlisted following benefits of creation of new circles;

- Better Customer Service;
- Improvement in technical system;
- Decrease in customer complaints;
- Improvement in Power supply continuity;
- Efficiency in utility function and utility practices;
- Reduction in Administrative losses by 1.25% and technical losses by 1%;
- Reduction in work burden on employees;
- Improvement in Recovery;
- Improvement in FESCO image.

5.12 The Petitioner also requested for additional manpower for the new circles, divisions and sub-divisions, whereby, on a Divisional level 28 new staff members would be required, 45 new staff members at RO Office and 30 new staff members for Operation circle. The Authority made the creation of circles/ divisions/ sub-divisions an issue while determining the consumer end tariff for the FY 2014-15 and all the distribution companies were provided opportunity to submit their

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comprehensive proposal in the matter along-with evidence to justify the need of creation of any new operational and administrative units for approval of the required cost.

5.13 The Authority after careful evaluation of the Petitioner's proposal considered it beneficial for both i.e. for the Petitioner's own operational management and for the consumers as well. Accordingly, the Authority accepted the proposal initially to the extent of Phase - I only and also decided to closely monitor the project to check if it is achieving the claimed advantages. Consequently, the Petitioner was directed to send quarterly report of progress made on creation of new circles w.e.f. 31st March, 2015.

5.14 The Petitioner during its MYT determination process informed the Authority that in phase one, 3 new Divisions, 3 Revenue Offices and 12 Sub Divisions have been created with effect from 1st August, 2015. However, no further details were provided as to what extent actual expenditure was incurred against what has been allowed and what benchmarks have been set for the claimed benefits including existing state of affairs. The Authority allowed the cost of civil works in this regard in the tariff determination of the Petitioner for the FY 2015-16 to 2019-20. However, the Authority evaluated Petitioner's request regarding O&M cost of new circles/divisions /sub-divisions in the context of transitioning from Single year to Multiyear tariff regime and the anticipated change in management through the ongoing privatization program. The Authority also considered that allowing creation of new circles / divisions /sub divisions was decision specific under single year tariff regime, whereby each year its financial and qualitative impact were to be evaluated/analyzed. Under multiyear tariff regime the instant decision becomes irrelevant as the existing state of affairs of the Petitioner is considered as benchmark for future efficiencies. Further, keeping in view the existing management change whose prime objective would be to bring efficiency may come up with an idea which would may render the whole idea of creating new circle obsolete. The Authority further felt that in the era of technological advancements, every effort needed to be adopted to get the benefit of technology to bring efficiency through reducing reliance on more man power. Thus, keeping in view the arguments with respect to management change, multiyear tariff regime and the fact that the Petitioner failed to comply with the Authority's direction, the Authority decided not to include the requested cost of Rs.1,432 million (costs for all phase) as a part of reference cost for future increases in the Petitioner's MYT determination dated December 31, 2015.

5.15 The Petitioner in the MLR has argued that its existing Circles/ Divisions and sub-divisions are overburdened due to increase in number of consumers over the period

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and therefore to serve the consumers in a better way, creation of new circles/ divisions/ sub-divisions is imperative. It was argued that due to fewer subdivisions, particularly in rural areas, its consumers have to travel long distances to get the redressal of their bills / complaints. The Authority understands that managing higher number of consumer with minimum resources could only be possible through heavy investment in advance technologies and by applying out of box thinking, which can only be brought in by the private sector only. Further, if the process of privatization gets delayed; the consumer's suffering due to current situation of circles/ divisions/ sub-divisions would increase. The Authority is also cognizant of the fact that the Petitioner has already created 3 new Divisions, 3 Revenue Offices and 12 Sub Divisions. In view thereof the Authority has principally decided to allow the Petitioner to create new circles /divisions / subdivisions. However, allowing upfront O&M cost regarding creation of new circles, divisions and subdivisions, without having the progress reports in not in the interest of consumers. The Authority understands that it will be in a position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in respect of creation of new circles, divisions and sub-divisions and substantiates the same with the quantified benefits achieved. Accordingly, the Authority has decided to carry out a mid-term review of the Petitioner's O&M cost to the extent of creation of new circles, divisions and sub-divisions only. The mid-term review would be carried out in case if the ongoing privatization program is deferred and Petitioner remains in the Public sector.

5.16 The Authority will evaluate the cost incurred by the Petitioner on the grounds of prudence, regarding creation of new circles, divisions and sub-divisions from FY 2015-16 till the time the Authority carries out its midterm review. If the Petitioner manages to proves the prudency of the cost, the Authority may consider allowing the same as prior year adjustment and may include the same in the base cost of the Petitioner for the remaining control period.

5.17 The Authority will assess the cost incurred by the Petitioner regarding creation of new circles, divisions and sub-divisions in the midterm review on the principal of prudence. The Authority will assess the prudency of the cost based on the following parameters in addition to what has been discussed above for future increase as per consumer end tariff methodology.

- Reduce the duration of interruptions by reducing travelling time for repair and maintenance crews;
- Reduce the frequency of interruptions by improving the quality of line monitoring and maintenance;

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- Reduce the extent of commercial losses by increasing the presence of field staff;
- Reduction in customer complaints;
- Better Customer Service in terms of reduction in complaint handling time;
- Improvement in technical system;
- Improvement in Power supply continuity;
- Reduction in Administrative and technical losses;
- Improvement in employees productivity;
- Improvement in Recoveries;
- Reduction in travelling and vehicle costs;
- Efficiency in utility function and utility practices;
- Improvement in Petitioner's image

5.18 The Authority is of the view that the Petitioner before taking any such decision in future, shall evaluate all the options arisen due to technological improvements and regulatory advancements over the period.

5.19 While creating the new circles/ divisions/ sub-divisions, the Petitioner must explore the technological advancements and outsourcing options rather than by simply relying upon the inherited yard stick of WAPDA/ PEPCO which was approved way back.

5.20 The Authority during tariff determinations for the FY 2013-14 and FY 2014-15 disallowed the cost of additional recruitment to the Petitioner for the reason that only replacement hiring is allowed subject to completion of audit as per framework provided by the Authority. The Petitioner, in compliance to the Authority's direction regarding replacement hiring, submitted required replacement hiring certificate from its external Auditors. Accordingly, the Authority while assessing the Salaries, Wages and other benefits of the Petitioner for the FY 2015-16, considered the actual cost appearing in the financial statements of the Petitioner for FY 2014-15. As per the Audit certificate of replacement hiring, the Petitioner has made recruitments to the tune of Rs. 260.73 million whereas the impact of retirements is around Rs.500.42 million during July 1, 2009 to June 30, 2013.

5.21 The Petitioner during the hearing of MLR and subsequently vide its letter # 780 CFO/FESCO/CPC dated 01-04-2016, informed the Authority that it has already carried out the recruitment to the tune of Rs.460 million as replacement hiring in

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lieu of retired employees. The Authority, considering the fact that the Petitioner's reference expense is being set for a period of five years under the MYT regime and that the impact of Rs.240 million has not been included in the reference / base expense of the Petitioner determined for the FY 2015-16, has decided to allow the replacement recruitment to the extent of Rs.240 million only, in the reference O&M cost of the Petitioner for the FY 2015-16, instead of the amount of Rs.460 million requested by the Petitioner. Now it is up to the Petitioner to depute these new recruits in the newly created subdivisions / circles or elsewhere. Here it is pertinent to mention that when evaluated in terms of cost, the Petitioner may recruit more than one new SDO against a single retired Officer.

5.22 Apart from what has been discussed in the preceding para, the Authority considers that the Petitioner has not provided any new evidence / information in support of its claim, which would formulate the basis for the Authority to reconsider its earlier decision in this regard; therefore, the request of the Petitioner is declined.

6. Bifurcation of Operations and Maintenance (O&M) Cost

6.1 The Petitioner stated that in the MYT petition it was proposed that O&M costs be bifurcated into controllable and uncontrollable costs in order to make a distinction between costs that the Petitioner can control (or influence) and be assessed for efficiency gains and other costs that were external and/or not under its control (or influence). The Petitioner requested to allow this bifurcation of O&M costs in order to fairly assess the efficiency gains and derive a fair revenue allowance for each year of the control period of MYT. The Petitioner submitted that the lack of segregation of O&M costs into controllable and non-controllable would limit it to absorb costs only to the extent of CPI-X in the tariff and the remaining costs would effectively impact the returns of the Petitioner. The Petitioner submitted that NEPRA's licensing fees, rent which is subject to terms of rental agreements, collection expenditure, software licensing fees and increases in costs relating to any GOP directive should be treated as uncontrollable cost because the Petitioner cannot influence it.

6.2 The Petitioner submitted that the Authority in the instant determination of MYT disallowed the bifurcation of O&M costs and allowed only power purchase price as pass through as per the MYT methodology. The Petitioner submitted that, it was stated by the Authority that costs which are being stated as uncontrollable by the Petitioner have been incorporated in the base year and the Authority concluded that the Petitioner has to bear the risk of future fluctuations of such costs along with the opportunity for optimization as per the MYT methodology. The Petitioner is of the

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view that certain uncontrollable costs are unavoidable in the normal course of business and cannot be influenced by the entity. The Petitioner submitted that under an incentivized MYT regulation in international markets, such as the CPI-X methodology that Authority has approved under the NEPRA Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015; uncontrollable costs are separated from costs that the distribution utility can influence (controllable costs) so that the utility is only assessed for efficiency gains based on the costs that it can control and can achieve efficiency gains from. The Petitioner stated that this is to make sure the essence of the incentivized regulation where as the utility is not required to achieve efficiency targets on non-controllable/external costs, which by definition it cannot influence.

6.3 The Petitioner delineated that, where incentive-based tariff regimes are implemented, such as in Germany, France and the Czech Republic, O&M costs are bifurcated into controllable and non-controllable costs with the efficiency factor applied only to the controllable costs. The Petitioner further delineated that the nature of the cost items that are considered controllable and non-controllable are assessed depending on the market the utility is operating in and the specific properties of the utility.

6.4 The Petitioner submitted that the inclusion of uncontrollable operating expenditure into the catalogue of costs on which efficiency gains are to be made by the distribution utility serves to put undue burden on the utility to further reduce costs from controllable items. The Petitioner stated that as the utility cannot influence its uncontrollable costs, it would be unfair to expect it to absorb such costs at the expense of gains achieved from efficiently managing its controllable costs.

6.5 The Petitioner information that in Germany, the regulator bifurcates the cost into three types:

- ✓ **Inefficient** Cost – Costs which Company can influence but the service provided by company is more expansive than those of the peers
- ✓ **Efficient** Cost – Costs which Company can influence and are determined based on the benchmarking exercise. These are subject to cost reduction targets
- ✓ **Non-Influence-able Costs** – Costs which the company cannot influence (Non-controllable) costs. Such costs include employee benefits and transport grid fee paid by the distribution company. These costs are not subject to any incentive mechanism.

6.6 The Petitioner also referred that in India the MYT Regulations 2011, issued by Maharashtra Electricity Regulatory Commission, bifurcate the O&M cost into the

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controllable and non-controllable costs. The following are considered as non-controllable factors as per the regulation:

- ✓ Force majeure events
- ✓ Change in law
- ✓ Variation in fuel price
- ✓ Taxes and duties
- ✓ Variation in power purchase cost
- ✓ Variation in freight rates

6.7 The Petitioner also referred that in India, a Z-factor charge is allowed to the distribution companies on account of uncontrollable factors. The non-controllable costs are trued-up annually and passed on through to the consumer on an annual basis as an adjustment in the tariff.

6.8 The Petitioner stated that the above shows that regionally and internationally O&M costs are bifurcated into controllable and uncontrollable costs and the uncontrollable costs are allowed in the tariff based on actual cost incurred and are trued up annually, based on the evidence for the expenditure submitted to the Authority. The Petitioner submitted that the following cost components are identified as uncontrollable:

Regulatory licensing fee

6.9 The Petitioner argued that the Regulatory licensing fee paid to Authority is based on the rate set by the Authority and the number of units sold. Since the sales of electricity unit is not under the control of Petitioner, the regulatory fee should be classified as a non-controllable cost.

6.10 The Petitioner also submitted that any cost savings resulting from the reduction in the regulatory licensing fee (due to lower sales volume) would not be the Petitioner's efficiency gains and any benefit resulting from decrease in fee would be passed on to the consumers and vice versa. The Petitioner further submitted that if Petitioner cannot influence the costs that are necessary to maintain its status as a distribution utility, such a cost (regulatory licensing fees) should be classified as an uncontrollable cost and allowed as a pass-through item in Petitioner's MYT.

6.11 The Petitioner also referred that the Tata Power Delhi Distribution Limited (TPDDL), in its petition requested the regulatory authority, to true up the license fee paid, as the cost is un-controllable. The Petitioner delineated that its regulator treated it as non-

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controllable. The Petitioner also referred that the Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Georgia, India, Kosovo, Moldova, Montenegro, Serbia, and Turkey consider regulatory licensing fee under their MYT to be a non-controllable cost as well and the regulatory fees are passed-on to the end-user consumer.

Rent

6.12 The Petitioner stated that the lands on which Petitioner carries out its distribution activities were transferred to it from WAPDA as part of the unbundling process. The Petitioner further stated that since Petitioner was a state-owned entity, the cost at which the land was originally acquired and eventually transferred to Petitioner was not necessarily at market value. The Petitioner delineated that the cost at which land is appearing in the books of the Petitioner is only PKR 86.6 million, which is significantly lower than its market value of PKR 12,206 million (based on last valuation carried out as June 30, 2013). The Petitioner stated that this is not uncommon in state-owned utilities where federal and provincial properties are allocated to utility operators at minimal or no cost and often the only costs that are actually incurred with respect to acquisition of such properties are the transfer charges and stamp duties and levies paid at the time of title transfer.

6.13 The Petitioner submitted that this is also the case with Petitioner and it is for this reason that the Cabinet Committee on Privatization (CCOP) took a policy decision to have properties appearing in the books of the Petitioner to revert back to its original owners (WAPDA, GoPB and GoP) and leased back to the Petitioner on rental basis, where the rental charge of such properties would be based on their fair market value. The Petitioner also stated that based on prevailing rental yield rates, the CCOP decided that a rate of 6% should be applied on the prevailing market value of such properties (assuming that the use of such properties is restricted to the business of an electric power distribution company) as the annual rental charge that would be applicable on these properties. An escalation of up to 25% would be applicable on the rental charge every three years.

6.14 The Petitioner argued that as the rental charge has been determined based on a decision by the Federal Government, it is not within the control of the Petitioner to influence the rental charge or the escalation rate applied to it every three years. The Petitioner thus requested that the rent paid by a distribution utility, under normal circumstances, should come under controllable operational expenditure. However, in the case of the Petitioner, taking into consideration its privatization mandate, the lease payments to be paid by the Petitioner are uncontrollable costs as these cannot be influenced by the Petitioner.

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6.15 The Petitioner highlighted that the Authority has identified the example of Sindh Nooriabad Power Company Pvt. Limited where the rental charge to the company by Government of Sindh (GoS) has been fixed at PKR 6,500 per acre per annum for the first ten years, and increased by PKR 2,000 per acre per annum for the next two ten-year terms. Keeping in view the above the Petitioner stated that, here too; the rate has been determined by the Government and passed through in the tariff. The Petitioner further stated that referred company is 49% owned by GoS and the project is developed in a Public Private Partnership (PPP) mode. The same must also be taken into consideration when taking a view on whether the rental charge is in line with prevailing market rates. The Petitioner argued that the referred rates are not likely to reflect the market conditions of the prevailing rates.

6.16 The Petitioner argued that the Authority has taken a view that a simple change of ownership should not be the basis for burdening the consumer. The Petitioner in this regard restate that the point made earlier regarding transfer of state land to the utility at minimal or no cost in the past as it was a state owned entity. The Petitioner submitted that the consumer has thus benefited until now from the exclusion of a market-based cost of the properties being part of Regulatory Asset Base (RAB) and now in the privatization scenario, the rent is being sought on the basis of applicable market rates. The Petitioner also highlighted that this fundamental change of arrangements between Petitioner and the owner of the property i.e. GoP, GoPb and WAPDA, cannot be ignored and may not be simply considered as a simple change of ownership.

6.17 The Petitioner requested to the Authority to consider that as the independent regulator for the entire power sector, while the Authority has to consider the interest of consumer, it is also expected that the Authority would ensure a sustainable power sector by setting regulatory and tariff structures that enable sustainability of distribution companies. The Petitioner stated that if the utility operator, especially in the post privatization scenario, where majority (74%) shares are to be held by the private sector, has to bear the burden of costs that are controlled by the Government and as a result faces erosion of its profits and equity, then the performance, and in extreme cases the sustainability, of the utility itself may be adversely affected.

6.18 The Petitioner argued that the Authority has also concluded in Para 20.9 of the MYT determination that the real WACC may be applied to the market value instead of nominal, to determine the amount of rent charged that may form part of the costs. The Petitioner submitted that given the WACC determined by the Authority of 11.83% and forecast average inflation rate of 5.7% over the control period, the real WACC works out to 5.8% based on the following formula:

$r=((1+i)/(1+h))-1$

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Where;

r = Real WACC, i = Nominal WACC, h = Expected average inflation rate based on the forecast provided by Business Monitor International (BMI)

6.19 The Petitioner further submitted that the real WACC determined above of 5.8% is close to the 6% rate used by CCOP for application on fair market value of properties for determination of lease rentals. The Petitioner stated that given that, 6 -7% yield range is considered the market norm for rental yields and the alternative formula inferred from Authority's conclusion also rounds up to this rate, the Authority is requested to allow the rental charges as a pass through (uncontrollable cost) in the tariff. The Petitioner requested that the Authority may approve the rental charge finally determined through a market assessment exercise in order to ensure that the fair values are determined taking into consideration the restricted use of the land.

GoP directives that affect O&M

6.20 The Petitioner stated that any GoP directive, such as the increase in salary and benefits, should be classified as an uncontrollable cost and allowed as a pass-through item in the tariff on actual basis as the CPI-X factor methodology for indexation of Pay & Allowances approved by the Authority (especially when the increase in Pay & Allowances is in the range of 30-50% as observed in the previous Multi Year Tariff Regime i.e. FY 2007-2012) will not cater the requirement of the Petitioner.

6.21 The Petitioner requested to reconsider its earlier decision in light of the additional information and explanations provided and allow the bifurcation of O&M costs into controllable and non-controllable components with following items to be classified as non-controllable costs:

- ✓ NEPRA's licensing fees;
- ✓ Rent, which is subject to terms of rental agreements; and
- ✓ Increases in costs relating to any GoP directive which Petitioner cannot influence.

6.22 The Petitioner also requested that at the time of making its final decision, the Authority is also requested to allow the non-controllable costs on actual basis and the same should be trued up annually based on the evidence of expenditure submitted by Petitioner to the Authority.

6.23 Although the Petitioner has provided examples where regulators have treated license fees as uncontrollable costs, but it does not establish that it is a general practice and the only practice. The Authority in view thereof and considering the materiality of the

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6.24 Regarding the issue of rent, although the Authority has fully elaborated the issue in its MYT determination yet keeping in view the Petitioner's arguments the Authority feels that some clarifications must be provided to the Petitioner. The Petitioner has argued that the rent in matter of Sindh Nooriabad Power Company Limited is determined by the GoS and in its case the rent is determined by the GoP then why it is not accepted by the Authority. The Petitioner is clarified that the rationale for quoting the rent in the matter of Sindh Nooriabad Power Company Limited was primarily to highlight the irrationality in the GoP's decision of setting the rent at a higher level. The purpose was to highlight the terms and conditions of the similar transactions already carried out within the Country, so that the decision of the GoP must be rationalized. On the contention that while comparing its case with Sindh Nooriabad Power Company Limited must consider 49% ownership of GoS and PPP mode of the transaction which may result in reflecting non market based rent, the Authority considers that the conditions in both the cases are similar; the private entity is beneficiary to the extent of its shareholding which is more than 50% in both cases, as per the information provided by the Petitioner. Here it is pertinent to mention that the Authority in its decision of MYT at para 20.7 also referred land lease out to Wind IPPs by GoS , on which the Petitioner did not comment at all.

6.25 In addition to aforementioned, the Petitioner referred para 20.9 of the MYT determination and contended that the real WACC may be applied to the market value instead of nominal, to determine the amount of rent charged that may form part of the costs. For the purpose of clarity the same para is reproduced as hereunder;

> *" This is a matter of record, the Petitioner has been earning a return on the historical cost of the land, through nominal WACC over the past years. That is the amount which the consumers has been paying over the years for the same land. The Authority considers that the simple change of ownership does not formulate any grounds that the consumer may be further burdened. In view thereof, the Authority has no objection in making rent as a pass through to the extent if it is calculated by applying WACC on the historical cost of land, anything over and above should be paid out of Petitioner's profits and is a pure arrangement between the Petitioner and GOP. In that case, the cost of land will be excluded from the RAB of the Petitioner. Here it is pertinent to mention that the Authority has been allowing nominal WACC to the Petitioner over the years, which includes the impact of*

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> *inflation. If the return is to be calculated on market value of the asset, then real WACC is to be used instead of nominal i.e. adjusted for future expected inflation."*

6.26 As per the above para the Authority has clarified the Petitioner that it had been allowed a WACC on nominal basis in past and the consumer had been paying a cost of land with the impact of inflation. Meaning thereby that the consumer has already paid the market value of land over the period. Now it cannot be burdened again for the same piece of land due to change of ownership of the company. It was further clarified that the land on the market value was only justified if the WACC allowed in the past was real i.e. without the impact of inflation.

6.27 Regarding increase in O&M cost due to Government directives, is totally not relevant under a Privatized scenario since they would be having their own independent boards free to exercise all powers given to them by the Companies Ordinance 1984 to appoint and determine the term and conditions of their employees without seeking approval of the Federal Ministries. The Authority still understands that even in the Public sector, the Petitioner's Board of Directors is empowered to determine the emoluments of its employees, therefore, does not see any reason to consider the salaries and wages expense as uncontrollable. Here it is clarified that the Authority has been allowing GoP's increases to the Petitioner under SYT regime based on its submissions and pleadings of the Petitioner itself.

6.28 Since, the Petitioner has failed to provide any new evidence or reason which would formulate the basis for the Authority to reconsider its decision in this regard; hence the request of the Petitioner is declined. The only uncontrollable cost according to the consumer end tariff methodology is the power purchase price and corporate tax.

7 Repair and Maintenance (R&M) Expenditure

7.1 The Petitioner stated that in its tariff petition it had requested the Authority to allow R&M expenses as a constant ("K") percentage of the opening gross fixed assets (GFA) based on the premise that regional tariffs did include a K factor ranging between 2.5% to 3.5% which was applied to GFA for determination of R&M expense in the tariff.

7.2 The Petitioner stated that after benchmarking R&M expense allowed to other ex-WAPDA DISCOs, a K factor range of 3.0% - 3.5% of GFA was proposed in the tariff and 3% of GFA was applied in the tariff calculation in the petition submitted. The Petitioner further stated that R&M costs are linked with the assets, and hence, a

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mechanism was proposed (K-factor) through which the R&M expenses would be linked with fixed assets.

7.3 The Petitioner also mentioned that the R&M expenses allowed by NEPRA could not be incurred fully because of the significant delay in determination and as a result of these delays, procurement of replacement spares could not be undertaken on a timely basis and R&M expenses allowed in the tariff could not be fully utilized. The Petitioner presented the following table for the last four years, whereby the Petitioner underutilized its assessment in three of the previous four years between FY12 –FY15, with the exception of FY15;

Tariff Year	Petition filing date	Determination date	Delay
FY12-13	July 19, 2012	March 29, 2013	**8 Months**
FY13-14	June 28, 2013	February 06, 2014	**7 Months**
FY14-15	June 20,2014	March 10, 2015	**9 Months**

7.4 The Petitioner stated that the Authority was of the view that since the Petitioner had not linked the K factor to the aging of its assets. The Petitioner contended that the Authority held the view that the R&M expenditure is not allowed by the Authority to any of the ex-WAPDA distribution companies by application of a K factor applied on GFA and hence Petitioner's comparison and justification for seeking this factor was not valid.

7.5 The Petitioner stated that it accepts the Authority's analysis and rationale for linking the R&M expense to the age of the asset but is also of the view that if this factor is taken into consideration, then the link between the R&M expense and GFA cannot be denied. The Petitioner emphasized that linking R&M expense with the fixed assets is important as it relates to the maintenance and ongoing repairs of infrastructure. The Petitioner also emphasized that repairs and maintenance could not always be carried out as and when required and to the extent required in the past. The Petitioner stated that this has also impacted the operating efficiency and impacted T&D losses, which is already evident.

(*Historical R&M expense incurred by Petitioner*)

	FY13	FY14	FY15
Opening GFA, in PKR 'm	44,919	49,842	54,542
Actual R&M expenditure, in PKR 'm	528	418	568
R&M expenditure as a % of opening GFA	1.18%	0.84%	1.04%
K factor, determined on historical basis			1.01%
R&M expenditure, in PKR 'm (Opening GFA for FY 2015-16 of PKR 59,104 m x 1.01%)			596.95

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7.6 The Petitioner stated that the above table indicates that cost incurred by the Petitioner in R&M expense has increased during FY15 and R&M expense as % of GFA has also increased to 1.04% in FY15 as opposed to 0.84% in FY14. The Petitioner delineated that as stated above, historically Petitioner incurred less on R&M on account of several factors, including delays in the determination process under annual tariff regime. On average, however, Petitioner has utilized almost all of the R&M expense allowed by the Authority in the tariff during the last three financial years.

7.7 The Petitioner submitted that under the MYT regime, where the cost is approved for the entire control period, the limitations that contributed to lower actual R&M cost are likely to be overcome and enable the Petitioner to optimally utilize the allowed cost and achieve the efficiency targets set by the Authority.

7.8 The Petitioner referred that in India, as per regulation 5.5 of Delhi Electricity Regulation Commission Regulation, 2011, R&M expense (part of O&M) is determined as the constant, "K" (or K factor), multiplied by the opening GFA of the current year. The Petitioner further highlighted that, the value of K for each year of the control period is to be determined by the Commission /regulator in the MYT determination based on the Licensee's benchmarking, filings, approved costs by the commission/regulator in the past and any other factor considered appropriate by the commission/regulator.

$$\boldsymbol{R\&M cost = K \times GFA}$$

7.9 The Petitioner indicated that the Authority at Para 19.4.7 of the current determination consider that if R&M cost has to be linked with GFAs then the key element will be the age of assets". On these basis, it has carried out a benchmarking through a regression analysis that determines the R&M expenditure allowed to ex-WAPDA DISCOs by Authority as a percentage of their opening GFA, based on the age of the assets of each DISCO over the five years ranging from FY10 to FY14.

7.10 The Petitioner explained that the regression illustrates, on a linear basis, the R&M expenditure (in percentage terms) allowed by Authority to ex-WAPDA DISCOs at the specific age of their overall assets. Hence, it can be estimated through the regression exercise the R&M expenditure to be allowed to Petitioner based on the age of its overall opening GFA for the MYT period.

7.11 The Petitioner submitted that as per the methodology adopted, the opening GFA, accumulated depreciation on the assets, depreciation for the year, and R&M

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expenditure were extracted for each of the ten ex-WAPDA DISCOs for five years from FY10 to FY14, as publicly available from their respective determinations on NEPRA's website (site: www.nepra.org.pk). The Petitioner stated that the age of assets and R&M expenditure (in percentage terms) were used as inputs for a regression analysis to estimate the comparable R&M that should be allowed to Petitioner. The Petitioner highlighted that the value the dependent variable is the R&M expenditure (as a percentage of opening GFA) and the independent variable represents the age of the overall assets of the DISCO.

7.12 The Petitioner stated that based on the regression analysis, the comparable allowable R&M expenditure (K-Factor) for Petitioner was computed based on the age of its overall assets. The results of the regression analysis are as follows.

Regression analysis	
Slope (A)	0.001751293
Y-intercept (B)	-0.000616464
Age of FESCO's assets, in years (FY15) (C)	9.58
Constant "K", in % D = [(A*C)+B]	1.62%
Opening GFA of FESCO (FY16) (E)	59,104
Benchmark R&M expenditure (PKR 'm) F= D*E	954.70

7.13 The Petitioner submitted that as part of the analysis, it was found that the age of Petitioner's assets at the start of FY16 was 9.58 years and based on the regression analysis and opening GFA of PKR 59,104 million, the R&M expense that should be allowed to Petitioner works out to be PKR 954.70 million.

7.14 The Petitioner explained that the R&M expense calculated as per the aforementioned benchmarking/ mechanism takes into account the R&M expenditure required by comparable assets of ex-WAPDA DISCOs regulated by the Authority while input the age of Petitioner's overall assets. The Petitioner submitted that the R&M expenditure, as determined above, should be allowed at a minimum, even with the expected planned investments approved in the determination made by the Authority.

7.15 The Petitioner stated that while the assets to be procured under the investment plan, particularly PKR 3,192 million under the ELR & commercial improvement program, as approved by the Authority in the determination, are likely to improve efficiencies and reduce T&D losses, the Authority needs to take into consideration that the investment allowed is largely in the 4th and 5th year of the control period (PKR 900 million and PKR1,200 million respectively) and the benefits derived from these investment are likely to be realized following the control period.

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7.16 The Petitioner also highlight that, being in the public sector and operating under cash constraints that state owned power utilities are expected to operate under the scenario, where maximum collections are expected to be transferred to CPPA, the timing and availability of funds also impact the R&M expense actually incurred by the utilities. The Petitioner submitted that the R&M costs approved by the Authority, as also indicated above, are already based on the depressed level of R&M expenses incurred by the DISCOs, including Petitioner. The Petitioner submitted that the reference to the historic R&M cost incurred therefore is not based on the requirement of the utility but on a depressed R&M cost incurred by Petitioner in the past.

7.17 The Petitioner requested to reconsider its earlier decision in light of the additional information and explanations provided above and allow the application of a K factor being applied on the Gross Fixed Asset. The Petitioner also requested that regional benchmarks also be considered when setting the K factor and a minimum of 3.0% of GFA should be considered as the R&M expense allowed under the MYT petition during the control period.

7.18 The Authority after careful consideration of the Petitioner's arguments is of the view that it has first tried to establish that its actual expenditure over the last four years , with an exception to FY 14-15 , is not the true reflective of its R&M expense as the tariff determined by the Authority was delayed. Secondly, irrespective of what it has actually spend over the last four years, it may be allowed a percentage of K factor to its assets, of course keeping in view the age of its assets. The Petitioner also submitted it regression analysis based on the age and the assessed amount by the Authority on the said assets and concluded that based on the allowed assessment at certain age of assets at a certain point of time in the past (for all the XWDISCOs) , if the same assessment is regressed to the current age of assets then may be allowed a higher assessment which justifies assessment based on K factor. The Petitioner further stated that the since the new equipment would be brought in the asset base later the control period hence its benefits would accrue in the future control periods.

7.19 Based on the information provided by the Petitioner, the Authority considers that the argument that the Petitioner it had not been able to utilize its allowed repair and maintenance because of delayed determination of its tariff is self-contradictory because as per the provided information and per the Petitioner, the biggest delay was in FY 2014-15 whereby it has fully utilized the allowed assessment. Even if there was a delay in the delay in the determination of tariff, as per the Petitioner , it has even failed to utilize the last year's allowed budget , as discussed at para 19.4.7 of the MYT decision in the matter of Petitioner. Further, the Petitioner must be aware of the fact that the Authority is bound to determine the tariff within a stipulated time as provided in the

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Rules and the date of Authority's time starts from the date of admission and not from the filing of petition. Hence the Petitioner's argument of delayed determination is not valid.

7.20 As regard the introduction of K factor based on the regression analysis is concerned, the Authority considers that the analysis is carried out ignores following two critical things;

- It totally ignores the actual expenditure incurred during that period. The more relevant analysis should have been based on actual expenditure incurred with the age of assets.
- The analysis is carried out totally ignores the allowed investments which also includes augmentation and replacement of existing assets. The Authority cannot set a K factor based on old aged assets and at the same time allow huge new assets in the form of investments in the matter of Petitioner. The argument of the Petitioner that since the major investment is planned in the later years hence their benefits would accrue in the subsequent control periods is not valid. The Petitioner in its MYT decision is allowed to change the timing of its investments based on its priorities. That is the reason why the Authority has introduced a true up mechanism of RAB on annual basis.

7.21 Based on the pleadings of the Petitioner, the Authority conducted a detailed analysis of the Petitioner's actual repair and maintenance expenses of last five years, to understand the behavior of the Petitioner spending on repair and maintenance of its fixed assets.

7.22 A review of financial statements of the Petitioner as given below reveals that the Petitioner on average spent 60% of its total repair and maintenance cost on the repair and maintenance of its distribution transformers as given below;

Description	FY 11		FY 12		FY 13		FY 14		FY 15		5-Year Avg	
	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs.	% of Total
R&M Office Building	14	4%	15	3%	14	3%	14	3%	13	3%	14	3%
R&M General Plant	8	2%	11	2%	11	2%	11	3%	11	2%	10	2%
R&M Other Physical Property	23	7%	16	3%	21	4%	12	3%	13	3%	17	4%
132 KV Grid Station	18	5%	16	3%	19	4%	47	11%	58	13%	32	7%
11 KV Distribution Lines	33	10%	70	13%	50	9%	51	12%	77	17%	56	12%
Distribution Transformers	197	58%	341	66%	347	66%	224	54%	239	53%	270	**60%**
Meters	4	1%	4	1%	5	1%	3	1%	5	1%	4	1%
Others Miscel	42	12%	48	9%	63	12%	55	13%	32	7%	48	11%
Total	**339**	**100%**	**520**	**100%**	**528**	**100%**	**418**	**100%**	**447**	**100%**	**450**	**100%**

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7.23 The available information was further scrutinized and as per the information the total number of transformers damaged during the FY 2014-15 and FY 2013-14 were 1,904 and 1488 numbers respectively. When the claimed cost per damaged transformer was calculated, it worked out around Rs. 125,000 and Rs. 150,000 per transformer for FY 2014-15 and FY 2013-14 respectively. The Authority observed that the aforementioned repair and maintenance cost of distribution transformers is significantly high. It appears that the Petitioner may be expensing out some costs which needs to be capitalized. The specific head of repair and maintenance is exclusively for the routine expenses pertaining to repair and maintenance.

7.24 Keeping in view the Petitioner's request of setting K-factor at minimum of 3% of GFA to meet overdue R&M requirements, the Authority itself conducted a detailed analysis of actual repair & maintenance expense and asset base of the Petitioner, as given below;

Category	GFAs Excluding Land / Vehicles		Avg. R&M of Last 5 Years		R&M % of GFA
	Mln. Rs	%	Mln. Rs.	%	
Distribution Transformers	18,251	22%	270	60%	1.48%
Grid + Feeders + Other Distribution Network	63,205	76%	92	20%	0.15%
Building on Freehold Land	1,598	2%	31	7%	1.92%
Other Fixed Assets (F&F, Plant & Equipment, etc)	486	1%	58	13%	11.99%
Total	83,539	100%	450	100%	0.54%
Category	GFAs Excluding Land / Vehicles		Avg. R&M of Last 5 Years		R&M % of GFA
	Mln. Rs	%	Mln. Rs.	%	
Distribution Transformers + Building on Freehold Land + Other Fixed Assets (F&F, Plant & Equipment, etc)	20,334	24%	358	80%	1.76%
Grid + Feeders + Other Distribution Network	63,205	76%	92	20%	0.15%
Total	**83,539**	**100%**	**450**	**100%**	**0.54%**

7.25 From the analysis it is revealed that the Petitioner spent around 80% of its average

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repair and maintenance expenditure of last five years on the GFAs which are around 24% of its total assets base and rest of 20% expenditure is carried out on the remaining 76% of assets. When the repair and maintenance cost with respect to the distribution transformers, building on free hold land, furniture and fixture and other plant and equipment is measured, in terms of percentage of GFA, its works out 1.76%. Whereas the rest of the repair & maintenance cost in terms of percentage of GFA which is 76% of GFA is works out as 0.15%. Even if the total average cost (of the last five years) is calculated in term of percentage of GFA, it works out not more than 0.54%. As discussed above, one of the possible reason for high repair and maintenance cost, under the head of distribution transformers, building on free hold land, furniture and fixture and other plant and equipment is that the Petitioner might be expensing out some costs which needed to be capitalized. Keeping in view the above, the Petitioner is directed to ensure proper classification and recording of its repair and maintenance cost as per the IAS / IFRS.

7.26 Since, the Petitioner has failed to provide any new evidence or reason which would formulate the basis for the Authority to reconsider its decision in this regard; hence the request of the Petitioner is declined. The Petitioner is also directed to provide an explanation on the concerns of the Authority raised above.

8. Adjustment mechanism for O&M costs-efficiency factor "X"

8.1 The Petitioner stated that it had submitted that the controllable costs should be adjusted by CPI-X as per the MYT methodology defined in NEPRA Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015. The Petitioner stated that, the efficiency factor, represented by "X", was requested that X be kept at 0% for the first three years of the control period and at 0.5% and 1.0% in the fourth and fifth year respectively.

8.2 The Petitioner delineated that in its determination of the MYT, the Authority used a benchmarking methodology (details not provided) and set the efficiency factor of 4.9% for the Petitioner. The Petitioner also delineated that the Authority further determine the efficiency factor at 30% of CPI and set the 4.9% efficiency factor, indicated above, as the cap for the applicable efficiency factor. The Petitioner stated that the Authority also determined that the efficiency factor would be 0% for the first two years as compared to the request of three years, with the efficiency factor applicable as per the aforementioned mechanism in the fourth and fifth years. The Petitioner also stated that the same arrangement was also applied in case of K-Electric (then KESC).

8.3 The Petitioner stated that its request for holding the efficiency factor at 0% is based on the premise that the incoming private sector investor will require time to settle in and

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bring in the required level of efficiencies. The Petitioner submitted that it may also be taken into account that substantial part of the first year of the MYT period would already have lapsed by the time the tariff is determined and notified. The Petitioner requested that it is only considered fair that the X factor adjustment is made applicable in the fourth and fifth year of the control period. The Petitioner submitted that there is also precedent in setting the efficiency factor at 0% for the first three years as the Authority in its determination of KESC's (now K-Electric) MYT, dated 10th September 2002 which allowed K-Electric a period of first three years when the efficiency factor was set at 0%.

8.4 The Petitioner stated that its understands that the Authority, in appreciation of the time required for the incoming private sector management to adjust to its new surroundings, has allowed the period of the first two years when the efficiency factor will be 0% in the control period. The Petitioner further stated that it is of the view that while the benchmarking exercise carried out by the Authority has not been made available in the tariff determination, the methodology described appears to be in line with international practices. The Petitioner argued that the results seem to indicate that the utility sector in Pakistan may not be ready at this stage for effective implementation of such a benchmarking exercise to determine the X factor. The Petitioner delineated that this may be on account of a high variation in the levels of efficiencies of the DISCOs as well as the possibility of inconsistent data being provided by some of the DISCOs. The Petitioner submitted that, this is reflective in the high X factor thereby determined, which cannot be directly applied and, hence, led to the application of a percentage on the CPI to determine the X factor.

8.5 The Petitioner proposed that if the efficiency factor, X, is to be linked with the CPI, as the Authority has determined for the Petitioner, a 30% of CPI factor appears to be on higher side to apply to one of the most efficient DISCOs in the country. The Petitioner stated that it had made a fair proposal in its petition to set the X factor at 0.5% for year 4 of the control period (approximately 10% of CPI) and 1.0% for year 5 of the control period (approximately 20% of CPI). The Petitioner requested that keeping in view the above, the Authority may apply the X factor during the last two years of the control period only and it may be set at 10% and 20% of CPI accordingly.

8.6 Since, the Petitioner has failed to provide any new evidence or reason to substantiate its revised proposals hence the Authority has decided to main its earlier decision in this regard.

9. Weighted Average Cost of Capital (WACC)

9.1 The Petitioner stated that it has proposed WACC of 18.91% be allowed based on return on equity of 24.13% and cost of debt of 16.67%. Further, it was requested that

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the WACC should be adjusted annually to reflect the change in risk-free rate and beta, which are based on the prevailing market dynamics. The Petitioner also requested to allow a floor on the cost of equity at 19%, as allowed in the generation segment in order to attract the private sector participant. The Authority approved WACC of 11.83% based on the five-year PIB rates and beta computed from a list of 111 companies selected by the Authority as comparable distribution utilities. The Authority in calculation WACC used market premium at 7% compared to the requested market premium of 8%. Furthermore, the Authority used cost of debt of three-month KIBOR + 2.75% based on the TFC's issued by K-Electric. The Authority disallowed the proposal of the Petitioner for annual adjustment of WACC stating that the notion was against the spirit of the MYT. However, the Authority, in Para 26.19, decided to cover the risk of floating KIBOR by adjusting the reference KIBOR bi-annually which is appreciated.

9.2 The Petitioner in its MLR submitted that the following items should be reassessed by the Authority.

i. Cost of equity

ii. Capital structure

iii. RoRB true-up mechanism

iv. Floor on return on equity

9.3 On the Issue of cost of equity the Petitioner stated that it is agreed with the stance of the Authority by using 5 year PIB yield as opposed to 10 year yield for the purposes of setting benchmark for the risk free rate. However, the Petitioner would again state that it is normal practice to take a 10 year PIB yield as the risk free rate when determining cost of equity.

9.4 Since Beta reflects the systematic risk associated with the business, it considers that only comparable companies should be selected for the determination of Beta. Comparable companies can only be those that operate in similar business environment and face the same operating risks as the company for which beta is being determined.

9.5 In order to determine the beta, the Authority considered a recent study conducted by Castalia for ERC in Philippines using 111 firms selected from Damodaran data set. The Authority calculated the beta using the transmission and distribution companies in the sample. With respect to the basis of conclusion and the sample used by the Authority for calculation of beta, the Petitioner is of view that:

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- Use of transmission companies in the sample may cause a distortion as risk associated with the transmission business is expected to be lower than that faced by the distribution companies.

- The state of the economy and the extent to which the electricity market has evolved and been deregulated in the countries to which some of the selected distribution companies belong may be very different from Pakistan.

- In the 111 firms included in the data set of Damodaran, it is necessary to carefully select those companies that bear closest resemblance to the subject company for which the beta is being determined. In fact, Damodaran has stated in one of his valuation lecture that "While traditional analysis is built on the premise that firms in the same sector are comparable firms, valuation theory would suggest that a comparable firm is one which is similar to the one being analyzed in terms of fundamentals."

- Hence, it is requested that the Authority to narrow down the comparable set of companies to those operating in the same sector and with market conditions close to that in which the Petitioner operates. The sample selected by the Petitioner in the original petition may therefore be reconsidered or at least included in the data set used by the Authority.

Capital Structure assumption in determining WACC:

- The average gearing of the sample selected, as indicated by the Authority was 67% and the gearing used by different regulator as indicated under Para 26.11 was mostly 60:40 as against the 70:30 gearing ratio under the MYT guideline issued by the Authority. This indicates that the contribution of debt in the overall capital structure of power distribution is lower than that applied by the Authority. This indicates that the Authority should also consider the weight assigned to debt when determining WACC.
- To further emphasize the above point it is pointed out that the average depreciation rate of the regulated assets works out approximately 4.0% per annum, indicating recovery of capital investment over a period of 25 years. It is therefore unlikely that the Petitioner, or any other utility in Pakistan with similar depreciation charge would be able to achieve the 70:30 debt equity structure.

- The Petitioner therefore also seeks the Authority's attention to the debt to equity ratio being considered for determination of WACC and would suggest that 60:40 ratio be applied in light of the fact presented above.

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RoRB True-up Formula:

9.6 The Authority has decided that the annual RoRB will be adjusted based on the following formula:

$$RoRB(Rev) = RoRB(Ref) \times RAB(Rev)/RAB(Ref)$$

- The Authority, in Para 26.19, has stated that in order to cover the risk of floating KIBOR, the Authority will adjust the reference KIBOR rate bi-annually. This methodology however, does not cater for the change in cost of debt in the return on rate base. The above formula uses the absolute RoRB allowed by the Authority in the base year to calculate the revised absolute RoRB based on the change in RAB at the end of each year in the control period. Thus the formula does not in fact adjust the RoRB for changes in the KIBOR rates as was intended by the Authority.

- The Petitioner in this regard stated that the intention of the Authority would be achieved by using the following formula, which may be considered:

  $$RoRB(Rev) = (RoRB(Ref) \times RAB(Rev)/RAB(Ref)) + ((Kd(Rev) - Kd(Ref)) \times D/V \times RAB(Rev))$$

  Where in addition to the component already described;

Kd(Rev)	= Revised KIBOR
Kd(Ref)	= Reference KIBOR
D/V	= Debt to Capital ratio

- Alternatively, the Authority may consider adding change in KIBOR at the end of each year to the WACC. This is also appropriate as change in KIBOR would also indicate a change in risk free rate. As the risk free rate is also a component in computing the cost of equity, if the Authority holds the view that change in cost of debt should be reflected in RoRB, then the impact of this change should be allowed on the entire RAB and not just on the debt component.

Floor on the Return on Equity;

9.7 The Authority has not accepted plea for setting a floor on the return on equity at 19%. The Authority, while accepting that investors are being incentivized to invest in Pakistan's power generation by being offered 17% return on equity on US$ investments, has maintained that this incentive is available on green-field projects and, hence, not appropriate when comparing with a running power utility.

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9.8 It is argued that there are significantly higher risks in the power distribution sector as compared to the IPPs which also have the benefit of sovereign guarantees.

9.9 It is also important to point out that the power market may change during the control period as the market moves away from the single-buyer model. It has also been seen in jurisdictions such as Turkey that change in electricity markets by introduction of electricity retail markets has increased the risk and impacted the returns to the distribution companies. Hence, it is important to incentivize potential investors by offering a minimum floor on the return on equity.

9.10 The point raised by the Petitioner regarding use of 10year PIB yield as benchmark for risk free rate has been discussed in detail and with sufficient clarity by the Authority under the para 26.6 of the MYT determination dated December 31, 2015. As no new information has been submitted by the Petitioner in respect of its request, therefore the plea for setting risk free rate on the basis of 10 year PIB is declined.

9.11 On the point raised by the Petitioner regarding use of comparable companies while setting the beta, the Authority is of the view that a comprehensive study regarding beta was carried out whereby not only local but International Markets were also explored. The Authority also discussed the reason for not considering the information submitted by the Petitioner in para 26.10 of its determination. Therefore, the plea of the Petitioner that its submission were not considered by the Authority is not correct.

9.12 Regarding the argument of the Petitioner for relying on data of 111 firms to work out the beta, the Authority in its MYT determination at para 26.13 has provided the basis for the assessment of beta. The referred study was not the sole basis for the determination, the range of betas used by the International Regulators and findings of the in house study on beta was also considered. The Authority's assessed beta primarily reflects the risk of distribution business. Here it is pertinent to mention that the sample provided by the Petitioner was also not exclusively based on distribution companies. Further, while claiming that the distribution business is more riskier than the transmission business, the Petitioner has substantiated it with any numbers so that it could be compared with the Authority's assessment.

9.13 The argument of the Petitioner that the depreciation rate of the regulated assets works out approximately 4.0% per annum, indicating recovery of capital investment over a period of 25 years. It is therefore unlikely that the Petitioner, or any other utility in Pakistan with similar depreciation charge would be able to achieve the 70:30 debt equity structure, is not correct as the Petitioner is merely basing its argument without considering the existing RAB structure, whereby while calculating RAB, the Authority incorporates 4% depreciation rate as result the Petitioner earns a return and interest

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cost over a period of 25 years (even if the debt on asset is paid off). If IAS and the accounting policy of the Petitioner allows it to depreciate its asset in 10 years, the Authority has no objection to it.

9.14 Here it is pertinent to mention that the Debt to Equity ratio of 70:30 used by the Authority for calculation of Beta and subsequently the WACC is as per the notified Methodology. Further, the plea of the Petitioner to lower the weight assigned to debt while determining the WACC cannot be treated in isolation since with change in the capital structure, the beta has to be re-geared as per the new capital structure which will result in lower Beta (a lower gearing results in a lower equity beta for a given asset beta), thus resulting in lower RoRB for the Petitioner.

9.15 For further explanation regarding higher level debt ratio in capital structure the not only regulators but credit rating agencies also use same capital structure because regulated electric network exhibits relatively low business risk, which can in turn translate into a significant capacity to sustain high debt levels. In addition, the high level of future visibility typically associated with the business model of a regulated network can make very long-term debt financing an attractive proposition to leverage shareholder returns. S&P does consider balance sheet leverage, or gearing, as part of its rating of network utilities, however such balance sheet leverage is not typically considered as important for a network utility's financial risk profile as the cash flow metrics. Tightly regulated transmission and distribution utilities generally face limited business risk-- this translates into stable revenues. As a result, they can operate with... high leverage.

9.16 The point regarding floor on return on equity has been addressed in detail and with sufficient clarity in the MYT determination under para 26.18. As the Petitioner has failed to bring any new evidence on account of its claim, therefore the request of the Petitioner is declined.

10. Prior Year Adjustment

10.1 The Petitioner on the issue of PYA submitted two contentions the first one is related to the earlier Multi Year Tariff regime and the second one is related to Supplementary Charges in view of determination of Late Payment Surcharge.

10.2 The Petitioner requested that on the previously issued MYT tariff certain requests were made (and being regularly made thereafter). For years, it is being requested and

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the Authority regularly denied the same. However, matter of fact is that the cost was legitimately and prudently borne by it and if not passed on would add to Circular Debt and create negative balance sheet. Although there is no provision in the law whereby the Authority can deny a due cost only on basis of limitation still it is submitted that it was even not time barred in submitting its claim.

10.3 In this regard, precise submission is that it firmly believes that while in the MYT regime, due to inconsistent application, it borne the cost of Rs.4,827 million through adjustment of Revaluation Surplus which reduced the RORB for FY 2010-11 and 2011-12, Other Income and O&M for FY 2009- 10, 2010-11 and 2011-12.

10.4 On the issue of supplementary charges the Authority has disallowed the cost of Rs. 6,186 Million invoiced by CPPA (NTDC). The cost has been denied for one reason only that there was no effective Energy Supply Agreement ("ESA") between NTDC and FESCO. Admittedly an ESA was executed on 29.06.1998 between WAPDA and DISCOS including the Petitioner. Later on, the said ESA was novated and WAPDA was replaced with NTDC in 1999.

10.5 The energy was procured from NTDC and the payments were made by the Petitioner and other DISCOs throughout the period till this date. The generation, transmission and distribution were under the regulatory control and NEPRA issued "*State of Industry Reports*" from time to time wherein the mechanism was even detailed. To add, NEPRA determined the pool price mechanism and tariff up to consumer end besides allowing periodical adjustments between notional values and actual costs under the NEPRA Act. In performance of its functions under the law, the Authority always remain vigilant and passed instructions and guidelines. The ESA was even in knowledge of the Authority and its copy was even placed before Authority in 2013. In view of the above, the claim of CPPA needs to be paid otherwise it is only adding to the miseries of the power sector.

10.6 Regarding claim of the Petitioner for the PYA due to inconsistent application of the previous MYT, the matter has been discussed in detail in the MYT determination under para 30.7 and also in the Authority's previous determinations in the matter of the Petitioner. As the Petitioner has failed to bring any new evidence on account of its claim, therefore the request of the Petitioner is declined.

10.7 On the issue of supplementary charges, the Petitioner has failed to bring any new information/evidence therefore the same is declined by the Authority.

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11. Late Payment Charge (LPC)

11.1 The Petitioner on the issue of late payment charges requested to deal LPS independent of the Markup by CPPA (G) in order to cater the situation where the amount of Markup is more than the amount recovered under LPS, so that the same may be allowed to be passed on to the consumer as part of power purchase cost.

11.2 CPPA (G) can charge markup to the Petitioner as per the ESA clauses 9.3 (d) of the agreement deals, the same is reproduced below;

> *"Late Payments by WAPDA or the Company, as the case may be, shall bear mark-up at a rate per annum equal to the Base Rate plus four percent (4%) per annum compounded semi-annually, and shall be computed for the actual number of Days on the basis of three hundred sixty-five (365) Day Year"*

11.3 On the other hand the amount of LPC being charged from the defaulting consumer is a flat 10% on the outstanding bill amount. In view thereof, the Authority fails to understand, how the amount of LPC charged by CPPA(G) could be higher than the amount of LPC billed to the consumers. Moreover, the Authority has already deliberated on the issue of LPC under para 6.15 of its MYT determination.

11.4 Here it is clarified that LPC, if any, in FY 2014-15 were invoiced by and due to CPPA under the ESA, however, from July 2015 interest for late payment would be invoiced by CPPA (G) as per the PPAA and the Commercial code.

12. Extra-ordinary Events (Z Factor)

12.1 The Petitioner regarding Extra-Ordinary events (Z-Factor) submitted that the cost incurred as a result of force majeure events such as earthquakes, flooding, acts of terrorism, etc. In the absence of a provision for such events and adjustments restricted strictly to the CPI-X factor, the company would not be able to recoup the costs required to undertake necessary repairs. As replacement of any equipment as result of such damage shall be covered through proposed investments to be approved by the Authority, it is anticipated that major costs falling under Z-factor will comprise repair & maintenance costs.

12.2 The Petitioner submitted that in support of its arguments the Authority in its Determination at Para 21.3 of the impugned determination allowed cost of insurance of Rs.30.6 Million in the reference cost of other expenses for FY 2015-16 for future increases. The insurance cost covers grids and vehicles. If the Petitioner intends to

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cover its other assets along-with more insurance coverage then it has to mitigate its commercial risk through its profits.

12.3 The Petitioner submitted that the allowed cost of insurance is quite on lower side as it will not cover the cost of a single grid out of 85 grids. As regard more insurance coverage and mitigation of commercial risk through company's profit, it is stated that it has a regulated business. Any earning beyond the determined revenue requirement is deducted/adjusted by the Authority in the next year tariff determination under the head Prior Year Adjustment (PYA). In such circumstances, the company will not be able to finance the loss caused by extraordinary events out of its profits. Therefore the Authority is requested that to consider the same.

12.4 The Authority while allowing the insurance cost of Rs. 30.6 million considered its financial statements. The argument of the Petitioner that it not sufficient is not valid since it has not substantiated it with any evidence or argument.

12.5 On the basis of aforementioned, it can be construed that the issued raised by the Petitioner is not based on factual situation, therefore, the plea of the Petitioner in this regard is not maintainable.

13. Performance Standards

13.1 The Petitioner in respect to performance standard has provided a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through investments under MYT regime. However, the Authority has set performance standards in terms of SAIFI and SAIDI which are not possible to be achieved. Comparison of both the targets is as under;

Description	Existing	2016	2017	2018	2019	2020
SAIDI (Minutes)						
Proposed	2,682	1,950	800	500	300	150
Determined		14	11.2	8.96	7.17	5.74
SAIFI (Numbers)						
Proposed	46	30	25	21	15	13
Determined		13	10.4	8.32	6.65	5.32

13.2 The Petitioner stated that the targets set by the Authority are hard to be achieved due to following reasons:-

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i. Lengthy 11-KV feeders with extensive load, resultantly voltage drop at certain feeders are very high.

ii. Non Implementation of staff yardstick, non-creation of new Sub Division / Division and bifurcation of over loaded Sub Division / Division.

iii. Non-provision of adequate vehicles equipped with buckets and necessary T&P, due to insufficient budget.

iv. The short fall in generation is also creating low voltage problems.

v. Overloaded 11 KV feeders.

vi. Theft incidents of transformer and distribution HT lines.

vii. Low frequency.

viii. Overloading of transformers after load shedding spell of abnormal duration.

ix. Old aged 11 KV Panel (deterioration due to repeated switching).

x. Distribution transformer life.

xi. Cultural evils (banners installation on poles during Election campaign and other festivals etc.)

xii. Firing during ceremonies.

xiii. Kite flying.

xiv. Unforeseen incidents (accidents, switching by consumer at sectionalized T-Off at their own).

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xv. Birdage (short circuiting due to birds) near slaughter houses.

xvi. 11kv feeder length more than 11KM (radial).

xvii. Extension in load by general consumer without approval resulting in overloading of Transformers/ system, hence causing interruptions.

13.3 Keeping in view the above constraints, NEPRA is requested to re-set the targets/ performance standards in terms of SAIFI/SAIDI. The Authority has already started the process of introducing an amendment in the Performance Standards and would be finalized shortly. However, till the process is not completed, the Authority directs the Petitioner must to follow the currently notified Performance Standards (PSDR-2005). In case the Performance Standards are amended and are subsequently approved, the Petitioner will comply with the amended Performance Standards. This has already been addressed under para 13.19.2 of the MYT determination.

14. **Tariff Rates (Peak and Off Peak)**

14.1 The Petitioner has raised objections regarding abnormal difference between the Peak and off- Peak rates of tariff in the Authority issued determination and also objected on the reduction in Off-Peak rates as compared to Peak Rates. In support of its arguments the Petitioner submitted that Peak rates are decreased by Rs. 1.60/kWh while the Off-Peak rates are decreased by Rs. 2.80/kWh.

14.2 The Petitioner further pointed out for clarification that the average difference between Peak and Off Peak rates in the last determined tariff of Petitioner by the Authority was 40% that has now been increased to 51% on an average ranging from 50% to 52% in the various categories determined by the Authority in impugned Determination. The Petitioner also mentioned that the ratio between difference of Peak and Off Peak rates be reviewed on a uniform basis while striking a balance with other rates determined by the Authority for other Distribution Companies. Based on the aforementioned arguments the Petitioner requested to reduce the gap between peak and off peak rates while reducing the overall rates.

14.3 The Authority while preparing the schedule of tariff to be charged from the consumers, ensures 100% recovery of the revenue requirement of the Petitioner and in case there is any under or over recovery, the same is adjusted through prior year

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adjustment. Therefore, the plea of the Petitioner to reduce the gap between peak and off-peak rates does not merit consideration.

15. Order

15.1 Having gone through the arguments raised by the Petitioner in its review petition and the submission made during hearing, the Authority has decided as under;

15.2 Replacement Hiring cost of Rs.240 million is hereby allowed.

15.3 While going through the impugned determination, the Authority has observed certain errors therein which are being rectified. It may be held that such rectifications are not prejudicial to the rights and obligations of any party. The rectifications are as under: -

a. The para 9.5 and 9.6 of the impugned determination for FY 2015-16 to FY 2019-20 dated December 31, 2015 stand replaced with the following paras i.e. 24.2 and 24.3 respectively;

"The generation cost is transferred to the XWDISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority."

"Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses as per the latest notified tariff determination in the matter of NTDC. NTDC shall, for the purpose of clarity intimate to all XWDISCOs 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."

b. In the Para A-7 of the ANNEX-VII at page number 143 of the impugned determination for FY 2015-16 to FY 2019-20 dated December 31, 2015, the word "**recommended**" be read as "allowed".

c. In the Annex-I of MYT determination for FY 2015-16 to FY 2019-20 dated December 31, 2015 the word "CPPA" be read as "CPPA (G)".

d. In the Para 12.2 of the MYT determination for FY 2015-16 to FY 2019-20 dated December 31, 2015 the figure "1.2%" be read as "1.02%".

15.4 Accordingly, the order part already attached at para 41 of the original MYT determination for the FY 2015-16 to 2019-20 dated December 31, 2015 is hereby restated as under;

15.5 The Authority hereby determines the following for the Petitioner for the Financial

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Year 2015-16 to 2019-20 under the Multi-Year Tariff regime:

15.6 Revenue requirement for FY 2015-16 is assessed as follows;

	Description	As per determination dated Dec. 31, 2015 Mln. Rs.		Revised as per the MLR Mln. Rs.	
1	POWER PURCHASE PRICE		99,785		99,785
	Fuel Cost	62,823		62,823	
	Variable O&M	3,483		3,483	
	Capacity Charges	29,704		29,704	
	Use of System Charges	3,775		3,775	
2	DISTRIBUTION MARGIN [net]		13,575		13,815
	Operation and Maintenance Cost (O&M)	10,864		11,103	
	Deprecation	2,381		2,381	
	Return on Rate Base (RORB)	2,896		2,896	
	GROSS DISTRIBUTION MARGIN		16,141		16,380
	Other Income	(2,565)		(2,565)	
3	PRIOR YEAR ADJUSTMENT		(16,787)		(16,787)
	TOTAL REVENUE REQUIREMENT		96,574		96,813

These assessed costs for 2015-16 shall be the Reference Cost for the tariff control period for the respective components.

15.7 Faisalabad Electric Supply Company Limited (FESCO) is allowed to charge its consumers the tariff as set out in the Schedule of Tariff attached herewith as **Annex III**. The corresponding Terms and Conditions of Tariff are attached herewith as **Annex V**.

15.8 **Annex II** details the recovery of the FESCO'S Revenue Requirement for FY 2015-16 using the corresponding Schedule of Tariff (**Annex III**).

15.9 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-G.

15.10 Following T&D losses target has been assessed for FESCO over the five years' tariff control period;

Financial Year	FY – 16	FY -17	FY -18	FY -19	FY -20
T&D Losses Target	9.50%	9.36%	9.02%	8.60%	8.10%

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15.11 Total investment of Rs. 44,625 million including Rs. 13,060 million from consumer contribution is hereby allowed to FESCO as given hereunder. Detail attached as Annexure-VII;

Mln. Rs.

	Description	FY 16	FY 17	FY 18	FY 19	FY 20	Total
A	STG	2,828	3,252	2,722	2,616	1,637	1,3056
	Distribution (Expansion & Rehabilitation)	994	1,210	1,443	1,670	1,993	7,309
	Vehicles, Tools & Plants	254	269	240	218	199	1,180
	Civil Works	380	382	344	146	148	1,400
	ERP Implementation	300	-	-	-	-	300
	ELR & Commercial Improvement	42	525	525	900	1,200	3,192
	Sub Total	4,798	5,638	5,274	5,550	5,177	26,437
B	ADB Funded	4,214	914	-	-	-	5,128
C	Consumer Financing	2,072	2,251	2,583	2,867	3,287	13,060
Total (A+B+C)		11,084	8,803	7,857	8,417	8,464	44,625

15.12 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;

$$UOSC \quad = \quad DM(Gross) \quad \times \quad \frac{(1-L)}{(1-0.01)} \times \text{AFI(T)} \qquad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved;

$$UOSC \quad = \quad DM(Gross) \quad \times \quad \frac{(1-L)}{(1-0.05)} \times \text{AFI(D)} \qquad Paisa/kWh$$

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

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

Where;

Gross Distribution Margin for FY 2015-16 is set at Rs. 1.57/kWh (without excluding impact of other income)

'L' is the overall percentage loss assessment for the respective year.

AFI (T) = Adjustment factor for investment at 132 kV level i.e. 31%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 21%.

AFI (TD) =Adjustment factor for investment at both 132 kV & 11 kV level i.e. 52%.

15.13 The Authority hereby determines and approves the following component wise cost and their adjustments/indexation mechanism in the matter of FESCO's MYT tariff for the FY 2015-16 to 2019-20.

TARIFF COMPONENT	Assessed Cost FY 2015-16	Reference Cost For tariff control period	ADJUSTMENTS/ INDEXATION	TIME LINES
POWER PURCHASE PRICE				
Energy Purchase Price				
Fuel Cost	62,823	62,823	Monthly, as per the approved mechanism.	Data to be provided by CPPA (G)by 3rd of close of the month
Variable O&M	3,483	3,483	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Capacity Charges	29,704	29,704	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Use of System Charges	3,775	3,775	Biannually, as per the approved	Request to be furnished by

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			mechanism.	the Petitioner not later than 10th July and 10th January, as the case may be.
T&D Losses	9.50%	9.50%	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
NET DISTRIBUTION MARGIN	13,815	-		
O&M Cost				
Salaries, wages & other benefits	6,210	6,210	Annually, as per Annex-VI	Request to be submitted by Petitioner by 10th July every year.
Post-Retirement benefits	3,242	-	As per the decision	
Repair and Maintenance	576	576	Annually, as per Annex-VI	Request to be submitted by Petitioner by 10th July every year.
Other operating expanses	1,074	1,074	Annually, as per Annex-VI	Request to be submitted by Petitioner by 10th July every year.
Depreciation	2,381	2,381	Annually, as per the Annex-VI	Request to be submitted by Petitioner by 10th July every year.
Return on Rate Base	2,896	2,896	Annually, as per the Annex-VI	
Other Income	(2,565)	(2,565)	Annually, as per the Annex-VI	
Prior Year Adjustment	(16,787)	-	Annually, as per the existing Mechanism	
Spread Over KIBOR	2.75%	-	Annually, as per the decision	
KIBOR	7.01%		Bi-Annually, as per the decision.	

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

16. Summary of Direction

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

- To complete the pending installation of TOU meters as soon as possible.
- To finalize the procurement process of HHUs at the earliest and convert the billing process on HHU basis in order to eliminate the inefficiencies.
- To complete the installation of AMRs/ AMIs System within the time lines given by the Authority.
- To submit quarterly recovery report of receivables for consideration of the Authority.
- To clarify its statement with respect to the supplementary charges and excess payments to CPPA (G), not later than 31st March, 2016.
- To create separate accounts or fund (as the case may be) for each head of post retirement liability and transfer the amount in the post retirement liability in the fund or accounts (as the case may be).
- To maintain proper record of its assets by way of tagging each asset for its proper tracking.
- To spend at least 20% of the village electrification funds for improvement/ up-gradation of the grid. It is further directed not to undertake any village electrification which would result in overloading of the system. The village electrification would only be undertaken without augmentation of the grid if it already has spare MVAs.
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA (G) under the head of mark up on delayed payments for the FY 2015-16.
- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.
- To print bills with the snap shots of meter readings (both previous and current) not later than 30th June, 2016.

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AUTHORITY

Syed Masood-ul-Hassan Naqvi
Member

Maj (R) Haroon Rashid
Member

11.5.16

Himayat Ullah Khan
Vice Chairman

Brig (R) Tariq Saddozai
Chairman

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11.05.16

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 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 (G) 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

Description	Sales GWh	Sales % Mix	Tariff Fixed Charge Rs./kW/ M	Tariff Variable Charge Rs./ kWh	Revnue Fixed Charge	Revnue Variable Charge Mln. Rs.	Revnue Total
Residential							
Up to 50 Units	383	3.72%		4.00	-	1,531	1,531
For peak load requirement less than 5 kW							
01-100 Units	1917	18.62%		8.15	-	15,623	15,623
101-200 Units	812	7.89%		12.00	-	9,747	9,747
201-300 Units	814	7.91%		12.35	-	10,049	10,049
301-700Units	422	4.10%		13.20	-	5,574	5,574
Above 700 Units	105	1.02%		14.40	-	1,505	1,505
For peak load requirement exceeding 5 kW)							
Time of Use (TOU) - Peak	11	0.10%		14.40	-	154	154
Time of Use (TOU) - Off-Peak	49	0.47%		7.35	-	359	359
Temporary Supply	0	0.00%		14.40	-	6	6
Total Residential	**4,512**	**43.83%**			**-**	**44,546**	**44,546**
Commercial - A2							
For peak load requirement less than 5 kW	287	2.79%		13.20	-	3,787	3,787
For peak load requirement exceeding 5 kW							
Regular	4	0.04%	400.00	13.55	8	49	57
Time of Use (TOU) - Peak	37	0.36%		14.40	-	538	538
Time of Use (TOU) - Off-Peak	169	1.64%	400.00	7.35	489	1,242	1,731
Temporary Supply	9	0.09%		14.40	-	135	135
Total Commercial	**506**	**4.92%**			**497**	**5,752**	**6,248**
General Services-A3	**41**	**0.40%**	**-**	**13.25**	**-**	**546**	**546**
Industrial							
B1	121	1.18%		11.15	-	1,350	1,350
B1 Peak	43	0.41%		14.55	-	621	621
B1 Off Peak	257	2.49%		6.45	-	1,657	1,657
B2	18	0.18%	400.00	10.65	25	193	218
B2 - TOU (Peak)	222	2.16%		14.55	-	3,230	3,230
B2 - TOU (Off-peak)	1326	12.88%	400.00	6.35	2,424	8,422	10,847
B3 - TOU (Peak)	132	1.29%		14.55		1,927	1,927
B3 - TOU (Off-peak)	1183	11.49%	380.00	6.25	1,360	7,396	8,755
B4 - TOU (Peak)	101	0.98%		14.55		1,471	1,471
B4 - TOU (Off-peak)	683	6.64%	360.00	6.15	633	4,205	4,838
Temporary Supply	0	0.00%		14.40	-	3	3
Total Industrial	**4,086**	**39.69%**			**4,442**	**30,476**	**34,918**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%		11.65	-	2	2
C1(b) Supply at 400 Volts-exceeding 5 kW	2	0.02%	400.00	11.15	5	28	33
Time of Use (TOU) - Peak	2	0.02%		14.55	-	36	36
Time of Use (TOU) - Off-Peak	12	0.11%	400.00	6.45	21	76	97
C2 Supply at 11 kV	16	0.16%	380.00	10.95	13	179	192
Time of Use (TOU) - Peak	16	0.15%		14.55	-	231	231
Time of Use (TOU) - Off-Peak	78	0.75%	380.00	6.25	99	486	585
C3 Supply above 11 kV	8	0.08%	360.00	10.85	18	91	109
Time of Use (TOU) - Peak	32	0.32%		14.55	-	472	472
Time of Use (TOU) - Off-Peak	158	1.53%	360.00	6.15	123	972	1,095
Total Single Point Supply	**326**	**3.16%**			**279**	**2,573**	**2,852**
Agricultural Tube-wells - Tariff D							
Scarp	14	0.13%		10.95	-	151	151
Time of Use (TOU) - Peak	4	0.04%		14.55	-	63	63
Time of Use (TOU) - Off-Peak	34	0.33%	200.00	6.35	47	217	264
Agricultual Tube-wells	6	0.06%	200.00	10.00	8	65	73
Time of Use (TOU) - Peak	139	1.35%		14.55	-	2,028	2,028
Time of Use (TOU) - Off-Peak	612	5.95%	200.00	6.35	1,102	3,890	4,993
Total Agricultural	**810**	**7.87%**			**1,158**	**6,414**	**7,572**
Public Lighting - Tariff G	8	0.07%		10.50	-	80	80
Tariff H - Residential Colonies attached to industries	4	0.04%		10.50	-	47	47
Sub-Total	**12**	**0.12%**			**-**	**128**	**128**
Special Contract - Tariff-J							
J-1 For Supply at 66 kV & above	-	0.00%	360.00	10.85	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.55	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.15	-	-	-
J-2 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.95	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.55	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	6.25	-	-	-
J-2 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.85	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.55	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.15	-	-	-
J-3 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.95	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.55	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	6.25	-	-	-
J-3 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.85	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.55	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.15	-	-	-
Total Revenue	**10,294**	**100.00%**			**6,375**	**90,436**	**96,813**

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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	-	8.15	
iii	101 - 200 Units	-	12.00	
iv	201 - 300 Units	-	12.35	
v	301 - 700 Units	-	13.20	
vi	Above 700 Units	-	14.40	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	14.40	7.35

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

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	-	13.20	
b)	For Sanctioned load 5 kW & above	400.00	13.55	
			Peak	Off-Peak
c)	Time Of Use	400.00	14.40	7.35

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
a)	General Services	-	13.25

Under tariff A-3, 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)	-		11.15
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		10.65
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		14.55	6.45
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	14.55	6.35
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	14.55	6.25
B4	For All Loads (at 66,132 kV & above)	360.00	14.55	6.15

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	-		11.65
b)	Sanctioned load 5 kW & up to 500 kW	400.00		11.15
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		10.95
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		10.85
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	14.55	6.45
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	14.55	6.25
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	14.55	6.15

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	-		10.95
D-2 (a)	Agricultural Tube Wells	200.00		10.00
			Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	14.55	6.35
D-2 (b)	Agricultural 5 kW & above	200.00	14.55	6.35

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.

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	14.40
E-1(ii)	Commercial Supply	-	14.40
E-2	Industrial Supply	-	14.40

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		10.50

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

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	-	10.50

J - SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
J -1	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	10.85	
J-2				
(a)	For supply at 11,33 kV	380.00	10.95	
(b)	For supply at 66 kV & above	360.00	10.85	
J-3				
(a)	For supply at 11,33 kV	380.00	10.95	
(b)	For supply at 66 kV & above	360.00	10.85	
	Time Of Use		Peak	Off-Peak
J -1(b)	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	14.55	6.15
J-2 (c)	For supply at 11,33 kV	380.00	14.55	6.25
J-2 (d)	For supply at 66 kV & above	360.00	14.55	6.15
J-3 (c)	For supply at 11,33 kV	380.00	14.55	6.25
J-3 (d)	For supply at 66 kV & above	360.00	14.55	6.15

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Annex-IV

FESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,083	1,140	1,049	1,014	892	810	685	789	805	844	1,119	1,144	11,374
													kWh
Fuel Cost Component	4.9811	4.7552	5.1217	5.2366	5.0497	5.8619	7.1241	5.7493	6.6429	6.7227	5.2908	4.9927	**5.523**
Variable O & M	0.2727	0.2678	0.2825	0.2891	0.2916	0.3337	0.3711	0.3234	0.3467	0.3577	0.3050	0.2891	**0.306**
CpGenCap	2.2472	2.0947	2.3052	2.3559	2.3750	3.0573	3.4998	2.9262	3.3620	2.9079	2.6889	2.2761	**2.611**
USCF	0.2839	0.2830	0.3164	0.3141	0.3307	0.3785	0.4017	0.3785	0.3846	0.3754	0.3071	0.3052	**0.3319**
Total PPP in Rs. /kWh	**7.7848**	**7.4006**	**8.0258**	**8.1956**	**8.0470**	**9.6313**	**11.3967**	**9.3774**	**10.7361**	**10.3636**	**8.5919**	**7.8630**	**8.7727**

Rs in Million

Fuel Cost Component	5,394	5,423	5,372	5,312	4,503	4,751	4,880	4,539	5,346	5,673	5,919	5,711	**62,823**
Variable O & M	295	305	296	293	260	270	254	255	279	302	341	331	**3,483**
CpGenCap	2,433	2,389	2,418	2,390	2,118	2,478	2,397	2,310	2,706	2,454	3,008	2,604	**29,704**
USCF	307	323	332	319	295	307	275	299	310	317	344	349	**3,775**
PPP	**8,430**	**8,439**	**8,419**	**8,313**	**7,176**	**7,805**	**7,806**	**7,403**	**8,641**	**8,745**	**9,613**	**8,995**	**99,785**

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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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

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.

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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(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).

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 Charge 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%.

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PART-II

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

A-1 RESIDENTIAL

Definition

"Life Line Consumer" means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

At any point of time, if the floating average of last six months' consumption exceed 50 units, then the said consumer would not be classified as life line for the billing month even if its consumption is less than 50 units. For the purpose of calculating floating average, the consumption charged as detection billing would also be included.

1. This Tariff is applicable for supply to;
   i) Residences,
   ii) Places of worship,
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(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 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 convert it 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).

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A-3 GENERAL SERVICES

1. This tariff is applicable to;

    i. Approved religious and charitable institutions
    ii. Government and Semi-Government offices and Institutions
    iii. Government Hospitals and dispensaries
    iv. Educational institutions
    v. Water Supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land.

1. Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

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.
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 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 upto a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.
3. All existing consumers under tariff B-1 shall be provided T.O.U metering arrangement by the Company and convert it to-B1 (b) Tariff.

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.

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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.

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C BULK SUPPLY

"Bulk Supply" for the purpose of this Tariff, means the supply given at one point for self-consumption not selling 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 a 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 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.

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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

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.

3. 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.
4. 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) 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.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.

3. 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- 2(b) given in the Schedule of Tariff.
4. 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-2(a) till that time.

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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 bonafide 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.

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

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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

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.

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"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 bonafide 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.

I. TRACTION

Supply under this tariff means supply of power in bulk to Railways for Railway traction only.

J. SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

Supply for the purpose of this tariff means the supply given at one or more common delivery points;

i. To a licensee procuring power from FESCO for the purpose of further supply within its respective service territory and jurisdiction.

ii. To an O&M operator under the O&M Agreement within the meaning of NEPRA (Supply of Power) Regulations 2015 duly approved by the Authority for the purpose of further supply within the service territory and jurisdiction of the FESCO

iii. To an Authorized agent within the meaning of NEPRA (Supply of Power) Regulations 2015, procuring power from the FESCO for further supply within the service territory and jurisdiction of the FESCO

J-1 SUPPLY TO LICENSEE

1. This tariff is applicable to a Licensee having sanctioned load of 20 MW and above receiving supply at 66 kV and above.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-1(b).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-1(b) as set out in the Schedule of Tariff.

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SUPPLY UNDER O&M AGREEMENT

J-2 (a) SUPPLY AT 11 KV AND 33 KV

1. This tariff is applicable to an O&M operator receiving supply at 11 kV or 33 kV under the O&M Agreement duly approved by the Authority.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(c).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(c) as set out in the Schedule of Tariff.

J-2 (b) SUPPLY AT 66 KV AND ABOVE

1. This tariff is applicable to an O&M operator receiving supply at 66 kV & above under the O&M Agreement duly approved by the Authority.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(d).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(d) as set out in the Schedule of Tariff.

SUPPLY TO AUTHORIZED AGENT

J-3 (a) SUPPLY AT 11 KV AND 33 KV

1. This tariff is applicable to an authorized agent receiving supply at 11 kV or 33 kV.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(c).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(c) as set out in the Schedule of Tariff.

J-3 (b) SUPPLY AT 66 KV AND ABOVE

1. This tariff is applicable to an authorized agent receiving supply at 66 kV & above.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(d).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(d) as set out in the Schedule of Tariff.

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Annex-VI

O&M EXPENSE

The O&M part of Distribution Margin shall be indexed with CPI subject to adjustment for efficiency gains (X factor). Accordingly the O&M will be indexed every year according to the following formula:

$$O\&M_{(Rev)} = O\&M_{(Ref)} \times [1+(\Delta CPI - X)]$$

Where:

$O\&M_{(Rev)}$	=	Revised O&M Expense for the Current Year
$O\&M_{(Ref)}$	=	Reference O&M Expense for the Reference Year
ΔCPI	=	Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage.
X	=	Efficiency factor

RORB

RORB assessment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

Where:

$RORB_{(Rev)}$	=	Revised Return on Rate Base for the Current Year
$RORB_{(Ref)}$	=	Reference Return on Rate Base for the Reference Year
$RAB_{(Rev)}$	=	Revised Rate Base for the Current Year
$RAB_{(Ref)}$	=	Reference Rate Base for the Reference Year

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DEPRECIATION EXPENSE

Depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

Where:

$DEP_{(Rev)}$	=	Revised Depreciation Expense for the Current Year
$DEP_{(Ref)}$	=	Reference Depreciation Expense for the Reference Year
$GFAIO_{(Rev)}$	=	Revised Gross Fixed Assets in Operation for the Current Year
$GFAIO_{(Ref)}$	=	Reference Gross Fixed Assets in Operation for the Reference Year

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OTHER INCOME

Other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + \left(OI_{(1)} - OI_{(0)}\right)$$

Where:

$OI_{(Rev)}$	=	Revised Other Income for the Current Year
$OI_{(1)}$	=	Actual Other Income as per latest Financial Statements.
$OI_{(0)}$	=	Actual/Assessed Other Income used in the previous year.

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A. Target Projects in Next 5 Years:

A-1 Number of sub-projects under STG is as follows:

A-1.1 Grid Station Projects to Overcome Overloading and Low Voltage Problems at 132 kV Level:

S. #	Description	Total No.	Total Capacity (MVA)	2015-16 (Nos.)	2016-17 (Nos.)	2017-18 (Nos.)	2018-19 (Nos.)	2019-20 (Nos.)
1	**New**							
a)	132 kV	15	719.00	3	4	3	4	1
2	**Conversion**							
a)	66 to 132 kV	5	81.22	3	1	1	0	0
3	**Augmentation**							
a)	132 kV	33	459.00	1	10	4	9	9
b)	66 kV	-	13.80	-	-	-	-	-
4	**Extension (T/Bay)**							
a)	132 kV	13	261.00	2	4	1	1	5
5	**Extension (L/Bay)**							
a)	132 kV	35	-	13	10	6	4	2
6	**Sub-Total**	**101**	**1534**	**22**	**29**	**15**	**18**	**17**

A-1.2 New Transmission Line Projects to Overcome Power Evacuation Constraints:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV D/C	**367.5**	68.5	91	100	98	10
2	132 kV SDT	**80**	31	-	34	-	15
3	**Sub-Total**	**447.5**	**99.5**	**91**	**134**	**98**	**25**

A-1.3 2nd Circuit Stringing of Existing SDT Transmission Lines:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV SDT	**186.3**	49.3	135	2	-	-

A-1.4 Reconductoring/Up-Gradation of Existing Transmission Lines:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV D/C	**73**	50	16	7	-	-

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A-1.5 Capacitor Installation Projects to Improve Power Factor:

S. #	Description	Total MVAR	2015-16 (MVAR)	2016-17 (MVAR)	2017-18 (MVAR)	2018-19 (MVAR)	2019-20 (MVAR)
1	11 kV Fixed Capacitors	**414**	88.8	121.2	67.2	75.6	61.2
2	132 kV Fixed Capacitors	**72**	36	-	36	-	-
3	**Sub-Total**	**486**	**124.8**	**121.2**	**103.2**	**75.6**	**61.2**

A-2 Names of New 132 kV Grid Stations and Transmission Lines under STG in Next 5 Years:

Year	New 132 kV Grid Stations	New 132 kV Transmission Lines
2015-16	Chenab Nagar KotShakir Jaranwala Road	F/F Lundianwala F/F Chenab Nagar F/F KotShakir F/F Jaranwala Rd. F/F Fazal F/F PathanKot F/F Nia Lahore F/F FSD City F/F ShahbazKhel
2016-17	UsmanGani Bandala-II (RasoolPura) MamuKanjan Dijkot	F/F UsmanGani F/F RasoolPura F/F MamuKanjan F/F Dijkot F/F Trug 132 kV Chak-126/SB-Liberty Power (In & Out at 220 kVLalian) 132 kVChiniot Ind.-Lalian (In & out at 220 kVLalian)
2017-18	Awagat College Rd. FSD Silanwali Rd. Sargodha-IV	F/F Awagat F/F College Rd. F/F Silanwali Rd. Sargodha F/F AdhiKot 132 kVNarwala Rd-Jhang Rd. (In & Out at 500 kV FSD West) 132 kVJhang Rd-Factory Area (In & out at 500 kV FSD West)
2018-19	Bukharian Sargodha-III (SabziMandi) Aminpur Rd. FSD Darya Khan Rd. Bhakkar	F/F Bukharian F/F Sargodha-III F/F Aminpur F/F Darya Khan Rd. Bhakkar 132 kV D/C Barana-Bhumb 220 kVSammundri-Gojra (In & out at Sammundri)
2019-20	Bagh T.T Singh	F/F Bagh T.T Singh 132 kV SDT Bhowana-Khewa

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A-3 Number of sub-projects under DOP Expansion and Rehabilitation are as follows:

A-3.1 DOP Expansion Projects to Cater Future Demand:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
A.	**Scope of work for 11 kV Expansion**							
1	**New HT Lines**							
	Length of New HT Lines	KM	265	290	315	345	370	**1585**
2	**Transformers**							
	a. 10 KVA	Nos.	451	451	501	551	551	**2505**
	b. 15 KVA	Nos.	350	351	401	451	451	**2004**
	c. 25 KVA	Nos.	2004	2005	2505	2505	3005	**12024**
	d. 50 KVA	Nos.	910	950	1000	1050	1100	**5010**
	e. 100 KVA	Nos.	350	351	401	451	451	**2004**
	f. 200 KVA	Nos.	140	145	150	155	161	**751**
	g. 400 KVA	Nos.	12	14	15	16	17	**75**
	h. 630 KVA	Nos.	4	5	5	5	6	**24**
	Sub Total							**24397**
B.	**Scope of work for LT Expansion**							
1	**New LT Lines**							
	Length of New LT Lines	KM	158	168	178	188	200	**892**
C.	**Service Connections**							
1	Single Phase	Nos.	127410	132310	137210	142410	145416	684756
2	Three Phase	Nos.	22454	29554	39654	52454	70448	214564
3	TOU Meter	Nos.	136	136	136	136	136	680
Sub-Total		Nos.	**150000**	**162000**	**177000**	**195000**	**216000**	**900000**

A-3.2 DOP Rehabilitation Projects to Reduce Overloading at 11 kV Level:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
A.	**Scope of work for 11 kV Distribution System Rehabilitation**							
1	**New HT Lines**							
	Number of Proposals	Nos.	30	35	40	45	50	200
	Bifurcation	KM	340	330	320	360	400	1750
	Reconductoring	KM	300	335	320	320	350	1625
	Re-Routing	KM	10	-	-	-	-	10
2	**Replacement of Over Loaded Transformers**							
	a. 50 KVA	Nos.	150	175	200	225	250	1000
	b. 100 KVA	Nos.	150	175	200	225	250	1000
	c. 200 KVA	Nos.	100	100	100	100	100	500
	Sub Total		**400**	**475**	**500**	**550**	**600**	**2500**
3	**Replacement of defective/burnt Transformers**							
	a. 50 KVA	Nos.	535	490	450	410	350	2235
	b. 100 KVA	Nos.	613	550	505	435	365	2468
	c. 200 KVA	Nos.	555	490	450	400	300	2195

	d. Other KVA	Nos.	200	180	150	120	100	750
	Sub Total	Nos.	1903	1710	1555	1365	1115	7648
4	11 kV Panels for replacement and Bifurcation of feeders	Nos.	20	17	16	17	15	85
B.	**Scope of work for LT Rehabilitation**							
1	**LT Line Rehabilitation**							
	Number of Proposals	Nos.	700	750	800	850	900	4000
	New LT Lines	KM	530	557	592	629	666	2974

A-4 Number of sub-projects under ELR Program is as follows:

A-4.1 Energy Loss Reduction Projects to Reduce T&D Losses through GIS Mapping:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	**HT Mapping**							
	Number of 11 KV Feeders	Nos.	165	331	83	83	83	**898**
	Length of HT Lines mapped	KM	9600	19200	4800	4800	4800	**48083**
2	**LT Mapping**							
	Number of LT Lines	Nos.	-	-	4500	5600	8400	**18500**
	Length of LT Lines mapped	Nos.	-	-	1900	2400	3600	**7900**
3	**Tools Required**							
	GIS mapping software Licences	Nos.	1	1	1	-	-	**3**
	Hardware including plotters, computers, GPS devices etc.	Nos.	1	1	1	-	-	**3**

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Study Based Planning using GIS Maps with Modern Planning Tools-Transition Plan								
	HT							
1	Circles	Nos.	165	331	83	83	83	**898**
	LT Mapping							
2	Number of LT Lines	Nos.	-	-	4500	5600	8400	**18500**
	Tools Required							
3	Simulation software Licences	Nos.	2	2	2	2	2	**10**
	Hardware including plotters, computers etc.	Nos.	1	1	1	1	1	**5**

A-5 Sub-projects under Commercial Improvement Plan are as follows:

A-5.1 Projects to Reduce Metering Complaints/Errors

(Rs. in Million)

S. #	Description	Nos.	2015-16	2016-17	2017-18	2018-19	2019-20	Total
A	AMR/AMI Metering	1010000	30.00	450.00	450.00	900.00	1200.00	**3030.00**
B	New CIS system	Cost is included in ERP						
C	HHUs for meter reading (Mobile Unit for Meter Reading)	600 mob units/ 1500HHUs	12mln. For 600 Mobile Units	75 mln. For 750 HHUs	75 mln. For 750 HHUs	0	0	**162.00**
D	Consumer Census	4.3 Mln. Cnsmrs.		Census of 1st circle consumer		Census of remaining consumers		**0.00**
E	Anti-theft efforts	Checking of 100% Industrial connection and 25% others through FESCO staff						**0.00**
F	IT infrastructure to support new initiatives	Setting of control for reading of AMR/AMI meters						**0.00**

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A-6. Sub-projects under the head of Vehicle, Mechanical Tolls and Plants are as follows:

A-6.1 Vehicles Required for STG, DOP and ELR Operations:

S. #	Description	Unit	Quantities											
			2015-16		2016-17		2017-18		2018-19		2019-20		Total	
			STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP
1	Single Cabin Pick-up	No.	02	14	02	11	01	04	01	05	01	05	07	40
2	Double Cabin Pick-up	No.	01	01	0	01	01	01	0	0	0	0	02	03
3	Trucks	No.	02	03	04	06	04	06	04	06	02	03	16	24
4	Crane 20 Tons	No.	0	01	0	0	0	0	0	0	0	0	0	01
5	Crane 40 Tons	No.	01	0	0	0	0	0	0	0	0	0	01	0
	Total	**No.**	**07**	**24**	**12**	**21**	**12**	**12**	**08**	**13**	**04**	**12**	**43**	**82**

A-6.2 Vehicles for Operation at Sub-Division Level:

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Bucket Mounted Trucks	30	30	30	30	30	150

A-6.3 Vehicles Required for Officers and Staff:

S. #	Description	Unit	Quantities											
			2015-16		2016-17		2017-18		2018-19		2019-20		Total	
1	Suzuki Cultus Car	No.	02	02	02	02	01	02	00	00	00	0	05	06
2	Toyota Car (XLI)	No.	00	00	01	01	01	01	00	00	00	0	02	02
3	Motor Cycle	No.	00	20	10	10	05	05	00	00	0	0	15	35
	Total	**No.**	**02**	**22**	**13**	**13**	**07**	**08**	**00**	**04**	**00**	**00**	**22**	**43**

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A-6.4 Tools and Plants:

(Rupees)

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Tools & Plants							
1	Earthing Set	155346	155346	155346	155346	109656	731040
2	Earth Tester	44251	44251	44251	44251	31236	208240
3	Magger (1000 Volts)	290462	290462	290462	290462	205032	1366880
4	Measuring Tape	22049	22049	22049	22049	15564	103760
5	Fiber Glass Extension Ladder	881739	881739	881739	881739	622404	4149360
6	Cuffing Hoist (1500 kg)	167637	167637	167637	167637	118332	788880
7	Cuffing Hoist (750 kg)	125358	125358	125358	125358	88488	589920
8	Galvanized Steel Bucket	19224	17088	19224	17088	10680	83304
9	Fire Extinguisher	9764	12205	9764	9764	7323	48820
10	Clip On Volt Ampt Meter	131804	164755	131804	131804	98853	659020
11	Clip On kW Meter	131804	164755	131804	131804	98853	659020
12	Stop Watch	26860	26860	26860	26860	18960	126400
12	Black Smith Anvil (76 kg)	38896	38896	38896	38896	27456	183040
13	Chain Pullley Block (3 Ton)	25942	25942	25942	25942	18312	122080
14	Chain Plley Block (5 Ton)	124335	110520	124335	110520	69075	538785
15	Nylon Rope (19mm Dia)	351458	351458	351458	351458	248088	1653920
16	Pick Axes	2482	2482	2482	2482	1752	11680
17	Kassies	6222	6222	6222	6222	4392	29280
18	First Aid Box	23341	23341	23341	23341	16476	109840
19	DEO J Spanner (9/6" X 5/8")	16864	16864	16864	16864	11904	79360
20	DEO J Spanner (5/8" X 3/4")	16864	16864	16864	16864	11904	79360
21	Pulling Grip (6-10')	47243	47243	47243	47243	33348	222320
22	Pulling Grip (12-15')	62067	62067	62067	62067	43812	292080
23	Hammers	2074	2074	2074	2074	1464	9760
24	Adjustable Screw Wrench	13498	13498	13498	13498	9528	63520
25	Line Man Tool Bag	9860	9860	9860	9860	6960	46400
26	Line Man Knife	884	884	884	884	624	4160
27	Torch 3 Cells	4862	4862	4862	4862	3432	22880

(Rupees)

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Personal Protective (T&P)							
1	Safety Hat Insulated	12975	12975	12975	12975	10380	62280
2	Line Man Safety Belt	18250	18250	18250	18250	14600	87600
3	Protective Rubber Gloves (Pair)	26925	26925	26925	26925	21540	129240
4	Protective Lather Globes (Pair)	15975	15975	15975	15975	12780	76680
5	Line Man Safety Boots (8,9,10 Size)	28650	28650	28650	28650	22920	137520

6	Live Wire Tester (4000 Volts)	368	368	460	368	276	1840
7	Insulated Screw Driver	1975	1975	1975	1975	1580	9480
8	Rain Coat	63920	63920	63920	79900	47940	319600
9	D-Operating Rod	29288	29288	36610	29288	21966	146440
10	Insulated Plyer	5725	5725	5725	5725	4580	27480
Total (Rs.)		**2957241**	**3009633**	**2964655**	**2957270**	**2092470**	**13981269**
In Millions		**2.96**	**3.01**	**2.96**	**2.96**	**2.01**	**13.9**

A-7. Sub-projects under **Civil Works** are as follows:

Enhancement in the number of sub-divisions, divisions, revenue offices and operation circles is essential to provide prompt/effective services to the prospective new consumers in next 5 years. The restraining instructions are that FESCO will not claim additional amount on recruitment of new employees. The number of employees may vary but the allowance in salaries etc. will remain the same.

There is no need for construction circles, construction division and construction sub-division as the job of construction would be out sourced and for the purpose of supervision, the existing strength of supervisory staff is ample. The following projects under the Civil Works are allowed:

(Rs. in Million)

S. #	**Description**	**No.**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Total**
1	New Circle Offices	2	50	50	0	0	0	**100**
2	New Division Offices	8	90	60	90	0	0	**240**
3	New Sub-Divisional Offices	29	90	100	100	0	0	**290**
4	Revamping of Training Centers / Provision of Safety T&P and Promoting Safety Culture		30.20	50.20	30.21	20.22	20.16	**151**
5	Improvement required in existing buildings		120	122	124	126	128	**620**
	Total		**380.2**	**382.2**	**344.21**	**146.22**	**148.16**	**1401**

A-8. Sub-projects under **Human Resource Improvement Plan** are as follows:

S. #	**Description**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Total**
1	Human Resource Information System Implementation	ERP Module of HR, cost included in Capital Expenditure Summary					
2	IT Infrastructure to support new initiatives	ERP Implementation is under progress					

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Annex-VIII

List of Interested / Affected Parties to send the Notices of Hearing in the matter of Petition Filed by Faisalabad Electric Supply Co. Ltd. FESCO) in respect of determination of its Multi- Year Consumer-End Tariff determination Pertaining to the FY 2015-16 to 2019-20 Based on Actual /Estimated Results of FY 2014-15 as Base Year

*****

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

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

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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
1-Turner Road
Lahore - 54000

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

17. Chief Executive Officer
Mobilink
Mobilink House 1-A
Kohistan Road, F-8 Markaz
Islamabad

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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

23. Chief Executive Officer
Flying Cement Company Limited, Faisalabad
Akbarabad Chowk
Opposite GOR II Jail Road
Faisalabad

24. Pakistan Hosiery Manufactures Association
Sheikhupura Road, Gulistan Colony 2,
Faisalabad Punjab

25. Mr. Muhammad Ihsanullah Khan,
Resident of Akwal Trag,
Tehsil Isakhel District Mianwali

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

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27. Chairman All Pakistan Cotton Power Loom Association
Rana Ikhlaq Ahmad,
Chief Executive,
Mubarik Textiles,
Famous as Allahoo-Akbar Factory,
17-Km. Jaranwala Road, Faisalabad.
Phone:041-2020901, 041-2020903 Fax:041-8547408
Mobile: 0322-8666202 & 0300-8666202
E. mail: mubariktextiles@yahoo.com

28. Chief Executive Officer
Transparency International Pakistan
5-C, 2nd Floor, Khayaban-e-Ittehad
Phase-VII, DHA, Karachi.
Tel: (092)(021) 35390408
Fax: (092)(021) 35390410

29. Chairman
Whistleblower Pakistan
72-F,/II Jami Commercial Street No. 9
Phase-VII, DHA, Karachi.
Tel: (092)(021) 35391778

30. M/s Mohammad & Ahmed
Constitutional. Corporate & Tax Counsel
Ground Floor, Almas Tower. Begun Tassadug Road
26-The Mall
Lahore

31. Faisalabad Chamber Of Commerce & Industry
Canal Road Faisalabad.

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

4. 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

2. In addition to above the letters may also be sent to all the Provincial Chief Secretaries and Energy secretaries.

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Annex-IX

"The News" 06-09-15

National Electric Power
Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO) FOR THE DETERMINATION OF ITS MULTI-YEAR CONSUMER-END TARIFF PERTAINING TO THE FY 2015-16 TO 2019-20 BASED ON THE ACTUAL/ESTIMATED RESULTS OF THE FY 2014-15 AS BASE YEAR.

All stakeholders, interested/affected persons and the general public are notified that Faisalabad Electric Supply Company Limited (FESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for the determination of its multi-year consumer-end tariff pertaining to the FY 2015-16 to 2019-20 based on actual/estimated results of the FY 2014-15 as base year.

1. The petitioner has prayed for the determination of its multi-year consumer-end tariff pertaining to the Financial Year 2015-16 to 2019-20, requesting approval of following components.

Sr.	Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Distribution Margin (Rs./kWh)	1.536	2.046	2.099	2.118	2.115
2	Investment (Mln. Rs.)	12,723	10,593	9,364	9,632	5,293
3	Line Losses (%)	10.90	10.56	10.40	10.15	9.98
4	Average Sale Rate (Rs. / kWh)	12.208	12.787	12.942	13.061	13.171

2. Based on above tariff components the petitioner requested following category-wise tariff: -

Description	NEPRA Determined Tariff Pertaining to the FY 2014-15		Requested Tariff for the FY 2015-16	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.00		4.00
1-100 Units		9.00		10.14
101-200 Units		10.20		11.50
201-300 Units		10.20		11.50
301-700 Units		14.00		15.78
Above 700 Units		16.00		18.03
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) – Peak		16.00		18.03
Time of Day (TOU) -Off-Peak		10.00		11.27
Total Domestic				
Commercial - A2				
For peak load requirement less than & up to 5kW		15.00		15.91
For Peak load requirement (<20KW) exceeding 5 kW				
Regular	400	14.50	400	16.34
Time of Day (TOU) -Peak		16.30	400	18.03
Time of Day (TOU) - Off-Peak	400	10.00	400	11.27
Total Commercial				
Industrial				
B1 up to 25 kW (400/230 volts)		13.00		14.65
B1(b) up to 25 kW (Peak)		16.00		18.03
B1(b) up to 25 kW (Off-Peak)		10.00		11.27
B2(a) exceeding 25-500KW (400 volts)	400	12.50	400	14.09
B2(b) - TOU (Peak) at 400 volts		16.00	400	18.03
B2(b) - TOU (Off-Peak) at 400 volts	400	9.60	400	10.82
B3 - TOU (Peak) all loads up to 5000KW at 11/33 Kv		16.00	380	18.03
B3 - TOU (Off-Peak) all loads up to 5000KW at 11/33 Kv	380	9.50	380	10.71
B4 - TOU (Peak) all loads 66/132 Kv and above		16.00	360	18.03
B4 - TOU (Off-Peak) all loads 66/132 Kv and above	360	9.40	360	10.59
Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400/230 Volts less than 5 KW		13.50		15.21
C1(b) Supply at 400/230 Volts- 5 KW& up to 500KW	400	13.00	400	14.65
Time of use (TOU) Peak		16.00	400	18.03
Time of use (TOU) Off Peak	400	10.00	400	11.27
C2 Supply at 11 Kv 33 Kv up to and including 5000 Kw	380	12.80	380	14.43
Time of use (TOU) Peak		16.00	380	18.03
Time of use (TOU) Off Peak	380	9.60	380	10.82
C3 Supply at 66 Kv & above	360	12.70	360	14.31
Time of use (TOU) Peak		16.00	360	18.03
Time of use (TOU) Off Peak	360	9.50	360	10.71
Total Bulk Supply				
Agricultural Tube-wells - Tariff D				
Scarp D-1(a) less than 5 kW		13.00		14.65
D-2 Agricultural Tube Well	200	12.50	200	14.09
Scrap and Agriculture 5 KW and above Time of use (TOU) Peak		16.00	200	18.03
Scrap and Agriculture 5 KW and above Time of use (TOU) Off Peak	200	9.50	200	10.71
Total Agricultural Tube well Tariff D				
Public Lighting - Tariff –G		14.00		15.78
Housing Colonies - H		14.00		15.78
Company Total				

3. In terms of rules 6 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 within 7 days of receipts of copy of intervention request.

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 / effected 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 21, 2015 (Monday)
Time	10.30 a.m.
Venue	Serena Hotel Faisalabad

All communications should be addressed to

Registrar NEPRA
NEPRA Tower, G-5/1, Islamabad.

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"The News" 10-09-15.

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

Re-Scheduling Of Hearing In The Matter Of Petition Filed By Faisalabad Electric Supply Company Limited (FESCO) For The Determination Of Its Multi Year Consumer End Tariff Pertaining To The FY 2015-16 To 2019-20 Based On The Actual/estimated Results Of The FY 2014-15 As Base Year

It is notified to all the stakeholders and the general public that the hearing on the subject matter scheduled for September 21, 2015 at Serena Hotel Faisalabad, as published in daily newspapers on September 06, 2015, has been rescheduled as below;

Date:	September 21, 2015 (Monday)
Time:	11:00 AM
Venue:	NEPRA Tower, G-5/1, Islamabad

All other information will remain the same. A copy of petition and issues framed for the hearing can be obtained from NEPRA office or downloaded from website: www.nepra.org.pk

All communications should be addressed to:

Registrar NEPRA
NEPRA Tower, G-5/1, Islamabad
Phone: 051-2013200 Fax: 051-9210215 Email: office@nepra.org.pk

PID (I) 1324/15

"Express" 10-09-15.

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا)

داخلہ نوٹس / شنوائی

تمام اسٹیک ہولڈرز اور عوام الناس کو آگاہ کیا جاتا ہے کہ متعلقہ معاملے میں شنوائی 21 ستمبر 2015 کو سرینا ہوٹل فیصل آباد میں ہونا تھی جس کا اشتہار روزنامہ اخبارات میں 06 ستمبر 2015 کو شائع کیا گیا تھا، شنوائی کی تاریخ میں درج ذیل شیڈول کے مطابق تبدیلی کر دی گئی ہے۔

تاریخ: 21 ستمبر 2015 (سوموار)
وقت: دن 11:00 بجے
مقام: نیپرا ٹاور G-5/1 اسلام آباد

تمام دیگر معلومات حسب سابق رہیں گی۔ شنوائی کیلئے تشکیل دیئے گئے معاملات اور پٹیشن کی نقل نیپرا کے دفتر سے حاصل کی جا سکتی ہے اور ویب سائٹ www.nepra.org.pk سے ڈاؤن لوڈ کر سکتے ہیں۔
تمام تر رابطے درج ذیل کے نام ہونے چاہئیں:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY