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National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/ADG(Tariff)/TRF-339/1212-1214
January 26, 2023

Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Company Ltd. (FESCO) against Decision of the Authority for adjustment/indexation in Tariff for the FY 2020-21 & FY 2021-22 [Case # NEPRA/TRF-339]

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (05 Pages) in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Company Ltd. (FESCO) against Decision of the Authority for adjustment/indexation in Tariff for the FY 2020-21 & FY 2021-22.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision or refer the matter to the Authority for reconsideration, within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat
Islamabad


(Engr. Mazhar Iqbal Ranjha)

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, 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 (FESCO) AGAINST DECISION OF THE AUTHORITY FOR ADJUSTMENT/INDEXATION IN TARIFF FOR THE FY 2020-21 & FY 2021-22

1. Faisalabad Electric Supply Company Limited (FESCO), hereinafter called "the Petitioner" being a distribution licensee of NEPRA filed Motion for Leave for Review, against decision of the Authority dated June 02, 2022 for its Distribution & Supply of Power Tariff adjustment/indexation for the FY 2020-21 & FY 2021-22.
2. The Petitioner has raised the following points in its review motion;
 - i. Excess Adjustment of Late Payment Surcharge (LPS)
 - ii. Sales Mix Variance
 - iii. Excess assessment of Other Income

3. **Proceedings**

- 3.1. The Motion for Leave for Review was admitted by the Authority. In order to provide a fair opportunity to the Petitioner to present its case, the Authority decided to conduct a hearing in the matter which was scheduled on August 23, 2022 at NEPRA Tower Islamabad; notice of hearing/ admission was sent to the Petitioner.
- 3.2. The hearing was held on August 23, 2022, wherein the Petitioner was represented by its Chief Executive Officer along-with its Technical and Financial Team.

4. **Excess Adjustment of Late Payment Surcharge (LPS)**

- 4.1. The Petitioner submitted that the Authority, adjusted the amount of LPS recovered in excess of Supplemental charges billed by CPPA-G for the FY 2014-15 to 2017-18 amounting to Rs.3,313 million, while deciding the annual indexation decision of FESCO for the FY 2022-23 dated 02.06.2022, as part of the Prior Year Adjustment (PYA), as mentioned hereunder;

(Mln Rs.)

Year	LPS	Supplemental Charges	LPS in excess to Supplemental Charges
2014-15	1,098	433	(665)
2015-16	1,112	101	(1,011)
2016-17	1,069	103	(966)
2017-18	1,280	609	(671)
Total	4,559	1,246	(3,313)

- 4.2. The Petitioner stated that the Authority had already adjusted the amount of LPS against Supplemental Charges for the FY 2014-15 and 2015-16, in FESCO's MYT re-



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determination dated 18.09.2017, and in fact total amount of Other Income including LPS was adjusted.

- 4.3. The Petitioner accordingly requested that since the LPS for the FY 2014-15 and 2015-16 has already been adjusted, therefore, further adjustment in this regard vide decision dated 02.06.2022 has resulted in duplication/excess adjustment. The Petitioner accordingly requested to allow an amount of Rs.2,210 million, as detailed hereunder, as part of PYA under its Supply Tariff;

(PKR Millions)

Sr #	Description	2014-15	2015-16	Total
1	LPS already adjusted	(1,098)	(1,112)	(2,210)
2	Less: LPS required to be adjusted net of Supplemental Charges	(665)	(1,011)	(1,676)
3 = 1 -2	Excess LPS adjusted	(433)	(101)	(534)
4	Add: LPS adjusted in the instant determination	(665)	(1,011)	(1,676)
5 = 3+4	Total LPS adjusted in excess than required	(1,098)	(1,112)	(2,210)

- 4.4. The Authority noted that while deciding the annual indexation of the Petitioner for the FY 2022-23 vide decision dated 02.06.2022, LPS for the FY 2014-15 and FY 2015-16 amounting to Rs.1,676 million was adjusted by the Authority as mentioned below;

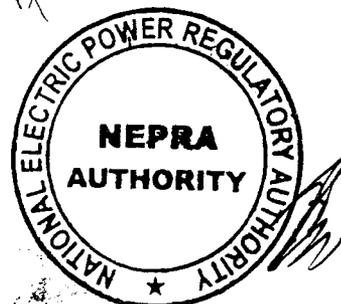
"The Authority, directed the Petitioner to provide detail of invoices raised by CPPA-G on account of supplemental charges for the FY 2014-15 till FY 2019-20. The Petitioner in this regard has submitted the following details;

Rs. Mln

Year	LPS	Supplemental Charges	LPS in Excess to Supp. Charges
2014-15	1,098	433	(665)
2015-16	1,112	101	(1,011)
2016-17	1,069	103	(966)
2017-18	1,280	609	(671)
2018-19	1,406	1,890	484
2019-20	1,681	3,004	1,323
Total	7,646	6,140	

From the above table submitted by FESCO, it is evident that FESCO has recovered LPS of an amount of Rs.3,313 million in excess of supplemental charges billed by CPPA-G for the FY 2014-15 to FY 2017-18, on yearly basis, therefore, the Authority has decided to adjust the excess amount of Rs.3,313 million from the instant adjustment request of the Petitioner, as part of PYA."

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- 4.5. While going through the submissions of the Petitioner, the Authority has noted that in the MYT Re-Determination decision of FESCO dated 18.09.2017, the amount of LPS for the year FY 2014-15 & FY 2015-16 has already been adjusted, as mentioned hereunder;

"Thus, the Authority in the tariff determination of FESCO for the FY 2014-15, decided that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only i.e. CPPA (G) cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective DISCO only

Here it is pertinent to mention that the decision of the Authority for excluding Late Payment Charges from other income of the FESCO, was decided during the tariff determination of FY 2014-15, therefore, any claim on account of supplementary charges before FY 2014-15 were not allowed. The rationale of the Authority's decision in this regard was on account of noncompliance by FESCO with respect to signing ESA during that period (as per the statement of DISCOs). Here it is pertinent to mention that the tariff period to which the CPPA-G/ DISCOs claimed cost relates has lapsed and the relief to the extent of LPC has already been passed to the consumers in the tariff determination of respective DISCOs."

"As per the Audited Financial statements of FESCO for the FY 2014-15 and 2015-16, an amount of around Rs.25,785 million and Rs.33,850 million is shown as receivables from CPPA-G (note 11) for the FY 2014-15 and FY 2015-16 respectively, whereas, nothing is reported as payables towards CPPA-G. In the given situation, the Authority fails to understand, how FESCO has accepted any late payment invoice from CPPA-G, rather, FESCO should have claimed interest on the amount receivable from CPPAG. In view thereof, the Authority has decided to adjust the entire amount of Rs.2,206 million, and Rs.3,318 million recovered from the consumers on account of late payment charges for the FY 2014-15 and FY 2015-16 respectively from the other income of FESCO pertaining to the FY 2014-15 and FY 2015-16

- 4.6. In light of the above discussion, since amount of LPS pertaining to FY 2014-15 & FY 2015-16 has already been adjusted, therefore, further deduction of the same i.e. Rs.665 million for the FY 2014-15 & Rs.1,011 million for the FY 2015-16, vide decision dated 02.06.2022 has resulted in duplicate adjustment to the Petitioner. In view thereof, the Authority has decided to allow this amount of Rs.1,676 million, as part of PYA to the Petitioner in its next Tariff determination for the FY 2023-24.
- 4.7. Here it is pertinent to mention that FESCO while claiming the amount of LPS has also included Supplemental charges for the FY 2014-15 and FY 2015-16, which as per the above decision of the Authority was rejected, as FESCO's Audited Financial statements for the FY 2014-15 and 2015-16, showed receivables from CPPA-G of around Rs.25,785 million and Rs.33,850 million respectively. Therefore, claim of FESCO to the extent of supplemental charges is not allowed.

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5. Sales Mix Variance

5.1. The Petitioner in its MLR submitted that an amount of Rs.2,703 million was requested on account of un-favorable Sales Mix Variance for the FY 2020-21 as part of PYA. The calculations were based on actual Sales Mix for the FY 2020-21 at the base tariff notified vide SRO 03(I)/2019, dated January 01, 2019 (effective from 01.07.2020 to 11.02.2021) & SRO 184(I)/2021 dated February 12, 2021 (effective from 12.02.2021). Detailed working on the issue was also provided with the said request.

5.2. The Petitioner further stated that the Authority in Para 9.9 if its determination for the FY 2021-22 did not consider FESCO's request, however, the requisite information was already provided. In view thereof, the Petitioner has requested the impact of Sales Mix Variance amounting to Rs.2,703 Million as Prior Year Adjustment under its Supply of Electric Power Tariff.

5.3. The Authority observed that in the decision of the Petitioner dated June 02, 2022, while allowing adjustment of Other Income of the Petitioner, has decided as under;

"The Authority noted that the Petitioner was directed through various emails to provide subsidy claims data as per the required format, for the FY 2020-21, in order to work out the impact of Sales Mix variance. However, the required information was not provided by the Petitioner. In view thereof, the Authority has decided not to consider the request of the Petitioner regarding sales mix variance of Rs.2,703 million in the instant adjustment request"

5.4. Here it is pertinent to mention that the information provided by the Petitioner, only provides total monthly Revenue as per Actual mix vis a vis revenue as per the NEPRA determined mix. However, for working out the sales mix variance for the FY 2020-21, consumer category wise subsidy claims data is required, considering the fact that winter incentive package and Industrial Support Packages remained applicable during the FY 2020-21 from November 2020 onward. In view thereof, the Petitioner is again directed to submit proper detailed calculation of sales mix variance for the FY 2020-21, including the impact of Winter Incentive Package and Industrial Support Package. The same shall be provided by the Petitioner along-with its subsequent Tariff adjustment request for the FY 2023-24, to be filed in February 2023. Once the required data is received from the Petitioner, the Authority may consider to allow the sales mix variance for the FY 2020-21, as part of PYA in next Tariff determination of the Petitioner for FY 2023-24.

6. Excess assessment of Other Income

6.1 The Petitioner on the issue has submitted that the Authority vide decision dated 02.06.2022, while allowing adjustment/indexation of Tariff for the FY 2020-21, assessed Other Income of Rs.6,739 million. However, the Actual (Audited) Other Income for the FY 2020-21 has remained Rs.4,878 million, resulting in over assessment of Rs.1,861 million (Rs.6,739 – Rs.4,878 million). The Petitioner accordingly requested the Authority

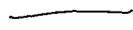


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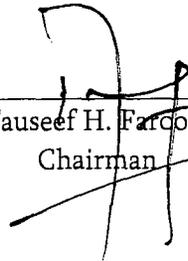
- to reconsider its decision and allow the over assessed Other Income of Rs.1,861 million as Prior Year Adjustment (PYA) under Distribution of Electric Power tariff for the FY 2020-21.
- 6.2 The Authority noted that as per the notified MYT determination of the Petitioner, the Other income assessed for the year is to be trued up based on actual Other income as per the Financial statement for the relevant year. Accordingly, the Other income for the FY 2020-21 would be trued up based on the Audited accounts for the FY 2020-21 and any difference in this regard would be adjusted as PYA in the subsequent tariff determination of the Petitioner for the FY 2023-24.
- 7 In view of the above discussion, the Petitioner is hereby allowed an amount of Rs.1,676 million of LPS pertaining to FY 2014-15 & FY 2015-16 i.e. Rs.665 million & Rs.1,011 million respectively to avoid duplicate adjustment of the same. The impact of same would be allowed to the petitioner as part of PYA in its next Tariff determination, to be filed in January 2023.
- 8 The decision of the Authority is intimated to the Federal Government for notification in the official gazette under Section 31(7) of the NEPRA Act.

AUTHORITY


Mathar Niaz Rana (nsc)
Member


Rafique Ahmed Shaikh
Member


Engr. Maqsood Anwar Khan
Member


Tauseef H. Farooqi
Chairman

