



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-605/FESCO-2024/ 2283-87

February 12, 2025

Chief Executive Officer,
Faisalabad Electric Supply Company Limited (FESCO),
FESCO Headquarters, Abdullah Pur,
Faisalabad

Subject: Decision of the Authority regarding Motion for Leave for Review filed by Faisalabad Electric Supply Company (FESCO) against Determination of annual adjustment/indexation of tariff for FY 2024-25 under MYT regime for the period FY 2023-24 to FY 2027-28

Please find enclosed herewith the subject Decision of the Authority (total 04 pages) for information.

Enclosure: As above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Ministry of Energy (Power Division), 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Energy Department, Government of the Punjab, 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore
5. Chief Executive Officer, NTDC, 414 WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
6. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad

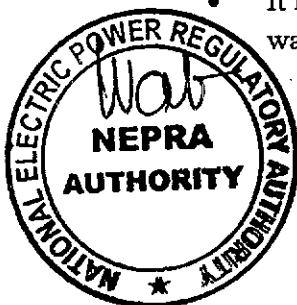
Decision regarding Motion for Leave for Review filed by Faisalabad Electric Supply Company (FESCO) against determination of annual adjustment/indexation of tariff for FY 2024-25 under MYT regime for the period FY 2023-24 to FY 2027-28.

Background

1. The Authority determined Faisalabad Electric Supply Company Limited (FESCO) annual indexation/ adjustment for its distribution and supply of power functions for the FY 2024-25 vide decisions dated 14.06.2024 ("Impugned Decision"). The tariff so determined was notified by the Federal Government vide SRO dated 12.07.2024. FESCO (hereinafter also referred to as "the Petitioner" or "Company"), against the aforementioned decision of the Authority, filed Motion for Leave for Review (MLR), wherein following issues have been raised for consideration of the Authority;
 - i. To allow under recovered amount of Rs. 3,949 million in PYA on account of Quarterly Power Purchase Price Adjustment.
 - ii. To allow under recovered amount of Rs. 108/- Million from Distribution Margin ("DM") for FY 2022-23.
 - iii. Any other relief that it is deemed necessary for equitable and legal disposal of the Review may also be granted.

Proceedings:

2. The MLR was admitted by the Authority. Since the prayer of the MLR, impacts the consumer end tariff, therefore, the Authority decided to conduct a hearing in the matter, to provide a fair opportunity to the Petitioner to present its case. The hearing was initially scheduled on 25.09.2024, however, was rescheduled on October 02, 2024, at NEPRA Tower & through Zoom. Notices of hearing were issued to the relevant stakeholders During hearing, the Petitioner was represented by its Chief Executive Officer along-with its Technical and Financial Team. The submissions made by the petitioner in the written submissions and during the hearing are detailed below, along with the discussions held on each point. Excess Recovery of QTA
 - The Petitioner submitted that the Authority in the matter of determination of Annual Adjustment/Indexation for the FY 2024-25 allowed Prior Year Adjustment (PYA) of Rs. 6,634 million to Rs.6,939 million by adding the difference of Rs.305 million to the overall PYA of Rs. 25,988 million allowed in the said Annual Indexation/ Adjustment.
 - Recovery of Quarterly Tariff Adjustments pertaining to the 2nd, 3rd, 4th quarter of FY 2019-20, 1st, 2nd, 3rd, 4th quarter of FY 2020-21, 1st, 2nd, 3rd, 4th quarter of FY 2021-22 & 1st Quarter of FY 2022-23 (Oct. 2019 to Sep. 2022) allowed in the said PYA has also been revised by Authority in the Annual Adjustment/indexation for FY 2024-25.
 - It has been noticed that the actual recovery as per FESCO's calculations is less than what was determined. The Authority determined recovery is Rs.64,569 million, whereas the



actual recovery as per FESCO calculation is Rs.60,620 million. Resultantly, the Authority determined excess recovery of Rs.3,949 million. The details of recoveries allowed by the Authority and the actual recoveries worked out by FESCO are given below;

| Description | Allowed by NEPRA | QTA Recovery | | Less/ (Excess) | Time Period |
|--------------------------|------------------|---------------|---------------|-------------------|----------------------|
| | | As per FESCO | As per NEPRA | | |
| 1 | 2 | 3 | 4 | 5=(3-4) | 6 |
| 2nd & 3rd Qtr FY 2019-20 | 23,226 | 22,201 | 24,376 | (2,174) | Oct-2020 to Sep-2021 |
| 4th Qtr FY 2019-20 | 10,878 | 11,419 | 12,102 | (683) | Oct-2021 to Sep-2022 |
| 1st & 2nd Qtr FY 2020-21 | 8,385 | 8,954 | 9,503 | (549) | |
| 3rd Qtr FY 2020-21 | (2,734) | (2,924) | (3,099) | 175 | |
| 4th Qtr FY 2020-21 | (3,352) | (4,038) | (3,647) | (391) | Feb-2022 to Apr-2022 |
| 1st Qtr FY 2021-22 | 1,834 | 2,547 | 2,481 | 66 | Jun-2022 to Aug-2022 |
| 2nd Qtr FY 2021-22 | 5,080 | 6,657 | 6,786 | (129) | Jul-2022 to Sep-2022 |
| 3rd Qtr FY 2021-22 | 199 | 176 | 197 | (21) | Sep-2022 to Nov-2022 |
| 4th Qtr FY 2021-22 | 11,226 | 10,000 | 10,619 | (619) | Oct-2022 to Jan-2023 |
| 1st Qtr FY 2022-23 | 6,245 | 5,628 | 5,251 | 377 | Feb-2023 to Mar-2023 |
| Total | 60,987 | 60,620 | 64,569 | (3,949) | |

3. The Authority has carefully considered the submissions of the Petitioner made in the MLR and during the hearing. The Authority observed that while assessing the allowed Quarterly adjustment recoveries for the period under discussion, sales information as provided by the Petitioner was relied upon. The Authority also directed the Petitioner vide decision dated 14.06.2024 to get its data reconciled with PITC, as under;

"To get its data, regarding units billed to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers', reconciled with PITC and submit such reconciliation to the Authority for the period FY 2020-21 to FY 2023-24."

4. Now the Petitioner has provided revised detail of its life line consumers, however, reconciliation of the same with PITC data has not still been provided. The Authority observed that although FESCO has claimed an under recovery of Rs.3,949 million, however, based on the revised life line consumers sales data as provided by FESCO, the amount works out Rs.3,331 million. The Authority noted that the revised data provided by the Petitioner cannot be relied upon in the absence of the required reconciliation with PITC as the earlier data was also provided by the Petitioner itself.
5. In view thereof, the Authority is constrained to maintain its earlier decision in the matter, and the Petitioner is once again directed to provide the reconciliation of its category wise sales data with PITC for consideration of the Authority. The request of the Petitioner to allow any adjustment on account of under/over of Quarterly adjustment is thus declined. Any adjustment based on reconciled data would be allowed as part of PYA in subsequent adjustment/indexation decision.

Excess Recovery of DM for FY 2022-23 determined by NEPRA:



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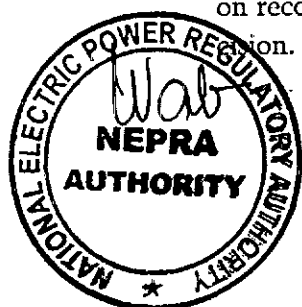
- FESCO has been allowed DM of Rs.35,000 million for FY 2022-23. While truing up, the Authority assessed recovery of Rs. 30,187 million on account of DM. According to calculation of FESCO, the actual recovery of DM works out as Rs. 30,079 million, resulting in Rs.108 million above the actual recovery.
7. The Petitioner in this regard has requested the Authority to allow the under recovered amount of Rs. 108 million from DM for FY 2022-23.

| Period | Actual Units Sold | Units Purchases | T&D Losses | Standard Units Sold | Incremental Units | Net Units | DM Rate | Amount |
|--------------|----------------------|--------------------|---------------|------------------------|----------------------|---------------|------------|---------------|
| | GWh | GWh | % | GWh | GWh | GWh | | Rs in mln |
| Jul-22 (Old) | 1,476 | 1,751 | 8.84% | 1,596 | 59 | 1,537 | 2 | 3,073 |
| Jul-22 (New) | 63 | 75 | 8.84% | 68 | 6 | 62 | 2.26 | 140 |
| Aug-22 (Old) | 394 | 422 | 8.84% | 385 | 0 | 385 | 2 | 770 |
| Aug-22 (New) | 1,309 | 1,404 | 8.84% | 1,280 | 70 | 1,210 | 2.26 | 2,736 |
| Sep-22 | 1,522 | 1,594 | 8.84% | 1,453 | 57 | 1,397 | 2.26 | 3,156 |
| Oct-22 | 1,301 | 1,366 | 8.84% | 1,245 | 70 | 1,175 | 2.26 | 2,656 |
| Nov-22 | 1,022 | 987 | 8.84% | 900 | 59 | 841 | 2.26 | 1,902 |
| Dec-22 | 916 | 947 | 8.84% | 863 | 69 | 794 | 2.26 | 1,795 |
| Jan-23 | 914 | 954 | 8.84% | 869 | 75 | 795 | 2.26 | 1,796 |
| Feb-23 | 919 | 934 | 8.84% | 852 | 74 | 778 | 2.26 | 1,758 |
| Mar-23 | 938 | 1,061 | 8.84% | 968 | 129 | 838 | 2.26 | 1,894 |
| Apr-23 | 1,046 | 1,235 | 8.84% | 1,126 | 108 | 1,018 | 2.26 | 2,301 |
| May-23 | 1,344 | 1,575 | 8.84% | 1,436 | 151 | 1,284 | 2.26 | 2,903 |
| Jun-23 | 1,499 | 1,735 | 8.84% | 1,582 | 166 | 1,416 | 2.26 | 3,200 |
| Total | 14,663 | 16,041 | | 14,623 | 1,092 | 13,531 | | 30,079 |

8. The Authority has carefully considered the submissions of the Petitioner made in the MLR and during the hearing. The Authority observed that while assessing the allowed Distribution Margin recoveries for the period under discussion, sales information as provided by the Petitioner was relied upon. The Authority also directed the Petitioner vide decision dated 14.06.2024 to get its data reconciled with PITC, as under;

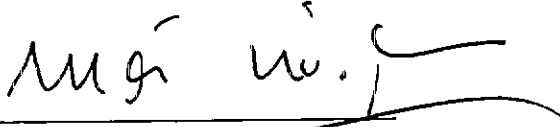
"To get its data, regarding units billed to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers', reconciled with PITC and submit such reconciliation to the Authority for the period FY 2020-21 to FY 2023-24."

9. Now Petitioner has provided revised detail of its life line consumers, however, reconciliation of the same with PITC data has still not been provided by the petitioner. The Authority has noted that the revised data provided by the Petitioner cannot be relied upon in the absence of required reconciliation with PITC as the earlier data was also provided by the Petitioner itself.
10. In view thereof, the Authority is constrained to maintain its earlier decision in the matter, and the Petitioner is once again directed to provide the reconciliation of its category wise sales data with PITC for consideration of the Authority. The request of the Petitioner to allow Rs.108 million on account of under/over of Distribution margin is thus declined. Any adjustment based on reconciled data would be allowed as part of PYA in subsequent adjustment/indexation de-

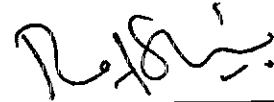


11. The petitioner's review, challenging the decision under two heads i.e. excess recovery of Quarterly Adjustment and Distribution Margin, is dismissed as the Authority upholds its original decision, for the reason recorded above.

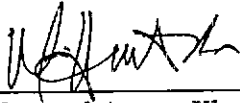
AUTHORITY



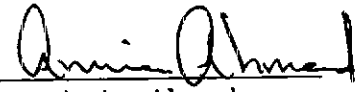
Mathar Niaz Rana (nsc)
Member



Rafique Ahmed Shaikh
Member



Engr. Maqsood Anwar Khan
Member



Amina Ahmed
Member



Waseem Mukhtar
Chairman

