



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-340/HESCO-2016/4215-4217
April 1, 2016

Subject: Determination of the Authority in the matter of Petition filed by Hyderabad Electric Supply Company Ltd. (HESCO) for the Determination of its Consumer end Tariff for Financial Year 2015-2016 Based on Actual/Estimated Results for the FY 2014-15 as Base Year [Case # NEPRA/TRF-340/HESCO-2016]

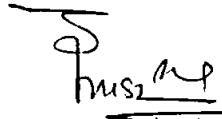
Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI, & VII (86 pages) in Case No. NEPRA/TRF-340/HESCO-2016.

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

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

Enclosure: As above


(Syed Safeer Hussain)

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

CC:

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



National Electric Power Regulatory Authority
(NEPRA)

PETITION NO: NEPRA/TRF-340/HESCO-2016

TARIFF DETERMINATION
FOR
HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
(HESCO)
DETERMINED UNDER
NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

1st April /
March , 2016

Abbreviations

| | |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| ADB | Asian Development Bank |
| AJK | Azad Jammu and Kashmir |
| AMI | Advance Metering Infrastructure |
| AMR | Automatic Meter Reading |
| BoD | Board of Director |
| BTS | Base Transceiver Station |
| CAGR | Compound Annual Growth Rate |
| CAPEX | Capital Expenditure |
| CAPM | Capital Asset Pricing Model |
| CCI | Council of Common Interest |
| CDP | Common Delivery Point |
| COSS | Cost of Service Study |
| CPI | Consumer Price Index |
| CPPA (G) | Central Power Purchasing Agency Guarantee Limited |
| CpGenCap | The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months |
| CTC | Capacity Transfer Charges |
| CWIP | Closing Work in Progress |
| DIIP | Distribution Company Integrated Investment Plan |
| DISCO | Distribution Company |
| DM | Distribution Margin |
| DOP | Distribution of Power |
| ELR | Energy Loss Reduction |
| ERC | Energy Regulatory Commission |
| ERP | Enterprise resource planning |
| FCA | Fuel Charges Adjustment |
| FY | Financial Year |
| GFA | Gross Fixed Assets |
| GoAJK | Government of Azad Jammu and Kashmir |
| GOP | Government of Pakistan |
| GWh | Giga Watt Hours |
| HHU | Hand Held Unit |
| HT/LT | High Tension/Low Tension |
| HSD | High Speed Diesel |
| IFRS/IAS | International Financial Reporting Standards/International Accounting Standards |
| IGTDP | Integrated Generation Transmission and Distribution Plan |



| | |
|-------|----------------------------------------------|
| IESCO | Islamabad Electric Supply Company Limited |
| IPP | Independent Power Producer |
| KIBOR | Karachi Inter Bank Offer Rates |
| KSE | Karachi Stock Exchange |
| KV | Kilo Volt |
| Kw | Kilo Watt |
| kWh | Kilo Watt Hour |
| LPC | Late Payment Charges |
| LESCO | Lahore Electric Supply Company Limited |
| MDI | Maximum Demand Indicator |
| MEPCO | Multan Electric Power Company Limited |
| MMBTU | One million British Thermal Units |
| MW | Mega Watt |
| MoWP | Ministry of Water and Power |
| MVA | Mega Volt Amp |
| MYT | Multi Year Tariff |
| NEPRA | National Electric Power Regulatory Authority |
| NPCC | National Power Construction Corporation |
| NPV | Net Present Value |
| NTDC | National Transmission & Despatch Company |
| O&M | Operation and Maintenance |
| OGRA | Oil and Gas Regulatory Authority |
| PEPCO | Pakistan Electric Power Company |
| PESCO | Peshawar Electric Supply Company Limited |
| PPA | Power Purchase Agreement |
| PPAA | Power Procurement Agency Agreement |
| PPP | Power Purchase Price |
| PPRA | Public Procurement Regulatory Authority |
| PYA | Prior Year Adjustment |
| R&M | Repair and Maintenance |
| RAB | Regulatory Asset Base |
| RE | Rural Electrification |
| RFO | Residual Fuel Oil |
| RLNG | Re-gasified Liquefied Natural Gas |
| RoE | Return on Equity |
| RORB | Return on Rate Base |
| ROR | Rate of Return |



| | |
|----------|--------------------------------------------------------------------|
| SAIDI | System Average Interruption Duration Index |
| SAIFI | System Average Interruption Frequency Index |
| SBP | State Bank of Pakistan |
| SOT | Schedule of Tariff |
| STG | Secondary Transmission Grid |
| T&D | Transmission and Distribution |
| T&T | Transmission and Transformation |
| TDS | Tariff Differential Subsidy |
| TFC | Term Finance Certificate |
| TOU | Time of Use |
| TOR | Term of Reference |
| TPM | Transfer Price Mechanism |
| USCF | The fixed charge part of the Use of System Charges in Rs./Kw/Month |
| UOSC | Use of System Charges |
| WACC | Weighted average cost of capital |
| WAPDA | Water and Power Development Authority |
| X-Factor | Efficiency Factor |
| HESCO | Hyderabad Electric Supply Company |
| XWDISCO | Ex-WAPDA Distribution Company |



**DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY
HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO) FOR THE
DETERMINATION OF ITS CONSUMER END TARIFF FOR FY 2015-16 BASED ON
ACTUAL/ESTIMATED RESULTS FOR THE FY 2014-15 AS BASE YEAR**

CASE NO. NEPRA/TRF-340/HESCO-2016

PETITIONER

Hyderabad Electric Supply Company Limited (HESCO), WAPDA offices complex,
Hussainabad Hyderabad.

INTERVENER

Nil

COMMENTATOR

Nil

REPRESENTATION

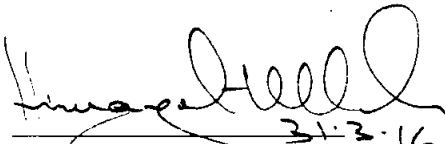
- i. Akhtar Ali Randhawa, CEO
- ii. Raham Ali Otho, Chief Operating Officer
- iii. Imtiaz Ahmed Kalhoro, Chief Engineer (P&E)
- iv. Saeed Ahmad, Chief Commercial Officer
- v. Lt. Cdr. (R) Nadeem Akhtar, Finance Director

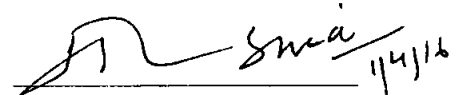


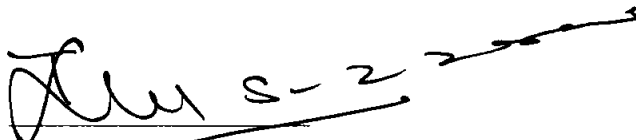
The Authority, in exercise of the powers conferred on it under Section 7(3) (a) read with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, Tariff Standards and Procedure Rules, 1998 and all other powers enabling it in this behalf, and after taking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

(Khawaja Muhammad Naeem)
Member

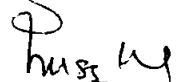
(Syed Masood ul Hasan Naqvi)
Member


(Himayatullah Khan)
Member


(Maj (Rtd) Haroon Rashid)
Vice Chairman


(Brig (R) Tariq Soddozai)
Chairman




01.04.16



1. **BACKGROUND**

1.1 Hyderabad Electric Supply Company Limited (HESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition for the determination of its consumer-end tariff pertaining to the FY 2015-16 in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules"). The Petitioner has sought the following relief:

- The average tariff rate for the FY 2015-16 at Rs.20.04/kWh may be allowed w.e.f. 1st July 2015.

2. **PROCEEDINGS**

2.1 In terms of rule 4 of the Tariff standard and Procedure Rules, 1998 (hereinafter referred to as "Rules"), the petition was admitted by the Authority on 28th January, 2016. In compliance with the provisions of rules 6 & 7 of the Rules, notice of admission / hearing along-with the title and brief description of the petition was published in newspapers on 17th February 2016 and separate notices were also sent to the parties which were considered to be affected or interested. Comments /replies and filing of intervention request was desired from any interested person within 7 days of the publication.

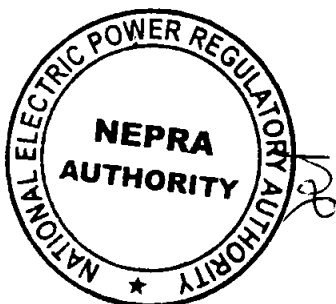
3. **FILING OF OBJECTIONS/ COMMENTS:**

3.1 Despite issuing separate notices to the key stakeholders and publication of notices in the national newspapers, neither any Comments were filed nor any Intervention Request was received.

4. **FRAMING OF ISSUES**

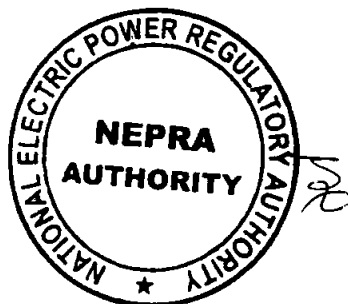
4.1 The pleadings so available on record were examined by the Authority in terms of rule 9 of the Tariff Rules and it was decided to conduct a hearing in order to arrive at a just and informed decision. On the basis of pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

- Whether the Petitioner has complied with the directions of the Authority given in the tariff determination for the FY 2014-15.
- Whether the Petitioner's projected energy purchases and sales for the FY 2015-16 is reasonable?
- Whether the projected power purchase cost for the FY 2015-16 is justified?





- Whether the T & D losses for the FY 2015-16 requested by the Petitioner is reasonable?
- Whether the projected O&M cost for the FY 2015-16 is justified?
- Whether the proposed depreciation charges for the FY 2015-16 is justified?
- Whether the projected other income for the FY 2015-16 is reasonable?
- Whether the prior year adjustment calculated by the Petitioner related to FY 2014-15 is accurate?
- Whether the projected Return on Regulatory Asset base (RORB) for the FY 2015-16 is justified?
- Whether the requested rate of return (ROR) is justified?
- Whether the Petitioner request for provision of bad debt, merits consideration?
- Whether the Petitioner requested Financial Cost, merits consideration?
- Whether the Petitioner's proposed Investment Plan for the FY 2015-16, is justified, keeping in view the prospective benefits?
- What is the financial impact / loss of revenue due to TOU metering for cellular companies connections and other similar connections?
- Whether the existing service delivering structure of circles, divisions and sub-divisions etc. can provide satisfactory services for supply of electric power to the consumers with the substantial expansion in the system?
- Whether the existing financial, administrative and technical powers concentrated at different layers of hierarchy is required to be amended in order to provide better services on the door step of the consumer?
- Whether the concerns raised by the intervener/ commentator are justified?
- What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?
- Whether the tariff petition substantially complies with NEPRA Determination of Consumer-end Tariff (Methodology and Process) Guidelines, 2015?



- Whether the reliefs sought by the Petitioner, are justified?
- Whether the proposed revenue requirements and average sale rate for the FY 2015-16, is justified?
- Any other issue that may come up during the hearing or afterwards?

5. HEARING

5.1 In order to arrive at a just and informed decision, it was decided to conduct a hearing in the matter on March 03, 2016. Notices of hearing were sent to the concerned parties and published in the leading newspapers on 17th February, 2016. Accordingly hearing was held on the due date at NEPRA Tower, Islamabad. In addition, the stakeholders were also informed through individual letters about the time and venue of the hearing.

5.2 During hearing, the Petitioner was represented by its Chief Executive Officer, along with his Financial and Technical team.

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

6. Issue # 1. Whether the Petitioner has complied with the directions of the Authority given in the tariff determination for the FY 2014-15?

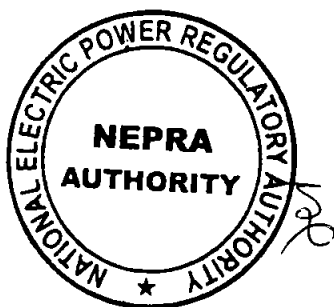
6.1 The Authority issued several directions in the tariff determination for the FY 2014-15. The compliance of which are discussed under relevant heads. However, few of the directions are discussed below;

6.2 To complete installation of TOU meters and submit the response from TOU meters manufacturing companies or any evidence which establishes that the required training to the staff is actually provided to its staff. Furthermore, also to share the evidence of consumer awareness campaign in the shape of press releases, snap shots of consumer bills and banners etc with the Authority. The required evidences must reach the Authority's Office not later than 30th June, 2015.

6.3 To print bills with the snap shots of meter readings (both previous and current) not later than 30th June, 2015.

6.4 TOU Meters

6.4.1 The Petitioner provided following status of its ToU Meters during the hearing for the tariff petition pertaining to the FY 2014-15;



| Customer Category | Total No. of Connections for Installation of TOU Meters | Connections with TOU meters installed up to July, 2014 | % installed | TOU meters yet to be installed |
|-------------------|---------------------------------------------------------|--------------------------------------------------------|-------------|--------------------------------|
| Residential | 4684 | 2,909 | 62% | 1,775 |
| Commercial | 4,013 | 3,357 | 84% | 656 |
| Industrial | 7,660 | 6,589 | 86% | 1,071 |
| Bulk Supply | 220 | 98 | 45% | 122 |
| Agricultural | 10,187 | 7,775 | 76% | 2,412 |
| Total | 26,764 | 20,728 | 77% | 6,036 |

6.4.2 The Petitioner also mentioned in the same hearing that it had procured 4,057 TOU meters which would be installed very soon and also tendering process for the procurement of 3,000 TOU meters has been started. Subsequently, the Petitioner submitted updated status of its TOU meters installation vide letter dated 14th January, 2015;

| Customer Category | Total No. of TOU Connections | Connections with TOU meters installed up to December, 2014 | % installed | Connections pending installation of TOU meters |
|-------------------|------------------------------|------------------------------------------------------------|-------------|------------------------------------------------|
| Residential | 4,788 | 3,070 | 64% | 1,718 |
| Commercial | 4,094 | 3,445 | 84% | 649 |
| Industrial | 7,860 | 6,833 | 87% | 1,027 |
| Bulk Supply | 220 | 104 | 47% | 116 |
| Agricultural | 10,311 | 7,865 | 76% | 2,446 |
| Total | 27,273 | 21,317 | 78% | 5,956 |

6.4.3 The Authority based on the very slow progress and the non-serious attitude of the Petitioner decided not to give any further deadline and decided to initiate proceedings against the Petitioner under the relevant law.

6.4.4 The Petitioner vide its letter dated 28th March, 2014, submitted that the campaign of consumer awareness through FM Radio and on the back of each consumer bill was being continued. The Petitioner further stated that the campaign was extended to Newspapers through press releases and panaflex banners which were placed in the offices and customer service centers. With regard to the training sessions of its concerned staff from the manufacturing companies of TOU meters, the Petitioner submitted that letters were issued by IIR directorate to the manufacturers of TOU meters, to extend cooperation in this regard and notify the names and availability of instructors.



- 6.4.5 In view of afore going, the Authority directed the Petitioner to continue the campaign of consumer awareness with respect to TOU meters, on the back of each consumer and share the evidences regarding the training sessions of its concerned staff from the manufacturers of TOU meters. The Petitioner was also directed to share the evidence of press releases, snap shots of consumer bills and banners etc. with the Authority not later than 30th June, 2015 and complete the installation of remaining ToU meters.
- 6.4.6 The Petitioner during hearing of the instant tariff petition i.e. FY 2015-16 presented the following status of its ToU Meters installation, however, nothing with respect to the training of the staff and consumer awareness campaigns was submitted.

| TARIFF Category | Connections having load 5 KW & above | Addition during 01/2016 | Total to be installed | Installed in 01/2016 | Total Installed upto 01/2016 | Yet to be installed (3/P) |
|-----------------|--------------------------------------|-------------------------|-----------------------|----------------------|------------------------------|---------------------------|
| Domestic | 4985 | 160 | 5145 | 211 | 3312 | 1833 |
| Commercial | 4361 | 67 | 4428 | 111 | 3821 | 607 |
| Industrial | 8256 | 152 | 8408 | 275 | 7709 | 699 |
| Bulk Supply | 233 | 0 | 233 | 0 | 122 | 111 |
| Tube Well | 10548 | 48 | 10596 | 85 | 8836 | 1760 |
| TOTAL | 28383 | 427 | 28810 | 682 | 23800 | 5010 |

Note; At the time of NEPRA direction, 22152 connections were required to be installed TOU meters.

- 6.4.7 A careful review of the Petitioner's aforementioned information reveals that in a period of about 13 months (*Jan.15 to Jan.16*), the Petitioner has installed only 2,483 meters i.e. around 200 meters every month. Moreover, the Petitioner has also failed to provide any evidence in support of the training of its staff or copies of press releases and banners to the Authority. The same was required to be shared by June 30, 2015.
- 6.4.8 In view of afore going discussion, the Authority has taken a serious notice of the non-compliant attitude of the Petitioner and has decided to take stern action against the Petitioner under the relevant law.
- 6.4.9 On the issue of printing of snap shots on electricity bills, the Petitioner vide its letter dated June 08, 2015 submitted that its six (06) sub-divisions have started mobile billing during May 2015, wherein, out of 86,098 connections, 9751 readings have been taken through mobile phones. The Petitioner also submitted that due to regular software problem, the ratio of mobile readings is low and in June 2015 maximum readings will be taken on mobile.
- 6.4.10 During hearing of the instant petition, the Petitioner presented that out of total 67 sub-divisions, mobile reading has been started in 52 sub-divisions and remaining will be completed by March 2016.
- 6.4.11 The Authority, considering the aforementioned response, directs the Petitioner to ensure printing of snap shots on the bills not later than June 30, 2016. The Authority

has noted several complaints to the effect that snap shots appearing on the bills are not clear and are not readable. In view thereof, the Petitioner is required to ensure the visibility of the snap shot on the bills and also to maintain its record in soft form, for at least a period of twelve (12) months.

6.5 To submit investment requirements for the implementation of Hand Handled Units (HHU) the completion timelines along with its next tariff petition.

6.5.1 While passing the direction regarding printing of snap shots of meter reading on the electricity bills, the Authority also considered the proposal of IESCO & MEPCO for allowing the cost of hand held meter reading units and principally decided to allow the cost of the hand held units and directed it to submit its investment requirements for the implementation of the said plan along with the completion timelines in its next tariff petition.

6.5.2 The Petitioner submitted during the hearing that out of its total 67 sub-divisions, mobile reading has been started in 52 sub-divisions by using the mobile phones. The Petitioner further apprised that it has procured 400 Mobile Phones at a total cost of Rs. 8.0 million (Rs. 20,000/- per mobile set) and purchase of 125 mobile sets with a cost of Rs.2.50 million is in process. Thus the total investment involved for procurement of mobile sets is Rs.10.50 million.

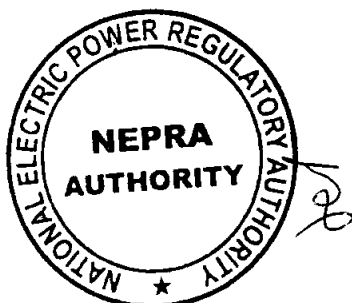
6.5.3 The Petitioner, although, has started printing snap shots through mobile phones in its various sub-divisions, yet, the importance of HHUs cannot be denied which is the sustainable solution and will eventually replace the mobile phones. Therefore, the Authority again directs the Petitioner to submit its investment needs in this regard not later than 30th June, 2016.

6.6 To install AMR and AMI at all of their CDPs by December 31, 2015.

6.7 To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.

6.8 To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

6.8.1 The Authority considers that one of the key reasons for high transmission and distribution losses in XWDISCOs is the lack of any tracking mechanism for electricity flow from the points of their electricity purchases (CDP) down to the final consumers. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 440 and 220 volts is therefore critical for the elimination of theft, unaccounted electricity and diagnosing technical problems. In view thereof, the Authority directed all XWDISCOs to install AMR and AMI Systems. The Authority considered that such systems would also enable it in analyzing XWDISCOs'



genuine investment requirements. Consequently, reduction in losses would help in saving billions of rupees annually and support GOP's efforts in eliminating circular debt. Thus, the Authority directed all XWDISCOs;

- To install AMR and AMI at all of their CDPs by December 31, 2015.
- To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
- To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

6.8.2 In response, the Petitioner during the hearing submitted the following status of installation of AMR / AMIs;

AT CDPs

| CPPA | | IPPs (Wind Power) | | | NCPPs/SPPs | | | | Total | | | |
|------|-----------------|----------------------|-----------------|-----------------|------------|----------------|------------------|------------------------|-------|----------------|------------------|------------------------|
| Nos | Meter Installed | Nos | Metering Points | Meter Installed | Nos. | Metering Point | Meters Installed | Meters to be installed | Nos. | Metering Point | Meters Installed | Meters to be installed |
| 20 | 20 | 6 | 12 | 12 | 13 | 15 | 9 | 6 | 39 | 47 | 41 | 6 |

At 11kV feeders

| Description | Total (Nos.) | Installed (Nos.) | Pending (Nos.) | Remarks |
|--------------------------------|--------------|------------------|----------------|-------------------------------------------------------------------------------|
| 11 KV I/C | 109 | 106 | 3 | 132kv G.Shahbaz, Umerkot & K.Ahmed G/Stations. |
| 11 KV O/G | 439 | 436 | 3 | 11kv Boulevard at Ghangramori Al-Raheem at Nooriabad & Pak Navy at T.B. Khan |
| 11 KV AUX | 51 | 46 | 5 | Hala road, T.Jam, Talhar, Mir Wah, Kunri |
| B-4 Conn: | 6 | 6 | 0 | Lucky, Al-Abass, Zeal Pak & Thatta Cement factories, United Silicate & PARCO. |
| NCPPs & SPPs (Power House End) | 15 | 8 | 7 | M/S TPPL & T.A. Yar, Sanghar, Mehran, Habib, Chamber, Bandi Sugar Mills. |
| NCPPs & SPPs (G/Station End) | 10 | 9 | 1 | M/S Lucky C/F |

6.8.3 On the point of installation of AMR/ AMI at high loss making subdivisions, the Petitioner during the hearing informed that Qasimabad Subdivision was selected for the purpose, being high loss having high quantum and percentage losses. The

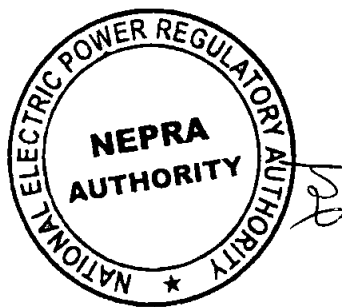
Petitioner highlighted that the consumers in that particular subdivision damaged the installed meters and the very purpose of installing AMR/AMI meters was defeated.

6.8.4 The Authority after careful consideration of the Petitioner's contention with respect to the damaging the installed AMR meter, is of the view that the although the Petitioner is confronted with a poor law and order situation yet the same does not provide the grounds for non-implementing the Authority's direction. The Authority brings on record that PESCO is facing a law and order situation which is even more worse than what the Petitioner is facing and is showing better results than the Petitioner. In addition, the recent legislative amendments in the Electricity Act for the abatement of theft would also help the Petitioner in order to implement the instant directions of the Authority. In view thereof, the Authority rejects the Petitioner's aforementioned argument and directs it to complete the remaining installation of AMR / AMIs by June 30, 2016.

6.9 To submit the required information by taking the amount appearing in the balance sheet without provision for doubtful debts bifurcated into government and private duly reconciled then taking into account the impact of provision and any writing off of debtors. The requested information must reach Authority's Office not later than 30th June, 2015.

6.9.1 During the tariff determination process for the FY 2014-15, the Authority while evaluating the provided figures of receivables, recorded some observations on the quality of compliance and directed the Petitioner to resubmit the reconciled amounts of receivables with the financial statement (as on 30th June 2014) clearly bifurcated into government and private duly reconciled then taking into account the impact of provision and any writing off of debtors. The information was required to be submitted by June 30, 2015.

6.9.2 The Petitioner, during hearing of its current petition, presented following details of its Trade Debtors as on June 30, 2014;



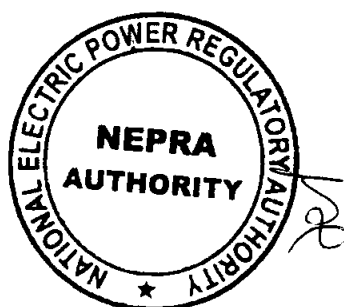
| CATEGORY | Pvt. | Prov. | Govt. | Prov. | Disconnect | Prov. | Others | Total Debtors | Total Prov. |
|------------------------------|---------------|--------------|---------------|--------------|--------------|--------------|------------|---------------|---------------|
| Over 3 years | 7,704 | 3,467 | 23,563 | 4,713 | 2,109 | 2,109 | - | 33,376 | 10,288 |
| Over 1-3 years | 3,745 | 936 | 2,652 | 265 | 195 | 97 | - | 6,592 | 1,299 |
| Sub-total | 11,449 | 4,403 | 26,215 | 4,978 | 2,304 | 2,207 | - | 39,968 | 11,587 |
| Over 6 months to 1 year | 959 | 48 | 358 | - | 25 | 13 | - | 1,342 | 61 |
| Over 3-6 months | 501 | - | 81 | - | 5 | 1 | - | 587 | 1 |
| Over 2-3 months | 196 | - | 55 | - | 2 | - | - | 253 | - |
| Over 1-2 months | 259 | - | 45 | - | 3 | - | - | 307 | - |
| Sub-total | 1,915 | 48 | 539 | - | 36 | 13 | - | 2,490 | 61 |
| Spill Over | 1,215 | - | 730 | - | 11 | - | - | 1,956 | - |
| Un-paid Debt | 945 | - | 2 | - | 22 | - | - | 970 | - |
| Deferred Amount | 288 | - | 1,364 | - | 116 | - | - | 1,768 | - |
| New Added | 642 | - | 210 | - | 7 | - | - | 859 | - |
| Un-identified Cash | - | - | - | - | - | - | 101 | 101 | - |
| Received Govt. Subsidy | 457 | - | 82 | - | 34 | - | - | 572 | - |
| Credit balances of Consumers | 238 | - | 545 | - | 112 | - | 895 | 1,790 | - |
| Sub-total | 3,784 | - | 2,933 | - | 302 | - | 996 | 8,016 | - |
| Grand Total | 17,148 | 4,451 | 29,688 | 4,978 | 2,643 | 2,220 | 996 | 50,474 | 11,648 |

6.9.3 The Authority has carefully reviewed the provided information and has observed that the total receivables as per the financial statements remained as Rs. 38,373 million (including Rs. 11,648 million as doubtful debts). On the other hand, the provided information shows total amount of receivables as Rs. 50,474 million (including Rs. 11,648 million as doubtful debts). Even if the amounts pertaining to general sales tax and duties/charges & tax receivables, are considered for the reconciliation purpose, the amount still remains un reconciled. This raises serious question mark on the reliability of the information. The Petitioner needs to be more careful while submitting information. In view thereof, the Authority directs the Petitioner to resubmit the same information in the provided format as on 30th June, 2014 and 30th June 2015 after addressing the Authority's concerns, not later than 30th June, 2016.

6.10 To share the final report of the investment projects to be completed by June, 2015 with the actual amounts invested and the actual reduction in T&D losses achieved against the claimed results, not later than 31st July, 2015.

6.10.1 The Authority while assessing the T&D losses of the Petitioner for the FY 2014-15 noted that the reduction in losses proposed by the Petitioner was marginal i.e. 0.83% from the last year's actual level, despite the fact that the proposed investment projects, *inter alia*, included installation of ABC and AMR meters, which are very effective in reduction of technical and administrative losses. The Authority also observed the more or less same projects were referred by the Petitioner during the hearing of its tariff determination for the FY 2013-14. In view thereof the Petitioner was directed to share the final report of its projects to be completed by June, 2015 with the actual amounts invested and the actual reduction in T&D losses achieved against the claimed results, not later than 31st July, 2015.

6.10.2 The Petitioner, during hearing, has provided the following details in this regard;

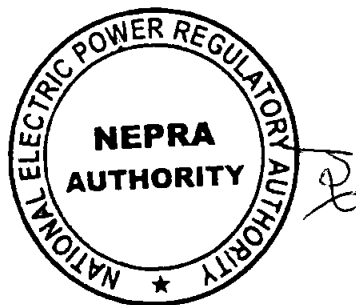




| S.No | Name of Grid Station | Scope of Work | Total Cost (Rs. In Million) | Completion Date | Benefits |
|------|------------------------|--------------------------------|-----------------------------|-----------------|-----------------------------------------------------------|
| 1 | 132 KV Saeedabad | Extension with 10/13 MVA | 37.91 | 05.08.2014 | 13 MVA Capacity added |
| 2 | 132 Kv Kotri Site | Aug with 40 MVA | 51.00 | 02-10-2014 | 14 MVA Capacity added |
| 3 | 132 KV Jhampir | Line Bay For Nooriabad | 13.89 | 11-10-2014 | Enhanced reliability for Wind Power Plants |
| 4 | 132 KV Nooriabad | Line Bay For Jhampir | 12.05 | 15-10-2014 | -do- |
| 5 | 132 KV GTPS Kotri | Replacement Of CB and Line CTs | 5.714 | 16-10-2014 | Savings of electrical equipment's from damaging / burning |
| 6 | 66KV Pithoro | Aug: with 10/13 MVA | 15.88 | 09-12-2014 | 7 MVA Capacity added |
| 7 | 132 KV Qazi Ahmed | Extension with 10/13 MVA | 44.79 | 04.02.2015 | 13 MVA Capacity added |
| 8 | 132 KV Mir Pur Khas | Extension with 1 No. Line Bay | 13.46 | 23.02.2015 | For stable & reliable supply to the area |
| 9 | 132 KV Gulshan Shahbaz | Extension with 10/13 MVA | 45.15 | 24-02-2015 | 13 MVA Capacity added |
| 10 | 132KV G/S Nooriabad | Aug: with 20/26 MVA | 29.751 | 27.03.2015 | 13 MVA Capacity added |
| 11 | 132 KV Hala Road | Extension with 1 No. Line Bay | 16.24 | 13.06.2015 | For stable & reliable supply of Mirpur Khas area |

| S.No | Name of Grid Station | Scope of Work | Total Cost (Rs, In Million) | Completion Date | Benefits |
|------|----------------------|---------------|-----------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | 66 KV Kandiyari | Conversion | 80.00 | 02.07.2014 | Strengthening of 132kV network by conversion of existing 66kV network and reduction in technical losses, due to conversion of 66kV network |

| S.No | Name of Grid Station | Scope of Work | Total Cost (Rs, In Million) | Completion Date | Benefits | | | |
|------|----------------------|---------------|-----------------------------|-----------------|-------------------|------------------|-------------|-------------|
| | | | | | Units Loss Before | Units Loss After | Units Saved | Reduction % |
| 1. | 132 kv Talhar | Conversion | 171 | 04-08-2014 | 5299440 KWH | 4890240 KWH | 409200 KWH | 7.72% |



| S.No | Name of Transmission Line | Length (KM) / Scope of Work | Total Cost Rs. (M) | Completion Date | Benefits |
|------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------|-----------------|--------------------------------------------------|
| 1 | 2 nd Circuit Stringing at 132KV Nooriabad - Jhampir T/Line with Line Bays (WPP Work) | 28.00 | 48.76 | 27-10-2014 | Enhanced reliability for Wind Power Plants |
| 2 | In and Out arrangement for 132 kv Zurlu & FFC WPPs from 132 kv Jhampir- Nooriabad T/L | Installation of 04 Tower & ZM-60 tower with 2 No ZM-30 type Towers & Stringing 0.6 KM Greely conductor | 19.14 | 27-10-2014 | -do- |
| 3 | 132 KV Thatta – Pir Patho T/Line (Rehab.) | Installation of 4 Nos Towers & 30.0 KM re-conductoring | 48.67 | 26.12.2014 | -do- |
| 4 | 132 KV Thatta - Jhampir T/Line (Rehab.) WPP WORK | Installation of 05 Nos. ZM Towers. | 12.83 | 02.01.2015 | -do- |
| 5 | 2 nd Circuit Stringing at 132KV Hala Road – M.P.Khas T/Line | 67.00 | 138.43 | 13.06.2015 | For stable & reliable supply of Mirpur Khas area |

| S.# | HEAD | No of Proposals Completed | Brief Scope | Expenditure Rs. In Million | | | Estimated Saving MKWh | Actual Saving MKWh | Impact on HESCO Losses % | Monetary Saving Million Rs |
|-----|------|---------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------|------------------|-------|-----------------------|--------------------|--------------------------|----------------------------|
| | | | | Completed Works | In Progress Work | Total | | | | |
| 1 | ELR | HT 9 | New Line HT = 51.41 KM Re-Cond: HT= 37.58 KM | 60.28 | 19.51 | 79.79 | 12.033 | 2.25 | 0.0063 | 29.34 |
| | | LT 47 | New Line HT = 21.40 KM New Line LT= 35.87 KM Re-Cond: LT= 24.39 KM New T/F = 45 No Aug T/F= 01 No | 36.07 | 27.8 | 63.87 | 1.79 | 0.3 | 0.0008 | 5.22 |
| 2 | DOP | HT 7 | New Line HT = 23.96 KM Re-Cond: HT=67.55 KM | 46.81 | 47.74 | 94.55 | 1.65 | 0.45 | | 5.84 |
| | | LT 35 | New Line HT = 08.40 KM New Line LT= 20.18 KM Re-Cond: LT= 24.94 KM New T/F = 12 No Aug T/F= 04 No | 17.19 | 11.32 | 28.51 | 0.2 | | | |

6.10.3 As per the information provided by the Petitioner, an expenditure of Rs.1,071.39 million has been incurred during the FY 2014-15, however, the same could not be reconciled with the Financial Statements of the Petitioner for the same period wherein a CAPEX of Rs.2,556 Million has been reported, which raises doubts about the credibility of the information provided by the Petitioner. The Authority has also observed with great concern that despite making the aforementioned investments, the Petitioner's actual losses (as reported by the Petitioner) have increased from 26.47% in FY 2013-14 to 27.10% during FY 2014-15, which makes effectiveness of the investments carried out by the Petitioner debatable. The Authority is therefore constrained to believe that the investment made by the Petitioner during the FY 2014-

15 were not carried out effectively whereby the Petitioner failed to achieve its desired targets.

6.10.4 Keeping in view the aforementioned discussion, the Authority directs the Petitioner to provide project wise complete detail of investments made in FY 2014-15 duly reconciled with its financial statements, along-with its cost benefit analysis, and also explain the reasons for variation in numbers reported in the presentation and its financial statements. The Authority has also taken a serious notice of non-compliance of its direction in true letter & spirit by the Petitioner, which is serious violation of licensing terms that may lead to initiation of proceedings against the licensee under the relevant rules.

6.11 To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

6.11.1 The Authority had been directing the Petitioner in its previous tariff determinations to complete the study of its entire system including 132 KV, 11 KV and below and to communicate the exact deadline for the completion of study.

6.11.2 The Petitioner during hearing of its motion for leave for review against the tariff determination for the FY 2013-14, informed that the study of T&D losses by Power Planner International, Lahore (PPI) is in the process and the final study shall be completed by mid of May 2014. Subsequently, the Petitioner vide its letter no. FD/HESCO/CPC/6645 dated 3rd June, 2014 informed the Authority that the report on Transmission and Transformation (T&T) losses shall be submitted by first week of June 2014, however no confirm date was given for submitting the report on LT network.

6.11.3 Thereafter, the Petitioner vide its letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 informed that the draft report of T&T losses has been submitted by PPI and the report of distribution losses of 11kV and below is in the final stages of drafting and shall be submitted to the Petitioner in the month of September, 2014.

6.11.4 Later, during hearing for the tariff petition for the FY 2014-15, the Petitioner informed that the study shall be submitted by the Consultant by the end of December and the same will be submitted to the Authority.

6.11.5 However, till finalization of tariff determination pertaining to FY 2014-15, no study report was submitted by the Petitioner. Accordingly the Authority, based on its own assessment, allowed a T&D loss target of 20.50% for the FY 2014-15 including a margin of law & order of 5.5% and at the same time again directed the Petitioner to submit the study of its T&D losses at earliest.

6.11.6 The Petitioner in compliance to the Authority's direction submitted the final report of its T&D losses dated February 16, 2015 carried out by PPI along-with its current tariff

petition. The Petitioner during hearing of its instant tariff petition submitted the following break-up of its T&D losses based on the study;

| DESCRIPTION | | % LOSSES |
|------------------------------------------------------------------------------------|----------------|---------------|
| Annual Energy Loss in the HT Network including lines and Distribution Transformers | A | 9.75% |
| Average Energy Loss in the LT Network | B | 4.45% |
| Average Energy Loss in Cables | C | 0.84% |
| Average Annual Energy Loss of HESCO Distribution Network | D=A+B+C | 15.04% |
| Analytically Evaluated T&T Losses (Report submitted on T&T Losses) | E | 3.42% |
| Total Analytically Evaluated Technical T&D Losses | F=D+E | 18.46% |
| Total Recorded T&D Losses of HESCO for 2012-13 | G | 27.30% |
| Total Analytically Evaluated Technical T&D for 2012-13 Losses | F | 18.46% |
| Administrative / Commercial Losses at company level for 2012-13 | H=G-F | 8.84% |

6.11.7 The matters has been further deliberated under the relevant issue.

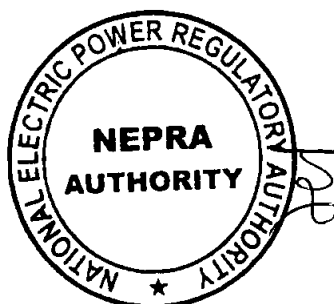
6.12 To monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.

6.12.1 The Petitioner in the past had been attributing its increasing trend in the level of T&D losses to imprudent village electrification, which was carried out without proper cost benefit analysis. The Authority accordingly directed the Petitioner to monetize all the incremental costs which cause additional losses and incorporate the same as a part of project cost while calculating the Internal Rate of Return (IRR) or Net Present Value (NPV) for any village electrification project, in future.

6.12.2 The Petitioner during the current hearing stated that as Sponsors of village electrification schemes are MNA/MPA/Senators and they are very much reluctant on various components of cost estimates. However, the instructions of the Authority will be implemented with mutual agreement.

6.12.3 The Authority understands that village electrification although is carried out through GOPs funding, however imprudent village electrification results in overloading and consequently increases T&D losses, which is not desirable. The Authority further considers that imprudent village electrification, may dilute the impact of all the investments being made by the Petitioner.

6.12.4 The Authority has observed that majority of the ongoing village electrification was restricted to poles, lines and distribution transformers and its impact on the existing grid or strengthening of the grid due to the additional load in the form of village electrification was totally ignored.



6.12.5 In view thereof, the Authority directs the Petitioner to spend at least 20% of the village electrification funds for improvement / up-gradation of the grid and not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.

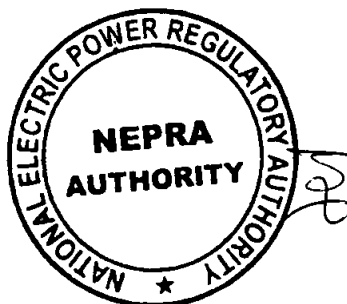
6.13 To submit the details of actual investment projects undertaken during the FY 2014-15 along with its next tariff Petition. Also, the Petitioner is directed to submit relevant PC-Is of any and all investment projects to be requested in future along with next tariff Petition.

6.13.1 The Authority while reviewing the proposed investments of the Petitioner for the FY 2014-15 noted that although basic level details were provided yet the quality of information was not up to the mark. The Petitioner neither substantiated the requested investments with any details such as PC-Is nor submitted any cost benefit analysis of the projects and also failed to provide a concrete reconciliation whereby it would have claimed in advance that after carrying out the requested investments, it would achieve a certain efficiency level with respect to T&D losses and customer service in terms of meeting Authority's set Performance standards. The Authority in view thereof directed the Petitioner to submit details of its actual investment projects to be undertaken during the FY 2014-15 along with next tariff Petition i.e. FY 2015-16 and to also submit relevant PC-Is of any and all investment projects to be requested in future.

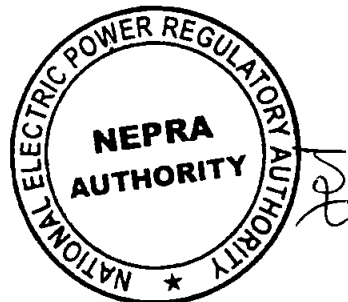
6.13.2 The Petitioner during the hearing stated that the issue has already been covered under the direction regarding sharing of the final report of the investment projects to be completed by June, 2015.

6.14 To provide the required replacement hiring certificate before the finalization of the next year's tariff petition, or else the same cost would be disallowed permanently.

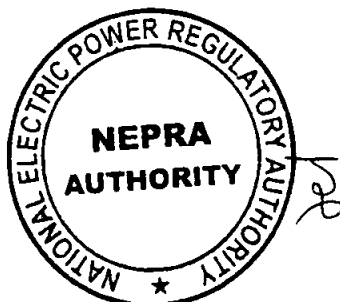
6.14.1 The Authority in the tariff determination for the FY 2013-14 directed the Petitioner to submit an auditor's certificate in respect of financial impact of replacement hiring, which the Petitioner claimed to be as Rs.128 million as on 30th June, 2012. The Authority principally allowed the replacement hiring in the Petitioner's tariff determination pertaining to the FY 2012-13, whereby no additional / incremental cost would be incurred by the Petitioner. The Authority further stated that if the Petitioner intended to carryout replacement hiring in future, it must obtain a certificate from the Auditor, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. The Authority also directed that any other additional recruitment must be linked with the comprehensive recruitment plan which would link the additional work, quantified benefits and would base on best utility practices.



- 6.14.2 Keeping in view the quality of compliance, the Authority issued an audit frame work on the said direction, which was communicated to the Petitioner vide letter # NEPRA/R/TRE-100- DISCO/7332-41 dated 30th June, 2014. The framework was issued after NEPRA Professional's several meetings with the representatives of different XWDISCOs and Auditor (M/s Deloitte & Co). The revised format of report as per the applicable International Standard on Auditing (ISA) was agreed and consequently directions were given to all the XWDISCOs to submit the required certificate as per the agreed ISA and format of certificate. However, the Petitioner failed to comply with the direction.
- 6.14.3 The Authority had been deducting replacement hiring cost in the previous (FY 2012-13 & FY 2013-14) tariff determinations of the Petitioner, however, for the FY 2014-15, the Authority decided to allow this cost on a provisional basis and the Petitioner was directed that if the required certificate was not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.
- 6.14.4 The Petitioner has neither provided the required certificate nor has provided any response in this regard. In view thereof, as per decision of the Authority in its tariff determination for the FY 2014-15, the replacement hiring cost amounting to Rs.128 million has been disallowed while assessing salaries and wages cost of the Petitioner for FY 2015-16.
- 6.15 To share the financial impact of proposed revision of criteria of lifeline consumers on its revenue with the next year tariff Petition.
- 6.15.1 The matter of changing terms and conditions of lifeline and residential consumers was raised by HESCO in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter during the tariff determination process for the FY 2013-14. Accordingly, the following modifications to the terms and conditions of lifeline and residential consumers were proposed;
- The criteria for Lifeline consumers is modified and only those residential consumers having single phase electric connection with a limited sanctioned load upto 1 kW and consumption of less than 50 units will qualify to be the life line consumers.
 - A floating average of six months consumption of lifeline consumers should not exceed 50 units.
 - In case of detection billing under the category of lifeline consumers, 1 year average floating billing must be less than 50 units.



- All government offices, educational institutes and mosques should be removed from the category of residential consumers.
- 6.15.2 Although the Authority completed its consultative process but it still felt that before modifying the Terms & Conditions further analysis as to how much consumers will be reduced on monthly basis along with its financial implication from the Petitioner needs to be obtained.
- 6.15.3 Accordingly, the Petitioner, in its tariff determination pertaining to the FY 2014-15 was directed to share the financial impact of proposed revision of criteria of lifeline consumers on its revenue with the next year tariff Petition.
- 6.15.4 The Petitioner, during hearing of its instant petition has submitted that it agrees with the proposed criteria i.e.
- Lifeline consumers is modified to only those residential consumers having single phase electric connection with a limited sanctioned load upto 1KW and consumption of less than 50 units.
 - A floating average of six months consumption of Lifeline consumers should not exceed 50 units
 - In case of detection billing under the category of Lifeline consumers 1 year average floating billing must be less than 50 units
 - All Government offices, educational institutes and mosques should be removed from the category of residential consumers.
- 6.15.5 The Authority after careful consideration has decided to modify the Terms & Conditions to the extent of the following;
- The criteria for Lifeline consumers is modified to only 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 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.
- 6.15.6 The Authority on the issue of application of Domestic Tariff for Government Offices, Educational Institutions and Mosques has decided to create a New General Services Category by changing terms & conditions of the residential consumers and has decided to restrict residential category as Residences and Places of worship, excluding thereby



all government and other offices, educational institution. Thus, the consumer category A3 General services shall include;

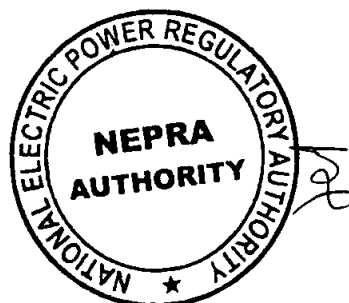
- Approved charitable/religious institutions
- Government and semi – Government Offices and institutions
- Government Hospitals and dispensaries
- Educational Institutions
- Water supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agricultural land.

6.16 To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed.

6.16.1 As per the clause 9.3(d) of the Electricity supply agreement dated 29th June, 1998 between DISCOs & NEDC, the XWDISCOs are obliged to pay CPPA (G) late payment charge on delay payments of invoice. The clause 9.3 (d) of the agreement deals with Late Payment charge as 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."

6.16.2 In view thereof, the Authority in the tariff determination for 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 DISCO 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. The Petitioner was, therefore, directed 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 2014-15. The Petitioner was directed to submit the requisite information before filing of the next tariff petition. Any remaining LPC (i.e. after the offset) shall be adjusted from the revenue requirement of FY 2015-16 and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of LPC



recovered from consumers shall be made part of other income (and deducted from revenue requirement) in the FY 2015-16.

6.16.3 In compliance to the Authority direction the Petitioner has mentioned that it recovered Rs.348.37 million on account of LPC during the FY 2014-15, however, nothing has been stated regarding any invoice raised by CPPA (G) to the Petitioner on account of mark up for the FY 2014-15.

6.16.4 The issue has been discussed under the relevant head.

6.17 To again take up the matter to the relevant foras to the extent of written off amount, if it consider it genuine billing. In addition, the Authority directs the Petitioner to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.

6.17.1 The Authority during the tariff determination pertaining to the FY 2013-14, observed that the Petitioner had written-off an amount of Rs.7,796.6 million from its outstanding receivables. The Petitioner was directed to submit the details of this write off. Subsequently, the Petitioner filed a motion for leave for review on the tariff determination for the FY 2013-14, wherein it explained the basis for amount written off. The Petitioner submitted that the write-offs pertain to multiple electricity connections of Departments of Government of Sindh (GoS) that are using electricity through both sanctioned and unsanctioned connections. The Petitioner further submitted that in light of the decision of Sub Committee of CCI dated 28th January, 2013, the Board of Directors (BOD) of HESCO approved write off of Rs.8.45 billion on 31st May, 2013 to settle the long outstanding dispute with GoS. As per the Petitioner, the BOD of HESCO was empowered to approve the write offs as per Companies Ordinance 1984, which was also confirmed by Ministry of Law & Justice, GOP in memo No. 645/2012law-1 dated 4th December, 2012 and the same was endorsed by Ministry of Water & Power vide memo NO. 5(48)2011-WU dated 10th December, 2012. The Petitioner further submitted that the Chief Auditor PEPCO in letter No. DPS/503- Policy/PAC/7444 dated 17th December, 2012 clarified that the BOD of DISCO's were empowered to write-off.

6.17.2 The Authority in its tariff determination for FY 2014-15, after considering the explanation given by the Petitioner, decided that it cannot pass on the burden of inefficiency and wrong billing of the Petitioner to the consumers, and consequently decided in principle to disallow the write off to the Petitioner. However, the Petitioner was directed to take up the matter of written off amount to the relevant, if it considers

it genuine billing. In addition, the Petitioner was directed to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.

6.17.3 The Petitioner during the hearing of tariff petition for the FY 2015-16, that the matter has already been decided at higher forum i.e. Subcommittee of CCI.

6.17.4 On the issue of writing off the receivables from the GoS, the Petitioner did not answer the concerns of the Authority as it did not comment on the nature of the billing i.e. whether it was genuine billing or not, which was written off. Thus, the Authority maintains its earlier decision in this regard. Regarding the issue of reconciliation, since the Petitioner has not provided any response, therefore, the Authority again directs it to carryout reconciliation of billing on monthly basis.

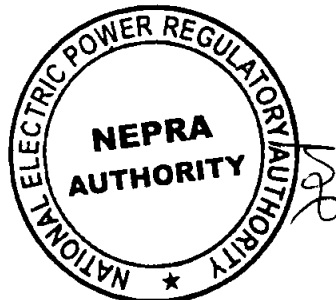
7. Issue # 2. Whether the Petitioner's projected energy purchases and sales for the FY 2015-16 is reasonable?

7.1 The Petitioner has projected its purchases for the FY 2015-16 as 5,787 GWh and sales to be 4,265 GWh. The Petitioner in its petition has not provide any rational used by it to project the increase, however, during the hearing the Petitioner has provided the following table for its projection;

| Basis of Growth | | | | | |
|-----------------|---------------|---------|---------|---------|----------------------|
| PMS Growth | Actual Growth | | | Average | Projected FY 2015-16 |
| | 2012-13 | 2013-14 | 2014-15 | | |
| 4.4% | 3.64% | 3.40% | 10% | 5.67% | 5% |

7.2 Following is the history of the Petitioner's purchases and sales over the last four years;

| Years | Purchase of units in GWh | Percentage Growth | Sale of units in GWh | Percentage Growth |
|-------|--------------------------|-------------------|----------------------|-------------------|
| 2013 | 4,849 | | 3,524 | |
| 2014 | 5,014 | 3.40% | 3,684 | 4.55% |
| 2015 | 5,514 | 9.99% | 4,020 | 9.09% |
| 2016 | 5,787 | 4.95% | 4,265 | 6.11% |



- 7.3 The NEPRA determination of Consumer-end-Tariff (Methodology & Process) Guidelines, 2015, (herein referred to as "The Methodology") prescribes the submission of generation plan by NTDC and procurement plan by CPPA (G) and its approval by the Authority prior to the filing of the tariff petition by the XWDISCOs. Since both NTDC and CPPA (G) did not submit the generation and the procurement plans, the Authority in order to avoid any further delays in the determination of XWDISCOs for the FY 2015-16, decided to consider the power purchases and their corresponding cost as estimated by the XWDISCOs, along with the instant tariff petitions.
- 7.4 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the realistic assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997).
- 7.5 In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2015-16. An increase of around 2.05% has been assumed over the actual generation pertaining to the FY 2014-15, as generation growth. Here it is pertinent to mention that the actual generation for the FY 2014-15 was 1.94% more than the actual generation for the FY 2013-14.
- 7.6 After incorporating all the expected upcoming additional generation, it is estimated that in the FY 2015-16 the overall system generation will be about 98,989 GWh. After adjusting for the NTDC's permissible transmission losses of 3.0%, about 96,019 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2015-16, is accordingly assessed as 5,568 GWh for the FY 2015-16, as against 5,787 GWhs projected by it. After incorporating the T&D losses target for the FY 2015-16 (discussed below) the sales target in the instant case for the same period worked out as 4,427 GWhs.
8. **Issue # 3. Whether the Petitioner's projected power purchase cost for the FY 2015-16 is justified?**
- 8.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 61,010 million (Rs.10.54/kWh unadjusted) for the FY 2015-16, which has been based on expected receipt of units during the FY 2015-16. The Petitioner in the instant petition has not provided any rational that has been used by it while projecting the figures, however, during the hearing the Petitioner has stated that for energy charges and Capacity

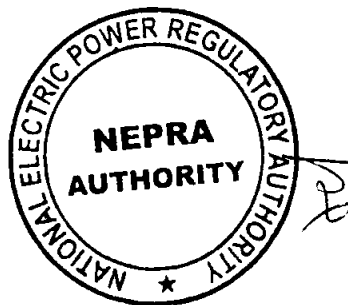
charges it has used last 2 years average rate per kWh and per MW respectively. Further, the Petitioner has stated that for the transmission charges it has used NTDCL's rate as per NEPRA's determination for FY 2014-15.

8.2 The Petitioner provided the following details during the hearing:

| Description | Unit | NEPRA Determined FY 2014-15 | Audited FY 2014-15 | Proposed for FY 2015-16 | Inc/(Dec) | % Age |
|---------------------------------------|------------|-----------------------------------|-----------------------|-------------------------------|-----------|---------|
| 1 | 2 | 3 | 4 | 5 | 6=(5-4) | 7=(6/4) |
| Units Received | Gwh | 5,021 | 5,514 | 5,787 | 273 | 4.95 |
| Energy Charges | Rs./Kwh | 7.53 | 6.49 | 7.48* | 0.99 | 15.25 |
| Capacity Charges | Rs./Mw | ----- | 1,142 | 1,049** | -93 | -8.1 |
| Transmission Charges (UoSC) | Rs./Mw | ----- | 102 | 113*** | 11 | 10.78 |
| Energy Charges | Rs. In [M] | 37,838 | 35,777 | 43,309 | 7,532 | 21.05 |
| Capacity Charges | Rs. In [M] | 14,221 | 15,684 | 16,043 | 359 | 2.29 |
| Transmission Charges (UoSC) | Rs. In [M] | 1,276 | 1,430 | 1,657 | 227 | 15.87 |
| Power Purchase Cost | Rs. In [M] | 53,335 | 52,891 | 61,010 | 8,119 | 15.35 |
| Power Purchase Cost /kWh (Unadjusted) | Rs. In [M] | 10.62 | 9.59 | 10.54 | 0.95 | 9.91 |
| Power Purchase Cost /kWh (Adjusted) | Rs. In [M] | 13.36 | 13.16 | 14.3 | 1.14 | 8.66 |

8.3 In order to make fair assessment of the PPP, an in-house evaluation was done. As per the existing mechanism all the power generated from different sources is procured by the Central Power Purchasing Agency [CPPA (G)] on behalf of XWDISCOs at the rates as per the Power Purchase Agreements (PPAs) as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the XWDISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in the Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & biannual PPP adjustment with respect to T&D losses, Capacity and Transmission Charges. Here it is pertinent to mention that while making biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.

8.4 From all the available sources i.e. Hydel, Thermal-Gas, RFO, Nuclear, Coal, Solar, Wind, Bagasse and Imports, a total gross of 98,989 GWh power is expected to be generated during the FY 2015-16. The estimated/projected source-wise generation and cost of electricity is given in the following table:



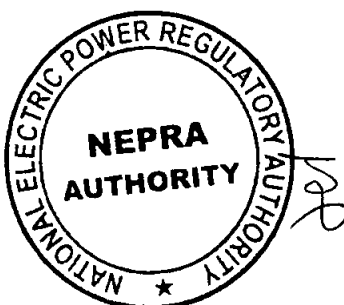
| Fuel Type | Gen. MkWh | Share % | Cost Mtu. Rs. | Share % | Rate Rs./kWh |
|-------------------------------------|---------------|-------------|------------------|-------------|-----------------|
| Hydel | 32,563 | 32.90% | 3,124 | 0.56% | 0.10 |
| Coal | 102 | 0% | 382 | 0% | 3.74 |
| HSD | 1,702 | 2% | 22,168 | 4% | 13.02 |
| F.O. | 30,881 | 31.29% | 332,651 | 59% | 10.77 |
| Gas | 26,218 | 26% | 177,129 | 32% | 6.76 |
| Nuclear | 4,995 | 5% | 6,609 | 1% | 1.32 |
| Mixed | 1,015 | 1% | 10,332 | 2% | 10.18 |
| Import from Iran | 443 | 0% | 4,669 | 1% | 10.55 |
| Wind Power | 724 | 1% | 975 | 0% | 1.35 |
| Bagasse | 319 | 0% | 1,977 | 0% | 6.20 |
| Solar | 26 | 0% | 64 | 0% | 2.47 |
| Total | 98,989 | 100% | 560,080 | 100% | 5.66 |
| Energy Charges [Net of NTDC Losses] | 96,019 | | 560,080 | | 5.83 |
| Cap. Charge [Rs. /kWh] | | | 239,695 | | 2.50 |
| UOSC [Rs. /kWh] | | | 30,520 | | 0.32 |
| Total Cost [Rs. /kWh] | 96,019 | | 830,295 | | 8.65 |

8.5 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of biannually adjustments. From the above table it is clear that 31% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 59%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a decreasing trend, whereby the actual average RFO prices during the FY 2014-15 remained at around Rs. 56,121 [excluding Sales Tax and including freight] per metric ton and touched a low of Rs. 40,411 per metric ton as against the last years average projected price of Rs. 65,769 [excluding Sales Tax and including freight] per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the exchange rate parity. Based on the international market condition, it can be presumed that this lower trend shall continue in the future as well, consequently, for the FY 2015-16, RFO prices have been assumed on an average of Rs. 47,981 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. The HSD prices for the FY 2015-16, are being assumed on an average of Rs. 61.29 per litre [excluding Sales Tax], keeping in view the declining trend of HSD price in FY 2014-15, which remained on average Rs. 76.89 per litre during the FY 2014-15, against the projection of Rs.93.45/ litre. Keeping in view the recent developments regarding the import of RLNG and the notification by OGRA regarding provisional price of RLNG, it is quite obvious that gas based power plants will also be run on RLNG especially in the



months where there is gas shortage as has been the case in the past. Accordingly, impact of RLNG has also been considered while projecting the gas prices for the FY 2015-16, which has been assumed at Rs. 900/ MMBTU.

- 8.6 The generation cost is transferred to the XWDISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority.
- 8.7 According to the mechanism the energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses up to a maximum of 3% (as per latest notified NTDC determination). 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.
- 8.8 According to the above mechanism Rs.15,359 million and Rs.1,955 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2015-16. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs.17,314 million, which translates into Rs.1,537 /kW/month or Rs.3.91/kWh.
- 8.9 The annual PPP for the FY 2015-16 in the instant case works out as Rs.49,664 million. With the projected purchase of 5,568 GWh for the same period the average PPP turns out to be as Rs.8.92/ kWh (Annex – IV). On the basis of 20.50 % T&D losses, the PPP per kWh is assessed as Rs. 11.22/kWh.
- 8.10 Regarding the assessment for the FY 2016-17 and onwards, as per the Methodology, the NTDC would file data for its generation plan before or on 1st September, each year. The Authority after due diligence may consider revising the current projection of PPP. Accordingly, the impact of revised prices on the SOT, would be done by the Authority. Here it is pertinent to mention that the references of power purchases would continue to exist irrespective of the financial year unless the revised references are notified by the GoP.
9. Issue # 4. Whether the T & D losses for the FY 2015-16 requested by the Petitioner is reasonable?
- 9.1 The Petitioner has requested a T&D losses target 26.30% for the FY 2015-16 and provided following break-up / comparison of its requested losses along with the actual losses;



| Year | Transmission Loss | Distribution Loss | T&D Losses |
|-------------------|-------------------|-------------------|------------|
| 2014-15 Actual | 4.15% | 22.95% | 27.10% |
| 2015-16 Requested | 4.11% | 22.19% | 26.30% |

- 9.2 The Petitioner during the hearing submitted that its requested T&D losses target shows a reduction of 0.8% based on realistic ground realities. It was further submitted that in compliance to the Authority's direction it has submitted the report of its T&D losses, carried out by PPI, dated February 16, 2015, along-with the instant tariff petition for the FY 2015-16 and provided the following break-up of its T&D losses based on the study;

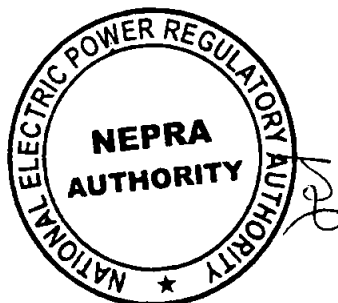
| DESCRIPTION | | % LOSSES |
|------------------------------------------------------------------------------------|----------------|---------------|
| Annual Energy Loss in the HT Network including lines and Distribution Transformers | A | 9.75% |
| Average Energy Loss in the LT Network | B | 4.45% |
| Average Energy Loss in Cables | C | 0.84% |
| Average Annual Energy Loss of HESCO Distribution Network | D=A+B+C | 15.04% |
| Analytically Evaluated T&T Losses (Report submitted on T&T Losses) | E | 3.42% |
| Total Analytically Evaluated Technical T&D Losses | F=D+E | 18.46% |
| Total Recorded T&D Losses of HESCO for 2012-13 | G | 27.30% |
| Total Analytically Evaluated Technical T&D for 2012-13 Losses | F | 18.46% |
| Administrative / Commercial Losses at company level for 2012-13 | H=G-F | 8.84% |

- 9.3 However, during hearing of the Petition, the Petitioner showed its reservation on the study by submitting that:

- The de gradation of reclaimed transformer efficiency is to be taken as 15% instead of 10%.
- The effect of costal area on the conductor was not considered, although, the test results of sample conductors by Mehran University Jamshoro were provided to the Consultant.
- The individual components of the losses evaluated by consultant as per D & S standard specification, whereas ground realities are different from the standards.

- 9.4 The Petitioner further stated the following issues / reasons for having high losses;

- Massive theft of electricity & non-payment culture are the main problems of HESCO.
- Due to worst Law & Order situation customers stealing electricity through Kunda/ Hooking.



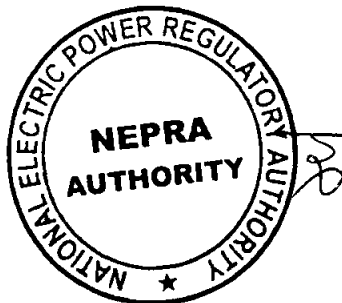
- Law Enforcing Agencies are not extending cooperation for providing security to staff.
- Police not registering FIRs against stealers of electricity.
- 981 theft cases were lodged for registering FIRs but only 29 no. FIRs have so far been registered during 07/2015 to 01/2016.
- Out of total 3089.16 KM Transmission line 956.62 K.M is 66 KV i.e. 31%.
- Transmission system is old and deteriorated, which causes high loss.
- Out of 428 feeders 239 (56%) supplying electricity to Rural areas.
- 12,714Sq km coastal area having 30 MW load, 5,608Sq km desert area having 13 MW load and 1000Sq km Kacha area having load 10 MW exist in HESCO system. In coastal area conductor supplying electricity to consumers become deteriorated in size (cross sectional-area) due to oxidation, which loses its actual current carrying capacity resultantly increase in technical loss.
- Due to various heavy floods and rains in Sindh, the IDPs (Internally displaced peoples) of Kacha / rural areas migrated and settled in surrounding areas of big cities where massive theft of electricity is committed.

9.5 In addition, the Petitioner highlighted the following system constraints, during the hearing;

- 02 No. 220 KV T/Lines overloaded (of NTDC) and 12 No. 132 KV T/Lines overloaded.
- 14 No. 132 KV Grid Stations overloaded and 04 No. 66 KV Grid Stations overloaded.

9.6 The Authority has carefully evaluated that the Petitioner's provided study of T&D losses. Upon security it was observed that the study submitted by the Petitioner is incomplete. As per the Executive Summary of the study, complete 100% survey of HT feeders was completed, however, for working out LT level losses, a sample based study was carried out. Thus, keeping in view the concerns of the Petitioner and the fact that the provided study is incomplete, the Authority has decided not to consider the same and directs the Petitioner to complete the study not later than 30th June , 2016.

9.7 The Petitioner in its tariff petition for the FY 2014-15, committed that the following steps were being undertaking to reduce its technical and administrative losses;



- Replacement of 800 km L.T Bare Conductor with Aerial Bundle Cable (ABC) which shall reduce losses by 2.05% and to be completed by June, 2015;
 - Installation of AMR Meters in Qasimabad Sub-Division under USAID Program which shall reduce losses by 0.14% and to be completed by June, 2015;
 - Upgradation of 24 Grid stations from 66kV to 132 kV under PSDP program which shall reduce losses by 2.19% and to be completed by June, 2015;
 - Upgradation of 24 Grid stations from 66kV to 132 kV under ADB program which shall reduce losses by 0.20% and to be completed by June, 2015;
 - Replacement of 8,069 sluggish meters which shall reduce losses by 0.42% and to be completed by June, 2015;
- 9.8 Base on the aforementioned projects, the Petitioner estimated to reduce its level of T&D losses by 5% i.e. 22% for the FY 2014-15.
- 9.9 However, the actual situation with respect to T&D losses in the FY 2014-15, turned out to be totally opposite, as the actual losses of the Petitioner have increased from 26.51% in FY 2013-14 to 27.1% in FY 2014-15 (*as per the financial statements*). The Authority fails to understand the reasons for the increase in the level of losses, which should have been reduced, considering the huge amount of investments allowed to the Petitioner under the head of STG and DOP/ELR.
- 9.10 The Authority can construe from the foregoing that the investment being allowed to the Petitioner are not being utilized effectively or the Petitioner has failed to carry out its proposed quality investments as per its commitment.
- 9.11 In view of the foregoing, the Authority considers that the Petitioner's proposed level of T&D losses is not logical and without any basis. Thus, keeping in view the aforementioned discussion the Authority has decided to maintain its earlier assessment of 20.50% (whereby 15% was allowed as technical loss and 5.50% as margin for law and order situation). The Authority further directs the Petitioner to complete the study of its system's T&D losses on 132 KV, 11KV and below by June 30, 2016.
10. Issue # 5. Whether the Petitioner's proposed Investment Plan for the FY 2015-16, is justified, keeping in view the prospective benefits?
- 10.1 As per the NEPRA guidelines for the determination of consumer end tariff (Methodology and Process), 2015 (The Methodology) notified vide S.R.O. 34 (I)/2015 dated January 16, 2015, the submission of IGTDP by XWDISCOs and their approval by the Authority is required before filing of the tariff petition. The deadline for the submission of IGTDP, as per the Methodology, is September 01 each year. Since the

Methodology was notified in January 2015, and separate submission of IGTDP and their subsequent approval by the Authority, would have resulted in considerable delays bearing financial implications for the Petitioner, therefore, the Authority, on the request of the XWDISCOs, allowed them to file the IGTDP along with their Consumer-end Tariff Petitions. Here it is pertinent to mention that submission of the IGTDP by XWDISCOs with their tariff petitions, does not mean that the same has been accepted by the Authority as such.

- 10.2 The Petitioner, although provided a five years investment program along-with its tariff petition, however the same being not in accordance with the Authority's prescribed formats and therefore has not been considered. The Authority, keeping in view the fact that the instant petition has been filed under the single year tariff regime i.e. for the FY 2015-16 only, has decided to consider the figures submitted in the Petition while assessing the investment requirement of the Petitioner for FY 2015-16.
- 10.3 The Petitioner in the instant petition has requested investment program in the 6th STG, ELR and DOP is as under:

| Rs. In Million | |
|-------------------------|----------------------|
| Project | Projected FY 2015-16 |
| DOP | 460 |
| ELR | 1,500 |
| 6th STG | 800 |
| ADB STG/DOP/ELR | 2,475 |
| Village Electrification | 500 |
| Others (Deposit Work) | 200 |
| Total | 5,935 |

- 10.4 The Petitioner has submitted the following financing plan to finance its proposed investments;

| Rs. In Million | | |
|---------------------|----------------------|--------------------|
| Project | Projected FY 2015-16 | |
| | Under Own Source | Under Foreign Loan |
| DOP | 460 | - - |
| ELR | 1,500 | |
| 6th STG | 800 | |
| ADB - Trench-I & II | | 1,095 |

| | | |
|------------------|-------|-------|
| ADB - Trench-III | | 700 |
| ADB - Trench-IV | | 680 |
| Total | 2,760 | 2,475 |

- 10.5 The Petitioner justifying the requested amount has stated the following objectives and scope of work;

DOP

- Reliability of the system
- Stability of power supply
- Overloaded system
- Quality and safety of the system

Scope of Work

- HT New Lines & Extension of Existing Lines
- LT New Lines & Extension of Existing Lines
- Circle Proposals
- Civil Works

ELR

- Energy loss Reduction
- Improvement in Quality of Supply
- Improvement in Reliability
- Improvement in Safety
- Release of Generation, Transmission and Distribution Capacity.
- Improve Customer Service and Reduce Complaints
- Reduce Cost of Operation and Maintenance
- Improve Life of Equipment

Scope of Work

- HT Renovations, Rehabilitations & Augmentations
- LT Renovations, Rehabilitations & Augmentations

6th STG Project

- 132 KV G/S near River Bund (2x40 MVA)
- Feeding Transmission line L/O Kotri Site- Kohsaar Ck-I (D/C)
- 132 KV G/S Shaikh Bhirkio (1x10/13 MVA)



- Feeding SDT transmission line from chamber G/S
- 1- line bay at Chamber G/S
- Rehabilitation of 132KV G/Sold Jamshoro (Replacement of switchgears)
- Remodeling of 132KV New Jamshoro – Old Jamshoro (Ck-I)
- Remodeling of 132KV New Jamshoro – Old Jamshoro (Ck-II)
- 4- line bays (02 at both ends)
- Stringing of 2nd circuit T.M Khan – Matli New
- 1- line bay at T.M Khan G/S
- Stringing of 2nd Circuit T.M Khan Rd. T.M Khan
- 2- line bays (01 at both end)
- Spare Power Transformer (1x40 MVA)
- Remaining Works of World bank

10.6 The Petitioner with regards to its vehicles has provided the following age table:

| Sr.# | Description | No. of vehicles | Percentage |
|--------------|---------------------------------------|-----------------|--------------------------|
| i | 01 to 05 Years Old (2011 – 2015) | 32 | |
| ii | 06 to 10 Years Old (2006 – 2010) | 41 | |
| iii | 11 to 15 Years Old (2001 – 2005) | 98 | |
| iv | 16 to 20 Years Old (1996 – 2000) | 40 | |
| v | 21 to 25 Years Old (1991 – 1995) | 100 | |
| vi | 26 to 30 Years Old (1986 – 1990) | 91 | 58.8% more than 20 years |
| vii | More than 30 Years Old (1985 & below) | 111 | |
| Total | | 513 | |

10.7 The Petitioner further submitted that considering the above its BOD has approved that 29 off road Vehicles will be disposed off and 29 new vehicles will be procured in FY 2015-16 as per the following details;

| VEHICLES PURCHASES IN PLACE OF DISPOSED OFF VEHICLES | | | | |
|------------------------------------------------------|------------------------|------------------|-----------------------|---------------|
| Sr. No. | Make & Type | Nos. of Vehicles | Price of each vehicle | Amount Rs.(M) |
| I | Jeeps 1000cc to 1300cc | 3 | 2,293,000 | 6.88 |

| | | | | |
|--------------------------------------|----------------------------------------|---|-----------|--------------|
| 2 | Single Cabin Pickups | 5 | 1,919,000 | 9.60 |
| 3 | Trucks | 5 | 1,500,000 | 7.50 |
| 4 | Vans / Hiaces | 1 | 3,878,632 | 3.87 |
| 5 | Toyota Altis Grande 1.8 | 1 | 2,306,000 | 2.30 |
| 6 | Toyota Corolla Car GLI 1300cc | 1 | 1,494,871 | 1.49 |
| 7 | Car Cultus 1000cc | 2 | 883,761 | 1.76 |
| 8 | Crane mounted 2 to 3 Ton, Truck | 7 | 5,500,000 | 38.50 |
| 9 | Toyota, Hiace Van | 3 | 3,878,632 | 11.63 |
| 10 | Ambulance (Hiace) Van with accessories | 1 | 4,578,632 | 4.59 |
| Total | | | | 88.15 |
| Less: Amount of Disposed Off Vehicle | | | | 8.69 |
| Net Total | | | | 79.43 |

10.8 As per the available information, the Petitioner made a total additions in the fixed assets of Rs.3,700 million & Rs.2,556 million during the FY 2013-14 and FY 2014-15 respectively. The aforementioned amounts also include the impact of consumer contribution to the extent of Rs.1,662 million & Rs.1,399 million respectively. Thus, net addition in fixed assets carried out through loans and own resources, works out as Rs.2,038 million and Rs.1,157 million during the FY 2013-14 and FY 2014-15 respectively.

10.9 Based on the available record, arguments, evidence and the fact that these allowed investments affect the annual Return on Rate Base (RORB) for a XWDISCO, hence, while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. Thus keeping in view the Petitioner's actual spending trend for the last three years, the Authority considers that the Petitioner would be able to spend only Rs.3,067 million including Rs.700 Million on account of consumer contribution during the FY 2015-16. Here it is pertinent to mention that the existing mechanism of determining RORB is self-adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2015-16 (which is desirable), would be catered for in next year's returns.

11. **Issue # 6. Whether the prior year adjustment amounting to Rs.2,927 million for the FY 2014-15 is accurate?**

11.1 The Petitioner, in its petition requested an amount of Rs.2,927 million, which includes negative Rs.444 million on account of Power Purchase Price and Rs.3,371 million for the unrecovered amount pertaining to the distribution margin.

- 11.2 The Authority after careful consideration of the Petitioner's submission of PYA, provided in the petition and hearing, observed that the Petitioner has not correctly calculated the PYA. In view of the aforementioned, the Authority after doing its own due diligence has worked out the following PYA;

| | Description | Mln. Rs. |
|--------|---------------------------------------------------------------------|----------------|
| | Notified reference PPP during the FY 2014-15 | 50,792 |
| | Assessed Distribution Margin for the FY 2014-15 | 9,169 |
| | Assessed PYA for the FY 2014-15 | (10,596) |
| Add ; | 1st Qrt's PPP adjustment pertaining to the FY 2014-15 | 4,797 |
| Add; | 2nd Qrt's PPP adjustment pertaining to the FY 2014-15 | 1,545 |
| Add; | 3rd Qrt's PPP adjustment pertaining to the FY 2014-15 | 1,692 |
| Add; | 4th Qrt's PPP adjustment pertaining to the FY 2014-15 | 2,143 |
| Less ; | Regulated PPP recovery on notified rates during the FY 2014-15 | 61,171 |
| Less; | Regulated DM recovery on notified rates during FY 2014-15 | 8,049 |
| Less; | Regulated PYA recovery on notified rates during FY 2014-15 | (1,628) |
| Less; | Net impact of assessed & actual Other Income for the FY 2014-15 | 1,234 |
| Add; | Impact of Consumer – Mix Variance for the FY 2014-145 | 3,767 |
| | Total Unrecovered/ (Over recovered) Costs for the FY 2014-15 | (5,517) |

- 11.3 Here it is pertinent to mention, as per the previous practice, the impact of any decrease in (negative) monthly FCA, was not passed on to the Life line and Agriculture Consumers of XWDISCOs. The same relief was adjusted by the Authority in the annual tariff determinations of XWDISCOs, through the Prior Year Adjustment mechanism, whereby the impact of such amount is adjusted in the tariff design across all the consumer categories.
- 11.4 MoWP vide its letter No.5-PF/02/2013-Subsidy dated May 21, 2015 issued the policy guidelines under Section 31 (4) of the NEPRA Act, 1997 with regard to the Fuel Charge Adjustments and subsidy rationalization of Ex-WAPDA Distribution Companies.
- 11.5 MoWP in its aforementioned policy guidelines, inter alia, mentioned that ECC of the Cabinet has been pleased to approve the issuance of the following Policy Guidelines under Section 31 (4) of the NEPRA Act, 1997 on 21.05.2015 i.e. that

"Any negative adjustment on account of monthly FCA will not be passed on to the Domestic consumers who have subsidized electricity tariff."

- 11.6 The Authority considered the policy guidelines of the GoP with respect to the Fuel Price Adjustment being consistent with the GoP Policy for phasing out the subsidy

which are also consistent with the standards and guidelines as per Rule 17 of Tariff Standards and Procedure Rules -1998.

- 11.7 Accordingly, the Authority decided that any negative monthly FCA shall not be applicable to lifeline consumers, domestic consumers and Agriculture Consumers of all the XWDISCOs, being already subsidized by the GoP. The impact of such negative FCA not passed on to the aforementioned consumer categories, in the matter of the Petitioner, for the FY 2014-15, works out to be Rs. 2,747 Million.
- 11.8 The Authority in view of the above referred policy guidelines of GoP regarding rationalization of subsidy in the matter of XWDISCOs, has decided not to adjust the impact of negative FCA across different consumer categories, as it was doing in the past. Thus, the negative FPA impact on lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers i.e. Rs. 2,747 Million, which is still lying with the Petitioner, must be adjusted by GoP, against the overall Tariff Differential Subsidy claim in the matter of the Petitioner eventually reducing GOP's overall Tariff Differential Subsidy burden. This decision of the Authority is only applicable under a subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff.

12. Issue # 7. Whether the projected O&M cost for the FY 2015-16 is justified?

- 12.1 The Petitioner has requested an amount of Rs. 9,142 million on account of O&M cost as per the following details:

| Mln. Rs. | | | |
|---------------------------|------------------------|--------------------------|-------------------------------------|
| Description | FY 2014-15 [Actual] | FY 2014-15 [Proposed] | Basis |
| Salaries & Other Benefits | 6,481 | 7,275 | As per Working Basis |
| Maintenance Expenses | 892 | 1,026 | As per Average of Last 3 Years Exp. |
| T.A Expenses | 281 | 288 | 2.5% Increased From Last Year Exp. |
| Vehicle Expenses | 253 | 278 | 9.8% Increased From Last Year Exp. |
| Other Expenses | 249 | 275 | 9.5% Increased From Last Year Exp. |
| Total | 8155 | 9,142 | |

12.2 Salaries Wages & Other Benefits: -

- 12.2.1 The Petitioner has projected Rs. 7,275 million in the head of pay and allowances for the FY 2015-16. The Petitioner stated that the Pay & Allowances are projected after applying 12% increase and annual increment, keeping in view the announcement

made by the GOP in the budget. The detail of Pay & Allowances requested by the Petitioner is given below;

Mln. Rs.

| Description | FY 2014-15 (Actual) | FY 2015-16 (Proposed) | (Inc)/Dec |
|--------------------------|------------------------|--------------------------|--------------|
| Salary & Other Benefits | 3,832 | 4,096 | (264) |
| Post-Retirement Benefits | 2,648 | 3,178 | (530) |
| Total | 6,480 | 7,275 | (795) |

12.2.2 No further rationale or working was provided by the Petitioner in order to justify its claim.

12.2.3 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the postretirement benefits, the Authority directed the Petitioner to create a separate fund in this regard before 30th June 2012. Subsequently, this deadline was extended by the Authority. The rationale was that the creation of funds/independent account (as the case may be) would ensure that the Petitioner records its liability more prudently since the funds would be transferred to a separate legal entity. In addition, independent funds would generate their own profits, if kept separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff. The Petitioner vide its letter no. FD/HESCO/CPC/6645 dated 3rd June, 2014 informed the Authority that the point had been discussed in the Risk and Management committee dated 14th May, 2014 and approval of the creation of fund will be taken from Board of Directors (BoD) in the next meeting. Subsequently, the Petitioner vide its letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 informed the Authority that after getting the approval from BOD, it contacted M/s Sidat Hyder & Co. Chartered Accountants and signed an agreement for the subject assignment. It was further informed that it has also contacted certain banks to offer profit rates on the proposed investments. During the hearing for the determination of tariff pertaining to the FY 2014-15, the Petitioner informed the Authority that after the approval from the BOD, for opening of separate pension benefit funds accounts, Actuarial Consultants were requested to offer their consent for providing services regarding creation of requisite Funds. Five Consultant Firms have responded and offered TORs for the following works;

- ✓ Drafting of Trust Deed and rules.
- ✓ Registration of trust Deed with the Registrar.
- ✓ Obtaining approval of Pension Fund Deed from Commissioner in Land.

✓ Providing assistance to the Company and Trustees of the Funds, etc.

- 12.2.4 The Petitioner also stated that the TORs shall be put up in the next BoD meeting to accord approval for award of contract to the selected Consultant as well as the Bank for opening of the account. However, till the last decision of the Authority the Petitioner failed to complete the process of creation of fund.
- 12.2.5 The Petitioner, in the instant petition has again failed to comply with the directions of the Authority and did not provide any progress on the matter.
- 12.2.6 On the issue of retired WAPDA employees before 1998, the Authority in its determination of the Petitioner for FY 2014-15, decided that the post retirement benefit cost until 30th June, 2014 shall be borne by WAPDA (Hydel) and subsequent cost shall be borne by XWDISCOs without claiming any receivables from WAPDA (hydel). The Petitioner neither in its instant petition nor in its financial statements for the FY 2014-15, has clearly mentioned whether the amount of post-retirement benefits paid to Ex-WAPDA employees is included in the actual payments made for FY 2014-15 or otherwise.
- 12.2.7 The Authority after careful consideration of the Petitioners statement is of the view that it directed the Petitioner to create a separate fund in the tariff determination of FY 2011-12 and till today the Petitioner had not been able to finalize legal formalities in this regard. In view of the foregoing, the Authority has decided to allow postretirement benefits for FY 2015-16 based on the actual payments made by the Petitioner under the said head in FY 2014-15 after incorporating the increase announced by GoP and a notional figure of retired WAPDA employees before 1998. The Authority again directs the Petitioner to create the separate post-retirement benefits Fund before 30th June 2016.
- 12.2.8 The Authority while assessing the Pay & Allowances & other benefits (excluding post-retirement benefits, discussed below), has taken into account the impact of GOP's recent announcement of 7.5% increase as ad-hoc allowance, 5% annual increment, merging ad-hoc relief of 2011 & 2012 in running basic pay and increase in Medical Allowance by 25% as per the GOP's notification.
- 12.2.9 Based on the discussion made in the preceding paragraphs, incorporating all the aforementioned increases, the Authority has assessed Rs. 4,412 million on account of salaries, wages and other benefits including post-retirement benefits for the FY 2015-16.

✓

12.3 Repair & Maintenance Expenses

12.3.1 The Petitioner requested Rs. 1,026 million on account of repair and maintenance. The Petitioner stated that it has projected repair & maintenance expenses for FY 2015-16 after applying 15% increase over the Authority's allowed expense of the FY 2014-15. The actual expense as per Financial Statements of the Petitioner for the FY 2014-15 remained as Rs. 892 million.

12.3.2 The Petitioner submitted in the petition that the requested expenditure is necessary for replacement of over loaded distribution transformers, replacement of rusty and old distribution lines and repair and maintenance of grid stations, offices, building and colonies due to damages occurred during flood and rain. The Petitioner provided the detailed breakup of requested amount as below;

Rupees

| SR. # | DESCRIPTION | FY 2014-15 | FY 2015-16 | Difference | %age |
|-------|----------------------|------------|------------|------------|--------|
| 1 | 200 KVA Transformers | 344,250 | 423,000 | 78,750 | 22.88% |
| 2 | 100 KVA Transformers | 221,500 | 266,600 | 45,100 | 20.36% |
| 3 | 50 KVA Transformers | 169,500 | 185,000 | 15,500 | 9.14% |
| 4 | 25 KVA Transformers | 109,401 | 119,000 | 9,599 | 8.77% |
| | Total | 844,653 | 993,603 | 148,949 | 17.63% |

12.3.3 An analysis of the Petitioner's financial statements for the FY 2014-15 reveals that major portion of the repair and maintenance expenses of the Petitioner are related to the transformers, meters and Physical Property as detailed below;

| Category | Expense FY 2014-15 | [%] |
|--------------------------------------|--------------------|-----|
| Office Building | 120 | 13% |
| General Plant | 17 | 2% |
| Other Physical Property | 144 | 16% |
| 132, 66 & 33 KV Grid Station & Lines | 127 | 14% |
| 11 KV and Below Distribution Line | 117 | 13% |
| Distribution Transformers | 212 | 24% |
| Meters | 110 | 12% |

| | | |
|----------------------|------------|-------------|
| Others Miscellaneous | 45 | 5% |
| Total | 892 | 100% |

12.3.4 The available information was further scrutinized and as per the information the number of total transformer damaged during FY 2014-15 were 413 which translates into 55 MVAs. When the claimed cost per damaged transformer was calculated, it worked out around Rs.514,000 per transformer which is more than the average cost of newly purchased transformers. The Authority has noted that main reason of such high repair & maintenance cost is because of the fact that the Petitioner is charging replacement of obsolete /defective meters and old and fully worn out transformers, under the repair and maintenance, instead of capitalizing the same as mentioned by the Petitioner itself. The specific head of repair and maintenance is exclusively for the routine expenses pertaining to maintenance and repair only. Here it is pertinent to mention that during the hearing process of other XWDISCOs, it was revealed that the fixed assets especially transformers and meters are not tagged. The Authority is of the view that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense. The Authority therefore directs the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking. Although, the Authority has noticed abnormal increase in repair & maintenance cost, however, before adjudicating on the issue, the Authority has decided to seek proper explanation from the Petitioner on the concerns cited by the Authority. The Petitioner is, therefore, directed to provide an explanation on the concerns raised by the Authority in terms of its R&M cost not later than 30th June, 2016.

12.3.5 Despite what has been discussed above, the Authority believes that adherence to the service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, therefore, keeping in view the past trend and comparison with other DISCOs the Authority has decided to allow Rs.950 million to the Petitioner under the repair and maintenance cost for FY 2015-16.

12.4 Traveling Expenses

12.4.1 The Petitioner has requested an amount of Rs. 288 million for the FY 2015-16. The Petitioner stated that the request of Rs. 288 is in line with the direction of their BOD to keep the expenses within the limit of cost allowed by NEPRA for FY 2014-15. As per financial statement of FY 2014-15 the actual expenditures in this regard remained as Rs. 281 million.

12.4.2 The Petitioner further stated that traveling expenses are related to the operational duties on regular basis as per policy such as regular vigilance, maintenance, meter reading, electricity bills distribution, recovery campaigns, disconnection of defaulters,

attending complained etc. The Petitioner submitted that from total employees, about 60% technical staff avail the T.A on frequent basis and 40% admin/supervisory staff avail T.A on requirement basis.

- 12.4.3 Based on the comparison with other XWDISCOs, Petitioner's submissions and its actual results in this regard, the Authority has decided to allow this cost to the tune of Rs. 288 million for the FY 2015-16.

12.5 Vehicle Running Expenses

- 12.5.1 The Petitioner has requested an amount of Rs. 278 million for the FY 2015-16. The Petitioner stated that the request of Rs. 278 is in line with the direction of their BOD to keep the expenses within the limit of cost allowed by NEPRA for FY 2014-15. As per financial statement of FY 2014-15 the actual expenditures in this regard are Rs. 253 million.

- 12.5.2 The Petitioner stated that the transportation charges include repair and maintenance of vehicles, POL and annual renewal of registration fees. The Petitioner submitted that the utility vehicles are very old and almost utilized their life. The Petitioner further submitted that due to old and deteriorated distribution network of the Petitioner, which is spread in scattered areas; therefore expenditures in this head are increasing day by day. The Petitioner has provided the following breakup of its actual expenses for FY 2014-15;

| Mln. Rs. | | |
|-----------------------------------|------------|---------|
| Head of Account | FY 2014-15 | % Share |
| Vehicle Expense - Repairs | 70.81 | 28.06% |
| Vehicle Expenses - Fuel and Oil | 181.76 | 71.93% |
| Vehicle Expenses - License & Ins. | 0.73 | 0.39% |
| Total | 253.30 | 100% |

- 12.5.3 The Authority is cognizant of the fact that vehicle maintenance cost is not only affected by the fuel prices but also with the number of vehicles and their conditions, which in turn is dependent on the distribution area of the Petitioner. The Authority is also aware of the old / deteriorated vehicle conditions of the Petitioner and its vast distribution area. However, at the same time the Authority observes that the oil prices are continuously falling and are expected to continue the same trend in future. The Authority in view of the aforementioned arguments, available evidence/information, past trend, fuel price fluctuations and comparison with other XWDISCOs, has assessed an amount of Rs.261 million under this head for FY 2015-16 in the instant case.



12.6 Other Expenses

12.6.1 The Petitioner requested Rs.275 million for the FY 2015-16, pertaining to the expenses like Postage, telephone, PEPCO Supervisory charges, software license fee, NEPRA License & Tariff petition Fee, Insurance charges, Professional fees to lawyers, Photostat charges, cleaning material, office stationery, and others Miscellaneous charges

12.6.2 Considering the past trend and comparison with the other DISCOs, the Authority has decided to allow an amount of Rs.258 million to the Petitioner under this head for FY 2015-16.

13. Issue # 8. Whether the proposed depreciation charges for the FY 2015-16 is justified?

13.1 The Petitioner requested an amount of Rs.1,252 million on account of Depreciation Charges for the FY 2015-16. The Petitioner in this regard has submitted that the depreciation for FY 2015-16 is calculated on the basis of: (i) the value of existing assets; plus (ii) Estimated addition in assets for FY 2015-16.

13.2 In order to make fair assessment, the Authority accounts for the investments approved by it for the year. After taking into account new investments, the Gross Fixed Assets in Operation for the FY 2015-16 have been worked out Rs.36,159 million. Accordingly, the depreciation charge for the FY 2015-16 has been assessed as Rs.1,298 million, calculated on actual depreciation rates for each category of Assets as per the Company's policy.

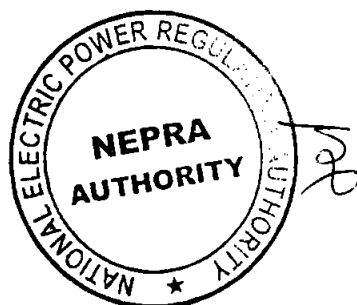
13.3 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2014-15, the Authority has assessed amortization of deferred credit to the tune of Rs. 597 million for the FY 2015-16. Accordingly, consumers would bear net depreciation of Rs.701 million.

14. Issue # 9. Whether the projected Return on Regulatory Asset base (RORB) for the FY 2015-16 is justified?

15. Issue # 10. Whether the requested rate of return (ROR) is justified?

15.1 The Petitioner has requested a return of Rs.3,060 million for the FY 2015-16 using Rate of Return (WACC) of 17.45% in the Petition. However, during the hearing the Petitioner revised its requested figure of RORB to Rs. 2,973. The Petitioner during the hearing presented the following table for RORB;

→



| Sr. No. | Description | Unit | NEPRA Determined FY 2014-15 | Proposed FY 2015-16 |
|---------|-----------------------------------------------|----------|-----------------------------|---------------------|
| A | Gross Fixed Assets in Operation - Opening Bal | [Mln Rs] | 31,329 | 33,423 |
| B | Addition in Fixed Assets | [Mln Rs] | 2,718 | 2,559 |
| C | Gross Fixed Assets in Operation - Closing Bal | [Mln Rs] | 34,047 | 35,982 |
| D | Less: Accumulated Depreciation | [Mln Rs] | 13,813 | 15,053 |
| E | Net Fixed Assets in Operation | [Mln Rs] | 20,234 | 20,929 |
| F | Add: Capital Work In Progress - Closing Bal | [Mln Rs] | 13,526 | 13,167 |
| G | Investment in Fixed Assets | [Mln Rs] | 33,760 | 34,076 |
| H | Less: Deferred Credits | [Mln Rs] | 16,027 | 14,718 |
| I | Regulatory Assets Base | [Mln Rs] | 17,733 | 19,359 |
| J | Average Regulatory Assets Base | [Mln Rs] | 15,977 | 17,038 |
| | Rate of Return | [%age] | 17.45% | 17.45% |
| | Return on Rate Base | [Mln Rs] | 2,788 | 2,973 |

- 15.2 Here it is pertinent to mention that the figures in the aforementioned table have not been worked out correctly by the Petitioner.
- 15.3 The Authority uses the Capital Asset Pricing Model (CAPM) for calculation of Return of Equity (RoE) component of the WACC, being the most widely accepted model, which is applied by regulatory bodies all over the world to estimate the cost of capital for regulated utilities. Since the Authority uses Plain Vanilla WACC, hence the impact of tax shield is taken as zero, and in case any tax is paid it is treated as pass through. As per the methodology, in case of negative equity the Authority would consider a minimum of 20% equity and any equity in excess of 30% would be considered as debt. The reason was the GOPs on going privatization program, as it is anticipated that in addition to private equity, GOP would also bring in some additional equity (e.g. may convert loans into equity etc.). Hence, the Authority, in accordance with the approved methodology has decided to change the Petitioner's current optimum capital structure of 80:20 (debt: equity ratio) to 70:30 (debt: equity ratio).
- 15.4 For the assessment of RoE component, weighted average yield on 05 Years Pakistan Investment Bond (PIB) as of July 16, 2015 has been considered as risk free rate which is 8.9652%.
- 15.5 The Authority understands that the expected return on any investment is the sum of the risk-free rate and an extra return to compensate for the risk. This extra return or



'risk premium' is the difference between market rate of return and risk free rate. Generally, the return on stock market index is taken as a measure of market rate of return. The Authority in order to have an appropriate measure of the market rate of return, analyzed KSE-100 Index return over a period of 8 years and also considered Analysts' consensus/ research houses estimates in this regard. The rate of return on KSE-100 index during the period from 2008-2015 was around 16.5%, which translates into risk premium of around 7.53% (with risk free rate of 8.9652%). The risk premium used by different leading brokerage houses of the country ranges between 6 % – 7 %.

- 15.6 Thus, keeping in view the aforementioned, the Authority considers Market Risk Premium of 7% as reasonable for calculation of cost of equity component.
- 15.7 The Authority, in order to have an appropriate measure of the Beta, carried out an in-house own study and detailed analysis, whereby not only the local but International Markets were also explored. The Authority also considered a recent study undertaken by Castalia for the ERC in the Philippines using 111 firms selected from the Damodaran (a professor in Stern Business School at New York University) data set. The average Beta from this sample was 0.997 for the transmission and distribution companies and 1.073 for the whole sample. The average gearing of the sample is 67%. If the same is worked out on 70/30 gearing, the beta of 0.997 works out as 1.10. A few examples of Beta used by different Regulators in the world are given as hereunder;

| <i>Regulator</i> | <i>Beta</i> | <i>Gearing</i> |
|-------------------------|-------------|----------------|
| <i>Ofgem</i> | 0.9-0.95 | 65/35 |
| <i>AER</i> | 0.7 | 60/40 |
| <i>NZ Com</i> | 0.61 | 60/40 |
| <i>Northern Ireland</i> | 0.74 | 60/40 |

- 15.8 A beta of 0.75 at a gearing of 60/40 – which is around the mid-point of the above estimates – equates to a beta of 1.0 at a gearing of 70/30. A beta of 0.8 at 60/40 equates to a beta of 1.07 at 70/30. A beta of 0.95 at a gearing of 65/35 works out as 1.11 at 70/30 gearing.
- 15.9 Thus, keeping in view the finding of the study undertaken by Castalia for the ERC in the Philippines using 111 firms, range of betas used by international Regulators and findings of the Authority's in house study, it has decided to assess the beta in the instant case as 1.10.
- 15.10 As regard the cost of debt, the Authority understands that it is the interest rate on which a company would get borrowing from the financial market / commercial banks i.e. a rate at which banks lend to their customers. The Authority during its

determination in the matter of XWDISCOs pertaining to the FY 2014-15, decided to use the actual rate of debt appearing in the balance sheets of the DISCOs (excluding the loans which were disallowed by the Authority) considering the fact that the payment of these loans were due in FY 2014-15 and onwards. All of these loans were relent loans whose interest ranged between 15%-18%. When this decision was made, the Privatization scenario was not active and the decision was primarily based keeping in view continuous and ongoing public sector ownership of the XWDISCOs. Considering the future privatization policy of GoP, a forward looking approach has been used for the estimating cost of debt of these loans for WACC calculation. Here it is pertinent to mention that historically when State Owned Enterprises were privatized e.g. K- Electric, the relent loans on the balance sheet of K-Electric were converted into equity by the GoP. Further, the Authority was also anticipating some additional equity from the GOP in some form, that's the reason why the Authority raised the optimum capital structure from 80:20 to 70:30. In view of aforementioned, the Petitioner's request of setting cost of debt at 14.56% does not merit consideration, hence rejected by the Authority.

- 15.11 The Authority, in order to do a fair evaluation of the cost of debt, considered recent TFCs / Sukkuk launched by K-Electric Limited with a 5 year's term maturity, whereby Rs.1,500 million were raised by K-Electric on a rate of 3 month KIBOR + 2.75% during FY 2013-14. Here it pertinent to mention that the K-Electric also raised Rs.22 billion on 7 years TFC on a rate of 3 Months KIBOR plus 1% during 2014-15.
- 15.12 In view of the aforementioned, the Authority has decided to take cost of debt as 3 month's KIBOR + 2.75% spread. Consequently, the cost of debt has been worked out as 9.76% i.e. 3 Months KIBOR of 7.01% as of 2nd July 2015 plus 2.75% spread.
- 15.13 Consequent to the aforementioned discussion, the Authority has re-worked the WACC as below;


$$\begin{aligned}k_e &= R_F + (R_M - R_F) \times \beta \\&= 8.9652\% + (7\% \times 1.1) \\&= 16.67\%\end{aligned}$$

The cost of debt is; $K_d = 9.76\%$

$$WACC = [K_e \times (E / V)] + [K_d \times (D / V)]$$

Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;

$$WACC = [16.67\% \times 30\%] + [9.76\% \times 70\%] = 11.83\%$$



- 15.14 Thus, using rate of return of 11.83%, the Authority has assessed Rs.1,732 million as return on rate base as per the following calculations:

| Description | Mln. Rs. | |
|------------------------------------------|-----------------------|-------------------------|
| | FY 2014-15 Actual/ | FY 2015-16 Projected |
| Opening fixed assets in operation | 31,329 | 33,423 |
| Assets Additions during the year | 2,094 | 2,736 |
| Closing Fixed Assets in Operation | 33,423 | 36,159 |
| Less: Accumulated Depreciation | 13,801 | 15,099 |
| Net Fixed Assets in operation | 19,622 | 21,060 |
| + Capital Work in Progress (Closing) | 11,474 | 11,805 |
| Total Fixed Assets | 31,096 | 32,865 |
| Less: Deferred Credit | 17,291 | 17,394 |
| Total | 13,805 | 15,471 |
| Average Regulatory Assets Base | | 14,638 |
| Return on Rate Base @ 11.83% | | 1,732 |

- 15.15 The Authority while going through the Financial Statements of the Petitioner for the FY 2014-15 noted that the Petitioner has insufficient cash balance as on 30th June 2015 against its pending liability of receipt against deposit works and consumer security deposits. The insufficient cash balance indicates that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide details in this regard. The Authority considers that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers. Similarly, the amount collected under the head of receipt against deposit works has to be spent for the purpose for which it has been collected. The utilization of the money collected against deposit works and security deposits other than the works for which it has been received is illegal and unlawful. The Petitioner has to provide rational / justification for improper utilization of the money because the consumers have to suffer unnecessary delay on this account.

- 15.16 In view of the aforementioned reasons the Authority considers that it will be unfair and unjust for the consumers to suffer due to the unlawful act of the Petitioner. Accordingly, the Authority has decided, to include the entire amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2015-16. The Authority directs the Petitioner to ensure that in future consumer's

deposits are not utilized for any other purpose. The Petitioner is also being directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner. The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

16. Issue # 11. Whether the projected other income for the FY 2015-16 is reasonable?

16.1 The Petitioner has projected Rs.444.72 million as other income for the FY 2015-16. The Petitioner has submitted that the amount has been projected based on trend of two years average other income to total revenue and includes markup on bank deposits, rental & service income, reconnection fee, sale of scrap, non-utility operations, store handling & labor recoveries and meter & service rentals. The Petitioner during the hearing has submitted the following table;

| | Rs. in Mln | | |
|-----------------------------------------|----------------------|----------------------|----------------------------------|
| | 2013-14 | 2014-15 | Projected Accounts FY 2015-16 |
| Income from financial assets | | | |
| Return on bank deposits | 71,043,019 | 140,688,054 | 102,408,435 |
| Income from non-financial assets | | | |
| Rental and service income | 982,140,022 | 1,163,657,219 | 21,672,747 |
| Reconnection fee | 889,683 | 232,145 | 242,555 |
| Sale of scrap | 1,281 | 69,219,478 | 74,757,036 |
| Non-utility operations | 152,861,701 | 109,806,407 | 114,169,770 |
| Stores handling and labour recoveries | 344,086,914 | 302,849,687 | 109,796,755 |
| | 1,479,979,601 | 1,645,764,936 | 320,638,863 |
| | 1,551,022,620 | 1,786,452,990 | 423,047,298 |
| Rental and Service income | | | |
| Meter and service rentals | 31,996,013 | 19,432,218 | 20,403,829 |
| Late payment surcharge | 948,935,099 | 1,143,016,508 | - |
| Public lighting | 1,208,910 | 1,208,493 | 1,268,918 |
| | 982,140,022 | 1,163,657,219 | 21,672,747 |
| * NEPRA allowed 1,051 | | | |

16.2 As per the Tariff Methodology, Other Income may be determined in a manner that is consistent with the base year. Other income may be considered to be a negative other cost which may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment charges, profit on bank deposits, sale of scrap, income

from non-utility operations, commission on PTV fees and miscellaneous income. Other income will be monitored to identify trends. The Authority has assessed other Income for the petitioner as Rs.1,051 Million for FY 2015-16.

16.3 The Authority in consistency with its earlier decision, on the issue, has not included the amount of LPS while assessing the other income for FY 2015-16. Here it is pertinent to mention that the LPS recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of Late Payment charge recovered from consumers shall be made part of other income and deducted from revenue requirement in the subsequent year.

16.4 In view thereof, the Authority has assessed Rs.1,142 million as Other Income which does not include late payment charge and includes amortization of deferred credit.

17. **Issue # 12. Whether the Petitioner requested Financial Cost, merits consideration?**

17.1 The Petitioner has requested an amount of Rs.5,261 million as Financial Cost in its petition, however no justification for the requested amount has been provided in the petition. During the hearing, the Petitioner stated that the requested amount is based on the revised allocation of the Mark up on the Loan from Ministry of Water & Power dated 19th February 2015. The Petitioner presented the following table in this regard;

| Rs. in Mln | | | | |
|----------------------------|------------------------|------------------------|---------------------------|---------------|
| Revised Allocation of Loan | During 2012-13 Mark Up | During 2013-14 Mark Up | Projected Mark Up 2014-15 | Total Mark Up |
| 19,212 | 1,226 | 2,038 | 1,997 | 5,261 |

17.2 The Authority understands that the requested amount pertains to PHPL loans. The Authority while evaluating the Petitioner request observed that the same issue was raised during the FY 2012-13, and while deciding the tariff petition for the FY 2012-13, the Authority, after a comprehensive discussion, already adjudicated on the issue, therefore the matter does not require any further adjudication. In view thereof, the Authority maintains its earlier decision in this regard.

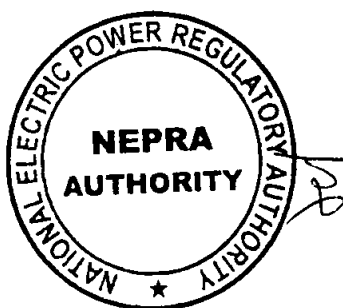
18. **Issue # 13. Whether the Petitioner request for provision of bad debt, merits consideration?**

18.1 The Petitioner has requested a provision of bad debt amounting to Rs.3,263 million for the FY 2015-16, stating that the socio-economic condition of its consumers are very poor and capability of making payment of utility bills is weak. The Petitioner further

submitted that its overall recovery for the FY 2014-15 is 78.20% i.e. the Govt. recovery is 72.40% and Private is 80.4%. Accordingly, keeping in view the above and in compliance of International Accounting Standard, it has to make provision of trade debts on the basis of their age and therefore a provision of average of 5% on outstanding receivables has been proposed for the FY 2015-16. The Petitioner presented the following table in this regard;

| | | | |
|----------------------------------------|--------|--------|--------|
| Over 3 years | 17,531 | 15.77% | 2,665 |
| Over 1-3 years | 52,592 | 29.30% | 15,409 |
| Upto 1 Year | ---- | --- | ---- |
| Provision already provided | | | 14,911 |
| Provision to be provided for this year | | | 3,263 |

- 18.2 In the past, keeping in view the peculiar area in which the Petitioner operates, the Authority had been allowing the Petitioner a reasonable level of provision against doubtful debts. But the allowed provision was not consistent with actual write-offs.
- 18.3 Considering the documents required for new connection/extension and reduction of load or change of name in terms of Chapter 2.3 (b) & (h) of the Consumer Service Manual, the risk of credit sales transfers to the third party, i.e., Owner of the premises or purchaser of the property. Currently DISCOs are functioning in a monopolized environment and in case of default the connection of the premises, if disconnected, cannot be restored till the outstanding dues are paid. Electricity in today's life is a basic necessity and the consumers cannot afford to live without it and as per referred Chapter of Consumer Service Manual, the risk transfers to the occupant of the premises. In addition to this, at the time of connection, XWDISCO also collects one month's billing from the consumers in the shape of security deposits, which also serves as a deterrence for a consumer to default. In view thereof, the Authority during the tariff determination for the FY 2010-11 allowed actual write offs instead of allowing provision. Since FY 2010-11, the Petitioner had been requesting provision for bad debts and the Authority had been denying it on the grounds that it shall allow only actual write-off of bad debts as appearing in the audited financial statements.
- 18.4 A review of the financial statements of the Petitioner for the FY 2014-15 reveals that it has not written off any amount as bad debt during the year. Consequently, no amount can be approved under this head and therefore the request of the Petitioner to allow provision for Bad Debts cannot be entertained.
19. Issue # 14. What is the financial impact / loss of revenue due to TOU metering for cellular companies connections and other similar connections?

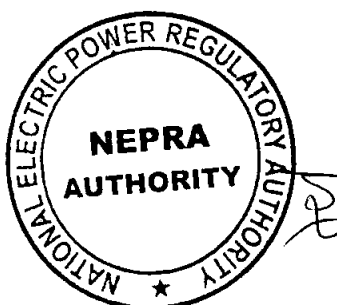


- 19.1 The Authority observed that IESCO, in its tariff petition for the FY 2012-13, contended that by installing TOU meters on the connections that operate on a 24 hour basis, an undue benefit of lesser off peak rate is enjoyed by these sort of consumers as their demand remains constant throughout the day, irrespective of the differential tariff being offered in different time spectrum. IESCO presented a negative billing impact of Rs.9 million per month approx. due to the installation of TOU meters on cellular company connections (who according to IESCO, maintains constant load throughout the day). The same concern was noted and addressed in para 6.5 of the tariff determination for the FY 2012-13 dated 27th March, 2013.
- 19.2 Consequently, the Authority decided to deal the matter separately and directed all DISCOs for comments on the issue. Subsequently, comments were filed by DISCOs and they supported the stance of IESCO in their tariff petitions for the FY 2013-14. The following arguments were presented by DISCOs;

20. **Risks**

- Conversion to a TOU meter is only viable for consumers who are aware of the rules and are able to alter their consumption patterns to maximize plan benefits.
- The main objective of TOU tariff was reduced demand on the power system during peak hours by introducing TOU metering.
- Cellular companies run their business round the clock during peak hours as well thus do not contribute toward the reduction in power demand during the peak hours.
- A separate tariff may be introduced for cellular companies as they do not deserve TOU tariff due constant load behavior.
- The consumer of cellular companies are enjoying the cross subsidy because they are availing the benefits resulting from application of TOU tariff consequently causing a negative impact on revenue as well as average sale rates.
- The Petitioner also submitted a negative billing impact of TOU metering of cellular connections of Rs. 13.88 million affecting the revenues of the company;

| Comparison of TOU/ Normal Billing to the Cellular Companies for the Month of June, 2013 | | | | |
|-----------------------------------------------------------------------------------------|--------------------|------------------|-----------------------------|-------------------|
| Name of Company | No. Of Connections | TOU Billing | Billing under Normal Tariff | Difference |
| Cellular Companies | 1,955 | Rs.38.42 million | Rs. 52.30 million | Rs. 13.88 million |



- The XWDISCOs suggested discontinuation of TOU metering on all such connections and more specifically on cellular company connections. FESCO also requested for a separate tariff category for these connections.
- 20.1 Keeping in view the aforementioned arguments / comments submitted by the XW-DISCOs, the Authority decided to hold a separate hearing on the issue by taking stakeholder on board. In this regard a hearing was held on 8th July, 2014. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the Authority to discontinue the installation of TOU meters on these connections. Whereas, the legal representatives of Cellular companies objected to the proceedings and demanded that evidence of losses being faced by DISCOs should be produced to review by cellular companies in order to provide further justification / evidence. The legal representatives further objected to the suo-moto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and a further hearing opportunity. The legal representatives of IESCO objected to the concerns of cellular companies' representatives and offered to present all the facts to the Authority. The Authority, during the hearing, required both DISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.
- 20.2 As directed by the Authority during the hearing, IESCO submitted data vide letter No. 7617-20/CE/IESCO/CD(S) dated 21st July, 2014. In the meantime some initial information was provided by Warid Telecom Company.
- 20.3 A number of cellular companies instead of providing data, went to the higher court against the suo-motto proceedings initiated by the Authority. The Honorable Islamabad High Court, dismissed their petition and the same was challenged by cellular companies before the Supreme Court of Pakistan. The decision of the Honorable Supreme Court is reproduced here as under;
- "This petition is, therefore, converted into appeal and is allowed. Consequently the impugned judgment dated 22.07.2014 is set aside. This however shall not prevent NEPRA from furnishing the information relevant to the notice issued in the press and to proceed with the hearing after adhering to the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rule, 1998."*
- 20.4 The representatives of Cellular companies Telecom, Mobilink and Ufone, M/s Aqlal Advocates later on submitted Motion for leave for review vide letter dated 25th July, 2014 and made the following submissions;
- The respondent is unable to file proper evidence without the pleadings and summary of evidence of IESCO being shared with *them;

- Contrary to Authority's understanding, there is no technical capability in the Network Operations Centre (NOC) of the respondents to measure and record the peak vs off-peak consumption of the BTS sites;
- The consumption data as submitted with the motion shows lower consumption in peak hours and is available with IESCO. Consequently, Authority is requested to seek such data from IESCO and share the same with the Respondents for them to be able to file counter-comments thereon before the Authority proceeds to accept and act upon such IESCO data.
- Rule 9(9) and 9(15) of the Tariff Standards and Procedure Rules, 1998 provides for establishing a detailed schedule for the orderly disposition of the proceeding, entailing, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters. Thus the instant proceedings have been conducted without summaries of evidence, any discovery, interrogatories or pleadings of the parties which precludes the Respondents from meaningful participation in the proceedings by presenting their case properly and effectively.

20.5 On the afore stated submissions, the Cellular companies made following pleas;

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters be established before further proceedings;
- After collection of all requisite evidence and giving adequate opportunities to the parties to consider and, if required, object to such evidence, declare close of evidence before the next hearing.

20.6 As per decision of Supreme Court of Pakistan the Authority again started proceedings, the Authority vide letter No. 1085-91 dated 23-01-2015 shared the information provided by IESCO with cellular companies for their comments. In response only M/s Mobilink provided their comments vide letter dated 9th March, 2015.

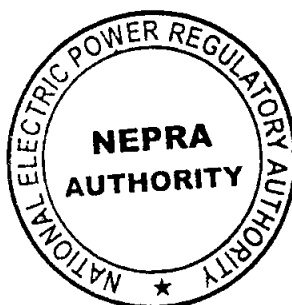
20.7 Consequently a letter was issued to the concerned stakeholders dated July 06, 2015 for their comments on the data provided by IESCO. However, till date no comments had been received so far.

20.8 In view of aforementioned and as per the statutory requirements, the Authority framed the same issue in the instant petitions and the relevant data was sought from the XWDISCOs for the onwards comments from the cellular companies.

20.9 The Petitioner during the hearing stated that Cellular companies are running 24 hours, therefore there is no effect of their consumption in peak and off-peak timings, hence

facility of TOU tariff may be discontinued for cellular companies. However, no financial impact in this regard has been submitted by the Petitioner.

- 20.10 The Authority keeping in view the sensitivity of the issue has decided to constitute an in house-committee having Technical and financial representation for the review/evaluation of the comments and arguments of the parties. The Authority in light of the findings of the committee may change terms and conditions, if any along with the biannual PPP adjustments.
21. Issue # 15. Whether the existing financial, administrative and technical powers concentrated at different layers of hierarchy is required to be amended in order to provide better services on the door step of the consumer?
22. Issue # 16. Whether the existing service delivering structure of circles, divisions and sub-divisions etc. can provide satisfactory services for supply of electric power to the consumers with the substantial expansion in the system?
- 22.1 Faisalabad Electric Supply Company (FESCO) and Lahore Electric Supply Company (LESCO) requested for creation of new circles, divisions and sub-divisions in the tariff petitions for the FY 2013-14. The Authority directed both the DISCOs to take appointments for a separate presentation on this issue and deferred the decision till that time. The Authority also made this issue a matter for discussion for all XWDISCOs in the tariff petition for the FY 2014-15. All the XWDISCOs including the Petitioner were directed to file comments on the matter vide letter no. NEPRA/R/SAT-I/TRF-100-DISCOs/13653-61 dated 31st October, 2014.
- 22.2 The Petitioner did not respond to the letter, therefore, the Authority in its determination for FY 2014-15, directed the Petitioner to submit comments and proposal on this issue with expansion plan for consideration of the Authority along-with next year tariff petition.
- 22.3 The Petitioner, during the hearing of its instant petition on both these issues, has submitted that its existing structure of Circles, Divisions and Sub Divisions etc. are providing satisfactory services for supply of electric power to the consumer, however, new sub division, divisions & circles are planned in next five year plan 2016-17 to 2020-21, which is under process.
- 22.4 Since the Petitioner has submitted that its existing organizational structure is working efficiently, and also no new Circles, Divisions and Sub Divisions have been proposed for the FY 2015-16, therefore, the Authority does not see any reason to amend the existing financial, administrative and technical powers hierarchy of the Petitioner.





23. **Issue # 17. What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?**

23.1 The Petitioner during the hearing submitted that NEPRA (Wheeling of Electric Power) Regulations, 2016 have been introduced for transportation of Electric Power from Power Producers to the Consumers by using the NTDCL or XWDISCOs network for which they shall pay " Wheeling Charges" or " Use od System Charges", determined by NEPRA. The Petitioner has submitted its following reservations in this regard;

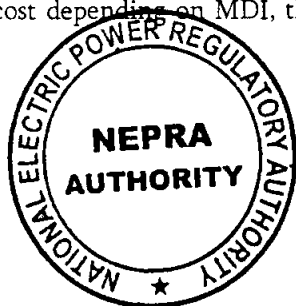
- i. System Constraints: At present HESCO network is not in a position to cater the additional power for transportation, being overloaded and extension of network requires huge investment and time.
- ii. Clause 2 (xii): Outages for load management and climatic conditions of the areas, may be incorporated.
- iii. Clause 11(2) & 15: According to these regulations DISCOs shall be liable to pay liquidated damages L.Ds to the Wheeler of Power for its failure to transport the input power at entry or exit point . Due to system constraints it is difficult for HESCO to meet out these criteria.
- iv. Clause 21: Penalty may be excluded.

23.2 The Petitioner accordingly proposed that for inclusion of clause regarding, "The Generation Company/ Bulk Power Consumer must not be a defaulter in terms of any contractual dispute/ Billing Dispute/ Court Case with DISCOs/ Authority."

23.3 The Petitioner further proposed that since DISCOs have already shortage of power due to which load management being carried out for balancing the demand & supply of power, therefore, NEPRA should encourage generation companies to supply their surplus power to DISCOs regardless of selling power to bulk power consumers directly.

23.4 It has further been mentioned by the Petitioner that the BPC are the back bone of DISCOs as they timely pay their electricity dues and DISCOs receive considerable revenue from them. The direct sale/purchase agreement between PPs and BPCs will deprive the DISCOs from ample revenue which will result the increase of losses, ultimately result in high tariff to Small Power Consumers (SPC) on high subsidy which is not bearable by GOP or by DISCOs.

23.5 Considering the submission of the Petitioner and the comments of CPPA (G) on the issue of Wheeling (through email dated 21st September, 2015) whereby CPPA (G) has informed that while invoicing to DISCOs, it excludes the transmission cost(s) as well as generation capacity cost depending on MDI, the Authority, in view of importance of



the matter, has decided to conduct a meeting on the subject matter with all the stakeholders not later than 30th June, 2016 to resolve the issue.

24. Issue # 18. Whether the tariff petition substantially complies with NEPRA Determination of Consumer-end Tariff (Methodology and Process) Guidelines, 2015?

24.1 The Petitioner has submitted that compliance has been made as per NEPRA directions and Tariff Petition of FY 2015-16 has been sent according to NEPRA determination of Consumer-end tariff (Methodology and Process) Guidelines, 2015.

24.2 The Authority has observed several deviations from the filing requirements indicated in the Methodology particularly with respect to CoSS, investments, Generation plan and losses etc. The Petitioner is required to fulfil all the requirements as provided in the Methodology while filing the next tariff petition failing which the Petitioner's petition will not be entertained

25. Issue # 19. Whether the proposed revenue requirements of and average sale rate for the FY 2015-16, is justified?

25.1 Annual Revenue Requirement comprises of the following:

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

25.2 For the assessment of annual revenue requirement each component of average tariff is discussed in detail in the previous paragraphs.

25.3 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2015-16 is assessed as per the following details;

| | | |
|----|-----------------------------|---------------------------|
| 1. | Power Purchase Price | Rs. 49,664 Million |
| | CpGenE | Rs. 32,350 Million |
| | CpGenCap | Rs. 15,359 Million |
| | USCF | Rs. 1,955 Million |





2. **Distribution Margin (Net)** **Rs. 8,057 Million**

| | |
|--------------------|--------------------------|
| O&M Cost | Rs. 6,169 Million |
| Depreciation | Rs. 1,298 Million |
| RORB | Rs. 1,732 Million |
| Gross DM | Rs. 9,199 Million |
| Less: Other Income | Rs. 1,142 Million |

Prior Year Adjustment **Rs. (5,517) Million**
Total Assessed Revenue Requirement Rs. 52,205 Million

25.4 Based on the projected sales of 4,427 GWh for the FY 2015-16, the Petitioner's average sale rate works out as Rs.11.79/kWh, consisting of Rs.11.22 /kWh of adjusted PPP, Rs. 1.82 /kWh of DM and Rs.(1.25) /kWh of Prior Year Adjustment.

25.5 This revenue would be recovered from the consumers during the FY2015-16, through the projected sales of 4,427 GWhs, as per Annex – II.

26. **ORDER**

26.1 From what has been discussed above, the Authority hereby determines the tariff of the Petitioner Company for the Financial Year 2015-16 as under :-

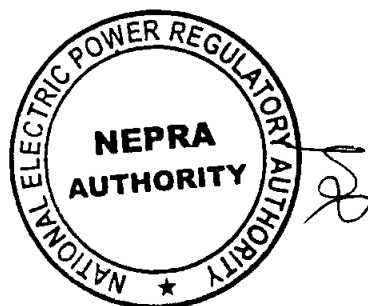
- I. Hyderabad Electric Supply Company Limited (HESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for HESCO annexed to the determination.
- II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA (G), adjustment of remaining components of PPP will be adjusted biannually. Here it is pertinent to mention that while making biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.
- III. HESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

i) Where only 132 kV system is involved

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.0368)} \times AFI(T) \quad \text{Paisa/kWh}$$

- ii) Where only 11 kV distribution systems is involved.

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



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

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.0868)} \times AFI(TD) \text{ Paisa/kWh}$$

Where:

Gross Distribution Margin for FY 2015-16 is set at Rs.2.08/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.16%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 59%.

AFI (TD) = Adjustment factor for investment at both 132 kV & 11 kV level i.e. 75%.

- IV. The residential consumers will be given the benefit of only one previous slab.
- V. T&D losses target of 20.50% has been assessed for HESCO for the FY 2015-16.
- VI. Total investment of Rs. 3,067 million has been approved.
- VII. The Order part, Annex-I, II, III, IV, V, VI and VII annexed with determination is intimated to the Federal Government for notification in the official gazette under Section 31(4) of the NEPRA Act.
- VIII. The Authority hereby determines and approves the following component wise cost and their adjustments mechanism in the matter of HESCO's tariff petition for the FY 2015-16.

| TARIFF COMPONENT | Assessed Cost FY 2015-16 | ADJUSTMENTS/ ASSESSMENT | TIME LINES |
|------------------------------|-----------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| POWER PURCHASE PRICE | | | |
| Energy Purchase Price | | | |
| Fuel Cost | 30,652 | Monthly, as per the approved mechanism. | Data to be provided by CPPA (G) by 3 rd of close of the month |
| Variable O&M | 1,698 | Biannually, as per the approved mechanism. | Request to be furnished by the Petitioner not later than 10 th July and 10 th January, as the case may be. |
| Capacity Charges | 15,359 | Biannually, as per the approved mechanism. | Request to be furnished by the Petitioner not later than 10 th July and 10 th January, as the case may be. |
| Use of System Charges | 1,955 | Biannually, as per the approved mechanism. | Request to be furnished by the Petitioner not later than 10 th July and 10 th January, as the case may be. |

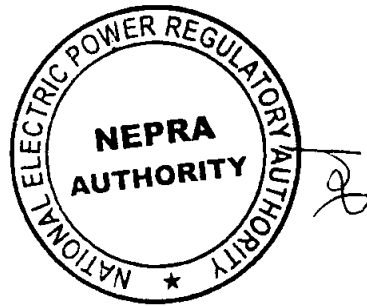
| | | | |
|----------------------------------|--------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| T&D Losses | 20.50% | Biannually, as per the approved mechanism. | Request to be furnished by the Petitioner not later than 10 th July and 10 th January, as the case may be. |
| NET DISTRIBUTION MARGIN | 8,057 | | |
| O&M Cost | 6,169 | | |
| Salaries, wages & other benefits | 3,657 | Annually | On the basis of next year tariff petition. |
| Post-Retirement benefits | 754 | ----do---- | ----do---- |
| Repair and Maintenance | 950 | ----do---- | ----do---- |
| Other operating expenses | 807 | ----do---- | ----do---- |
| Depreciation | 1,298 | ----do---- | ----do---- |
| Return on Rate Base | 1,732 | ----do---- | ----do---- |
| Other Income | (1,142) | ----do---- | ----do---- |
| Prior Year Adjustment | (5,517) | ----do---- | ----do---- |

27. SUMMARY OF DIRECTION

- To ensure printing of snap shots on the bills not later than June 30, 2016.
- To ensure the visibility of the snap shot on the bills and also to maintain its record in soft form for at least a period of twelve (12) months.
- To complete the pending installation of ToU meters at the earliest
- To submit its investment needs regarding HHU not later than 30th June, 2016.
- To complete installation of AMR/AMI by 30th June, 2016.
- To provide information regarding trade debt in the provided format as on 30th June, 2104 and 30th June 2015 after addressing the Authority's concerns, not later than 30th June, 2016.
- To provide project wise complete detail of investments made in FY 2014-15 duly reconciled with its financial statements, along-with its cost benefit analysis, and also explain the reasons for variation in numbers reported in the presentation and its financial statements.
- To spend at least 20% of the village electrification funds for improvement / up-gradation of the grid and not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.
- To again take up the matter to the relevant foras to the extent of written off amount, if it consider it genuine billing. In addition, the Authority directs the Petitioner to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.



- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below by 30th June, 2016.
- To ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also being directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner. The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.
- To create the separate post-retirement benefits Fund before 30th June 2016.
- To fulfil all the requirements as provided in the Methodology while filing the next tariff petition failing which the Petitioner's petition will not be entertained.
- 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 2014-15 and FY 2015-16.
- To maintain a proper record of its assets by way of tagging each asset for its proper tracking and to provide explanation on the concerns raised by the Authority in terms of its R&M cost not later than 30th June, 2016 for consideration of the Authority.



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

$$\text{Fuel Price variation} = \text{Actual Fuel Cost Component} - \text{Reference Fuel Cost Component}$$

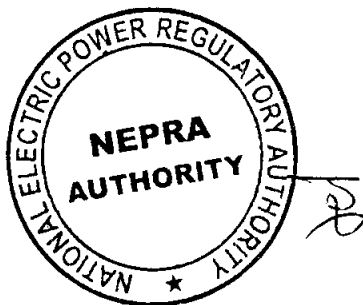
Where:

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.



HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)
Estimated Sales Revenue on the Basis of New Tariff

| Description | Sales | | Tariff | | Revenue | | |
|-----------------------------------------------------|--------------|----------------|--------------|-----------------|--------------|-----------------|---------------|
| | GWh | % Mix | Fixed Charge | Variable Charge | Fixed Charge | Variable Charge | Total |
| | | | Rs./kW/ M | Rs./ kWh | | Min. Rs. | |
| Residential | | | | | | | |
| Up to 50 Units | 307 | 6.94% | | 4.00 | - | 1,230 | 1,230 |
| For peak load requirement less than 5 kW | | | | | | | |
| 01-100 Units | 702 | 15.86% | | 9.24 | - | 6,483 | 6,483 |
| 101-200 Units | 290 | 6.54% | | 13.45 | - | 3,896 | 3,896 |
| 201-300 Units | 474 | 10.71% | | 13.45 | - | 6,374 | 6,374 |
| 301-700 Units | 475 | 10.74% | | 14.45 | - | 6,868 | 6,868 |
| Above 700 Units | 207 | 4.68% | | 15.45 | - | 3,198 | 3,198 |
| For peak load requirement exceeding 5 kW) | | | | | | | |
| Time of Use (TOU) - Peak | 14 | 0.33% | | 15.45 | - | 223 | 223 |
| Time of Use (TOU) - Off-Peak | 64 | 1.45% | | 9.65 | - | 618 | 618 |
| Temporary Supply | 0 | 0.00% | | 15.45 | - | 0 | 0 |
| Total Residential | 2,534 | 57.24% | | | | 28,891 | 28,891 |
| Commercial - A2 | | | | | | | |
| For peak load requirement less than 5 kW | 126 | 2.86% | | 14.45 | - | 1,826 | 1,826 |
| For peak load requirement exceeding 5 kW | | | | | | | |
| Regular | 6 | 0.14% | 400.00 | 12.45 | 10 | 77 | 87 |
| Time of Use (TOU) - Peak | 35 | 0.79% | | 15.45 | - | 542 | 542 |
| Time of Use (TOU) - Off-Peak | 129 | 2.92% | 400.00 | 9.65 | 238 | 1,245 | 1,482 |
| Temporary Supply | 1 | 0.01% | | 14.45 | - | 8 | 8 |
| Total Commercial | 297 | 6.72% | | | 247 | 3,699 | 3,946 |
| General Services-A3 | | | | | | | |
| | 133 | 3.00% | - | 13.15 | - | 1,746 | 1,746 |
| Industrial | | | | | | | |
| B1 | 129 | 2.92% | | 11.95 | - | 1,543 | 1,543 |
| B1 Peak | 12 | 0.27% | | 15.45 | - | 184 | 184 |
| B1 Off Peak | 58 | 1.26% | | 9.65 | - | 538 | 538 |
| B2 | 28 | 0.64% | 400.00 | 11.45 | 42 | 325 | 366 |
| B2 - TOU (Peak) | 43 | 0.98% | | 15.45 | - | 670 | 670 |
| B2 - TOU (Off-peak) | 242 | 5.46% | 400.00 | 9.45 | 603 | 2,285 | 2,889 |
| B3 - TOU (Peak) | 31 | 0.70% | | 15.45 | - | 477 | 477 |
| B3 - TOU (Off-peak) | 178 | 4.01% | 380.00 | 9.25 | 391 | 1,644 | 2,035 |
| B4 - TOU (Peak) | 17 | 0.39% | | 15.45 | - | 270 | 270 |
| B4 - TOU (Off-peak) | 101 | 2.28% | 360.00 | 9.15 | 107 | 923 | 1,030 |
| Temporary Supply | 0 | 0.00% | | 11.95 | - | 1 | 1 |
| Total Industrial | 837 | 18.92% | | | 1,143 | 8,860 | 10,003 |
| Single Point Supply for further distribution | | | | | | | |
| C1(a) Supply at 400 Volts-less than 5 kW | 2 | 0.06% | | 12.45 | - | 30 | 30 |
| C1(b) Supply at 400 Volts-exceeding 5 kW | 29 | 0.65% | 400.00 | 11.95 | 29 | 345 | 374 |
| Time of Use (TOU) - Peak | 5 | 0.11% | | 15.45 | - | 73 | 73 |
| Time of Use (TOU) - Off-Peak | 25 | 0.80% | 400.00 | 9.65 | 52 | 342 | 394 |
| C2 Supply at 11 kV | 24 | 0.55% | 380.00 | 11.75 | 14 | 287 | 301 |
| Time of Use (TOU) - Peak | 3 | 0.07% | | 15.45 | - | 49 | 49 |
| Time of Use (TOU) - Off-Peak | 15 | 0.33% | 380.00 | 9.45 | 20 | 139 | 159 |
| C3 Supply above 11 kV | 2 | 0.05% | 360.00 | 11.65 | 2 | 23 | 26 |
| Time of Use (TOU) - Peak | 0 | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | 0 | 0.00% | 360.00 | 9.25 | - | - | - |
| Total Single Point Supply | 116 | 2.62% | | | 118 | 1,289 | 1,406 |
| Agricultural Tube-wells - Tariff D | | | | | | | |
| Scarp | 235 | 5.30% | | 11.95 | - | 2,803 | 2,803 |
| Time of Use (TOU) - Peak | 35 | 0.78% | | 15.45 | - | 535 | 535 |
| Time of Use (TOU) - Off-Peak | 26 | 0.59% | 200.00 | 9.25 | 33 | 241 | 275 |
| Agricultural Tube-wells | 98 | 2.22% | 200.00 | 11.45 | 54 | 1,125 | 1,178 |
| Time of Use (TOU) - Peak | 15 | 0.35% | | 15.45 | - | 236 | 236 |
| Time of Use (TOU) - Off-Peak | 50 | 1.12% | 200.00 | 9.25 | 38 | 459 | 495 |
| Total Agricultural | 458 | 10.36% | | | 123 | 5,400 | 5,522 |
| Public Lighting - Tariff G | | | | | | | |
| | 47 | 1.06% | | 13.45 | - | 634 | 634 |
| Residential Colonies | | | | | | | |
| | 4 | 0.09% | | 13.45 | - | 54 | 54 |
| Sub-Total | 51 | 1.15% | | | | 687 | 687 |
| Special Contract - Tariff-J | | | | | | | |
| J-1 For Supply at 66 kV & above | - | 0.00% | 360.00 | 11.65 | - | - | - |
| Time of Use (TOU) - Peak | - | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | - | 0.00% | 360.00 | 9.25 | - | - | - |
| J-2 (a) For Supply at 11, 33 kV | - | 0.00% | 380.00 | 11.75 | - | - | - |
| Time of Use (TOU) - Peak | - | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | - | 0.00% | 380.00 | 9.45 | - | - | - |
| J-2 (b) For Supply at 66 kV & above | - | 0.00% | 360.00 | 11.65 | - | - | - |
| Time of Use (TOU) - Peak | - | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | - | 0.00% | 360.00 | 9.25 | - | - | - |
| J-3 (a) For Supply at 11, 33 kV | - | 0.00% | 380.00 | 11.75 | - | - | - |
| Time of Use (TOU) - Peak | - | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | - | 0.00% | 380.00 | 9.45 | - | - | - |
| J-3 (b) For Supply at 66 kV & above | - | 0.00% | 360.00 | 11.65 | - | - | - |
| Time of Use (TOU) - Peak | - | 0.00% | | 15.45 | - | - | - |
| Time of Use (TOU) - Off-Peak | - | 0.00% | 360.00 | 9.25 | - | - | - |
| Total Revenue | 4,427 | 100.00% | | | 1,630 | 50,572 | 52,205 |



**SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)**

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES | VARIABLE CHARGES | |
|---------|------------------------------------|---------------|------------------|----------|
| | | Rs/ kW/M | 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 | - | | 9.24 |
| iii | 101 - 200 Units | - | | 13.45 |
| iv | 201 - 300 Units | - | | 13.45 |
| v | 301 - 700 Units | - | | 14.45 |
| vi | Above 700 Units | - | | 15.45 |
| b) | For Sanctioned load 5 kW & above | | | |
| | Time Of Use | - | Peak | Off-Peak |
| | | | 15.45 | 9.65 |

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

Under tariff A-1, there shall be minimum monthly customer charge 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 | VARIABLE CHARGES | |
|---------|------------------------------------|---------------|------------------|----------|
| | | Rs/ kW/M | Rs/ kWh | |
| a) | For Sanctioned load less than 5 kW | | | 14.45 |
| b) | For Sanctioned load 5 kW & above | 400.00 | | 12.45 |
| | | | Peak | Off-Peak |
| c) | Time Of Use | 400.00 | 15.45 | 9.65 |

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

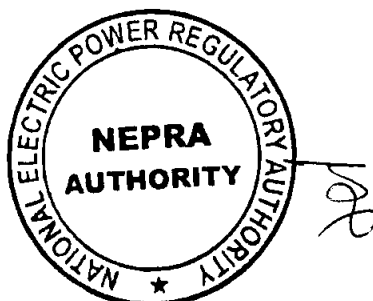
- a) Single Phase Connections: Rs. 175/- per consumer per month
b) Three Phase Connections: Rs. 350/- per consumer per month

A-3 GENERAL SERVICES

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES | VARIABLE CHARGES | |
|---------|-------------------------------|---------------|------------------|-------|
| | | Rs/ kW/M | Rs/ kWh | |
| a) | General Services | - | | 13.15 |

Under tariff A-3, there shall be minimum monthly charges at the following rates even if no energy is

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



**SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)
B. INDUSTRIAL SUPPLY TARIFFS**

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/ kW/ M | VARIABLE CHARGES Rs/ kWh | |
|----------|-------------------------------------------|----------------------------|-----------------------------|----------|
| | | | Peak | Off-Peak |
| B1 | Up to 25 kW (at 400/230 Volts) | - | | 11.95 |
| B2(a) | exceeding 25-500 kW (at 400 Volts) | 400.00 | | 11.45 |
| | Time Of Use | | | |
| B1 (b) | Up to 25 KW | | 15.45 | 9.65 |
| B2(b) | exceeding 25-500 kW (at 400 Volts) | 400.00 | 15.45 | 9.45 |
| B3 | For All Loads up to 5000 kW (at 11,33 kV) | 380.00 | 15.45 | 9.25 |
| B4 | For All Loads (at 66,132 kV & above) | 360.00 | 15.45 | 9.15 |

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.

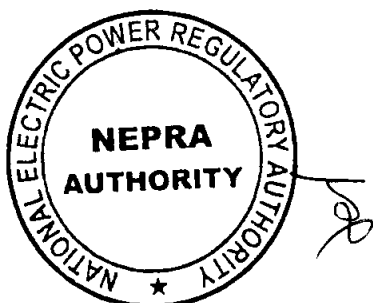
**C. SINGLE PHASE SUPPLY AT 230V/400V BY DISTRIBUTION LICENSEE
AND MEDIUM LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS**

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/ kW/ M | VARIABLE CHARGES Rs/ kWh | |
|---------|---------------------------------------------------------------|----------------------------|-----------------------------|----------|
| | | | Peak | Off-Peak |
| C -1 | For supply at 400/230 Volts | | | |
| a) | Sanctioned load less than 5 kW | - | | 12.45 |
| b) | Sanctioned load 5 kW & up to 500 kW | 400.00 | | 11.95 |
| C -2(a) | For supply at 11,33 kV up to and including 5000 kW | 380.00 | | 11.75 |
| C -3(a) | For supply at 66 kV & above and sanctioned load above 5000 kW | 360.00 | | 11.65 |
| | Time Of Use | | | |
| C -1(c) | For supply at 400/230 Volts 5 kW & up to 500 kW | 400.00 | 15.45 | 9.65 |
| C -2(b) | For supply at 11,33 kV up to and including 5000 kW | 380.00 | 15.45 | 9.45 |
| C -3(b) | For supply at 66 kV & above and sanctioned load above 5000 kW | 360.00 | 15.45 | 9.25 |

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/ kW/ M | VARIABLE CHARGES Rs/ kWh | |
|---------|-------------------------------|----------------------------|-----------------------------|----------|
| | | | Peak | Off-Peak |
| D-1(a) | SCARP less than 5 kW | - | | 11.95 |
| D-2 (a) | Agricultural Tube Wells | 200.00 | | 11.45 |
| | | | | |
| D-1(b) | SCARP 5 kW & above | 200.00 | 15.45 | 9.25 |
| D-2 (b) | Agricultural 5 kW & above | 200.00 | 15.45 | 9.25 |

Under this 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.



**SCHEDULE OF ELECTRICITY RATES
FOR HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)**

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/kW/M | VARIABLE CHARGES Rs/kWh |
|---------|-------------------------------|--------------------------|----------------------------|
| E-1(i) | Residential Supply | - | 15.45 |
| E-1(ii) | Commercial Supply | - | 14.45 |
| E-2 | Industrial Supply | - | 11.95 |

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.

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.

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/kW/M | VARIABLE CHARGES Rs/kWh |
|---------|-------------------------------|--------------------------|----------------------------|
| | Street Lighting | - | 13.45 |

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

| Sr. No. | TARIFF CATEGORY / PARTICULARS | FIXED CHARGES Rs/kW/M | VARIABLE CHARGES Rs/kWh |
|---------|------------------------------------------------------|--------------------------|----------------------------|
| | Residential Colonies attached to industrial premises | - | 13.45 |

| 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 | 11.65 | |
| J-2 | (a) For supply at 11,33 kV | 380.00 | 11.75 | |
| | (b) For supply at 66 kV & above | 360.00 | 11.65 | |
| J-3 | (a) For supply at 11,33 kV | 380.00 | 11.75 | |
| | (b) For supply at 66 kV & above | 360.00 | 11.65 | |
| | Time Of Use | | Peak | Off-Peak |
| J-1(b) | For supply at 66 kV & above and having sanctioned load of 20MW & above | 360.00 | 15.45 | 9.25 |
| J-2 (c) | For supply at 11,33 kV | 380.00 | 15.45 | 9.45 |
| J-2 (d) | For supply at 66 kV & above | 360.00 | 15.45 | 9.25 |
| J-3 (c) | For supply at 11,33 kV | 380.00 | 15.45 | 9.45 |
| J-3 (d) | For supply at 66 kV & above | 360.00 | 15.45 | 9.25 |

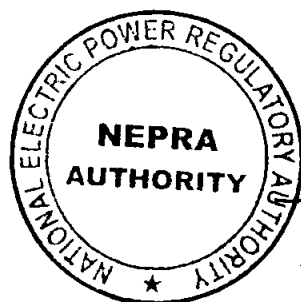


HESCO Power Purchase Price

| Name | July | August | September | October | November | December | January | February | March | April | May | June | Total |
|---------------------------------|--------|--------|-----------|---------|----------|----------|---------|----------|---------|---------|--------|--------|--------|
| Units Purchased by DISCOs (GWh) | 556 | 597 | 562 | 533 | 442 | 342 | 312 | 347 | 381 | 439 | 528 | 527 | 5,568 |
| 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 | 5.505 |
| 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 | 0.305 |
| CpGenCap | 2.2217 | 1.9469 | 2.2001 | 2.2825 | 2.6216 | 3.4077 | 4.0896 | 3.5636 | 3.7153 | 2.7553 | 2.7663 | 2.9979 | 2.76 |
| USCF | 0.2806 | 0.2630 | 0.3020 | 0.3043 | 0.3650 | 0.4218 | 0.4694 | 0.4609 | 0.4250 | 0.3557 | 0.3159 | 0.4020 | 0.35 |
| Total PPP in Rs. /kWh | 7.7562 | 7.2328 | 7.9062 | 8.1124 | 8.3279 | 10.0251 | 12.0542 | 10.0973 | 11.1299 | 10.1914 | 8.6781 | 8.6817 | 8.9195 |

| | | | | | | | | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Rs in Million | | | | | | | | | | | | | |
| Fuel Cost Component | 2,770 | 2,839 | 2,878 | 2,793 | 2,234 | 2,007 | 2,224 | 1,997 | 2,534 | 2,953 | 2,793 | 2,630 | 30,652 |
| Variable O & M | 152 | 160 | 159 | 154 | 129 | 114 | 116 | 112 | 132 | 157 | 161 | 152 | 1,698 |
| CpGenCap | 1,236 | 1,162 | 1,236 | 1,217 | 1,160 | 1,167 | 1,277 | 1,238 | 1,417 | 1,210 | 1,460 | 1,579 | 15,359 |
| USCF | 156 | 157 | 170 | 162 | 161 | 144 | 147 | 160 | 162 | 156 | 167 | 212 | 1,955 |
| PPP | 4,313 | 4,318 | 4,443 | 4,327 | 3,684 | 3,433 | 3,763 | 3,507 | 4,245 | 4,476 | 4,581 | 4,573 | 49,664 |

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



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

PART-I

GENERAL DEFINITIONS

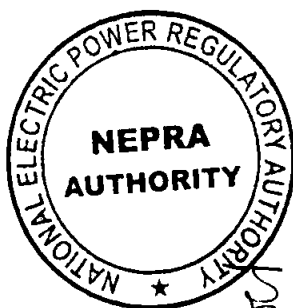
The Company, for the purposes of these terms and conditions means Hyderabad Electric Supply Company Limited (HESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

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:

| | <u>* PEAK TIMING</u> | <u>OFF-PEAK TIMING</u> |
|-------------------------------|----------------------|---------------------------|
| Dec to Feb (inclusive) day | 5 PM to 9 PM | Remaining 20 hours of the |
| 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.



12. "Consumer" means a person or 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%.



PART-II

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

A-1 RESIDENTIAL

Definition

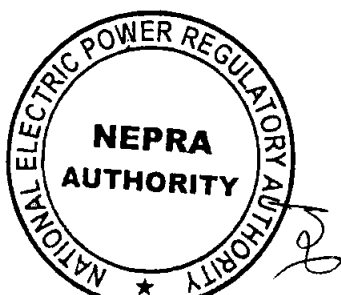
“Life Line Consumer” means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

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-1(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).



A-3 GENERAL SERVICES

I. 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

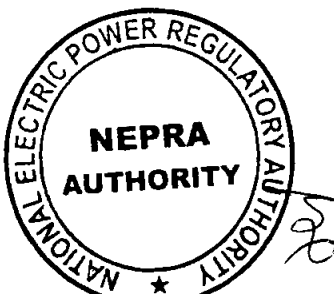
An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those 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.



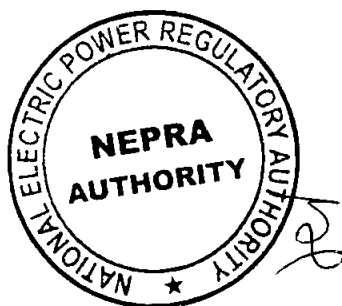
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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



C 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-1 SUPPLY AT 400/230 VOLTS

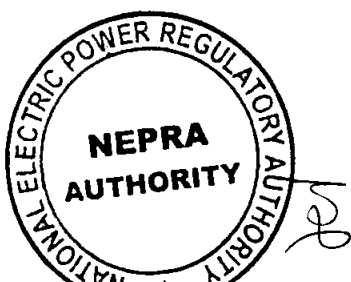
1. This Tariff is applicable to a consumer having a metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-1(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of 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.



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

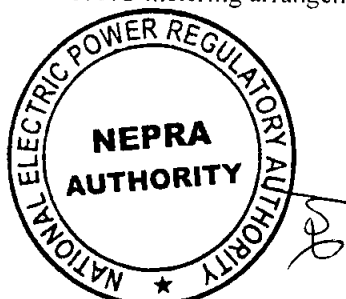
1. This tariff shall apply to:
 - i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP);
 - ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
 - iii) Tube-wells meant for aqua-culture, viz. fish farms, 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

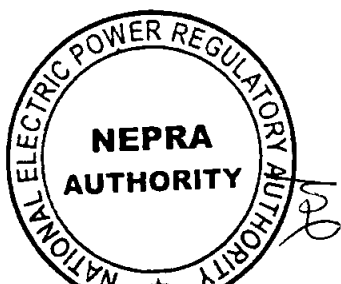
"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against 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



- 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.

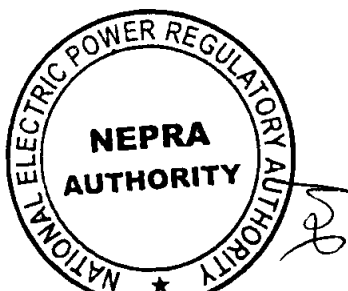
H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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.



“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.

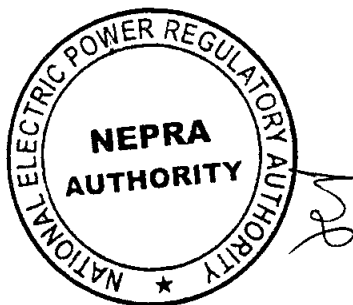
J. SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

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

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.



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.

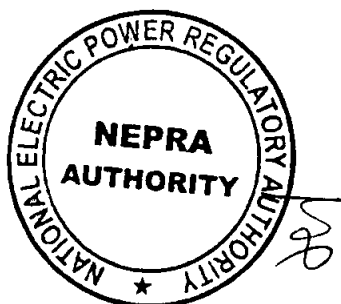
SUPPLY TO AUTHORIZED AGENT

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.

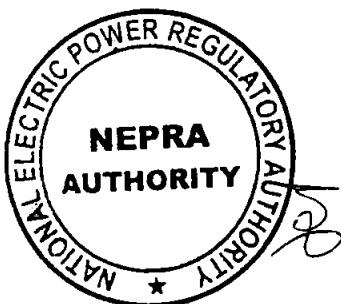


***List of Interested / Affected Parties to send the
Notices of Hearing regarding Petition filed
by Hyderabad Electric Supply Co. Ltd. (HESCO) for the determination of
Consumer-end tariff Pertaining to the FY 2015-16***

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

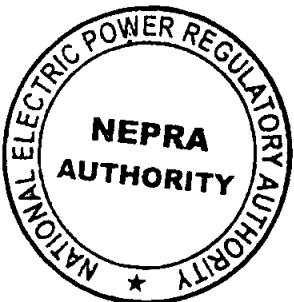
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9. Secretary,
Irrigation & Power Department
Govt. of Sindh
Sindh Secretariat No. 2,
Tughliq House,
Karachi
10. Secretary
Energy Department
Government of Sindh
Laxon Square Building No. 3
7th Floor, Opposite Press Club,
Karachi
11. The Secretary
Energy Department, Government of Sindh,
Plot No ST/2/1, Sector 23, Korangi Industrial Area
Karachi

B. Chambers of Commerce and Industry & General Public

1. Chairman
Public Sector Utility, Sub-Committee
Karachi Chamber of Commerce & Industries
Aiwan-e-Tijarat Road, Shahrah-e-Liaquat
Karachi-2
2. President
The Federation of Pakistan
Chamber of Commerce and Industry
Federation House, Main Clifton
Karachi – 5675600
3. President,
Islamabad Chamber of Commerce & Industry,
Chamber House, Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.
4. President,
Hyderabad Chamber of Commerce & Industry
Aiwan-e-Tijarat Road, Saddar
Hyderabad
5. President
Senior Citizen Foundation of Pakistan
5-P, Markaz G-7, Sitara Market
Islamabad



6. Chairman
All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A, Lalazar P.O. Box 5446
Moulvi Tamizuddin Khan Road
Karachi
7. Chairman
S.I.T.E. Association of Industry
H-16, S.I.T.E.
Karachi
8. SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400
9. Textile Working Group
30/7, Behind State Bank, Civil Lines,
Faisalabad.
10. Textile Working Group
97-A, Aziz Avenue, Canal Bank off Gulberg Road,
Lahore
11. Chairman
Pakistan Cotton Ginners Association, Karachi
1119-1120, 11th Floor, Uni Plaza,
I.I. Chundrigar Road,
Karachi.
12. Secretary
All Pakistan Textile Processing Mills Association (APTPMA)
213 Main Susan Road
1st Floor, Ibrahim Plaza
Madina Town,
Faisalabad
13. Central Chairman
All Pakistan CNG Association
Suite No. 229-B, St.No. 35
F-10/1, Islamabad
14. TheNetwork for Consumer Protection
Flat No. 5, 40-A, Ramzan Plaza
G-9 Markaz, Islamabad
15. PTCL
Corporate Head Quarters, Block – E
G-8/4, Islamabad-44000



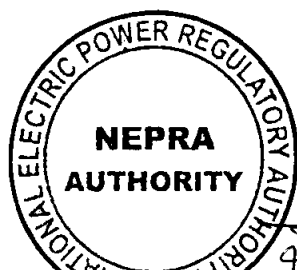
16. Chief Executive Officer
Mobilink
Mobilink House 1-A
Kohistan Road, F-8 Markaz
Islamabad
17. Chief Executive Officer
Ufone (Emirates Telecommunication Corporation Group)
13-B, F-7 Markaz
Jinnah Super, Islamabad
18. Chief Executive Officer
Telenor Pakistan (Pvt) Limited
13-K, Moaiz Centre Bhittai Road
F-7 Markaz, Islamabad
19. Chief Executive Officer
Zong
CMPak Limited
Kohistan Road, F-8, Markaz
Islamabad
20. Chief Executive Officer
Warid Telecom (Pvt) Limited
P.O. Box 3321
Lahore
21. Chairman
Pakistan Telecommunication Authority (PTA)
PTA Headquarters building
F-5/1, Islamabad
22. Chairman
Public Sector Utility, Sub-Committee
Karachi Chamber of Commerce & Industries (KCCI)
Aiwan-e-Tijarat Road, Shahrah-e-Liaquat
Karachi
23. President
Hyderabad Chamber of Commerce & Industry
488, Chamber Road, Saddar, Hyderabad
24. President
Kotri Association of Trade and Industry
Plot no. F-24, SITE
Kotri, District Jamshoro
Sindh



25. Hyderabad SITE Association of Industry
Plot No. C-41
SITE Area
Hyderabad
26. Secretary General
Federation Pakistan Chambers of Agriculture and Livestock
507, 5th Floor, Business Plaza
Mumtaz Hassan Road, Off II Chundrigar Road
Karachi 75000

C. Power Companies

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
3. Chief Operating Officer
CPPA
Room 107 WAPDA House
Shaharah-e-Quaid-e-Azam
LAHORE
4. Managing Director
Private Power and Infrastructure Board (PPIB)
House No. 50, Sector F-7/4
Nazimuddin Road
Islamabad
5. Chief Executive Officer
Karachi Electric Supply Corporation Ltd.
KESC House, Punjab Chowrangi,
39-B, Sunset Boulevard, Phase II
Defence Housing Authority
Karachi
6. President
Institute of Electrical & Electronics Engineers of Pakistan (IEEEP)
4 – Lawrence Road
Lahore

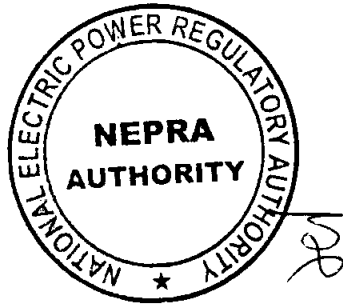


7. President
The Institute of Engineers Pakistan
IEP Roundabout Engineering Centre
Gulberg – III
Lahroe – 54660
8. Chairman
Pakistan Engineering Council
Attaturk Avenue (East), G-5/2
Islamabad
9. Director General
National Tariff Commission
Ministry of Commerce
State Life Building No. 5
Blue Area, Islamabad

D. Petitioner

Chief Executive Officer
Hyderabad Electric Supply Co. Ltd. (HESCO)
WAPDA Offices Complex,
Hussainabad, Hyderabad.

Note: In addition to above list letters may be sent to all Energy Secretaries and Chief Secretaries of all provinces.



7

"Express" 17-02-16.

نیشنل الیکٹرک پاور ریگولیشن اتھارٹی (نیپرا)



داخلہ نوٹس / شہنوائی

جی آر ایچ کے پائل کیلکولیشن (HESCO) کی جانب سے مالی سال 2014-15 سے مالی سال 2015-16 کے لیے درخواست کی گئی ہے۔

2015-16 کے مالی سال کے لیے درخواست کی گئی ہے۔

1. The petitioner has prayed for the determination of its consumer and tariff pertaining to the Financial Year 2015-16, requiring approval of the following components:

| Sr. | Description | FY 2015-16 |
|-----|-------------------------------|------------|
| 1 | Contribution Margin (Rs AWh) | 5.05 |
| 2 | Investment Bids. Rs.] | 5.9.15 |
| 3 | Line Losses (%) | 25.30 |
| 4 | Average Sale Rate (Rs. / kWh) | 20.04 |

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

| Description | NEPRA Determined Tariff | | Requested Tariff for the FY 2015-16 | |
|-----------------------------------------------------------------|-------------------------|---------------------|-------------------------------------|---------------------|
| | Fixed Charges Rs AWh | Var. Charges Rs AWh | Fixed Charges Rs AWh | Var. Charges Rs AWh |
| Residential - A1 | | | | |
| For Peak Load Requirement less than 5 MW | | | | |
| Up to 50 Units | | 4.00 | | 5.27 |
| 51-100 Units | | 9.75 | | 12.89 |
| 101-300 Units | | 14.00 | | 18.44 |
| 301-700 Units | | 15.00 | | 19.78 |
| Above 700 Units | | 18.00 | | 21.07 |
| For Peak Load Requirement 5 MW & above | | | | |
| Time of Day (TOD) - Peak | | 16.00 | | 21.07 |
| Time of Day (TOD) - Off Peak | | 10.20 | | 13.43 |
| Total Domestic | | | | |
| Commercial - A2 | | | | |
| For peak load requirement less than 5 up to 5 MW | | 15.00 | | 19.75 |
| For Peak load requirement (> 5 MW) exceeding 5 MW | | | | |
| Regular | 400.00 | 13.00 | 400.00 | 17.12 |
| Time of Day (TOD) - Peak | | 16.00 | 400.00 | 21.07 |
| Time of Day (TOD) - Off Peak | 400.00 | 10.20 | 400.00 | 13.43 |
| Total Commercial | | | | |
| Industrial | | | | |
| B1 up to 25 MW (400/230 volts) | | 12.50 | | 16.46 |
| B1(a) up to 25 MW (Peak) | | 16.00 | | 21.07 |
| B1(b) up to 25 MW (Off Peak) | | 10.20 | | 13.43 |
| B2(a) exceeding 25 5000kW (400 volts) | 400.00 | 12.00 | 400.00 | 15.80 |
| B2(b) - TOD (Peak) at 400 volts | | 16.00 | 400.00 | 21.07 |
| B2(b) - TOD (Off Peak) at 400 volts | 400.00 | 10.20 | 400.00 | 13.43 |
| B3 - TOD (Peak) all loads up to 5000kW at 11/13 Kv | | 16.00 | 360.00 | 21.07 |
| B3 - TOD (Off Peak) all loads up to 5000kW at 11/13 Kv | 360.00 | 9.80 | 360.00 | 12.91 |
| B4 - TOD (Peak) all loads 66/132 kv and above | | 16.00 | 360.00 | 21.07 |
| B4 - TOD (Off Peak) all loads 66/132 kv and above | 360.00 | 9.70 | 360.00 | 12.76 |
| Total Industrial | | | | |
| Single Phase Supply (Subs) | | | | |
| C1 (a) Supply at 400/230 Volts less than 5 MW | | 13.00 | | 17.12 |
| C1(b) Supply at 400/230 Volts - 5 MW & up to 5000kW | 400.00 | 12.50 | 400.00 | 16.46 |
| Time of use (TOD) Peak | | 16.00 | 400.00 | 21.07 |
| Time of use (TOD) Off Peak | 400.00 | 10.20 | 400.00 | 13.43 |
| C2 Supply at 11 Kv 33 Kv up to and including 5000 Kw | 360.00 | 12.30 | 360.00 | 16.20 |
| Time of use (TOD) Peak | | 16.00 | 360.00 | 21.07 |
| Time of use (TOD) Off Peak | 360.00 | 10.00 | 360.00 | 13.17 |
| C3 Supply at 66 Kv & above | 360.00 | 12.20 | 360.00 | 16.07 |
| Time of use (TOD) Peak | | 16.00 | 360.00 | 21.07 |
| Time of use (TOD) Off Peak | 360.00 | 8.80 | 360.00 | 13.91 |
| Total Single Supply | | | | |
| Agricultural Tube wells - Tariff D | | | | |
| Scrap D-1(a) less than 5 MW | | 12.50 | | 16.46 |
| D-2 Agricultural Tube Well | 200.00 | 12.00 | 200.00 | 15.70 |
| Scrap and Agriculture 5 MW and above Time of use (TOD) Peak | | 16.00 | 200.00 | 21.07 |
| Scrap and Agriculture 5 MW and above Time of use (TOD) Off Peak | 200.00 | 8.80 | 200.00 | 12.81 |
| Total Agricultural Tubewell Tariff-D | | | | |
| Public Lighting - Tariff - G | | | | |
| Housing Colonies - H | | 14.00 | | 18.44 |
| Company Total | | | | |

3. The petitioner has requested for the determination of its consumer and tariff pertaining to the Financial Year 2015-16, requiring approval of the following components:

4. Based on above tariff components the petitioner has requested for the following category-wise tariff:

5. The petitioner has requested for the determination of its consumer and tariff pertaining to the Financial Year 2015-16, requiring approval of the following components:

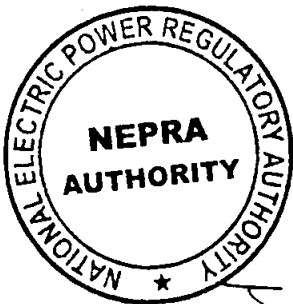
6. Based on above tariff components the petitioner has requested for the following category-wise tariff:

7. The petitioner has requested for the determination of its consumer and tariff pertaining to the Financial Year 2015-16, requiring approval of the following components:

8. Based on above tariff components the petitioner has requested for the following category-wise tariff:

9. The petitioner has requested for the determination of its consumer and tariff pertaining to the Financial Year 2015-16, requiring approval of the following components:

10. Based on above tariff components the petitioner has requested for the following category-wise tariff:





National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

PETITION FILED BY HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO) FOR THE DETERMINATION OF ITS CONSUMER END TARIFF PERTAINING TO THE FY 2015-16 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 Hyderabad Electric Supply Company Limited (HESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for the determination of its consumer-end tariff pertaining to the FY 2015-16 based on actual/estimated results of the FY 2014-15 as base year.

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

| Sr. | Description | FY 2015-16 |
|-----|-------------------------------|------------|
| 1 | Distribution Margin (Rs A/W) | 5.05 |
| 2 | Investment (Rs. A) | 5.935 |
| 3 | Line Losses (%) | 28.30 |
| 4 | Average Sale Rate (Rs. / kWh) | 20.04 |

- Based on above tariff components the petitioner has requested for the following category-wise tariff.

| Description | NEPRA Determined Tariff Pertaining to the FY 2014-15 | | Requested Tariff for the FY 2015-16 | |
|-----------------------------------------------------------------|---------------------------------------------------------|-------------------------|----------------------------------------|-------------------------|
| | Fixed Charges Rs./month | Var. Charges Rs. A/W | Fixed Charges Rs./month | Var. Charges Rs. A/W |
| Residential - A1 | | | | |
| For Peak Load Requirement less than 3 kW | | | | |
| Up to 50 Units | | 4.00 | | 5.27 |
| 51-100 Units | | 9.75 | | 17.89 |
| 101-200 Units | | 14.00 | | 18.44 |
| 201-300 Units | | 19.00 | | 18.78 |
| Above 300 Units | | 18.00 | | 21.07 |
| For Peak Load Requirement 3 kW & above | | | | |
| Time of Day (TOU) - Peak | | 18.00 | | 21.07 |
| Time of Day (TOU) - Off-Peak | | 10.20 | | 13.43 |
| Total Residential | | | | |
| Commercial - A2 | | | | |
| For Peak Load Requirement less than 4 up to 5 kW | | 15.00 | | 19.76 |
| For Peak Load Requirement (>5kW) exceeding 5 kW | | | | |
| Regular | 400.00 | 13.00 | 400.00 | 17.12 |
| Time of Day (TOU) - Peak | | 16.00 | 400.00 | 21.07 |
| Time of Day (TOU) - Off-Peak | 400.00 | 10.20 | 400.00 | 13.43 |
| Total Commercial | | | | |
| Industrial | | | | |
| B1 up to 25 kW (400/230 volts) | | 12.50 | | 16.46 |
| B1 (b) up to 25 kW (Peak) | | 16.00 | | 21.07 |
| B1 (b) up to 25 kW (Off-Peak) | | 10.20 | | 13.43 |
| B2 (a) exceeding 25-500kW (400 volts) | 400.00 | 12.00 | 400.00 | 15.80 |
| B2 (b) - TOU (Peak) at 400 volts | | 16.00 | 400.00 | 21.07 |
| B2 (b) - TOU (Off-Peak) at 400 volts | 400.00 | 10.00 | 400.00 | 13.17 |
| B3 - TOU (Peak) at loads up to 500kW at 11/33 Kv | | 18.00 | 380.00 | 21.07 |
| B3 - TOU (Off-Peak) at loads up to 500kW at 11/33 Kv | 380.00 | 9.80 | 380.00 | 12.91 |
| B4 - TOU (Peak) at loads 66/132 kv and above | | 16.00 | 380.00 | 21.07 |
| B4 - TOU (Off-Peak) at loads 66/132 kv and above | 380.00 | 9.70 | 380.00 | 12.78 |
| Total Industrial | | | | |
| Single Point Supply (B4b) | | | | |
| C1 (a) Supply at 400/230 Volts less than 3 kW | | 13.00 | | 17.12 |
| C1 (b) Supply at 400/230 Volts- 3 kW up to 500kW | 400.00 | 12.30 | 400.00 | 16.46 |
| Time of use (TOU) Peak | | 16.00 | 400.00 | 21.07 |
| Time of use (TOU) Off-Peak | 400.00 | 10.20 | 400.00 | 13.43 |
| C2 Supply at 11 Kv- 33 Kv up to and including 5000 Kw | 380.00 | 12.30 | 380.00 | 16.20 |
| Time of use (TOU) Peak | | 16.00 | 380.00 | 21.07 |
| Time of use (TOU) Off-Peak | 380.00 | 10.00 | 380.00 | 13.17 |
| C3 Supply at 66 Kv & above | 380.00 | 12.20 | 380.00 | 16.07 |
| Time of use (TOU) Peak | | 16.00 | 380.00 | 21.07 |
| Time of use (TOU) Off-Peak | 380.00 | 9.80 | 380.00 | 12.91 |
| Total Single Supply | | | | |
| Agricultural Tube wells - Tariff D | | | | |
| Scrap D-1 (a) less than 5 kW | | 12.50 | | 16.46 |
| D-2 Agricultural Tube Well | 200.00 | 12.00 | 200.00 | 15.80 |
| Scrap and Agriculture 3 kW and above Time of use (TOU) Peak | | 18.00 | 200.00 | 21.07 |
| Scrap and Agriculture 3 kW and above Time of use (TOU) Off-Peak | 200.00 | 9.80 | 200.00 | 12.91 |
| Total Agricultural Tubewell Tariff D | | | | |
| Public Lighting - Tariff - G | | 14.00 | | 18.44 |
| Housing Colonies - H | | 14.00 | | 18.44 |
| Company Total | | | | |

- In terms of rules 9 of NEPRA (Tariff Standards & Procedures) Rules, 1996, 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 intervenor 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 intervenor 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 receipt of copy of intervention request.
- 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.
- All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has also decided to hold a hearing on the subject matter according to the date, time and venue as mentioned below:

Date: 03 March, 2016 (Thursday)
Time: 11:30 a.m.
Venue: NEPRA Tower Q-87, Islamabad

All communications should be addressed to:

Register NEPRA at

