National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/ADG(Trf)/TRF-508/HESCO-2019/45335-45337
December 11, 2020

Subject: **Determination of the Authority in the matter of Petition filed by Hyderabad Electric Supply Company Ltd. (HESCO) for the Determination of its Supply of Electric Power Tariff for the FY 2018-19** [Case # NEPRA/TRF-508/HESCO-2019]

Dear Sir,

Please find enclosed herewith subject Determination of the Authority along with Annex-I, I-A, II, III, IV & V (49 Pages) in Case No. NEPRA/TRF-508/HESCO-2019.

2. The Determination is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

3. The Determination of the Authority along with Annex-I, I-A, II, III, IV & V is to be notified in the official Gazette.

Enclosure: As above

11 12 20
(Syed Safeer Hussain)

Secretary
Ministry of Energy (Power Division)
'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-508/HESCO-2019

DETERMINATION OF SUPPLY OF POWER TARIFF PETITION

FOR

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)

FOR THE FY 2018-19

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

~~November , 2020~~

December 11, 2020

Abbreviations

CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
ADB	Asian Development Bank
AMI	Advance Metering Infrastructure
AMR	Automatic Meter Reading
BoD	Board of Director
BTS	Base Transceiver Station
CAPM	Capital Asset Pricing Model
CDP	Common Delivery Point
COSS	Cost of Service Study
CPPA (G)	Central Power Purchasing Agency Guarantee Limited
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
GIS	Geographical Information System
GOP	Government of Pakistan
GWh	Giga Watt Hours
HHU	Hand Held Unit
HT/LT	High Tension/Low Tension
HSD	High Speed Diesel
IGTDP	Integrated Generation Transmission and Distribution Plan
IESCO	Islamabad Electric Supply Company Limited
KIBOR	Karachi Inter Bank Offer Rates
KSE	Karachi Stock Exchange
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
LPC	Late Payment Charges
MDI	Maximum Demand Indicator
MMBTU	One million British Thermal Units
MoWP	Ministry of Water and Power
MVA	Mega Volt Amp
MW	Mega Watt

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NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
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
PDEIP	Power Distribution Enhancement Investment Program
PDP	Power Distribution Program
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
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
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
SYT	Single Year Tariff
T&D	Transmission and Distribution
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
XWDISCO	Ex-WAPDA Distribution Company

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DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO) FOR DETERMINATION OF ITS SUPPLY OF ELECTRIC POWER TARIFF FOR THE FY 2018-19

CASE NO. NEPRA/TRF-508/HESCO-2019

PETITIONER

Hyderabad Electric Supply Company Limited (HESCO), Wapda Offices Complex, Hussainabad Hyderabad

INTERVENER

M/s CM Pak Limited (ZONG)

COMMENTATOR

Nil

REPRESENTATION

i. Chief Executive Officer
ii. Chief Commercial Officer
iii. Chief Operating Officer
iv. Chief Financial Officer

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1. **Background**

1.1. The amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, which was published in the official Gazette on 30th April 2018 (the "**Amendment Act**"), resulting in restructuring of the energy sector.

1.2. As per the amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.

1.3. Section 23E of the Act, provides NEPRA with the powers to grant Electric Power Supply License for the supply of electric power. Section 23E(1), however, provides that the holder of a distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so. Section 23E, further states that the eligibility criteria for grant of license to supply electric power to be prescribed by the Federal Government, and shall include, provision with respect to a supplier of the last resort, as the case may be.

1.4. In view thereof, Hyderabad Electric Supply Company Limited (HESCO), hereinafter called "the Petitioner", being a Distribution as well as deemed Supplier filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff for the FY 2018-19 in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules").

1.5. The Petitioner, inter alia, has requested total amount of Rs.62,200 million i.e. Rs.14.50/kWh as its supply tariff for the FY 2018-19 including Power Purchase Price (PPP) as detailed below;

Description	Unit	FY 2018-19
Power Purchase Cost	Mln Rs.	60,657
O&M	Mln Rs.	734
Depreciation	Mln Rs.	0.17
Return on Regulatory Asset Base (RoRB)	Mln Rs.	20
Advance Tax	Mln Rs.	534
Provision for Bad Debts	Mln Rs.	255
Total Revenue Requirement	**Mln Rs.**	**62,200**
Units to be Sold	GWh	4,290
Net Average Sale Rate	**Rs./kWh**	**14.50**

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. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.

2.2. Hearing in the matter was scheduled on February 12, 2020, for which notice of admission / hearing along-with the title and brief description of the petition was published in newspapers on January 22, 2020 and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

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3. **Issues of Hearing**

3.1. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;

i. Whether the Petitioner has complied with the direction of the Authority given in earlier determination?

ii. As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection / reconnection services (on demand of Supplier) are with Distribution Licensee whereas procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, HESCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?

iii. Whether the projected sales (GWh) and projected power purchase cost is reasonable?

iv. Whether the requested O&M cost, Depreciation, Provision for Bad Debts, Advance Tax and Return of assets are justified?

v. Whether the Petitioner has actually written off, provisionally allowed Write offs allowed in the Re determination decision pertaining to the FY 2015-16?

vi. Whether the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments are justified?

vii. Whether the existing Tariff Terms and Conditions needs to be modified to incorporate concerns raised by various consumers?

viii. Whether there should any Fixed Charges on residential consumers & General Services Consumers?

ix. As provided in NEPRA Amendment Act, 2018, HESCO as Distribution Licensee shall be deemed to hold Supply License also for a period of 5-years. In this regard, HESCO is required to explain its organizational restructuring in respect of segregation of responsibilities for Distribution Business and Sale Business?

x. Whether the existing minimum/fixed monthly charges even if no energy is consumed needs to be revised to assist in the recovery of fixed cost of the Petitioner?

xi. Whether the Petitioner be treated as Supplier of the last resort and whether the tariff of the Petitioner or the National uniform tariff be treated as last resort tariff?

xii. Whether the concerns raised by the intervener/ commentator if any are justified?

xiii. Any other issue that may come up during or after the hearing?

4. **Filing Of Objections/ Comments**

4.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Rules. In response thereof, IR has been filed by M/s CM Pak Limited (ZONG). A brief of the concerns raised by M/s CM Pak is as under;

4.2. The intervener highlighted issues being faced in terms of provision of electricity, coupled with over billing, deteriorating system and non-cooperative mechanism being adopted with respect to discharge of liabilities by the Petitioner. It was also submitted that provision of electricity

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connections despite paid demand notes ranges from 100-400 days, whereas, as per the rule 4 of NEPRA Performance Standards (Distribution) Rules, 2005, the time period prescribed for new connections is within 30 to 55 days. The Intervener accordingly requested the Authority to issue directions to the Petitioner for provision of electricity connection in accordance with law and decide the pending over billing complaints/issues within a specified time in accordance with law.

4.3. The Authority observed that the issues highlighted by the Intervener were primarily complaints in nature, therefore, directed the Petitioner, during the hearing, to ensure provision of pending connections without further delay. The Authority also directed the Petitioner to establish a corporate desk to facilitate its corporate clients in terms of provision of electricity and to address the issues of overbilling, if any, on priority basis. However, the Petitioner did not submit any details with respect to the pending connections as of June 2019. The Authority while analyzing the DISCOs performance statistics report published by PEPCO noted that total applications pending for new connections in respect of the Petitioner were 6,437, which include 5,451 domestic, 760 commercial, 106 Agriculture, 117 industrial and 3 others applications. The Authority directs the Petitioner to provide electricity connections to all these pending applications without further delay and submit a quarterly progress report in this regard.

4.4. During the hearing, the Petitioner was represented by its Chief Executive Officer along-with its technical and financial teams; On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

5. **Whether the Petitioner has complied with the direction of the Authority given in its earlier determination?**

5.1. The Authority gave certain directions to the Petitioner in its tariff determination for the FY 2017-18, which have already been deliberated in detail in the distribution tariff determination of the Petitioner for the FY 2018-19, therefore, need not to be discussed again in the instant determination. The Authority further understands that periodic monitoring of the directions given by the Authority is absolutely necessary in order to analyze the Petitioner's performance, therefore, the Authority has decided to have a half yearly review of the given directions, instead of discussing the same only during the tariff proceedings. Further, the directions given by the Authority in the distribution tariff determination to of the Petitioner for the FY 2018-19, have been reproduced in the instant decision for compliance by the Petitioner.

6. **Whether the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments are justified?**

7. **As provided in NEPRA Amendment Act, 2018, HESCO as Distribution Licensee shall be deemed to hold Supply License also for a period of 5-years. In this regard, HESCO is required to explain its organizational restructuring in respect of segregation of responsibilities for Distribution Business and Sale Business?**

8. **As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection / reconnection services (on demand of Supplier) are with Distribution Licensee whereas procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, HESCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?**

8.1. As explained in earlier paragraphs, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended through NEPRA Act, 2018, whereby

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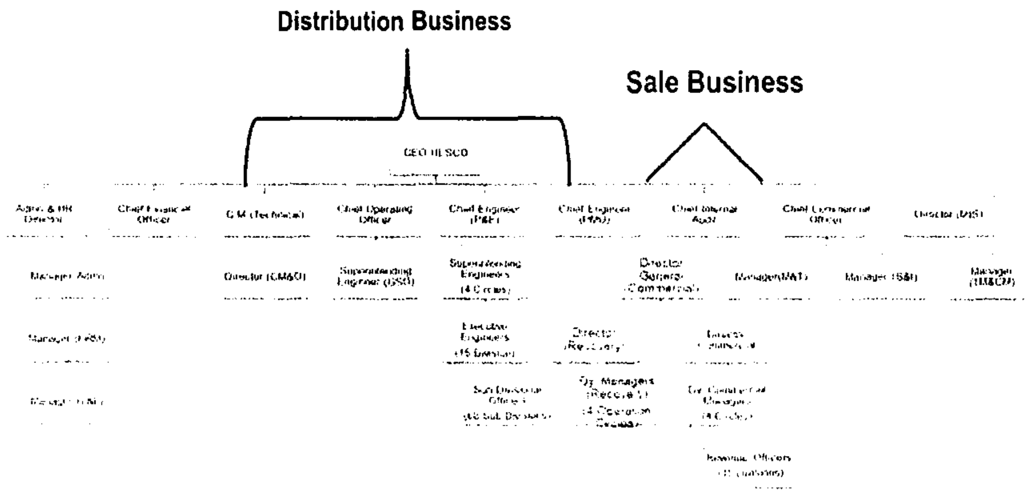
'sale' of electric power has been removed from the scope of Distribution Licenses and transferred to 'Supply Licensee'.

8.2. In light of the aforementioned provisions of the Act, the Petitioner was required to bifurcate its costs in terms of Distribution and Supply Function and provide basis thereof.

8.3. The Petitioner during the hearing submitted that Bifurcation of costs into Supply and Distribution business was made in accordance with the guidance provided by the Ministry of Energy and NEPRA, however, if the regulator recommends any different criteria than the licensee shall comply with it.

8.4. The Petitioner provided the following organogram in this regard;



8.5. The Petitioner on the issues submitted that in compliance of the NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 amended in 2018, the working for separation of both distribution and supply of power is proposed as under;

i. Distribution Business responsibilities will be planning, rehabilitation, procurement, operations, construction, GSC, GSO, disconnection, reconnection and installation of new connections.

ii. While the responsibilities of Supply Business will be public service obligations of the licensee including quality of service, billing, transparency of transactions, timely collection and dissemination of payments, effective collection and dissemination of any and all taxes and surcharges as may be imposed by the Federal Government etc. and Information Technology / MIS.

iii. The services of Finance, Audit and Admin department of HESCO will be shared between both businesses.

8.6. The Authority understands that as per the Amended Act, the Distribution Licensee is responsible to provide distribution service within its territory on a non-discriminatory basis and develop, maintain and publicly make available, with the prior approval of the Authority, an investment program, meaning thereby, that installation/investment, operation, maintenance and controlling of distribution networks, form part of the Distribution License and activities like metering, billing and collection form part of the Supply License.

8.7. The Authority observed that the Petitioner has bifurcated its costs keeping in view the functions as provided in the Act, i.e. all non-sale elements of the distribution segment *(i.e.*

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installation/investment, operation, maintenance and controlling of distribution networks) as part of the Distribution License and all sale related activities *(metering, billing and collection)* as part of the Supply License.

8.8. The Petitioner has also shared its organizational restructuring program in respect of segregation of responsibilities for Distribution Business and Sale Business, whereby the Chief Commercial officer shall be the head of Supply Business and Chief Engineer (P&E) & Chief Operation Officer shall be responsible for distribution activities.

8.9. The Authority believes that after amendments in NEPRA Act, all the Public Sector Distribution companies are required to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions and in order to ensure appropriate coordination between both functions. Hence, keeping in view the fact that it is operational issue and DISCOs are owned by the Federal Government, it would be more appropriate that a centralized restructuring plan at the level of Federal Government is prepared to be implemented by all the public sector DISCOs in order to have a uniformity and consistency in the structure.

9. **Whether the projected sales (GWh) and projected power purchase cost is reasonable?**

9.1. The Petitioner in its petition has requested 5,864 GWh & 4,290 GWh as units purchased and sold for the FY 2018-19 respectively, with Rs.60,657 million as Power Purchase Price in the petition. The Petitioner provided the following break-up of the requested costs;

Description	Unit	FY 2017-18	FY 2018-19
Units Purchased	[Gwh]	5,696	5,864
Units Sold	[Gwh]		4,290
Energy Charges	Rs. in [M]	34,406	32,719
Capacity Charges	Rs. in [M]	23,911	25,446
UOSC	Rs. in [M]	2,136	2,466
Market Operation Fee	Rs. in [M]	24.02	25.22
Total	Rs. in [M]	60,477	60,657
PPP	[Rs./Kwh]	10.62	10.34

9.2. The Petitioner regarding Power Purchase Price submitted that energy purchased from CPPA-G or from other sources on behalf of CPPA-G, include the generation and transmission charges (regulated by NEPRA), and is adjusted for HESCO's distribution losses. Thus, the cost of the purchased electricity would be "passed through" to consumers through the retail tariff, without affecting HESCO's distribution margin.

9.3. The Petitioner further submitted that while passing through the PPP, all distribution companies experience some level of distribution losses, defined as the percentage of the difference between the units received by the company and the units invoiced to the consumers. The PPP should thus be adjusted such that HESCO would be compensated for some losses, without hindering the incentive to eliminate the total losses.

9.4. The Petitioner regarding the working of the power purchase cost for the Tariff Period has stated it would be projected and approved by NEPRA based on the information provided by CPPA-G, NTDC & DISCOs with regards to generation plan (including existing plants and future plants), target of transmission and distribution losses and assumptions based on fuel prices, dollar devaluation and local and international CPIs etc.

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9.5. The Petitioner further submitted that the actual PPP is regulated by NEPRA over the period, thus any subsequent increase / decrease in the PPP determined by NEPRA is adjustable on monthly or quarterly basis as per existing mechanism of variation in Use of System Charges, Capacity Charges, T&D Losses, extra or lesser purchases, variable O&M etc.

9.6. However during hearing of the instant Petition, the Petitioner revised its PPP based on actuals of FY 2018-19 viz a viz allowed for the FY 2017-18 as detailed below;

Description	Unit	NEPRA Determined FY 2017-18	[Actual] FY 2018-19
1	2	3	4
Units Received	Gwh	5,958	5,557
Rates			
Energy Charges	Rs./Kwh	3.76	6.45
Capacity Charges	Rs./Kwh	6.50	5.97
Transmission Charges (UoS Charges)	Rs./Kwh	0.40	0.44
Market Operation Fee Rate	Rs./Kwh	--	0.004
Energy Charges	Rs. In [M]	22,390	35,825
Capacity Charges	Rs. In [M]	38,702	33,170
Transmission Charge (UoS Charges)	Rs. In [M]	2,408	2,452
Market Operation Fee	Rs. In [M]	--	24.33
Power Purchase Cost	Rs. In [M]	63,500	71,472
Per unit Power Purchase (Un-Adjusted)	Rs. In [M]	10.66	12.86
Per unit Power Purchase (Adjusted)	Rs. In [M]	13.77	18.25

9.7. The Petitioner regarding lower sales (GWh) in FY 2018-19, submitted during the hearing, that as a result of effective electricity conservation campaign, a reduction has been witnessed in HESCO sales by 2.75% from 4,026.91 GWh in 2017-18 to 3916.32 GWh in 2018-19. Further, reduction in consumption of Industrial consumers by 0.8% during 2018-19 as compared to 2017-18 is due to shifting of Industrial connections on self-generation and as per agreement between Sindh Govt. and HESCO/SEPCO, AMR meters have been installed on all GoS connections, thus their billing is shifted from traditional billing to AMR system. Hence, Sindh Govt. directed their Departments to control their electricity bills and assigned prescribed limit for all connections, resultantly huge decline of sales has been witnessed by around 43% in the category of Provincial Govt. during May-Jun 2019.

9.8. The Authority, observed that variations in the actual Power Purchase Price (PPP) for the FY 2019-20 are already being allowed to the Petitioner through quarterly adjustment mechanism, based on the reference PPP and the level of T&D losses that remained notified during the FY 2019-20 vis a vis the actual PPP billed to the Petitioner by CPPA-G for the FY 2019-20. The adjustment in this regard for the 1st quarter of FY 2019-20 i.e. Jul.-to Sep. 2019 has already been allowed to the Petitioner vide the Authority's decision dated November 26, 2019, and the same has been notified by the Federal Government w.e.f. December 01, 2019. Similarly variation in the PPP for the 2nd and 3rd quarters of FY 2019-20, have also been allowed by the Authority vide decision dated September 24, 2020. The Petitioner would also file its quarterly adjustment request for the last quarter of FY 2019-20 i.e. Apr. to Jun. 2020, in accordance with the notified mechanism, which will be decided by the Authority accordingly. Therefore, for the purpose of instant adjustment request, the PPP of the Petitioner for the FY 2019-20, shall be the PPP that remained notified during the FY 2019-20, and on which the

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Petitioner is being allowed quarterly adjustments, thus any reassessment of PPP for the FY 2019-20, is not required.

9.9. Although, variations in the PPP of the Petitioner are being actualized through quarterly adjustment mechanism, however, the existing PPP references, against which the variations are being allowed, were determined by the Authority keeping in view the FY 2017-18. The Authority understands that these references now require up-dation/ revision as large amount of new capacities e.g. Coal, Nuclear, REs, etc. have since been added in the system, and also to cater for the impact of PKR vs US$ devaluation, change in fuel prices and CPI indexations. This revision of PPP references would minimize the impact of future monthly fuel charges adjustments & quarterly variations and will provide a more predictable tariff to the consumers.

9.10. Accordingly, the Authority, by adopting a forward looking approach, has projected the revised PPP references keeping in view the ground realities of the FY 2020-21. For the purpose of determining the new PPP references, the Authority has carried out a detailed exercise by first projecting the total amount of generation that would be required and then estimating the station wise generation. As per the analysis, an increase of around 2.8% has been projected in the generation for the FY 2020-21, over the actual generation made during the FY 2019-20.

9.11. Here it is pertinent to mention that for the FY 2018-19, the Authority projected a Generation of around 131,435 GWh keeping in view the Power Market Survey (PMS) Report of NTDC, however, the actual generation, remained at 122,708 GWh i.e. 7% lower than the projected generation of 131,435 GWh. Similarly, during the first eight (08) months of FY 2019-20 i.e. from Jul. 2019 to Feb. 2020, before the impact of COVID-19, the actual generation remained at 81,262 GWh, around 2.08% higher than the actual generation during the same period of FY 2018-19, however, still lower by 2.72% than the Authority's projected generation for the same period i.e. 83,535 GWh.

9.12. From March onward till June 2020, with Covid-19 around, the actual generation posted a negative growth of around 6%, as compared to the same period last year, resulting in decrease in overall generation in the FY 2019-20 by around 0.7% i.e. 121,868 GWh as compared to 122,708 GWh during the FY 2018-19, thus neutralized the growth of 2.08% witnessed in the first eight months of the FY 2019-20.

9.13. The Authority, however, going forward in the FY 2020-21, expects this trend to be reversed and actual generation may post some growth, considering improvement in the Covid-19 situation and easing out of the lockdown. Accordingly, after taking into all these assumptions, the Authority has estimated that the overall system generation will be around 125,264 GWh, and after adjusting for the NTDC's permissible transmission losses and sale to IPPs, about 121,804 GWh is expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool, is accordingly assessed as 5,443 GWh. After incorporating the T&D losses target of 20.74% allowed for the FY 2018-19, the sales target in the instant case works out as 4,314 GWhs.

9.14. 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 DISCOs at the rates as per their Power Purchase Agreements (PPAs) and as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government. Accordingly, the Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly/ biannual PPP adjustment with respect to T&D losses, Capacity and Transmission

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Charges. Here it is pertinent to mention that while making the quarterly/ biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.

9.15. From the available sources i.e. Hydel, Gas, RLNG, RFO, Nuclear, Coal, Solar, Wind, Bagasse and Imports, the estimated/projected generation and cost of electricity is given in the following table:

Source	Generation MkWh	Share	EPP Rs. Mln	CPP Rs. Mln	EPP + CPP Rs. Mln	Share	EPP Rs./kWh	CPP Rs./kWh	EPP + CPP Rs./kWh
Hydel	35,263	28.15%	4,266	148,465	152,731	9.94%	0.12	4.21	4.33
RFO	5,330	4.25%	75,327	84,825	160,151	10.43%	14.13	15.92	30.05
Coal	25,524	20.38%	207,492	197,319	404,811	26.36%	8.13	7.73	15.86
Gas	17,356	13.86%	146,061	54,834	200,895	13.08%	8.42	3.16	11.57
RLNG	27,828	22.22%	258,964	174,773	433,736	28.24%	9.31	6.28	15.59
Bagasse	617	0.49%	4,306	3,500	7,805	0.51%	6.98	5.67	12.65
Wind	3,042	2.43%	-	58,904	58,904	3.84%	-	19.36	19.36
Solar	710	0.57%	-	10,390	10,390	0.68%	-	14.64	14.64
Nuclear	8,914	7.12%	8,982	90,414	99,396	6.47%	1.01	10.14	11.15
Import	506	0.40%	5,856	-	5,856	0.38%	11.57	-	11.57
SPPs	175	0.14%	1,154	-	1,154	0.08%	6.59	-	6.59
Total	125,264	100.00%	712,407	823,422	1,535,829	100.00%	5.69	6.57	12.26
NTDC & CPPA-G Cost					44,702				0.37
Sale to IPPs	(178)		(3,563)		(3,563)				
NTDC Losses	(3,282)								
PPP Adjusted with NTDC Loss	121,804		708,844	823,422	1,576,968		5.82	6.76	12.95

EPP is the Enery Purchase Price i.e. Fuel & variable O&M
CPP is the Capacity Purchase price

9.16. Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges, however, variable O&M charges are not made part of monthly fuel charges adjustment and are adjusted as part of quarterly / biannual adjustments. As per the above table, around 28.15% of total generation is expected from Hydel sources. RLNG would contribute around 22.22% of total generation, with around 28.24% share in the overall energy cost. Generation form indigenous gas is expected to be around 14% with a cost share of around 13%. Generation from Coal, both local as well as imported, is expected to be around 20.38%, with a share of around 26 % in the overall energy cost. Renewables and Nuclear sources are expected to contribute around 3.5% and 7.12% in the total generation with a cost share of around 5% and 6.5% respectively. Here it is pertinent to mention that with increased generation from RLNG/ Gas, Coal and Nuclear, the share of RFO in total generation and consequently in the overall cost has been limited to only around 4% and 10.4% respectively. Meaning thereby that variation in generation mix and prices of RLNG/ Gas & Coal would have greater impact on the generation cost, thus, ultimately affecting the consumer-end tariff.

9.17. Regarding projection of fuel prices, the Authority noted that as per the RLNG price notification issued by OGRA, RLNG prices in Pakistan are benchmarked with Brent Crude Oil Prices. In addition to this price, Port charges, PSO import related actual costs, PSO/ PLL Margin and Terminal Charges etc. are added to the price. The said prices are also adjusted with the Transmission Losses and other miscellaneous costs. Thus, the RLNG prices in Pakistan are not only affected by the international market being linked with prices of crude oil but also by the exchange rate parity.

9.18. Therefore, to have a fair projection of RLNG prices, the Authority considered the projections of Brent Crude oil prices projected by various reliable sources i.e. Short Term Energy Outlook published by US Energy Information Administration, World Bank Commodities Price Forecast report, IMF-World Economic Outlook Database and various analyst firm forecasts for the FY 2020-21.

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9.19. Accordingly, the Authority keeping in view the prevailing prices of RLNG, projections of crude oil prices and impact of rupee devaluation, has projected RLNG prices as Rs.1,234/mmbtu.

9.20. For indigenous gas, the Authority considering the existing price, is Rs.924/mmbtu inclusive of GIDC, has projected the same as Rs.1,000/mmbtu.

9.21. Regarding price of imported coal, the Authority has analyzed the projections made by Argus consulting, and commodity prices forecasts of World Bank. Based on these reports and keeping in view the impact of devaluation of Pak Rupee, the Authority has assessed coal prices of Rs.554/mmbtu, on delivered basis, as reasonable.

9.22. For projection of local coal prices for Thar coal, the Authority has considered the coal price determination made by Thar Coal Energy Board (TCEB) for Block-II. As per the TCEB determination, reference tariff determined for the 2nd year includes variable cost of US$ 17.37 /Ton and fixed cost of US$ 50.84/Ton. The total reference cost determined by TCEB has been indexed with US CPI and US$ /PKR exchange rate to work out the projected coal price for the FY 2020-21, which works out at around Rs.1,228/mmbtu. The same has been considered while projecting the PPP references.

9.23. For projection of RFO prices, a comparison of actual RFO prices *(ex-GST, ex-OMC margin, ex-Import incidental charges)* for the period from March 2019 to February 2020, before Covid-19, has been compared with the actual Brent Crude Oil Prices for the same period. As per the comparison, Actual prices of RFO on average remained slightly lower i.e. S$0.09/gallon than actual Brent Crude Oil Prices.

9.24. Accordingly, for making future projections, the impact of negative US$0.09/gallon has been added in the prices of Brent Crude Oil, projected by US Energy Information Administration in its short term energy outlook report for the FY 2020-21, to project the RFO prices for the FY 2020-21. Afterwards, the same has been enhanced by 8% import incidentals & Inland Freight Equalization Margin, 3.5% of OMC margin and by incorporating therein the impact of exchange rate devaluation, the average RFO price has been worked out as Rs.51,985/MT. By adding therein an average freight of around Rs.2,500/MT, the average RFO prices works out as Rs.54,485/MT. The same has been considered while projecting the PPP references.

9.25. The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority. Energy transfer charge shall be calculated on the basis of units delivered after adjusting the transmission loss target allowed to NTDCL. NTDCL shall, for the purpose of clarity intimate to all DISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

9.26. According to the above mechanism, Rs.48,660 million and Rs.2,639 million is the share of the Petitioner on account of CpGenCap and USCF & Market Operator Fee respectively for the FY 2020-21. The overall fixed charges comprising of CpGenCap and USCF & Market Operator Fee in the instant case works out as Rs.51,299 million, which translate into Rs.2,978/kW/month based on projected average monthly MDI of the Petitioner i.e.1,436 MW or Rs.9.42/kWh on units purchased basis of 5,443 GWh.

9.27. The annual PPP of the Petitioner for the FY 2020-21 in the instant case works out as Rs.83,131 million. With the projected purchase of 5,443 GWh for the same period, the average PPP of the Petitioner turns out to be as Rs.15.27/kWh (Annex-IV), whereas, the national average determined PPP works out as Rs.12.95/kWh after accounting for the allowed level of NTDC losses and sale to IPPs. On the basis of allowed level of T&D losses of 20.74% to the Petitioner for the FY 2018-19, the adjusted PPP of the Petitioner is assessed as Rs.19.27/kWh.

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10. **Whether the requested O&M cost, Depreciation, Provision for Bad Debts, Advance Tax and Return of assets are justified?**

10.1. The Petitioner in the petition requested Rs.1,543 million on account of O&M cost, Depreciation, Provision for Bad Debt, Advance Tax and Return of Asset as detailed hereunder;

[Rs.in Million]

Description	FY 2018-19
Return on Net Fixed Assets in Operation (RRB * Profit Rate Base) @11.83% as per last approved by NEPRA	20.02
O&M	734
Depreciation	0.17
Provision for bad debts	255
Advance Tax	534
Other Income	0
Total	**1,543**

10.2. As per the Petitioner, the O&M expenses include employees cost (including Post-Retirement Benefit), Repair & Maintenance expenses, TA Expenses, other expenses etc.

10.3. The Petitioner regarding O&M expense has submitted that based on inflation adjustments to HESCO's operating expenses from the latest available actual data as well as last three years average and increasing pattern of actual expenditure in the major heads has been considered. The Petitioner in its petition provided the following breakup of the requested amount under O&M along with comparison with FY 2017-18;

[Rs. In Million]

Description	FY 2017-18 Expenditure (Provisional)	FY 2018-19 Projected
Salaries & Other Benefits	549	597
Maintenance Expenses	2	7
T.A Expenses	26	27
Other Expenses	70	102
Total	647	734

10.4. During hearing of the instant tariff petition, the Petitioner submitted that its actual O&M expenses for the FY 2018-19, as per the initialed accounts, are Rs.909 million pertaining to its Supply function and provided the following break-up along-with comparison for the amounts requested in the Petition for the FY 2018-19;

DESCRIPTION	Requested FY 2018-19 Rs. In Mln	ACTUAL FY 2018-19 Rs. In Mln
Salaries & Other Benefits	597	396
Post Retirement Benefits (Actuaries)	0	364
Salaries & Other Benefits	**597**	**760**
Maintenance Exp.	7	4
TA Exp.	27	32
Other Exp.	102	113
Total:	**733**	**909**

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11. **Salaries Wages & Other Benefits**

11.1. The Petitioner initially in the tariff petition requested a total amount of Rs.597 under the head of Salaries & Other Benefits, however, during hearing of the instant Petition, the Petitioner revised its said cost to Rs.760 million comprising of Salaries & wages costs of Rs.396 million and postretirement benefits of Rs.364 million for its Supply Function. The Petitioner submitted that Salaries Wages & Other Benefits have been requested in pursuance of the Govt. announcement in the budget regarding 10% increase in salary of employees and other benefit, impact of annual increment and financial impact of new recruitment for FY 2018-19. No further details as to how the requested number has been arrived at has been provided by the Petitioner.

11.2. Considering the fact that the period i.e. FY 2018-19, for which the cost is being assessed, has already lapsed, therefore, the Authority has decided to consider the actual cost incurred by the Petitioner in this regard. It is also pertinent to mention that being a public sector company, the Petitioner is required to pay, its employees, the increases in salaries & wages announced by the Federal Government through Budget.

11.3. The Authority observed that as per the initialed accounts for the FY 2018-19, submitted by the Petitioner, its actual expenditure under Salaries, Wages and other benefits *(excluding postretirement benefits)* is around Rs.4,945 million for both the Distribution and Supply Functions. The initialed accounts, however, do not provide any bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions. Therefore, the Authority, has allocated the total cost of Salaries, Wages and other benefits proportionately to the Distribution and Supply Functions, based on the figures of Salaries, Wages and other benefits requested in the Distribution and Supply Petitions. Accordingly, the cost of Salaries, Wages and other benefits *(excluding postretirement benefits)* for the FY 2018-19 pertaining to the Supply function works out as Rs.396 million.

12. **Post-Retirement Benefits**

12.1. The Authority considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post-retirement benefits, directed the Petitioner to create a separate fund in this regard. Subsequently, this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records it liability more prudently since the funds would be transferred into a separate legal entity. In addition to that these independent funds would generate their own profits, if kept separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff.

12.2. Afterwards the Petitioner during proceedings of its tariff petition for the FY 2017-18 submitted that a separate Fund has been opened in December 2016 and Rs.100 million has been deposited in the Fund. The Authority noted that although the Petitioner has complied with the direction of the Authority to the extent of creation of the separate Post Retirement Fund and transferred an amount of Rs.100 million into the fund, however, the Authority had been allowing provision for post-retirement benefits to the Petitioner as a part of its O&M cost till FY 2011-12. It was only from FY 2012-13 that the Authority decided to allow the actual amounts paid on account of pension benefits, due to non-compliance of the Authority's directions. Thus, any post retirement liability pre FY 2012-13 period, is with the Petitioner. In view thereof, the Authority directed the Petitioner in the tariff determination for the FY 2017-18, to also transfer the amount of already collected provision of postretirement benefits into the Fund.

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12.3. The Petitioner in its instant Petition has not provided any update in the matter, however, requested an amount of Rs.364 million, under the head of post-retirement benefits.

12.4. The Authority, understands that payment of postretirement benefits to the retired employees is a compulsory obligation of the Petitioner which can be best fulfilled through a separate postretirement Fund having sufficient funds. However, failure of the Petitioner to deposit the amount of already collected provision of postretirement benefits into the Fund, would not absolve the Petitioner from its responsibility in this regard.

12.5. In view thereof, and considering the fact that FY 2018-19 has already lapsed, the Authority has decided to allow the actual payments made by the Petitioner on account of Post-retirement benefits as per the initialed accounts provided by the Petitioner. The actual payments reflected in the initialed accounts of the Petitioner is Rs.2,381 million. Accordingly, the same amount is being allowed to the Petitioner for the FY 2018-19 for the postretirement benefits, including the impact of payments for the Ex- WAPDA employees retired before 1998 for both the Distribution and Supply Functions.

12.6. Since, the initialed accounts submitted by the Petitioner do not provide any bifurcation of the post retirement cost in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.190 million, as Post retirement benefits for the FY 2018-19 for Supply Function. The Petitioner is again directed to transfer the already collected provision of postretirement benefits into the Fund.

13. **Remaining Operation & Maintenance Costs**

13.1. For projections or assessment of OPEX costs, two commonly used approaches are Ex-Ante and the Ex-Post approach. In a regime where the allowed OPEX is determined Ex-Ante, there will inevitably be deviations between the allowed and actual expenses, in the form of efficiency savings or losses. Thus, resulting in two broad options, one that the utility bears all savings or losses, i.e. no action is taken by the Regulator. Secondly, the utility shares the savings or losses with consumers. The former approach provides the utility with a profit incentive to cut costs, but at the same time places the utility at greater financial risk in the face of losses. The latter somewhat dilutes efficiency incentives, but also limits the losses/gains for the utility and its customers.

13.2. The widely used approach is that no adjustments to allowed Revenues or OPEX allowances are made hence providing an incentive to the utility to improve its operations. However, considering the fact that FY 2018-19 already elapsed, the Authority considers it appropriate to use Ex-Post facto approach while determining O&M costs of the Petitioner for the FY 2018-19.

14. **Repair & Maintenance Expenses**

14.1. The Petitioner initially requested an amount of Rs.7.12 million under Repair & maintenance in its Petition, however, afterwards during the hearing revised the said amount to Rs.4 million. The Petitioner regarding repair & maintenance costs, submitted that it is necessary for smooth running of supply business.

14.2. The Authority in order to assess the request of the Petitioner, analyzed the same in comparison with the amount allowed to the Petitioner for the FY 2017-18 and the amount actually spent by the Petitioner. A comparison of the Petitioner's allowed vs actual R&M expenditure for the FY 2017-18, showed that the Petitioner's actual R&M cost for the FY 2017-18 was lower by around 14%, when

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compared with the total amount allowed by the Authority for both its supply and distribution function, as detailed hereunder;

R&M		Rs.in Mln
FY 2017-18	Actual	715
	Allowed	832
	Inc/(Dec)	(14%)

14.3. One of the reasons for reduction in cost could be the direction of the Authority given to the Petitioner in its tariff determinations for FY 2017-18, wherein the Petitioner was directed to capitalize expenditures i.e. Replacement of Transformers/ Meters, instead of expensing out the same. The Petitioner probably have started reporting its actual R&M costs and to capitalize costs relating to replacement of Transformers/ Meters in line with the Authority's directions.

14.4. Similarly for the FY 2018-19, considering the fact that the period for which assessment is being made has already lapsed, the Authority has analyzed the actual expenditure incurred by the Petitioner for repair & Maintenance during the year. As per the initialed accounts provided by the Petitioner, its actual expenditure under Repair & Maintenance is Rs.449 million for both the Distribution and Supply Functions.

14.5. The Authority believes that adherence to the service standards and improvement of customer services is only possible through continuous repair and maintenance of the System, therefore, in view of the above discussion, based on comparison with other XWDISCOs, and the fact that as per the Petitioner's initialed accounts for the FY 2018-19, its actual cost of Rs.449 million, is substantially lower than the actual / allowed costs for the FY 2017-18, the Authority has decided to allow the same for the FY 2018-19 for both its Distribution and Supply Functions.

14.6. The initialed accounts submitted by the Petitioner do not provide any bifurcation of the repair & maintenance cost in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.4 million for repair & maintenance for the FY 2018-19 for its Supply Function.

14.7. The Authority observed that the Petitioner is being directed since FY 2015-16, to maintain a proper record of its assets by way of tagging each asset for its proper tracking. In addition, the Petitioner was also directed to provide an explanation on the concerns raised by the Authority in terms of its R&M cost, however, no such explanation has been received from the Petitioner. The petitioner is therefore once gain directed to maintain a proper record of its assets by way of tagging each asset for its proper tracking and also to provide explanation on the concerns raised by the Authority in terms of its R&M cost in the tariff determination for the FY 2015-16.

15. **Travelling Expenses**

15.1. The Petitioner initially requested an amount of Rs.27.46 million under Travelling Expenses in its Petition, however, afterwards during the hearing revised the said amount to Rs.32 million. The Petitioner regarding Traveling expenses has submitted that it relates to the operational duties on regular basis as per policy such as regular vigilance, maintenance, disconnection of defaulters, attending complains etc. Out of total employees, about 60% technical staff avail T.A on frequent basis and 40% admin/supervisory staff avail T.A on requirement basis.

15.2. The Authority, considering the fact that FY 2018-19 has already lapsed, decided to analyze the actual

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expenditure incurred by the Petitioner under the head "Travelling". As per the initialed accounts of the Petitioner for the FY 2018-19, its actual expenditure under travelling for the FY 2018-19 is Rs.225 million for both the Distribution and Supply Functions. A comparison of the same with the amount allowed to the Petitioner for the FY 2017-18, showed that its actual Travelling cost for the FY 2018-19 has actually decreased by around 7.71%, as detailed hereunder;

		Rs.in Mln
Travelling	Actual FY 2019	225
	Allowed FY 2018	244
	Inc/(Dec)	(7.71%)

15.3. In view of the foregoing discussion, submissions made by the Petitioner, the fact that cost for the FY 2018-19 is lower than the allowed amount for the FY 2017-18, and comparison with other XWDISCOs, the Authority considers the cost incurred for Travelling for the FY 2018-19 i.e. Rs.225 million as reasonable and hence the same is allowed to the Petitioner for the FY 2018-19 for both its Distribution and Supply Functions.

15.4. The initialed accounts submitted by the Petitioner do not provide any bifurcation of the Travelling cost in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.32 million as travelling costs for the FY 2018-19 for its Supply Function.

16. <u>Other Expenses</u>

16.1. The Petitioner initially requested an amount of Rs.102 million under Other expenses in its Petition for the FY 2018-19, however, afterwards during the hearing revised the said amount to Rs.113 million. The Petitioner submitted that Other Expenses include Postage, telephone, PEPCO Supervisory charges, NEPRA License & Tariff petition Fee, Insurance charges, Professional fees to lawyers, Photostat charges, cleaning material, office stationery, and others miscellaneous charges are included in this head of expenditure.

16.2. Considering the fact that FY 2018-19 has already lapsed, the Authority, analyzed the actual expenditure incurred by the Petitioner under the head "Other Expenses". As per the initialed accounts of the Petitioner for the FY 2018-19, its actual expenditure under this head is around Rs.337 million for both the Distribution and Supply Functions.

16.3. The Authority, during analysis, noted that the Petitioner has included an amount of Rs.0.599 million on account of NEPRA fines and penalties and Rs.57.796 million on account of Supervisory Charges to PEPCO.

16.4. Regarding PEPCO fees, the Authority observed that each DISCO is an independent entity having its own board of Directors, thus, allowing any cost on the pretext of PEPCO Management fee is not logical. Further, the then Ministry of Water & Power, itself in the Peshawar High Court submitted that PEPCO shall be dissolved after June 2011. In view thereof, the cost of PEPCO fee has not been allowed to the Petitioner.

16.5. Regarding, the amount of Rs.0.599 million on account of NEPRA fines and penalties imposed on the Petitioner, the Authority observed that any such costs owing to the Petitioner's own negligence cannot be passed on to the consumers, hence disallowed.

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16.6. Accordingly, based on the above discussion, and after taking into account the aforementioned disallowed amounts from the actual expenses of the Petitioner for the FY 2018-19, the Petitioner prudent costs of total Other Expenses works out as Rs.280 million for the FY 2018-19 for both the Distribution and Supply Functions.

16.7. The initialed accounts submitted by the Petitioner do not provide any bifurcation of the Other expenses in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.93 million as Other Expenses for the FY 2018-19 for its Supply Function.

16.8. The Petitioner is also directed to provide details of PEPCO Management Fees, if any, claimed previously so that same could be adjusted in the subsequent tariff determinations.

17. **Depreciation**

17.1. The Petitioner initially requested an amount of Rs.0.17 million under Depreciation expenses in its Petition for the FY 2018-19, however, afterwards during the hearing revised the said amount to Rs.2.85 million. The Petitioner regarding depreciation charges submitted that it has considered value of existing assets; plus provisional/estimated addition in assets and provided the following table;

FY 2018-19

Description	COST			Accumulated Depreciation			Book values as on June 30
	As at July	Addition /deletion	As at June 30	As at July	Charge during the year	As at June 30	
Building	40.24	3.24	43.48	33.25	2.68	35.93	7.55
Computer Equipment	2.53	0.2	2.74	2.09	0.17	2.26	0.47
Total	**42.77**	**3.44**	**46.22**	**35.34**	**2.85**	**38.19**	**8.02**

17.2. Considering the fact that the period i.e. FY 2018-19, for which the cost is being assessed, has already lapsed, the Authority has decided to consider the actual cost incurred by the Petitioner in this regard for the FY 2018-19.

17.3. The Authority observed that as per the initialed accounts provided by the Petitioner for the FY 2018-19, its actual expenditure under depreciation is around Rs.1,103 million, for both the Distribution and Supply Functions, calculated on actual depreciation rates for each category of Assets, as per the Company's policy, based on historical costs of the assets.

17.4. The initialed accounts submitted by the Petitioner do not provide any bifurcation of the depreciation in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.3 million as Depreciation Charges for the FY 2018-19 for its Supply Function.

18. **Provision for Bad Debts**

18.1. The Petitioner requested an amount of Rs.255 million under the head of provision for Dad debt in its Petition. The Petitioner while justifying the request submitted that the socio-economic condition of the consumers of HESCO's area of service is very poor. The overall recovery position of consumer-end tariff of HESCO for the FY 2017-18 is 76.7% i.e. the Govt. recovery is 87.6% and Pvt. is 74.4%. Keeping in view the above and compliance of International Accounting Standards (IAS), the Petitioner has submitted that it has to make provision of trade debts on the basis of their ages.

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However, during hearing the Petitioner revised the requested amount to Rs.2,429 million as per the following table;

Figure in Rs.

Particular	2016-17 [Audited]	2017-18 [Audited]	2018-19 [Requested]	2018-19 [Actual]
Trade debts and advances	51,138	64,322		81,166
Provision for doubtful debts (BL)	13,640	25,275		27,704
Provision for doubtful debts (P&L)	7,051	11,635	255	2,429

18.2. Here it is pertinent to mention that the Authority in its Redetermination decision dated September 18, 2017, pertaining to tariff petitions of DISCOs for the FY 2015-16, allowed an amount of Rs.2,059 million to the Petitioner as Write-Offs on provisional basis, subject to fulfilment of the given criteria. The Authority also decided that in case the Petitioner fails to actually write off the allowed amounts, as per the given criteria, and required evidence is not provided, the provisionally amount shall be adjusted back subsequently. The tariff for the FY 2015-16 were notified by the Federal Government w.e.f. March 22, 2018, therefore, DISCOs were required to complete the process of Write-Offs till March 21, 2019.

18.3. The Petitioner neither in its Petition nor during the hearing provided any details in terms of actual write offs for the amount provisionally allowed by the Authority. The Authority in view of the non-completion of the required process/ criteria and the fact that no amount has been written off by the Petitioner, has decided to adjust back the amount of write-offs of Rs.1,763 million actually recovered by the Petitioner against the allowed amount of Rs.2,059 million through PYA.

18.4. The Authority also noted that a clear verdict on this issue has already been given wherein it has principally been decided that the cost only to the extent of actual write off will be considered. The decision was based 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 XWDISCOs 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 and as per the referred Chapter of Consumer Service Manual, the risk transfers to the occupant of the premises. The Authority understands that Electricity in today's life is a basic necessity and the consumers cannot afford to live without it. In addition to this, at the time of connection, DISCOs also collects one month's billing from the consumers in the shape of security deposits, which also serves as deterrence for a consumer to default.

18.5. In view of the aforementioned, the Authority has decided to continue with the practice of allowing actual write offs rather than allowing provision for doubtful debts. Since no actual write off for the FY 2018-19 appears in the initialed statements provided by the petitioner, therefore, again requesting to allow provision for Bad debts instead of writing off the unrecovered amounts is not justified and hence disallowed.

19. **Advance Tax**

19.1. The Petitioner requested an amount of Rs.534 million as Advance Tax for the FY 2018-19 by submitting that it has paid advance income tax in FY 2017-18 of Rs.427 million, after the amendment

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in Section 113 of Income Tax Ordinance as per Finance Bill 2016. On the same analogy, the Petitioner projected an amount of Rs.534 million for the FY 2018-19. However, during hearing the Petitioner revised the requested amount to Rs.574 million as per the following table;

Sr. No.	Provision for Tax allowed	1st Qrt	2nd Qrt	3rd Qrt	4rth Qrt	Total
1	Tax Year 2018-19	175.91	137.08	111.97	149.74	574.71

19.2. The Authority noted that the Petitioner did not provide any documentary evidence regarding actual payments made for the claimed Advance tax of Rs.574 million, therefore, the same has not been considered while working out the Revenue Requirement of the Petitioner for its Supply Function. The Petitioner may claim the said amount in its next tariff petition along-with supporting documentary evidences of actual payments of the tax amount.

20. **Return on Regulatory Asset base (RORB)**

20.1. The Petitioner has requested an amount of Rs.20.02 million as RoRB for the FY 2018-19, using a Rate of Return of 11.83%, by taking into account the projected investment as detailed below;

Description	Rs. in Mln
	FY 2018-19
Gross Fixed Assets in Operation - Opening Bal	42.77
Addition in Fixed Assets	3.44
Gross Fixed Assets in Operation - Closing Bal	46.21
Less: Accumulated Depreciation	38.19
Net Fixed Assets in Operation	8.02
Add: Capital Work In Progress - Closing Bal	323
Investment in Fixed Assets	331.02
Less: Deferred Credits	0
Regulatory Assets Base	331.02
Average Regulatory Assets Base	**169.23**
Rate of Return	**11.83%**
Return on Rate Base	**20.02**

20.2. The Authority noted that Section 31(3) of the amended NEPRA Act prescribes that;

(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;

(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;

20.3. The Authority allows Return to DISCOs based on WACC as no separate financial charges are allowed. For calculation of Return of Equity (RoE) component of the WACC, the Authority uses the Capital Asset Pricing Model (CAPM), being the most widely accepted model, applied by Regulatory agencies 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 actually paid by the Petitioner, it is treated as pass through.

20.4. 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.

20.5. For assessment of the RoE component for the FY 2018-19, weighted average yield on 05 Years

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Pakistan Investment Bond (PIB) as of June 13, 2018 has been considered as risk free rate which is 8.4795%. 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.

20.6. To have an appropriate measure of the market rate of return, analyzed KSE-100 Index return, over a period of 8 years, which remained at around 15%. We have also considered Analysts' consensus/ research houses estimates in this regard. The risk premium used by different leading brokerage houses of the country ranges between 6% – 7%. The rate of return on KSE-100 index remained at around 15%, which also, translates into risk premium of around 6.521% *(with risk free rate of 8.4795%, Weighted Average Yield of 5-Year PIB as of June 13, 2018)*. Therefore, keeping in view the aforementioned, Market Risk Premium of 6.521% is considered as reasonable for calculation of cost of equity component.

20.7. The Authority, keeping in view the earlier studies in the matter, range of betas used by international Regulators, and request of the Petitioner, has decided to maintain a beta of 1.10 while assessing the RoE component of the Petitioner.

20.8. As regard the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has analyzed the financial statements of the DISCOs. The Authority noted that majority of loans obtained by XWDISCOs are relent loans, therefore, keeping in view the NEPRA (Benchmarks for Tariff Determination), Guidelines, 2018, and the loans obtained by K-Electric, the Authority considers cost of debt as 3 month's KIBOR + 2.00% spread as reasonable. Consequently, the cost of debt has been worked out as 8.93% i.e. 3 Months KIBOR of 6.93% as of 3rd July 2018 plus a spread of 2.00% *(200 basis points)*.

20.9. Consequent to the aforementioned discussion, the Authority has re-worked the WACC as below;

Cost of Equity;
Ke = $R_F + (R_M - R_F) \times \beta$
= 8.4795% + (15%-8.4795% = 6.521% x 1.1) = 15.65%
Cost of Debt;
Kd = 8.93%

20.10. Accordingly, the WACC has been worked out as under;

WACC;
WACC= ((Ke x (E / V) + (Kd x (D / V))
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;
WACC = ((15.65% x 30%) + (8.93% x 70%)) = 10.95%

20.11. Thus, using rate of return of 10.95%, the Authority has assessed Rs.2,564 million as return on rate base as per the following calculations:

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Description	FY 2017-18	FY 2018-19
Fixed Assets O/B	39,325	43,153
Addition	2,416	6,646
Fixed Assets C/B	41,740	49,798
Depreciation	17,935	18,897
Net Fixed Assets	23,805	30,902
Capital WIP C/B	15,155	12,123
Fixed Assets Inc. WIP	38,960	43,024
Less: Deferred Credits	17,081	18,054
Total	21,879	24,970
RAB		**23,425**
WACC		10.95%
RORB		**2,564**

20.12. The initialed accounts submitted by the Petitioner do not provide any bifurcation of the assets in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of RoRB in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate RoRB in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed Rs.17 million as part of its RoRB for Supply function for the FY 2018-19.

20.13. The Authority during the tariff determination of the Petitioner for the FY 2015-16, 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, which indicated 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 is of the view 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. Also, 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. In view thereof, the Petitioner in the tariff determination for the FY 2015-16, FY 2016-17 and FY 2017-18 was directed to provide rational / justification for improper utilization of the money because the consumers have to suffer unnecessary delay on this account.

20.14. Similarly for the FY 2018-19, the Authority has again observed that the Petitioner has insufficient cash balance as on 30th June 2019, against its pending liability of receipt against deposit works and consumer security deposits, however, by including therein the balance of store & spares as on June 30, 2017, the Petitioner is able to meet its pending liability of receipt against deposit works and consumer security deposits.

20.15. Accordingly, the Authority has decided, not to include the amount of receipts against deposit works & security deposit as a part of Deferred Credits for the assessment of RAB for FY 2018-19.

20.16. Here it is pertinent to mention that the Authority in the tariff determination of the Petitioner for the FY 2015-16 also directed it to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance. The Authority

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however latter the Authority observed that no such disclosure was available in the Audited Financial Statements of the Petitioner for the FY 2016-17. In view thereof, the Petitioner is again 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.

21. **Whether the Petitioner has actually written off, provisionally allowed Write offs allowed in the Re determination decision pertaining to the FY 2015-16?**

21.1. The Petitioner on the issue during the hearing submitted that the Authority had allowed an amount of Rs.2,059 million for write-off in re-determination of tariff 2015-16 on provisional basis with following criteria to be followed to actually write off the allowed amounts;

i. The connection has to be permanently disconnected for more than 03-years and due process of law to recover the outstanding dues as arrears of Land Revenue has been followed.

ii. The amount to be written-off shall be duly approved by Board of Directors of HESCO.

iii. The amount of write-off shall be duly supported with details pertaining to the names & address of the premises / consumers, C.N.I.C etc.

21.2. The Petitioner submitted that to follow the above condition of write-off, it is necessary that Recovery Mukhtiarkars are posted in each Operation Circles by Govt. of Sindh (GoS), who should certify that all-out efforts have been made to recover arrears and connections have no use or recovery is uneconomical. The Petitioner further submitted that the GoS did not provide Mukhtiarkars, hence certification of Bad debts could not be done, thus, not written-off. The Petitioner, therefore, requested that the amount of Rs.2,059 million may be kept intact in HESCO's tariff for the FY 2018-19 and the FY 2019-20 as the Petitioner is constantly requesting the GoS for provision of Mukhtiarkars.

21.3. The Authority observed that the Petitioner in its Redetermination decision dated September 18, 2017, pertaining to tariff petitions of DISCOs for the FY 2015-16, was allowed an amount of Rs.2,059 million as Write-Offs on provisional basis subject to fulfilment of the given criteria.

21.4. The Authority also decided that in case the Petitioner fails to actually write off the allowed amounts, as per the given criteria, and required evidence is not provided, the provisionally amount shall be adjusted back subsequently. The tariff for the FY 2015-16 were notified by the Federal Government w.e.f. March 22, 2018, therefore, DISCOs were required to complete the process of Write-Offs till March 21, 2019.

21.5. The Petitioner neither in its Petition nor during the hearing provided any details in terms of actual write offs for the amount provisionally allowed to the Petitioner. The Authority in view of the non-completion of the required process/ criteria and the fact that no amount has been written off by the Petitioner, has decided to adjust back the amount of write-offs of Rs.1,763 million actually recovered by the Petitioner against the allowed amount of Rs.2,059 million through PYA.

22. **Prior Period Adjustment**

22.1. The Petitioner although has not requested any amount on account of PYA, however, there are certain costs which are either of pass through nature or have been allowed to the Petitioner as part of its revenue requirement and any under/over recovery of these costs needs to be adjusted subsequently.

22.2. The Authority understands that the since the power to notify NEPRA determined tariff rests with the Federal Government, and keeping in view the timing of instant decision whereby the financial

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year FY 2018-19 has already lapsed, therefore, the Federal Government may notify either the tariff determined for the FY 2018-19 or the FY 2019-20. Therefore, in order to ensure recovery of the arrears, the PYA up-to FY 2017-18 has been included in the instant tariff petition of the Petitioner.

22.3. The Prior Year Adjustment includes the impact of variation in the following;

i. Difference between the actual PPP billed and the amount recovered by the DISCO.
ii. Difference between the assessed DM and the amount actually recovered.
iii. Difference between the previously assessed PYA and the amount actually recovered.
iv. Difference between actual other income and the amount allowed
v. Variation due to Sales Mix.

22.4. It is important to highlight that variation between the PPP billed to DISCOs by CPPA-G and the amount recovered by the DISCOs are being accounted for separately through Quarterly/Bi-Annual Adjustment mechanism, therefore, the instant PYA includes accounts for the remaining components.

22.5. Here it is also pertinent to mention that the Authority through its interim decision dated September 27, 2019, in the matter of requests filed by Ministry of Energy (MoE) regarding Annual adjustment / indexation of Distribution Margin of DISCOs, allowed an amount of Rs.1,612 million as Interim adjustment to the Petitioner, strictly on provisional/ interim basis, subject to its adjustment once the annual adjustments of the Petitioner is finalized by the Authority. The said decision was notified by the Federal Government w.e.f. October 01, 2019 and would continue till September 30, 2020, whereby, the Petitioner has been allowed to pass on the said amount through monthly billing as a separate tariff component. In view of thereof and the considering the fact that the Petitioner's adjustment request for the FY 2019-20 is being finalized, the amount of Rs.1,612 million allowed on interim basis, has been adjusted back through PYA. Any under / over recovery of the allowed Interim DM would be adjusted subsequently as PYA.

22.6. Here it is also pertinent to mention that the Authority in its Redetermination decision dated September 18, 2017, pertaining to tariff petitions of DISCOs for the FY 2015-16, allowed an amount of Rs.2,059 million to the Petitioner as Write-Offs on provisional basis, subject to fulfilment of the given criteria. The Authority also decided that in case the Petitioner fails to actually write off the allowed amounts, as per the given criteria, and required evidence is not provided, the provisionally amount shall be adjusted back subsequently. The tariff for the FY 2015-16 were notified by the Federal Government w.e.f. March 22, 2018, therefore, DISCOs were required to complete the process of Write-Offs till March 21, 2019.

22.7. The Petitioner neither in its Petition nor during the hearing provided any details in terms of actual write offs for the amount provisionally allowed to the Petitioner. The Authority in view of the non-completion of the required process/ criteria and the fact that no amount has been written off by the Petitioner, has decided to adjust back the amount of write-offs of Rs.1,763 million actually recovered by the Petitioner against the allowed amount of Rs.2,059 million through PYA.

22.8. Based on the discussion made in the above paragraphs, the Authority has assessed the following PYA of the Petitioner for the FY 2018-19;

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Rs. Mln

Description	HESCO
PYA 2017	
Allowed	19,771
Recovered	16,934
Under/(Over) Recovery	**2,837**
PYA 2018	
Allowed	19,778
Recovered	17,884
Under/(Over) Recovery	**1,894**
Distribution Margin FY 2017-18	
Allowed	10,639
Recovered	9,802
Under/(Over) Recovery	**836**
Interim DM Adjusted Back	**(1,612)**
Other Income FY 2017-18	
Allowed	(1,647)
Actual	(1,540)
Under/(Over) Recovery	**107**
Bad Debts	
Allowed	2,059
Revised allowed based on regulated sales	1,763
Write-offs as per Criteria	-
Adjustment	**(1,763)**
Sales Mix Variances	
FY 2017-18	1,096
Total Prior Period Adjustment	**3,394**

22.9. Since the Petitioner has not requested any amount under the head of PYA, therefore, the Authority has included the entire amount of PYA of Rs.3,394 million, as worked above in the total Revenue Requirement of the Petitioner for the FY 2018-19 for its Supply function.

22.10. Based on the discussion made in the preceding paragraphs, incorporating all the aforementioned increases, the Authority, for the FY 2018-19 has assessed an amount of Rs.96,787 million on account of O&M expenses i.e. salaries, wages and other benefits including post-retirement benefits, traveling, Vehicle maintenance, other expenses, repair & maintenance, Depreciation, RoRB, other income and PYA of the Petitioner, as tabulated below;

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Description	Unit	FY-19
Units Purchased	[MkWh]	5,443
Units Sold	[MkWh]	4,314
Units Lost	[MkWh]	1,129
Units Lost	[%]	**20.74%**
Energy Charge		31,832
Capacity Charge		48,660
Transmission Charges/Market Fee		2,639
Power Purchase Price	[Mln. Rs.]	**83,131**
Wire Business Margin	[Mln. Rs.]	**10,595**
Pay & Allowances		396
Post Retirement Benefits		190
Repair & Maintainance		4
Traveling allowance		32
Other expenses		93
O&M Cost	[Mln. Rs.]	**716**
Depriciation		3
RORB		17
O.Income		(1,070)
Margin	[Mln. Rs.]	**(333)**
Prior Year Adjustment	[Mln. Rs.]	3,394
Revenue Requirement	[Mln. Rs.]	**96,787**

23. **<u>Whether the existing Tariff Terms and Conditions needs to be modified to incorporate concerns raised by various consumers?</u>**

23.1. The Petitioner during the hearing submitted that no consumer has approached to HESCO for modification in terms and conditions of existing tariff. However, it is proposed that the terms & condition of General Services (A-3) Para-v may be modified as under:-

<u>Existing</u>

"Water Supply scheme included Water Pumps and Tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land.

23.2. The drainage schemes may be included in above terms and conditions and modified as under:-

<u>Proposed</u>

"Water Supply and Drainage scheme included Water Pumps and Tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land, may be modified and included Water Supply and Sewerage Schemes"

23.3. The Authority noted that a lot of complaints have been received through Pakistan Citizen Portal, as well as in the Consumer Affairs Department of NEPRA, from XWDISCOs and other stakeholders, regarding clarification of Terms & Conditions with regard to applicability of tariff for different consumer categories, like Hostels (Commercial), Foreign Embassies, Water pumps & tube-wells, Fish farms etc.

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23.4. In order to address these concerns, the Authority framed an issue for discussion during the hearing of DISCOs and for providing written comments in this regard. The Petitioner during the hearing requested for clarification regarding tariff to be charged to Cold storage, private hostels and fish farms/ hatcheries.

23.5. Further, the Ministry of Energy (MOE) vide letter dated May 20, 2020, forwarded request from the Government of Punjab for revision in Tariff Category for Water and Sanitation Agencies (WASA) in Punjab from A-3 General Service Category to D-1(b) SCARP (Salinity Control & Reclamation Program).

23.6. The Authority considers that SCARP is not the relevant Tariff category for Water Schemes as SCARP is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation. Moreover, the purpose of creation of A-3 category was to reduce the undue benefit of Off-Peak rates for such consumers who although have TOU meters but only operate during day hours. In view thereof, the Authority has decided to maintain its earlier decision of inclusion of water schemes under A-3 category.

23.7. The Authority has also decided the other concerns of the DISCOs and other stakeholders by amending the terms & conditions of the tariff, if deemed correct, and the same are attached herewith the instant determination.

24. **Whether there should any Fixed Charges on residential consumers & General Services Consumers?**

25. **Whether the ToU meters installed on Residential and General Service connections have the capability to record MDI?**

25.1. The Petitioner during the hearing on the issue submitted that as residential consumers falls in domestic tariff are already charged minimum charges, if no energy is consumed to cover the loss of electricity provided upto his door for use which may be keep intact. However various load have been included in General Services tariff like water supply and offices using heavy load where fixed charges are required to be charge as charging previously in water supply connections under Industrial tariff.

25.2. The Authority observed that currently no fixed charges are being levied on Domestic consumers and General Service Category, i.e. such consumers only pay variable charge @ Rs./kWh, based on the amount of actual energy consumed during the month.

25.3. Considering the increase in capacity charges coupled with demand exiting the system due to net metering etc., the Authority is cognizant that there is a need to levy certain fixed charges for those domestic and general services consumers who have installed net metering facility, however, as the issue requires further deliberation, therefore, the Authority has decided not to levy any fixed charges for such consumers.

26. **Whether the existing minimum/fixed monthly charges even if no energy is consumed needs to be revised to assist in the recovery of fixed cost of the Petitioner?**

26.1. The Petitioner on the issues submitted that since March 2008, the minimum charges have not been revised, hence it is proposed that existing minimum charges even if no energy consumed may be revised to recover fix cost. The fix costs have been increased since 2008 due to inflation and maintenance of system. The Petitioner further provided the following table;

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Tariff Category		Existing Minimum Charges	Proposed Minimum Charges
Domestic (A-1)	For Single Phase	Rs. 75/- per consumer per month	Rs. 100/- per consumer per month
	For Three Phase	Rs. 150/- per consumer per month	Rs. 200/- per consumer per month
Commercial (A-2)	For Single Phase	Rs. 175/- per consumer per month	Rs. 200/- per consumer per month
	For Three Phase	Rs. 350/- per consumer per month	Rs. 500/- per consumer per month
General Services (A-3)	For Single Phase	Rs. 175/- per consumer per month	Rs. 200/- per consumer per month
	For Three Phase	Rs. 350/- per consumer per month	Rs. 500/- per consumer per month
Industrial Supply Tariff (B)	For B1 consumers there shal be a fixed minimum charges	Rs. 350/- per month	Rs. 500/- per month
	For B2 consumers there shal be a fixed minimum charges	Rs. 2,000/- per month	Rs. 5,000/- per month
	For B3 consumers there shal be a fixed minimum charges	Rs. 50,000/- per month	Rs. 80,000/- per month
	For B4 consumers there shal be a fixed minimum charges	Rs. 500,000/- per month	Rs. 800,000/- per month
Agriculture / Tubewell (D)	Under this tariff, there shall be minimum monthly charges per consumer per month even if no energy is consumed	Rs. 2,000/- per month	Rs. 2,000/- per month
	Note:- The consumer having sanctioned load less than 5 kW can out for tou metering		
Temporary (E)	For the categories of E-1 (I & II), the minimum bill of the consumer shall be per day subject to a minimum of Rs. 500/- for the entire period of supply, even if no energy is consumed	Rs. 50/- per day	Rs. 100/- per day subject to minimum Rs. 1000/- for the entire period of supply.
Public Lighting (G)	Under tariff G, there shall be a minimum monthly charge per month per kW of lamp capacity installed	Rs. 500/- per month	Rs. 500/- per month

26.2. The Authority considers that recovery of fixed charges based on sanctioned load from those consumers, who although have DISCOs connection but at the same also have their own captive generation facility, requires further deliberations and consultative process involving all the stakeholders, therefore, this issue would be considered in the future tariff proceedings of DISCOs. Accordingly, for the time being the existing minimum monthly charges, even if no energy is consumed are being maintained.

26.3. The Authority noted that as per the current tariff structure, certain consumer categories like Commercial, Industrial, Bulk and Agriculture are levied fixed charges, which are based on their actual MDI for the month. The Authority considers that the capacity charges of generation companies which are fixed in nature as they have to be paid based on the plant availability, are charged to DISCOs based on their actual MDIs. However, the present consumer end tariff design is of volumetric nature whereby major portion of the Power Purchase Price (PPP) is charged / recovered from the consumers on units consumed basis i.e. per kWh and only a small amount of the total PPP is recovered on MDIs basis. The Authority considering the increased quantum of capacity charges, and the present volumetric nature of tariff, has decided to increase the rate of fixed charges currently applicable to certain categories, by around 10% i.e. from Rs.360/kW/M, 380/kW/M and 400/kW/M to Rs.400/kW/M, 420/kW/M, and 440/kW/M respectively. However, at the same time, the Authority, not to overburden such consumers who are levied fixed charges, has adjusted their variable rate, to minimize the impact of increase in fixed charges.

27. **Whether the Petitioner be treated as Supplier of the last resort and whether the tariff of the Petitioner or the National uniform tariff be treated as last resort tariff?**

27.1. The petitioner on the issue has submitted that they will supply the electricity energy to the consumers for their consumption not for resale, hence petitioner be treated as supply of last resort tariff and the National uniform tariff notified by NEPRA and Govt. of Pakistan will be treated as last resort tariff to avoid discrimination of rate for public of various areas of country.

27.2. As per the amended NEPRA Act, 2018, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended whereby 'sale' of electric power has been removed from the scope of Distribution Licenses and transferred to 'Supply Licensee'.

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27.3. The 2018 Amended Act has removed the distribution company exclusivity for sale of electric power and empowered the regulator to grant a new form of non-exclusive license for sale of power, i.e. the Electric Power Supplier License. With these powers, the legislature has prescribed a shift from a regulated and restricted power supply sector to an open and competitive one, with conceivably multiple suppliers of power and consumers holding the prerogative of choosing and switching based on rates and products arrived at through competition in the market.

27.4. As per the amended Act Section 23E, the eligibility criteria for grant of license to supply electric power to be prescribed by the Federal Government, shall include, provision with respect to a supplier of the last resort, as the case may be.

27.5. In the light of aforementioned provisions and keeping in view the fact that when markets are liberalized, the Suppliers always go for the good paying and affluent customers, whereas the economically vulnerable customers are preferred to be avoided. Hence, there must be a declared "Last resort supplier" in the distribution area of each DISCO who would be obligated to provide electricity to a consumer who could not get electricity from any other source. Internationally these "Supplier of Last Resort (SoLR)" are always incumbent utility companies and their consumer end tariffs includes both retail, network costs, cross subsidization along with profits and incentives.

27.6. Here it is pertinent to mention that the Authority is in the process of finalization of Supplier Regime in light of the amended NEPRA Act. Once the said regime is finalized, and if any changes are required to be made regarding concept of "Supplier of Last Resort", the same would be revised accordingly.

28. **Wheeling Issues**

28.1. The Authority approved National Electric Power Regulatory Authority (Wheeling of Electric Power) Regulations, 2016 (the Regulations) vide SRO dated June 13, 2016, in order to facilitate wheeling of power in the country. However, different stakeholders voiced their concerns on the Regulations in terms of treatment of T&D losses during wheeling, imposition of Cross subsidies, treatment of Stranded costs if any, applicability of Use of System charges of NTDC, Hybrid BPCs, and Banked Energy etc.

28.2. The Authority accordingly made two additional issues of Cross Subsidy charge and Stranded cost under the instant petition, for which advertisement was published in the leading newspapers on September 9th, 2020 and hearing in this regard was held on 17th September, 2020. Here it is also pertinent to mention that to get an international view on these issues, the Authority has also engaged an international consultant through USAID.

28.3. The Authority considering the impact of the above issues on the power sector, considers that the matter requires further deliberations, and has therefore decided to issue a separate additional decision on the aforementioned proceedings.

28.4. Thus, the Use of System Charge (UoSC) determined by the Authority in the instant decision, as mentioned under the Order part, may be revised accordingly, if required in light of the decision of the Authority on the wheeling issues, which will be issued separately.

29. **Order**

29.1. Based on the assessments made in the preceding paragraphs, the total Supply Function Revenue Requirement of the Petitioner for the FY 2018-19 including Power Purchase Price (PPP), and Distribution Margin as assessed in the Distribution Tariff determination of the Petitioner for the FY 2018-19, has been worked out as under;

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Description	Unit	FY-19
Units Purchased	[MkWh]	5,443
Units Sold	[MkWh]	4,314
Units Lost	[MkWh]	1,129
Units Lost	[%]	**20.74%**
Energy Charge		31,832
Capacity Charge		48,660
Transmission Charges/Market Fee		2,639
Power Purchase Price	[Mln. Rs.]	**83,131**
Wire Business Margin	[Mln. Rs.]	**10,595**
Pay & Allowances		396
Post Retirement Benefits		190
Repair & Maintainance		4
Traveling allowance		32
Other expenses		93
O&M Cost	[Mln. Rs.]	**716**
Depriciation		3
RORB		17
O.Income		(1,070)
Margin	[Mln. Rs.]	**(333)**
Prior Year Adjustment	[Mln. Rs.]	3,394
Revenue Requirement	[Mln. Rs.]	**96,787**
Average Tariff	[Rs./kWh]	
Power Purchase Price-Unadj.		
Power Purchase Price-Adjusted		19.27
Margin		(0.08)
PYA Adjustments		0.79
Wire Business margin		2.46
Avergae Tariff	[Rs./kWh]	**22.43**

29.2. The Petitioner is allowed to recover the determined revenue requirement from the consumers through the projected sales of 4,314 GWhs, as per Annex – II.

29.3. The Petitioner, being a deemed supplier, is allowed to charge its consumers such tariff as set out in

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the schedule of tariff for HESCO annexed to the decision.

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

29.5. **Summary of Direction**

29.6. A summary of all directions passed in this determination by the Authority are reproduced hereunder.

29.7. The Authority hereby directs the Petitioner to;

i. File Multi Year Tariff Petition for a tariff control period of five year to avoid any delay in tariff determinations.

ii. Transfer the already collected provision of postretirement benefits into the fund by June 30, 2021.

iii. to ensure proper tagging of assets so that costs incurred are properly classified as per their nature and report be submitted to the Authority by June 30, 2021.

iv. to provide details of PEPCO Management Fees, if any, claimed previously by March 31, 2021, so that same could be adjusted in the subsequent tariff determinations.

v. Target high loss feeders to bring the overall losses down. A detailed plan be prepared and submitted to the Authority for monitoring the progress of HESCO in this respect by June 2021.

vi. Take remedial measures for achievement of performance standards as laid down in NEPRA Performance Standards (Distribution) Rules, 2005.

vii. The Petitioner can minimize its technical losses through prudent planning and engineering design practices, therefore, is directed to implement such activities and submit is plans in this regard to the Authority by March 31, 2021.

viii. Carry out detailed analysis about the hard and soft areas relative to claims in earlier studies.

ix. to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance for the FY 2020-21 & onward.

x. Segment reporting with clear break-up of costs in financial statements for the Distribution and Supply Functions in light of the amended NEPRA Act.

xi. to immediately provide electricity connections to all the pending applications without further delay and submit a progress report in this regard by the end of each quarter.

xii. to immediately stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy and report be shared with the Authority by December 31, 2020.

xiii. to restrain from unlawful utilization of receipts against deposit works and security deposits immediately, and the same is reflected in the Audited accounts for the FY 2020-21 & onward.

xiv. Provide the required details of late payment charges recovered from the consumers and invoices raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2015-16 to FY 2018-19, in its next tariff petition.

xv. Provide project wise detailed report for the investment carried out along-with their cost/benefit analysis and technical/financial savings achieved by June 2021.

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29.8. Determination of the Authority including Annex-I, I-A, II, III, IV and V annexed with the determination is hereby intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

Engr. Bahadur Shah Member	10/11/2020 Rehmatullah Baloch Member
Rafique Ahmed Shaikh Member	Saif Ullah Chattha Vice Chairman 10.11.2020

Tauseef H. Farooqi
Chairman

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

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Annex-I-A

QUARTERLY/BIANNUAL ADJUSTMENT MECHANISM

Quarterly/ Biannual adjustment shall be the Actual variation in Power Purchase Price (PPP), excluding Fuel Cost Component, against the reference Power Purchase Price component and the impact of T&D losses on FCA, for the corresponding months and shall be determined according to the following formula;

$$\text{Quarterly/Biannual PPP}_{(Adj)} = \frac{PPP_{(Act)}\ (\text{excluding FCC}) - PPP_{(Ref)}\ (\text{excluding FCC})}{(1\text{-T\&D Loss \%}) - (1\text{-Life line Consumption \%})}$$

Where;

$PPP_{(Act)}$ is the actual cost in Rs./kWh, excluding FCC, invoiced by CPPA-G to XWDISCOs, adjusted for any cost disallowed by the Authority.

$PPP_{(Ref)}$ is the reference cost in Rs./kWh as per the Annex-IV of the XWDISCOs determination that remained notified during the period.

T&D Loss % is percentage of T&D losses that remained notified during the period.

Quarterly/Biannual impact of T&D losses on $FCA_{(Adj)}$

$$= \left[\frac{FCA_{(Allowed)}}{(1\text{-T\&D Loss \%}) - (1\text{-Life line Consumption \%})}\right] - FCA_{(Allowed)}$$

Where;

$FCA_{(allowed)}$ is the FCA allowed by the Authority for the respective months of the concerned period.

T&D Loss % is percentage of T&D losses that remained notified during the period.

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

Annex-II

Description	Sales		Current Revenue			Base Tariff		PYA 2018		Total Tariff	
	GWh	% Mix	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Variable Charge
			Mln. Rs.	Mln. Rs.	Mln. Rs.	Rs./kW/ M	Rs./ kWh	Mln. Rs.	Rs./ kWh	Rs./kW/ M	Rs./ kWh
Residential											
Up to 50 Units	41	0.96%	-	166	166		4.00				4.00
For peak load requirement less than 5 kW											
01-100 Units	729	16.90%	-	13,083	13,083		17.95	583	0.80		18.75
101-200 Units	466	10.79%	-	9,125	9,125		19.60	372	0.80		20.40
201-300 Units	446	10.34%	-	9,370	9,370		21.00	357	0.80		21.80
301-700Units	467	10.82%	-	10,259	10,259		21.97	369	0.79		22.76
Above 700 Units	215	4.99%	-	5,086	5,086		23.62	170	0.79		24.41
For peak load requirement exceeding 5 kW)											
Time of Use (TOU) - Peak	48	1.12%	-	1,140	1,140		23.62	38	0.79		24.41
Time of Use (TOU) - Off-Peak	0	0.00%	-	-	-		17.67	-	0.79		18.46
Temporary Supply	0	0.00%	-	-	-		23.52	-	0.79		24.31
Total Residential	**2,413**	**55.93%**	**-**	**48,229**	**48,229**			**1,890**			
Commercial - A2											
For peak load requirement less than 5 kW	140	3.24%	-	3,145	3,145		22.50	110	0.79		23.29
For peak load requirement exceeding 5 kW											
Regular	1	0.02%	1	15	16	440	20.33	1	0.79	440	21.12
Time of Use (TOU) - Peak	180	4.17%	-	4,212	4,212		23.43	142	0.79		24.22
Time of Use (TOU) - Off-Peak	0	0.00%	356	-	356	440	17.93	-	0.79	440	18.72
Temporary Supply	1	0.02%	-	22	22		22.50	1	0.79		23.29
Total Commercial	**321**	**7.45%**	**357**	**7,395**	**7,752**			**254**			
General Services-A3	**322**	**7.47%**	**-**	**6,489**	**6,489**		**20.14**	**255**	**0.79**		**20.93**
Industrial											
B1	12	0.28%	-	245	245		20.00	10	0.79		20.79
B1 Peak	74	1.70%	-	1,735	1,735		23.60	58	0.79		24.39
B1 Off Peak	0	0.00%	-	-	-		18.10	-	0.79		18.89
B2	5	0.11%	8	88	96	440	19.33	4	0.79	440	20.12
B2 - TOU (Peak)	347	8.03%	-	8,122	8,122		23.43	274	0.79		24.22
B2 - TOU (Off-peak)	0	0.00%	885	-	885	440	17.73	-	0.79	440	18.52
B3 - TOU (Peak)	253	5.86%		5,920	5,920		23.43	200	0.79		24.22
B3 - TOU (Off-peak)	0	0.00%	438	-	438	420	17.53	-	0.79	420	18.32
B4 - TOU (Peak)	126	2.91%		2,946	2,946		23.43	99	0.79		24.22
B4 - TOU (Off-peak)	0	0.00%	117	-	117	400	17.43	-	0.79	400	18.22
Temporary Supply	0	0.00%	-	1.5	2		28.00	0	0.79		28.79
Total Industrial	**815**	**18.90%**	**1,447**	**19,057**	**20,504**			**644**			
Single Point Supply											
C1(a) Supply at 400 Volts-less than 5 kW	9	0.21%	-	190	190		21.33	7	0.79		22.12
C1(b) Supply at 400 Volts-exceeding 5 kW	26	0.60%	35	543	578	440	20.83	21	0.79	440	21.62
Time of Use (TOU) - Peak	28	0.64%	-	650	650		23.43	22	0.79		24.22
Time of Use (TOU) - Off-Peak	0	0.00%	29	-	29	440	17.93	-	0.79	440	18.72
C2 Supply at 11 kV	21	0.50%	21	419	440	420	19.63	17	0.79	420	20.42
Time of Use (TOU) - Peak	29	0.67%	-	675	675		23.43	23	0.79		24.22
Time of Use (TOU) - Off-Peak	0	0.00%	35	-	35	420	17.73	-	0.79	420	18.52
C3 Supply above 11 kV	0	0.00%	-	-	-	400	19.53	-	0.79	400	20.32
Time of Use (TOU) - Peak	12	0.28%	-	286	286		23.43	10	0.79		24.22
Time of Use (TOU) - Off-Peak	0	0.00%	-	-	-	400	17.53	-	0.79	400	18.32
Total Single Point Supply	**125**	**2.90%**	**120**	**2,763**	**2,883**			**99**			
Agricultural Tube-wells - Tariff D											
Scarp	38	0.87%	-	910	910		24.19	30	0.79		24.98
Time of Use (TOU) - Peak	32	0.74%	-	754	754		23.60	25	0.79		24.39
Time of Use (TOU) - Off-Peak	0	0.00%	18	-	18	200	17.70	-	0.79	200	18.49
Agricultual Tube-wells	11	0.26%	6	216	222	200	19.50	9	0.79	200	20.29
Time of Use (TOU) - Peak	205	4.74%	-	4,829	4,829		23.60	162	0.79		24.39
Time of Use (TOU) - Off-Peak	0	0.00%	112	-	112	200	17.70	-	0.79	200	18.49
Total Agricultural	**285**	**6.61%**	**136**	**6,709**	**6,845**			**225**			
Public Lighting - Tariff G	28	0.64%	-	591	591		21.45	23	0.84		22.29
Residential Colonies	5	0.11%	-	100	100		21.45	4	0.84		22.29
Sub-Total	**32**	**0.75%**	**-**	**691**	**691**			**27**			
Total Revenue	**4,314**	**100.00%**	**2,060**	**91,333**	**93,393**			**3,394**			

Note: The PYA 2018 column shall cease to exist after one year from the date of notification of the instant decision.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2018 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW							
i	Up to 50 Units	-	4.00		-		4.00	
	For Consumption exceeding 50 Units							
ii	001 - 100 Units	-	17.95		0.80		18.75	
iii	101 - 200 Units	-	19.60		0.80		20.40	
iv	201 - 300 Units	-	21.00		0.80		21.80	
v	301 - 700 Units	-	21.97		0.79		22.76	
vi	Above 700 Units	-	23.62		0.79		24.41	
b)	For Sanctioned load 5 kW & above							
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	-	23.62	17.67	0.79	0.79	24.41	18.46

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 Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2018 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW		22.50		0.79		23.29	
b)	For Sanctioned load 5 kW & above	440.00	20.33		0.79		21.12	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	440.00	23.43	17.93	0.79	0.79	24.22	18.72

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

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2018 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
a)	General Services	-	20.14	0.79	20.93

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

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

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2018 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
B1	Up to 25 kW (at 400/230 Volts)	-	20.00		0.79		20.79	
B2(a)	exceeding 25-500 kW (at 400 Volts)	440.00	19.33		0.79		20.12	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW		23.60	18.10	0.79	0.79	24.39	18.89
B2(b)	exceeding 25-500 kW (at 400 Volts)	440.00	23.43	17.73	0.79	0.79	24.22	18.52
B3	For All Loads up to 5000 kW (at 11,33 kV)	420.00	23.43	17.53	0.79	0.79	24.22	18.32
B4	For All Loads (at 66,132 kV & above)	400.00	23.43	17.43	0.79	0.79	24.22	18.22

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

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2018 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
C -1	For supply at 400/230 Volts							
a)	Sanctioned load less than 5 kW	-	21.33		0.79		22.12	
b)	Sanctioned load 5 kW & up to 500 kW	440.00	20.83		0.79		21.62	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	420.00	19.63		0.79		20.42	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	400.00	19.53		0.79		20.32	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	440.00	23.43	17.93	0.79	0.79	24.22	18.72
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	420.00	23.43	17.73	0.79	0.79	24.22	18.52
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	400.00	23.43	17.53	0.79	0.79	24.22	18.32

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SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)
D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2018 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
D-1(a)	SCARP less than 5 kW	-	24.19		0.79		24.98	
D-2 (a)	Agricultural Tube Wells	200.00	19.50		0.79		20.29	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	23.60	17.70	0.79	0.79	24.39	18.49
D-2 (b)	Agricultural 5 kW & above	200.00	23.60	17.70	0.79	0.79	24.39	18.49

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.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2018 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
E-1(i)	Residential Supply	-	23.52	0.79	24.31
E-1(ii)	Commercial Supply	-	22.50	0.79	23.29
E-2	Industrial Supply	-	28.00	0.79	28.79

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

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

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2018 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
	Street Lighting	-	21.45	0.84	22.29

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

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2018 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
	Residential Colonies attached to industrial premises	-	21.45	0.84	22.29

The PYA 2018 column shall cease to exist after one year from the date of notification of the instant decision.

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Description	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	582	536	570	469	327	278	286	277	349	490	634	644	5,443

Rs./kWh

Fuel Cost Component	5.2798	4.7334	5.0229	5.1733	3.7381	5.5347	6.5124	4.2516	6.2295	6.6087	5.9322	5.9344	5.4567
Variable O&M	0.3897	0.3769	0.3808	0.3520	0.2993	0.4027	0.4887	0.3462	0.3739	0.4447	0.4070	0.4138	0.3913
Capacity	5.5918	6.7844	7.5231	9.1898	13.3206	16.0567	11.5078	15.5819	10.8933	8.3127	6.6406	7.2163	8.9396
UoSC	0.3469	0.4201	0.4747	0.4855	0.5893	0.7396	0.5400	0.7131	0.5214	0.4595	0.4154	0.4533	0.4848
Total PPP in Rs./kWh	11.6083	12.3149	13.4016	15.2006	17.9472	22.7336	19.0489	20.8927	18.0181	15.8255	13.3953	14.0178	15.2724

Rs. in million

Fuel Cost Component	3,075	2,537	2,864	2,425	1,224	1,539	1,863	1,177	2,177	3,240	3,761	3,820	29,702
Variable O&M	227	202	217	165	98	112	140	96	131	218	258	266	2,130
Capacity	3,257	3,637	4,290	4,308	4,360	4,465	3,292	4,315	3,806	4,076	4,210	4,645	48,660
UoSC	202	225	271	228	193	206	154	197	182	225	263	292	2,639
Total PPP in Rs./kWh	6,761	6,601	7,642	7,125	5,875	6,322	5,448	5,786	6,296	7,760	8,492	9,023	83,131

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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TERMS AND CONDITIONS OF TARIFF (FOR SUPPLY OF ELECTRIC POWER TO CONSUMERS BY SUPPLY LICENSEES)

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Hyderabad Electric Supply Company (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:

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

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

11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.
12. "Consumer" as defined in NEPRA Act.

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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 7^{th} day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

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PART-II

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

A-1 RESIDENTIAL

Definition

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

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

1. This Tariff is applicable for supply to;

   i) Residences,
   ii) Places of worship,

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

A-2 COMMERCIAL

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

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

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

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A-3 GENERAL SERVICES

1. This tariff is applicable to;

   i. Approved religious and charitable institutions
   ii. Government and Semi-Government offices and Institutions
   iii. Government Hospitals and dispensaries
   iv. Educational institutions
   v. Water Supply schemes including water pumps and tube wells 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, fish farms, fish nurseries & 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.

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3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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C BULK SUPPLY

"Bulk Supply" for the purpose of this Tariff, means the supply given at one point for self-consumption not selling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.
3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

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D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

D-1

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 2(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-2(a) till that time.

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E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

Definitions

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

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the

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seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.

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

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

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