National Electric Power Regulatory Authority

Islamic Rebublic of Pakistan

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No. NEPRA/TRF-216/IESCO-2012/2694-2696
March 27, 2013

Subject: **Determination of the Authority in the matter of Petition filed by Islamabad Electric Supply Company Ltd. for Determination of its Consumer end Tariff Pertaining to the FY 2012 – 13 [Case # NEPRA/TRF-216/IESCO-2012** - Intimation of Determination of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V & VI (60 pages) in Case No. NEPRA/TRF-216/IESCO-2012.

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

3. Please note that only the Order of the Authority at para 22 of the Determination along with Annexure-I (Fuel Price Adjustment Mechanism), Annex-III (Schedule of Electricity Tariffs), Annex-IV (Fuel Cost Component, Variable O&M, CpGenCap & USCF) and Annex-V (Terms and Conditions) needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain)

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.

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(NEPRA)

PETITION NO: NEPRA/TRF-216/IESCO-2012

TARIFF DETERMINATION

FOR

ISLAMABAD ELECTRIC SUPPLY COMPANY

(IESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

PERTAINING TO THE FY 2012-13

ISLAMABAD

March 27, 2013

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DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO) FOR DETERMINATION OF ITS CONSUMER END TARIFF PERTAINING TO THE FY 2012-13

CASE NO. NEPRA/TRF/216/IESCO-2012

PETITIONER

Islamabad Electric Supply Company Limited (IESCO), Street No. 40, G-7/4, Islamabad.

INTERVENER

The Network for Consumer Protection, Flat No. 5, 40-A, Ramzan Plaza, G-9 Markaz, Islamabad.

COMMENTATORS

1. Mian Aftab Ahmed, Aftab Motors, Sadiqabad Chowk, Talagang District Chakwal
2. Syed Sharafat Hussain Shah, Power Consultant, Cost Management Cell, PTCL, HQ, Islamabad.

REPRESENTATION

1. Mr. Javed Pervez: Chief Executive Officer
2. Najam Javaid, Finance Director
3. Mr. Abdul Wahid, Customer Services Director
4. Raja Saeed Ahmed, Chief Engineer / Technical Director
5. Khalid Masood, Additional DG (IT)
6. M. Naeem Aslam, Company Secretary
7. Haidermota & Co, Legal Consultants

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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
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DM	Distribution Margin
FY	Financial Year
FBR	Federal Board of Revenue
GOP	Government of Pakistan
MoWP	Ministry of Water and Power
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PEPCO	Pakistan Electric Power Company
PPP	Power Purchase Price
PYA	Prior Year Adjustment
RAB	Regulatory Asset Base
RORB	Return on Rate Base
SRO	Statutory Regulatory Order
T&D	Transmission and Distribution
TOU	Time of Use
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month

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

14.03.2013

(Khawaja Muhammad Naeem)
Member

18/3/2013

(Habibullah Khiji)
Member

My additional note is attached-

18/3/13

(Maj (Rtd) Haroon Rashid
Member

26.03.13

(Shaukat Ali Kundi)
~~Vice~~ Chairman

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27.3.13

ADDITIONAL NOTE OF
MR. SHAUKAT ALI KUNDI, VICE CHAIRMAN
IN THE MATTER OF PETITION FILLED BY ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO) FOR DETERMINATION OF ITS CONSUMER END TARIFF PERTAINING TO THE FY 2012-13

The impact of installing TOU meters on revenue of IESCO has been discussed under issue No.3 and NEPRA has agreed to rationalize the peak and off-peak rates. I feel that the issue demands detailed evaluation of the claim of IESCO that the TOU meters have impacted negatively on its revenue. The reasons and extent of any changes made to peak and off-peak rates have not been explained clearly in the determination. The Authority needs to further provide explanation, clarification on this particular aspect of the determination i.e. issue #3.

Shaukat Ali Kundi
(Shaukat Ali Kundi)
Vice Chairman
26.03.13

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27.3.13

1. Background:

1.1 Islamabad Electric Supply Company (IESCO), hereinafter called "the Petitioner" being a distribution licensee of NEPRA filed tariff Petition for the determination of its consumer-end tariff pertaining to the FY 2012-13 with the following relief:-

a) That the Authority may kindly condone the borrowing undertaken by the Petitioner to clear the CPPA Payables, on the direction of the Federal Government and without the approval of the Authority and that the cost of borrowing may be allowed in the tariff determination.

b) That in the tariff determinations for the FY 2011-2012, the Authority has not allowed Rs. 1,101 million while approving the Return on Rate Base, the plea being submitted that the net worth was negative. The return was instead allowed on normative basis without relating the same to the actual debt to equity ratio. Therefore the Petitioner further prays to the Authority to allow Rs 1,101 Million on account of RORB for the FY 2011-2012 and that the same analogy may be adopted while approving tariff for the FY 2012-2013.

c) That the Authority may allow flexibility to the Petitioner in respect of implementing the post-retirement benefit plan into a separate fund/trust in the manner proposed.

d) That the policy regarding Lifeline Consumer may be revised for the FY 2012-2013.

e) That the tariff increase proposed by the Petitioner for the FY 2012-2013 be approved based on submissions made in the present tariff application.

f) That in the earlier tariff determinations, the Authority has not allowed interest on working capital on normative basis and therefore under the present tariff petition, the Petitioner requests the Authority to allow the interest on working capital as per working attached. Further, the existing provision of allowing interest on actual basis.

g) That the Authority may approve the Fuel Adjustment Charges based on the submission.

h) That the Authority may condone any inadvertent omissions / errors/ rounding off difference / shortcomings submitted in this Tariff Petition

i) That the Authority may consider any other relief, order or direction which it may deem fit in respect of the tariff determination.

2. Proceedings:

2.1 In terms of rule 4 of the Tariff Standards and Procedure Rules 1998 (hereinafter referred to as "Rules"), the petition was admitted on 2nd August , 2012 and in order to arrive at a just

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and informed decision, it was decided to conduct a hearing into the matter on 29th August, 2012. In compliance of the provisions of rule 4(5)(6) of the Rules, notice of admission and hearing along with the title and brief description of the petition was published on 12th August, 2012 in the leading newspapers. In addition, individual notices were also sent to the major stakeholders, whereby comments/replies and filing of intervention petition was desired by any interested/affected person/parties within 7 days of the publication.

2.2 **Filing of reply/intervention request/comments**

2.2.1 In response thereof, an intervention request was filed by The Network for Consumer Protection and comments were received from Aftab Motors and PTCL.

2.3. The Commentator Mian Aftab Ahmed , submitted the that ;

- the Petitioner has proposed 150% increase in tariff of life line consumers .i.e . from Rs. 3 per unit to Rs. 7.5 per unit. For consumers who are using 100 units a month increase if 59% from Rs.8.7 to Rs.13.87 which is totally unjustified. The Authority may disallow tariff increase, as poor consumers are already suffering a lot in terms of low income/salaries.
- The instant petition fails to distinguish between big farmers and small farmers as the proposed percentage increase in tariff for non peak timings (tube well with more than 5kW load) is just 20 % and making the tariff for small and big agriculture consumers same. It was further stated that the same approach was adopted with the industrial consumer , whereby the increase demanded was only 25% with respect to the off peak rates.
- The notion that the low tariff of life line consumers is misused is not correct.
- The Authority is requested to increase the ceiling of life line consumers and be extended to 100 units instead of 50 units. Other O&M costs must also be cut down as the Authority thinks its best.

2.4. The Comments of PTCL are as under ;

- the statement that telecom and cellular companies are getting undue advantages due to TOU meters, is not true considering the fact that their load requirement remains constant through out the day, months and years. The Commentator

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argued that due to aforementioned they cannot avail benefit of only off peak rates and has to use energy at peak rates as well.

- the relief allowed to industrial consumers having sanctioned load up to 25 KW, in terms of waiver of fixed charges and LPF penalties (B-1 TOU) , is not allowed to commercial TOU consumers.
- the claim that the level of T&D losses as 9.52% is the lowest in the country and the gross collection efficiency of 100% for FY 2011-12 is not correct. It is purely based on excessive/over billing to MDI consumers, wrong/bogus reading, high billing against defective meters etc. The Commentator, presented two cases where excessive and wrong billing was made in respect of PTCL Headquarters and F-5 Exchange Islamabad.
- the same relief of eliminating fixed charges and LPF penalties should be allowed to commercial consumers (A-2 (c) , A-2 (b)) and their load limits must be enhanced from 5 KW to 40 KW. It was further stated that in case the Authority feels that the TOU metering needs to be discontinued, it should be valid for all types of consumers and revise NEPRA tariff determination of 26th September, 2008.

2.5 Intervener (TheNetwork for Consumer Protection)

2.5.1 The Intervener submitted that ;

- it understands that energy is an essential commodity and it is the responsibility of the Authority to ensure provision of safe, reliable, efficient, affordable electric power to the electricity consumers and protecting their interests while performing its functions. In order to do so, "the Act" provides opportunities for consumers and other interested parties to participate meaningfully in the tariff approval process. But the consumers being non – technical and laymen on the subject cannot respond to the claims of the Petitioner, as they need to have technical expertise, knowledge, and understanding of all the details. Thus, in order to fulfill its statutory duty, the Authority should, first, educate the consumers about the technicalities of the tariffs and tariff determination process and then proceed in determining the tariffs for the Petitioner.
- the Petitioner claim to have 100% gross collection efficiency of private consumers, it does not provide any details of other consumers e.g. public sector organizations. The Intervener argued that had the Petitioner managed to collect receivables then there would have not been any circular debt issue.
- the Petitioner admitted to have additional borrowing of Rs.4.27 billion without approval of the Authority. The cost of borrowing would be a direct burden on

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consumers and the Authority must ask for the reasons for such borrowing and its negative impact on consumers and disallow this cost.

- the Petitioner requested to allow Rs.1,011 million on account of RORB. The Authority is requested to adopt best practice for determining of RORB and should allow anything without justification.

- Regarding reviewing policy of life line consumers, the Authority is requested not to review the policy as it will hurt poor consumers of course.

- the LPS should not be excluded from the tariff components as one of the reasons of not paying bills by the consumers, on time, is due to the late delivery of the same by the Petitioner. This all ends up in paying of bills with the late payment surcharge. The Intervener submitted that the Petitioner should be asked to revisit its bill delivery process as well as billing due date keeping in view consumers' convenience. Nevertheless, LPS, being a major source of income should not be excluded from tariff components.

- the Petitioner has contended that it has maintained the same target of sale for FY 2012-13 as it was last year. The Petitioner has also claimed that the sale targets were achieved as approved by the Authority for the FY 2011-12. However, it appears that the transmission and distribution losses, which were asked by the Authority to bring down to 9.50% remained above 9.7%. Since the Petitioner has failed to comply with the previous determination of the Authority; therefore, there is no logic to allow any increase in the tariff and the Petitioner may be asked to bring down its T&D losses to the previously determined level. Further, since there is no data available to verify the claims of the Petitioner, therefore, it is submitted that the Authority may direct its own officials to analyze the claim and share the findings with the consumers and general public.

- the Petitioner has not justified the requested increases with respect to the O&M costs. It was submitted by the Intervener that the assessed costs must be valid and justified keeping in view all the inflationary and best market practices.

- the Petitioner intends to install Automatic Meter Reading (AMR) System. This might be helpful in minimizing human factor in meter reading process and therefore helping control corrupt practices. Nevertheless, Intervener would like to know about the future of a huge number of meter-readers employed by the Petitioner. Would they continue their services along with the AMR? Besides, who will bear the cost of new meters?

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- the Authority is requested to dismiss the increase in tariff and the Petitioner may be asked to improve its efficiency.

3. Framing of Issues

3.1 Considering the respective averments made by the petitioner as well as the intervener and commentators, the following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;

- What should be the future tariff methodology in respect of Annual determinations, Quarterly and monthly adjustments.
- Whether the objections raised by the Intervener and Commentators are justified?
- Whether the Petitioner has complied with the directions of the Authority passed in the tariff determination for the FY 2011-12 ?
- Whether the Petitioner's projected purchase and sales units for the FY 2012-13, are reasonable?
- Whether the Petitioner's proposed transmission and distribution losses for the FY 2012-13 are justified?
- What is the planned correlation between the proposed investment and its perceived benefits for the FY 2012-13?
- Whether the projected Power Purchase Cost for the FY 2012-13 is justified?
- Whether the Petitioner's projected O&M cost for the FY 2012-13, is justified?
- Whether the petitioner's proposed depreciation charge for the FY 2012-13 is justified?
- Whether the petitioner's projected Return on Regulatory Asset Base (RORB) for the FY 2012-13 is justified?
- Whether the Petitioner's projected Other Income for the FY2012-13, is justified?
- Whether the petitioner's proposed investment plan for the FY 2012-13 is justified and keeping in view the prospective benefits?
- Whether the request of Petitioner to allow financing cost on the debt allocated to the Petitioner by Power Holding (Pvt) Ltd., for onward payment to CPPA is justified?
- Whether the prior year adjustment calculated by Petitioner is justified?
- What are major changes in the amount of receivables depicted by projected financial statements of the Petitioner?

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4. Hearing:

4.1 The hearing was conducted on 29th August, 2012 at NEPRA Headquarter, Islamabad. During the hearing, the Petitioner was represented by Mr. Javed Pervez, Chief Executive Office along with his financial and technical team. Other stakeholders also participated in the hearing. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under:

5. Issue #1. Future Tariff Methodology with respect to the Annual assessment, Quarterly and monthly adjustments for the FY 2012-13.

5.1 DISCOs current operational and financial cycle emanates over a complete year, whereby;

- lesser revenue generated in winter is compensated by higher revenue generated in the summer of the same financial year;
- changes in generation mix resulting in lower PPP in wet seasons (with greater hydel generation) compensating high PPP in winter (with greater generation reliance on RFO);
- Variation in T&D Losses due to seasonal fluctuation.

5.2 As per the guidelines under Rule 16 of the Tariff Standards and Procedure Rule 1998 the tariff should be predictable. In order to minimize the volatility in consumer-end tariff due to aforementioned reasons, the Authority determines revenue requirement annually. However, certain adjustments like impact of T&D losses not considered at the time of monthly fuel adjustments, variation in capacity transfer price and UoSC, impact of extra or lesser purchases of units to the extent of PPP could be made on quarterly basis. The same rationale and methodology has been adopted while determining the average sale rate of the Petitioner for the FY 2012-13. Thus, following components of tariff would be subject to annual assessment;

- Assessment of T&D losses target.
- Assessment of Sales target.
- Impact of Consumption mix variance.
- Month wise assessment of reference values with respect to PPP (including energy, capacity & transmission charges) for the whole control period.
- Assessment of Distribution Margin, and
- Assessment of Prior period assessment, if any.

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Quarterly Adjustments

5.3 On the basis of annual assessment, the consumer end tariff for the FY 2012-13 would be worked out subject to the quarterly adjustments. Thus, the scope of quarterly adjustments would be limited to;

1. The adjustments pertaining to the capacity and transmission charges;
2. The impact of T&D losses on all the components of PPP;
3. Impact of extra or lesser purchases of units on account of PPP; and
4. Adjustment of Variable O&M as per actual.

Monthly Fuel Adjustments

5.4 The existing practice with respect to the adjustments on account of variations in fuel cost components of PPP on monthly basis would continue. This adjustment reflects in the consumers' monthly bill as Fuel Adjustment Charge.

5.5 The Authority may review these references along with any quarterly adjustment. Further this is clarified that PPP is pass through for all the DISCOs (variable cost) and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GOP. The recovery of fixed cost (DM & PYA) would also be done on the notified regulated sales.

6. Issue # 2: Whether the objections raised by the Intervener and Commentators are justified ?

6.1 The Authority after considering the comments of Mr. Mian Aftab Ahmed , is of the view that although the relief sought is clear in terms of not increasing the tariff of life line and providing relief to small farmers, yet it totally ignores the increasing trend of generation costs and fails to quantify and provide any rationale as to what extent this relief may be provided. The Authority feels that keeping in view the overall enhanced generation costs and the fact that a mechanism of direct subsidy in the shape of Benazir Income Support Programme is already in place, the Petitioner's request that the policy regarding Lifeline Consumer may be revised, is worth exploring.

6.2 The Petitioner requested that the lifeline tariff may be determined as a minimum 50% of the average tariff and the criteria for Lifeline consumers may be stipulated as those consumers having an average consumption of 50 units during the last three months. Consumers which presently fall in the category of Lifeline due to low consumption by

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virtue of non occupancy, metering error etc. in specific months will be barred automatically.

6.3 Here it is pertinent to mention that the Authority while deciding the tariff petition of HESCO and PESCO observed abnormal consumption patterns pertaining to Life line consumers. In view thereof the Authority has decided to take this issue separately and if of the view that all the DISCOs should file their comments on the proposals of the Petitioner along with any technical complications arising thereof.

6.4 As regard the request of off peak rates are concerned the Authority wants to clarify that while setting the tariff design, it has to rationalize the rate off peak rates in accordance with the peak rates. The assessed off peak rates in the current determination are still lower than the average sale rate of the Petitioner. Further, the request of enhancing the life line limit to 100 units is also without any justification as the Commentator has failed to specify the other consumer categories, which would be burdened due to the aforementioned cost.

6.5 The Petitioner during the hearing presented negative billing impact of approximately Rs. 9 million for a month due to cellular's companies constant load demand. The Authority having examined the issue, is of the view that this issue pertains to all the DISCOs and cellular companies. In view thereof, in order to arrive at a just decision in a participatory manner, the Authority has decided to take this matter separately and would decide the issue after hearing the both sides. As regard the issue of over billing is concerned the Authority is of the considered opinion that any intentional or deliberate overbilling is violation of not only licensing terms but also other applicable documents like notified schedules of Tariff, Terms & Conditions for supply of electric power and Consumers Service Manual etc. Accordingly the Petitioner is hereby directed to ensure compliance of all the statutory requirements laid down in the applicable documents

6.6 The concern of TheNetwork for Consumer Protection that since tariff determination process must be proceeded after the technical education of consumers is not valid as all the relevant rules, regulations and standards pertaining to the tariff setting process are publically available on its website. Further, all the consumers are always welcome to get clarification from the Authority on any issue of technical nature concerning them. But the Authority cannot delay the tariff determination process merely on the grounds that an intervener to the petition is non technical and the Authority should stop working until that consumer equips with an undefined level of technical knowledge.

6.7 On the claim of meeting the sales target and simultaneously reporting actual T&D losses of 9.70% for the same period , the Authority wants to clarify that the Petitioner's actual

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T&D losses remained 9.52% against the target of 9.5% . Further , the sales target in absolute terms depends on the actual unit purchases , thus even if the target (in terms of percentage) is not met yet the absolute sales may increase the absolute target of sales.

6.8 On the concern that who would bear the cost of AMR meters, as matter of principle, it is the Petitioner's responsibility because these would appear as an fixed assets in the regulatory asset base (RAB) of the Petitioner on which it would earn return.

6.9 All the other issues of the Intervener are addressed under their relevant heads.

7. Issue # 3. Whether the Petitioner has complied with the directions of the Authority passed in the tariff determination for the FY 2011-12?

7.1 Installation of TOU meters

7.2 The Authority directed the Petitioner to convert all the existing and new consumer categories, including residential consumers having load requirement of 5 kW and above to TOU metering by 31st March, 2012 in its determination pertaining to the FY 2011-12. The petitioner has informed that 100% installation of the TOU meters has been made.

7.3 During the hearing, the Petitioner briefed about the impact of post TOU scenario on revenues. A comparison was presented showing a saving of Rs. 4.125 billion as made by consumers exercising TOU tariff. In view thereof, the Authority while setting the consumer-end tariff pertaining to the FY 2012-13, tried to rationalize the TOU's off peak rates.

7.4 Consumer awareness through Media Campaign and Training of staff

7.4.1 According to the Petitioner the consumer is educated with pamphlets, handouts, print and electronic media about the advantages of TOU meters yet no comprehensive details were provided by with respect to the training of its staff. In view thereof, the Authority again directs the Petitioner to carry out the training sessions of its concerned staff from the manufacturing companies of TOU meters and the consumer awareness campaign must be continued on the back of each consumer bill.

7.4.2 The directions with respect to cost benefit analysis of investments, submission of HR plan, creation of separate fund pertaining to post retirement benefits & recoveries from AJK are discussed under relevant heads.

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8. **Issue # 4: Whether the Petitioner's projected purchase and sales units for the FY 2012-13 is reasonable?**

8.1 The Petitioner estimated the purchase of 8,327 GWhs and sales of 7,537 GWhs for the FY 2012-13. During hearing, the Authority was informed that the actual purchases for the FY2011-12 were based for the aforementioned purchases. Thus, zero growth was assumed for the FY 2012-13.

8.2 The actual purchases during the FY 2011-12, as per actual available record, remained around 8,330 GWhs, showing a negative growth of around 2.00% in terms of purchases.

8.3 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2012-13. On the basis of 3 year's actual trend of purchase of power and prevailing circular debt issue, it is estimated that in the FY 2012-13 the overall system generation will be about 91,293 GWh. After adjusting for the permissible transmission losses of 2.5% about 89,011 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for FY 2012-13, is accordingly assessed as 8,498 GWh as against 8,327 GWh projected by it. After incorporating the T&D losses target for the FY 2012-13 (discussed below) the sales target for the same period worked out as 7,690 GWhs.

9. **Issue # 5: Whether the Petitioner's Proposed Transmission and Distribution Losses for the FY 2012-13 are justified?**

9.1 The Petitioner requested the Authority to set a T&D losses target of 9.50% for the FY 2012-13 against the actual T&D losses of 9.52% pertaining to the FY 2011-12. During the hearing, in order to justify the requested T&D loss target of 9.5%, a data on the subject was presented for the period starting from FY 2007 to FY 2012. The Petitioner advocated its efforts in this regard whereby a decrease from 12.17% to 9.52% in five years was achieved through its effective management of load and investments. Particularly speaking about the actual results of T&D losses for the FY 2011-12, it was briefed that figure of 9.52% would have been higher, had there been no massive load shedding scenario. According to the Petitioner , the reported figure is lower due to lower technical losses which resulted primarily from the lower receipt of units at CPD (compared to last year).

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The Petitioner justified its argument on the basic engineering principle of $I^2 R$, which caused the reduction of technical loss.

9.2 It was further stated that keeping in view last year's consumption recorded on CDP, the units purchased and sold have been projected as 8,330 GWh and 7,537 GWh respectively for the FY 2012-13 and T&D losses are fully justified as 9.5% as the load will remain almost same. The Authority asked the Petitioner about the anticipated benefits and efficiencies of proposed investments of around Rs. 9 billion which it intends to carryout during the same period. The Petitioner responded that the requested investments would enable it to maintain the existing losses level, even if there is increase in load within different segment of distribution network.

9.3 It was further stated in the petition that the Authority is of the view that it can reduce its T&D losses by taking up certain investments in the existing distribution networks , however the Authority has not issued any technical advisory or specific measures which should be taken to reduce T&D losses.

9.4 The Authority after careful consideration of the Petitioner's argument is of the view that it is aware of the fact that the increased load is directly proportional to the losses , yet the Petitioner has failed to substantiate its argument with quantified reconciled impacts, as the Authority is still not clear from the available evidence that how much decreased load contributed in reducing losses and how much investment contributed in maintaining the T&D losses thus preventing from further deterioration. Here it pertinent to mention that the Petitioner vide its letter dated 8th August , 2012, did submit some details with respect to cost benefit analysis of investments, yet this included information up to FY 2010-11 only. The aforementioned letter does mention some savings in terms of GWhs (pre FY 2011-12) as a result of ELR and STG investments. Further, it was observed that the whole argument assumes zero theft in the Petitioner's distribution network and that the potential for improvement is very limited. As far as the concern of not issuing any technical advisory is concerned , the Authority while allowing investments under the head of ELR & STG programmes is very clear that these would eventually result in reduction of T&D losses and that is why the Authority is has consistently asked the Petitioner to substantiate requested investments with its perceived benefits.

9.5 The Authority has always considered the Petitioner as a role model for other DISCOs and expects that the Petitioner would always come up with surprises in terms of efficiencies and good results. In view thereof, directs the Petitioner to carry out a study of existing distribution network from an Independent Consultant which would enable the Petitioner to carryout investments with technical advisories and at the same time it would enable the Petitioner to identify potential areas for the improvements. The TORs of the study should include the study of losses on 132 KV , 11 KV and below and submit the completion timelines by 31st March, 2013. The Authority is aware of the fact that the

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study of losses on LT lines is a huge task and would require greater amount of time, but a study on a reasonable sample of LT lines would clarify the situation in this regard.

9.6 In view of aforementioned, the Authority considers that the Petitioner's target of T&D for the FY 2012-13, may be set lower than last year's target. However, considering its actual performance in this regard and the fact that the Authority wants to encourage the Petitioner to further improve, the Authority has decided to maintain the target of T&D losses for the FY 2012-13 to 9.50 % (.i.e. the previous year's level).

10. Issue # 6. Whether the Petitioner's proposed investments for the FY 2012-13 are justified keeping in view its prospective benefits?

10.1 The Petitioner intends to execute its development / investment plan for FY 2012-13 in the areas of development of power (DOP), energy loss-reduction (ELR), secondary transmission and grid (STG), TOU/Smart Meters and others, the amounts provided are as under:

S. No	Particulars	Projected Investment in FY 2012-13
1	Development Of Power (DOP)	800
2	Energy Loss Reduction (ELR)	335
3	Secondary Transmission Grids (STG)	5,443
4	Others	2,500
	Total	**9,078**

10.2 In addition to the above, the Petitioner has indicated that its BOD had approved three year real estate development master plan as per following details. It was further stated that its BOD has advised in this regard that an adequate provision should be made in the tariff petition and the works would prioritize in accordance with the approved budget by the Authority ;

S. No	FINANCIAL YEAR	RUPEES MILLION
1	2012-13	313.290
2	2013-14	453.868
3	2014-15	266.406
	Total	**1,033.640**

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10.3 The Petitioner plans to fund its proposed investments (other than the real estate plan) from the following sources ;

S. No	SOURCE	RUPEES MILLION
1	Financing	4,364
2	PSDP/Own	2,463
3	Consumer Contribution	2,250
	Total	**9,077**

10.4 During the hearing, the Petitioner indicated that the requested real estate plan is primarily for building state of the art customer care centers, which would ensure better customer services for its consumers.

10.5 While deicing the tariff petitions pertaining to the FY 2011-12 , the Authority directed the Petitioner to submit a detailed cost benefit analysis of its investments. In compliance to which it submitted a document dated 8th August, 2012, which is discussed in detail under para 10.4 of this determination. The Authority wants to highlight is that the aforementioned compliance did not include a quantitative reconciliation statement in terms of sales and actual results of T&D losses , both in GWhs. Further, the compliance did not include the data for the FY 2011-12. For the instant tariff petition, although Annex – B of the petition includes some details on the subject of investments yet again, it fails to quantify the perceived benefits of aforementioned investments e.g. correlation between ELR and reduction/maintenance of losses, augmentation and maintenance of transmission lines with STG, DOP with better customer services etc. It appears as if the objective of FORM 27 (B) was not clear to the Petitioner. Despite the aforementioned reasons, the Authority cannot ignore the requirement of investments in order to improve the system. It is to be noted that the purpose of the required information is to monitor the effectiveness of these investments.

10.6 The information provided by the Petitioner revealed that it carried out capital expenditure of Rs. 5,648 million and Rs. 5,915 million during the FY 2010-11 and FY 2011-12 respectively. (during the FY 2011-12, the net actual investments remained around Rs. 5,875 million). The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 3,363 million and Rs. 3,023 million respectively. Thus , net capital investments carried out during the FY 2011-12 through loans and own resources, work out as Rs. 2,852 million.

10.7 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO, hence while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and

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its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. From the past trend it appears that the Petitioner will not be able to make the proposed investment. Accordingly, the Authority considers that the Petitioner would be able to undertake the investment not more than Rs. 7,223 million during the FY 2012-13 (including the impact of consumer contributions of Rs. 3,023 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2012-13(which is desirable), would be catered for in next year's returns.

10.8 On the issue of real estate plan, the Authority is of the view that it is the sole custodian of consumer rights and principally supports any effort of Petitioner which would bring effectiveness in terms of reliable supply of electricity to its consumers and better customer services but the Petitioner's request has not been substantiated with any quantitative benefits of the said plans. i.e. how the development of such real estate would make consumers life easy in terms of consumer complaints or better customer service etc. In view thereof , the Authority considers that the Petitioner may think of re submitting its case again along with a concrete and comprehensive quantitative results.

11. Issue # 7: Whether the Prior Year Adjustment requested by the Petitioner is justified?

11.1 The Petitioner has requested a prior year adjustment amounting to Rs. 10,093 million. The same has been worked out on the following basis:-

S. No	DESCRIPTION	RUPEES MILLION
1	Impact of late notification	3,196
2	FPA impact (Domestic < 350 units)	2,463
3	Quarterly adjustments	1,949
4	DM adjustment	347
5	RORB 2011-12	1,101
	Total	**10,093**

11.2 The Petitioner's request for allowing Rs. 1,101 million return is addressed under the head of RORB. The rest of the prior period adjustment is given as under;

		Rs. Million
	Notified reference PPP during the FY 2011-12.	65,960
	Assessed Distribution Margin for the FY 2011-12	6,713
	Assessed PYA for the FY 2011-12	146
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2011-12	2,543
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2011-12	431

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Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2011-12	(127)
Add;	4th Qrt's PPP adjustment pertaining to the FY 2011-12	(969)
Less ;	Regulated PPP recovery on notified rates during the FY 2011-12	63,734
Less;	Regulated DM recovery on notified rates during FY 2011-12	6,145
Less;	Regulated PYA recovery on notified rates during FY 2011-12	(1,386)
Add;	Net impact of assessed & actual Other Income for the FY 2011-12	41
Add;	Impact of Consumer – Mix Variance for the FY 2011-12	2,450
Total Unrecovered Costs for the FY 2011-12		**8,495**

11.3 Here it is pertinent to mention that the Petitioner's working of consumer mix variance included a negative revenue adjustment amounting to Rs. 1,213 million. The Petitioner attributed this adjustment primarily due to changing its billing batches. The Authority is of the view that simply changing batches cannot result in negative revenue adjustment. Further, even if it is year-end accrual accounting adjustment, logically speaking, it should be negative as Petitioner's average sale rate on 30th June, 2012 was greater than the average sale rate on 30th June, 2011. Moreover, the Authority's calculated consumer mix variance is a quantitative variance which may not be affected by a "pure" accounting adjustment. In view thereof and in the context of concerns raised by PTCL, the Authority directs the Petitioner to get the aforementioned issue clarified by the Auditor of its company. The clarification must identify any system constraints or any possibility of excessive billing, particularly with respect to last year's accrual adjustment. The current assessment of Rs. 2,450 million pertaining to consumer mix variance is without the amount of Rs. 1,213 million.

11.4 A number of petitions filed against but fuel adjustments were filed and are still pending adjudication before Lahore High Court. During the course of hearing on 22nd December, 2011, a statement was made by the learned Counsel of Government of Pakistan, Khawaja Tariq Rahim that the respondents will not debit the fuel adjustment charges on domestic consumer's up to the extent of 350 units. If this cost is calculated on regulated targets and with only last slab benefit to residential consumers, this cost works out around Rs. 3,843 million (excluding lifeline). Keeping in view, the statement of the Counsel of Government of Pakistan on the matter, the owner of the Companies, i.e., Federal Government if does not wish to collect a certain amount from a particular category of consumers, then the difference in recovery should be borne by the Owner itself. It is also a matter of record that the proceedings in which the above referred statement was made by the learned Counsel for Government has since been concluded vide judgment dated 28.1.2013 passed by the Honorable Lahore High Court Lahore in case No. 26524/11. Regarding the referred statement and the recovery of fuel adjustments from the consumers consuming 350 units, the observations of the Honorable Lahore High Court are as under:-

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"Learned Counsel for respondent No.2 has made the statement at the preliminary hearing of connected W.P.No.23097/2011 when on 22.12.2011 the restraining order was modified on his statement that respondents will not debit the fuel adjustment price to the domestic users of 350 Units per month and this court confirmed the restraining order to the extent of 350 Units Per month but now learned counsel shown respondents inability to continue with the said concession, however If this court will suggest in its advisory jurisdiction to Federal Government for allowing concession to users of 350 Units, the Federal Government is ready to consider the same. As the right to get the electricity is the fundamental right of every citizen of Pakistan. Pakistan is democratic Islamic state and a truly Islamic state is therefore is a truly welfare state who is guardian and protector of its citizens in need, hence in the above circumstances it is declared that the respondents are not entitled to recover Fuel adjustment charges from the domestic users of 350 Units per months".

11.5 In view of aforementioned, the difference of 300 units (as 50 units life line consumer is already not affected by the monthly FPA) is not incorporated in the calculation of PYA and must be claimed by the Petitioner ,separately from the GOP in the form of subsidy.

12. **Issue # 8. Whether the Petitioner's O&M Cost (e.g. Salaries & wages, repair & maintenance, traveling expenses, vehicle maintenance & miscellaneous expenses) projected for FY 2012-13 is justified?**

12.1 The Petitioner requested an amount of Rs. 7,516 million for the FY 2012-13, under the head of O&M expenses. It has been stated that the Petitioner's O&M expenses include salary and other benefits, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided as here under:

Rs. Million

Description	2008 Audited	2009 Audited	2010 Audited	2011 Audited	2012 Audited	2013 Requested
Salaries & Other Benefits	2,412	2,569	2,928	3,927	4,788	5,871
Maintenance Expenses	436	439	408	466	525	565
Traveling Expenses	82	97	109	136	157	230
Vehicle Running Expenses	135	204	241	226	276	357
Other Expenses	235	366	363	353	382	493
Total	**3,300**	**3,675**	**4,049**	**5,108**	**6,128**	**7,516**

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12.2 Salaries, Wages & Other Benefits:

12.2.1 The Petitioner has requested an amount of Rs. 5,871 million pertaining to the FY 2012-13 under the head of Salaries, Wages and Retirement Benefits. The requested amount includes Rs. 3,813 million for salaries and wages and Rs.2,058 million for post retirement benefits.

12.2.2 According to the Petitioner the GOP during the FY 2012-13, increased payroll cost as 20%. This in turn affects all allied expenses/benefits such as dearness allowance, overtime, leave with pay, pension and gratuity etc. In addition to the foregoing, there has been significant increase in the conveyance allowances and travelling allowance. The Petitioner also submitted to recruit 821 additional employees. The Petitioner, in its petition justified requested additional recruitments on the basis of increase in consumers , staff required for newly created circles and grid stations. Additional staff was also requested with respect to stores. During the hearing, it was stated that during the period of FY 2008-12, 1,068 employees has retired. It was further stated that since it is striving to ensure an efficient, coordinated and economical distribution system and to build, maintain and operate the systematically to combat the increasing load growth, it will be employing a highly skilled and technically proficient team to manage all aspects of the distribution of power to ensure that all key commercial interests of all stakeholders are maintained, protected and prioritized.

12.2.3 The Authority while deciding the tariff petition pertaining to the FY 2011-12, directed the Petitioner to submit a comprehensive recruitment plan based on best utility practices. The Petitioner has been submitting HR plans without justifying the corresponding benefits. The Petitioner justifies these new recruitments as replacement hiring. If that is the case, then replacement hiring should not increase the overall cost, rather it should decrease. Further, the Authority has been disallowing new recruitments and asked the Petitioner to justify the need of these posts as most of the new recruits were non-professionals. Irrespective of aforementioned, the Authority is cognizant of the fact that the Petitioner's work force is retiring each year and if their replacements are not made, Petitioner would not be able to work efficiently and effectively. In view thereof, the Authority has decided to allow only replacement hiring, whereby a employee is hired in lieu of a retiring employee. In this particular scenario no additional / incremental cost could be incurred by the Petitioner. The Petitioner intimated the Authority that as on 30th June, 2012, the financial impact of additional recruitments carried out during FY 2009-10 and onwards is Rs. 665 million. The Authority directs the Petitioner to get the reported figure verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner certifying that the recruitment is done as replacement hiring with no

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additional/incremental cost impact. Any other additional recruitment may be linked with the comprehensive recruitment plan which would link the additional work, quantified benefits and would base on best utility practices.

12.2.4 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, the Authority in its determination pertaining to the FY 2011-12, directed the Petitioner to create a separate fund in this regard before 30th June 2012, which is allowed by IAS - 19. Creation of funds would ensure that the Petitioner records it liability more prudently as the funds would be transferred to 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. During the hearing the Petitioner was asked about the compliance of the said direction. In response it assured that they have already undertaken the process and soon a separate independent fund would be created. The Petitioner vide letter IESCO/FDI/CPC/6456 dated 4th January, 2013 has informed the Authority that it got its pension fund registered with the concerned Authorities. In view thereof, the Authority has decided to take actual payments for the FY 2011-12, as reference for requested increase pertaining to the FY 2012-13, instead of provision for post retirement benefits. For future assessments, the amount transferred into the fund would be allowed by the Authority on actual basis.

12.2.5 LESCO in its petition pertaining to the FY 2011-12, raised the issue of retired WAPDA employees before 1998 is concerned, the Authority in its determination dated Jan 10, 2012, decided to hold separate meeting on the subject whereby the arguments of the Petitioner and WAPDA could be heard in light of available evidences. Pursuant to which a presentation on the subject was given by the Petitioner on 30th May, 2012 and WAPDA's point of view was also heard separately. Subsequently, a final meeting on the subject was held on 22nd January, 2013. The following concluding and implementations points were emerged out of a long brain storming session;

- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.
- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directs the WAPDA and Other (including Petitioner) to come

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up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

12.2.6 As per the information provided by the Petitioner, it could be observed that during the FY 2011-12 the actual salaries, wages and Other benefits(excluding post retirement benefits) increased by Rs. 787 million; indicating an overall increase of about 26% from the audited figure of the FY 2010-11. This increase is substantial when compared with other DISCOs. The Authority is cognizant of the fact that one of the reasons for this was the increase in the salaries of Govt. employees announced by GOP. While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above) , the GOP's recent announcement of 20% increase as adhoc allowance, increase in post retirement benefits on actual payments, increase in conveyance allowance , 5% annual increment along with its effect on other benefits has been accounted for. Here it is pertinent to mention that the base expense taken excludes the impact of additional recruitments of Rs. 665 million as reported by the Petitioner. The GOP's recent increase with respect to the post retirement benefits has been taken on actual payments, in this regard, during the FY 2011-12.

12.2.7 Based on the discussion made in the preceding paragraphs, incorporating GOPs recent increases and annual assessments of salaries & wages for the FY 2012-13 of other DISCOs, the Authority has assessed Rs. 4,292 million on account of salaries, wages and other benefits for the FY 2012-13.

12.3 Maintenance Expenses:

12.3.1 The Petitioner requested Rs. 565 million on account of repair and maintenance for the FY 2012-13. The actual cost on this account remained around Rs. 525 million for the FY2011-12. This turned out to be 13% higher than the audited figure of the FY 2010-11. The Petitioner has justified the requested cost on account of growth in consumer base; no further rationale or evidences has been provided by the Petitioner in order to substantiate its claim.

12.3.1 The Petitioner's request has not been duly supported with the verifiable documentary evidence without which the authenticity of the claim cannot be substantiated. It is however fact that the repair & maintenance cost is not only affected by the inflation but also with the variation in the gross assets in operation due to addition of new consumers in the system and new investments.

12.3.2 If the Petitioner's request is examined on the basis of its past trend, the requested amount of Rs. 565 million appears to be on higher side therefore needs to be rationalized. Keeping in view, past trend and comparison with other DISCOs, the repair and maintenance cost of Rs. 495 million has been assessed for the FY 2012-13 in the instant case.

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12.4 Traveling Expenses

12.4.1 The Petitioner requested an amount of Rs 230 million on account of travelling expenses for the FY 2012-13. The actual cost on this account during the FY2011-12 remained around Rs. 157 million against the Authority's assessed cost of Rs. 136 million for the same period.

12.4.2 This is a matter of record that the GOP enhanced the daily rates both (special & normal) for the employees from grade 1-16, by an average of 90% , with effect from 1st July 2010. No increase was granted for the employees from grade 17 and above. Again the same has been raised on 17th August , 2012. This time it has also been increased for all the employees, starting from Grade 1 – 22, whereby the major rate increase is with respect to Grade 17 and above.

12.4.3 The Petitioner while requesting the Rs. 230 million for the FY 2012-13 , has not substantiated its request with any evidence or details of the actual TA claims designation wise, pertaining to the last year to justify its requested increase under this head.

12.4.4 Based on the above discussion, comparison with other DISCOs and Petitioner's actual results after the GOP's increase the Authority has decided to allow this cost to the tune of Rs. 170 million for the FY 2012-13.

12.5 Vehicle Running Expenses

12.5.1 The Petitioner requested Rs. 357 million under the head of Vehicle maintenance for the FY 2012-13. The actual cost on this account remained as Rs. 276 million, for the FY2011-12, which turns out to be 22% higher than the audited figures of the FY 2010-11. As per the Petitioner, the requested amount covers the impact of increase in oil prices. Apart from aforementioned, no further rationale or evidences has been provided by the Petitioner in order to substantiate its requested increase.

12.5.2 The matter of the fact is that the Vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependant on the distribution area of the Petitioner.

12.5.3 In view of the aforementioned arguments, available evidence/information, past trend, increasing fuel prices and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 259 million under the head of vehicle running cost.

12.6 Other Expenses

12.6.1 The Petitioner requested Rs. 493 million for the FY 2012-13, pertaining to the expenses like rent, rates & taxes, power, light and water, bills collection charges, postage, telephone, office supplies, insurance expense, overhead expenses, Auditor's remuneration, NEPRA fee

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and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. No rationale or evidences has been provided by the Petitioner in order to substantiate its claim. The actual Other expenses as per the audited statement for the FY 2011-12 remained as Rs. 382 million.

12.6.2 In view thereof, considering the past trend and comparison with the other DISCOs, it could be observed that the request of the Petitioner on this account is not justified and needs to be rationalized. Hence, the Authority has decided to assess the cost of Rs. 420 million on the account of Other expenses.

13. Issue # 9: Whether the Petitioner's projected Other Income for the FY 2012-13 is justified?

13.1 The Petitioner has projected Rs. 2,274 million as other income for the FY 2012-13. The other income as per the audited accounts for the FY 2011-12 remained as Rs. 2,028 million. According to the information provided, the other income includes amortization of deferred credit, meter and rental income, late payment surcharge profit on bank deposit, sale of scrap, income from non-utility operations and commission on PTV fees and miscellaneous. The Petitioner in its petition, requested the Authority to review its policy with respect to late payment surcharge on the following grounds;

- DISCOs operate on a two month credit period i.e. consumers have the benefit of a sixty days collections period (the Normative Period). During the Normative Period, the Petitioner is settling its liabilities through its working capital whereas LPS is only imposed on the consumers beyond the sixty days. This not only adds a strain on DISCOs in terms of their working capital but also, for the period of delay in payment by the consumers beyond the Normative Period. The Petitioner has to bear additional costs and expenses such as surcharge imposed by CPPA due to late payments by the Petitioner . This cost has neither been claimed by the Petitioner, nor the Authority has allowed it so far.
- LPS cannot be regarded as "other income" i.e. income derived by the Petitioner in the normal course of business, rather it is accrued due to the inefficiency of consumers which can in turn have severe financial implications to the Petitioner's business. By not incorporating the LPS as a necessary component of the tariff, the Petitioner is being subjected to a double penalty.

13.2 In view thereof, the Petitioner reiterates its submissions in this regard and requests the exclusion of LPS from the determination of non-tariff income. Alternatively, the

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Authority may separately allow the financing cost of any outstanding dues (owned to the CPPA) as an expense while determining the consumer end tariff.

13.3 The Authority after careful consideration of the Petitioner's arguments, is of the view that it has mixed up two different concepts i.e. working capital and late payment surcharge. The working capital requirements are discussed under the relevant head, as far as the issue of LPS is concerned, the Authority wants clarify the context that CPPA on various fora agitated that the Authority has been disallowing markup on delayed payments to IPPs, at CPPA level, yet on the other hand late payment surcharge recovered from the consumers is adjusted against the Distribution Margin of DISCO (the same issue as highlighted by the Petitioner) . PEPCO requested to off-set the two markups against each other. The Authority declined the request on the grounds that each company is different legal entity and in the absence of any sale/purchase agreements between CPPA and the DISCO, passing on such cost is legally not sustainable. But considering their contentions valid, the Authority directed CPPA to enter into relevant bilateral agreements no later than 15th March 2011. Subsequently, the Petitioner was again directed to sign the contract not later than 30th June, 2012. But till today no progress has been made so far in this regard.

13.4 The Authority has been deducting Other Income from the Distribution Margin of the Petitioner considering it a non – regulated Income for a DISCO. Since CPPA has not entered into sale/purchase agreement with the DISCOs therefore in the absence of such agreements the Authority is constrained to continue with previous practice. In view thereof, the Authority has decided to assess Rs. 2,274 million as Other Income which also includes late payment surcharge.

13.5 Here it is pertinent to mention that the Authority vide letter NEPRA /TRF-100/401-08 dated 15th January, 2013 , has sought comments of all the stakeholders on a draft Power Sale Agreement submitted by GEPCO . The Petitioner is directed to submit its comments on the said draft at it earliest and directs the Petitioner to sign the PSA by 31st March, 2013.

14. <u>Issue # 10: Whether the request of Petitioner to allow financing cost on the debt allocated to it by Power Holding (Pvt) Ltd., for onward payment to CPPA is justified?</u>

14.1 The Petitioner in its petition and during the hearing submitted that in order to cope up with the circular debt of power sector, Ministry of Finance has arranged a loan of Rs.160 billion, out of which Rs.136 billion has been disbursed by the lending institutions to Power Holding (Pvt.) Ltd. (PHL) for onward payment to CPPA to pay off the obligations towards generation companies and oil companies. Out of this disbursed amount, Rs.4.27 billion have been allocated to the Petitioner. Thus, for the FY 2012-13, the Petitioner had to pay Rs.1,068 million as debt servicing of its share in total loan.

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14.2 The Petitioner during the hearing, cited three major reasons of for the said loan, which are as follows;

a. Court stay on FPA.

b. Late notification of tariff by GOP

c. High power purchase price.

14.3 The Authority has observed that almost all the XWDISCOs have requested to include financing cost in the revenue requirement for the FY 2012-13. As per XWDISCOs, the financing cost pertains to the loan procured on the direction of Federal Government to settle the liabilities towards the CPPA on account of the PPP outstanding payments. Some of the DISCOs while justifying the interest pleaded that it is due to the late determination of FPA by NEPRA. The overall loan amount to Rs. 160 billion, out of which 136 billion has been disbursed by the lending institution to the Power Holding (Pvt) Limited for onward payment to CPPA to pay off the obligations towards generation companies and oil companies.

14.4 Upon the scrutiny of the lending documents, it was revealed that the said loan was allocated to DISCOs on the basis of outstanding CPPA receivables, as on 31st December, 2011.

14.5 The supporting documents and evidences in this regard does not substantiate Petitioner's claim as if the said loan was purely procured with respect to delayed FPA payments, then they could have gone for short – term financing rather than for a period of 7 years . Further, the pertinent question in this regard is, why XWDISCOs were not pushed enough by the Owner of the Company i.e. GOP, to improve their recoveries and regulatory targets? And last but not the least, it is not clear that whether the amount of loan includes any costs which the Authority has been disallowing in the past ? The very arrangement of the loan is also debatable, whereby centrally a loan is procured and then allocated to individual DISCO. Had this been done by individually by each DISCO , the situation should have been much convincing .

14.6 Having said that, this issue highlights DISCO's genuine need for working capital (short – term financing e.g. running finance, local L/Cs etc). The Petitioner, in its petition has requested interest on working capital and also substantiated it with a preliminary working. The Petitioner has also given an option with respect to late payment surcharge (LPS) in lieu of working capital cost. The Authority is of the view that allowing LPS in lieu of cost of working capital would not address the Petitioner's issue and moreover the cost drivers of working capital expense are totally different from the causes of LPS . Although

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overlapping yet, a precise correlation between two cannot be established. Further, the working submitted by the Petitioner totally ignores the timing of CPPA's invoicing to a DISCO. The Authority after careful consideration, has come to a conclusion that the requested figure does not quantifies, its exact working capital needs on which the Authority can adjudicate.

14.7 Based on the discussion above, the Authority has decided to decline Petitioner's request on the present arrangement of loan but at the same time directs all the XWDISCOs (including Petitioner) to file their genuine working capital requirement needs , which may be considered in future.

15. Issue # 11. What are major changes in the amount of receivables depicted by projected financial statements of the Petitioner?

15.1 Although the Authority determines Petitioner's tariff on 100 % recovery basis but since the DISCOs receivables are directly linked to the on going issue of circular debt , the Authority has decided to discuss it in order to highlight the area of potential improvement for the Petitioner and for the sector.

15.2 The Petitioner' audited accounts for the FY 2011-12, indicate Rs. 23,011 million as an overall figure of trade debtor as on 30th June, 2012. Out of these receivables Rs. 815 million worth of receivables are considered doubtful. The amount of Rs. 23,011 million includes Rs.10,076 million receivable from Government of Azad Jummu & Kashmir. The Authority while determining the tariff petition pertaining to the FY 2011-12 directed the Petitioner to take up the recovery of this cost with the GOP. During the hearing , the Petitioner informed the Authority that it has already taken up the issue with the competent Authorities. Note 16.2 of the audited accounts pertaining to the FY 2011-12, also endorses Petitioner's claim in this regard. But despite the aforementioned, nothing tangible has come out, so far. In view thereof, the Authority again directs the Petitioner to expedite its efforts in this regard and report back to the Authority on the recovery of Rs, 10,076 million, not later than 30th June , 2013.

16. Issue # 12. Steel Melter's Association's contention on current fuel price adjustment regime is justified?

16.1 Steel Melters Association approached NEPRA on the subject issue. They contented that they sell their goods in a particular month and accordingly pay their electricity bills in the respective months. Once they do that they consider their transaction close for the

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particular month. The current FPA regime bounds them to pay for a month retrospectively for which their goods were already sold. The Petitioner, in its petition and during the hearing suggested the Authority to consider the following in the existing FPA mechanism;

- Implement a mechanism which allows the "passing through" of the variation in power purchase costs (Fuel Price Adjustment as well as losses adjustment and other costs) over to the consumers regularly on monthly basis; or
- Determine a fixed rate of levy for every kWh consumed towards "Fuel Price Adjustment Account" to not only reflect the full power purchase Price Adjustment, but to also spot purchases required to meet various exigencies. Any short fall/excess at the end of the year can be duly passed on to the consumers.

16.2 The Authority considers that the Petitioner's recommendations with respect to "passing through" of PPP components on monthly basis would result high volatility in Schedule of Tariffs. The Authority adjusts different components of tariff on monthly, quarterly and annual basis, keeping in view their corresponding impact on consumer-end tariff . As far as the levying fixed charge is concerned the Authority considers that implementing it in advance may result in overbilling for a particular consumer and the Authority cannot support a mechanism which eventually ends up in a tool of harassment for consumers.

16.3 After hearing the arguments of SMA the Authority considers that the issue of retrospective recovery of FPA is highly debatable as the normal electricity bills are also paid retrospectively whereby consumers pay their bills of electricity consumption after a month. Here it is pertinent to mention that the existing FPA mechanism ensures that FPA charge is made on a particular month's consumption for that particular connection. The Authority considers that the only judicious way to recover a cost over and above monthly fuel references, is through its retrospective implementation on the particular month's consumption only. However, as per the tariff methodology in vouge, the Authority may review the monthly reference of fuel price adjustment considering any abnormal changes in fuel prices or generation mix. In view thereof, the Authority has decided to revise the references as discussed under the Issue of Power Purchase Price.

17. Issue # 13. Whether the Petitioner's Proposed Revenue Requirement for FY 2012-13 is justified?

17.1 Annual Revenue Requirement comprises of the following:

1. Power Purchase Price
2. Impact of T&D Losses

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3. Distribution Margin
   i) O&M Expenses
   ii) Depreciation, RORB and Other Income
4. Prior Year Adjustment

17.2 For the assessment of annual Revenue Requirement, each of the components of average sale rate is discussed in detail in the succeeding paragraphs.

17.3 Power Purchase Price (PPP)

17.3.1 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs). 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 in its Official Gazette. The Power Purchase Price for FY 2012-13 has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

17.3.2 From all the available sources i.e. hydel, thermal-gas, thermal-oil, nuclear, coal and imports, a total of , 91,293 GWh power is expected to be generated during the FY 2012-13. The estimated/projected source-wise generation and cost of electricity is given in the following table:

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	28,047	30.72%	1,768	0.24%
Coal	66	0.07%	246	0.03%
HSD	1,854	2.03%	39,090	5.40%
Thermal - RFO	31,869	34.91%	533,815	73.80%
Thermal - Gas	23,931	26.21%	134,480	18.59%
Nuclear	4,675	5.12%	5,338	0.74%
Mixed	585	0.64%	6,139	0.85%
Import from Iran	259	0.28%	2,462	0.34%
Wind	8	0.01%	0.0306	0.00%
Total	91,293	100%	**723,340**	100%
		Capacity Charge	**194,233**	

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Total Generation Cost	**917,573**	

17.3.3 Here it is pertinent to mention that the aforementioned Energy charge includes variable O&M charges. But as per the revised tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 35% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is to be 75%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown an increasing trend. During the FY 2011-12, the average RFO price was projected within a range of Rs. 66,723 per metric ton to Rs. 63,000 per metric ton [excluding Sales Tax] , whereby the RFO prices during the CY 2012 have touched a peak of Rs. 78,000 to 79,000 [excluding Sales Tax] per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. For the FY 2012-13, RFO prices have been assumed on an average of Rs. 74,167 per metric ton [excluding Sales Tax] after incorporating the possible determinants of RFO prices. Following the previous generation trend, approximately 2.00% generation is expected to be generated on HSD due to the ongoing shortage of gas supply. The aforementioned generation is assumed in the light of ECC decision in the matter of Sapphire, Halmore, Orient and Saif whereby one turbine of these plants would run on HSD throughout the year. For the FY 2012-13, the HSD prices are being assumed on an average of Rs. 99.23 per liter [excluding Sales Tax]. The gas prices are also revised as per the latest OGRA's notification with a cushion of expected increase.

17.3.4 The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority in its decision dated 9th May, 2012 and its subsequent notification by GOP through SRO .903(I)/2011 , dated 30th September, 2011:

17.3.5 NTDC shall charge the DISCOs formed consequent to the unbundling of WAPDA (termed as XWDISCOs) and KESC, a transfer charge for procuring power from approved generating companies (termed as CPGENCOs) and its delivery to DISCOs for a billing period as under:

XTC = XCTC + XETC

Where:

XTC = Transfer charge to XWDISCOs & KESC

XCTC = Capacity Transfer Charge to XWDISCOs & KESC

XETC = Energy Transfer Charge to XWDISCOs & KESC

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$$XCTC = \frac{CpGenCap + USCF}{XWD}$$

Where:

(i) CPGenCap = the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus the amount of liquidated damages received during the month.

(ii) XWD = the sum of the maximum demand of the XWDISCOs & KESC in kW recorded during a billing period at all the delivery metering points at which power is received by the XWDISCOs & KESC.

(iii) USCF = the fixed charge part of the use of system charges in Rs per kW per month.

$$XETC = \frac{CpGenE\ (Rs)}{XWUs\ (kWh)}$$

Where:

(i) CPGenE = the summation of the variable charge rate (Rs per kWh) approved for each of the CPGenCOs times the energy in kWh procured from the respective CPGENCO during the billing period.

(ii) XWUs = the summation of the energy units (kWh) recorded at the delivery metering point of all the XWDISCOs & KESC during a billing period.

Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses of 2.5%. NTDC 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.

17.3.6 According to the above mechanism Rs. 17,685 million and Rs. 1,688 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2012-13. The overall fixed charges comprising of CpGenCap and USCF in the instant case work out as Rs. 19,374 million, which translate into Rs. 1,029/kW/month or Rs.2.28/kWh.

17.3.7 The annual PPP for the FY 2012-13 in the instant case works out as Rs. 88,070 million. With the projected purchase of 8,498 GWh for the same period the average PPP turns out

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to be as Rs. 10.3641 / kWh (Annex – IV). On the basis of 9.50 % T&D losses, the PPP per kWh is assessed as Rs. 11.45 /kWh.

17.3.8 Considering the timing of the determination the Authority has decided to include quarterly adjustment pertaining to the first two quarters of the FY 2012-13. In the matter of Petitioner the 1st and 2nd quarters PPP adjustment works out as Rs. 1,566 million and Rs. (504) million respectively.

18. Distribution Margin (DM)

18.1 The Petitioner has requested to allow a Distribution Margin of Rs. 11,092 million for the FY 2012-13 which is inclusive of O&M Cost, Depreciation, RORB and Other income. The assessment of O&M Cost and Other Income has been done in the preceding paragraphs. The remaining two items depreciation and RORB are being discussed in the following paragraphs;

19. Depreciation

19.1 The Petitioner in its petition requested a depreciation charge of Rs. 1,549 million for the FY 2012-13 In order to make fair assessment the Authority keeps in view the investment approved by the Authority. After taking into account new investments and the projected amount of gross fixed assets in operation for the FY 2012-13, the Petitioner's request of depreciation appears to be justified. Thus, the Authority has decided to accept its request of Rs. 1,549 million as such.

19.2 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2010-11 & FY2011-12, the Authority has decided to assess amortization of deferred credit to the tune of Rs. 827 million for the FY 2012-13, thus passing on the benefit to this extent to the consumers. Accordingly, the consumers would bear net depreciation of Rs. 722 million .

20. Return on Rate Base (RORB):

20.1 The Petitioner has requested RORB as Rs 4,303 million assuming a Weighted Average Cost of Capital (WACC) of 17.04% and average regulatory asset base of Rs.25,249 million in accordance with the following formula:

RORB = Rate Base x WACC

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20.2 The Petitioner, in its petition has requested that the asset beta used for the WACC calculation should be in line with the local business environment instead of using asset beta of developed markets and the cost of debt should be as per actual or KIBOR + 3.00%. Further , it was submitted that to reconsider the RORB for the FY 2011-12 on the basis of actual Debt Equity ratio rather than optimum Debt: Equity ratio of 80:20 assumed by the Authority in its determination dated 19th January, 2012 on the following grounds;

i. In terms of regulation 3(2) of the NEPRA (Review Procedure) Regulation, 2009, a motion seeking review on any order of the Authority is competent upon "discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record or from any other sufficient reasons". Whilst the debt: equity ration had not been specifically addressed in the original petition, it was by no means as unrelated matter and did in fact affect the composition and final calculation of the RORB figure and hence was directly relevant to the Petitioner's submission in its tariff petition. Rather than Authority viewing it as an additional matter being demanded by the Petitioner, the Authority ought to have given it due consideration based on the Petitioner 's submission that the Authority, by determining a 80:20 debt equity ratio, was wrongly assuming that the Petitioner has negative equity. Thus, the revision pleaded by the Petitioner was with the ambit of the original tariff petition and qualified as "sufficient reason" in accordance with regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009.

ii. In terms of regulation 3(7) of the NEPRA (Review Procedure) Regulation, 2009, the motion for leave for review may be refused by the Authority if it considers that the review would not result in the withdrawal or modification of the order. The Authority respectfully submits that the modification of the RORB would result in the modification of RORB calculation. Moreover, the Authority has an opportunity to review the Review Motion prior to scheduling of the hearing and raise its objections in respect of the same not being relevant. However a pre-admission hearing on above Review Motion was held on February 24, 2012 and then the Authority after hearing the view-point decided to provide an opportunity of hearing to the parties on March 28, 2012. therefore it can be inferred that NEPRA did not have any reservations in regard to the relevance of the RORB submission.

20.3 Based on the afore-stated grounds, the Petitioner prays to the Authority to allow Rs. 1,101 million on account of RORB for the FY 2011-12 and that the same analogy may be adopted in its Tariff Determination for the FY 2012-13.

20.4 The calculation of WACC, as per the Petitioner is set out in the table hereunder:

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Description	2011
Equity	11,936
Debt	3,985
Debt/Equity Ratio : Equity	0.75
Debt/Equity Ratio : Debt	0.25
Cost of Debt (Post Tax)	8.61%
Cost of Equity	19.86%
WACC	17.04%

20.5 The Authority has carefully considered the arguments of the Petitioner and is of the view that the Petitioner, while requesting to use a localized asset beta for the calculation of WACC has itself not specifically mentioned any localized asset beta along with the comparison with the international asset beta, which would establish the difference between two. The Authority uses the international asset beta as the very nature of the same is industry specific and for the sake of argument even if these two are viewed as different from one another, yet the difference would be minimal due to its industry specific nature. As far as the request of using actual KIBOR + 300 or actual cost is concerned , the Petitioner should be aware of the fact that now State Bank of Pakistan changes discount rate more frequently and the Authority while calculates WACC keeping in view the whole year's scenario . If the Petitioner' request in this regard is accepted then it would result in fluctuating RORB during a financial year, which would no longer keep it a fixed return for the Petitioner .

20.6 On the issue of debt equity ratio, the Petitioner has reiterated its stance that it must be allowed RORB based on the actual debt equity ratio for the FY 2011-12 and for the FY 2012-13. The Authority considers that apart from the technical procedural requirements, the rationale for using an optimum capital structure of 80:20 should be clarified. By using the said proportions of debt and equity, the Authority wants to give Petitioner a price signal of growth, diversification of its business, which would eventually benefit its company and its consumers. Here it is pertinent to mention that the cost of debt is always less than the cost of equity by using a higher proportion of equity would result in higher RORB for the Petitioner and would unilaterally burden the consumer for a benefit which must be shared by both. Further, the pertinent question for the Authority in this regard is that whether the RORB allowed on actual debt equity ratio would result in an efficient utilization of available resources? the answer would be in negative. And last but not the least, the Authority has been using the concept of optimum capital structure for all the DISCO, irrespective of the fact that there is a negative or positive equity.

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20.7 As regard the arguments of the Petitioner with respect to the technicalities of procedures are concerned, the Authority is of the view that these are based on self assumed assumptions and the inferences of Petitioner thereof are not justified. Thus , based on aforementioned, the Authority has decided to continue with the same notion of optimum capital structure for the FY 2012-13 and the Petitioner's request with to FY 2011-12 is also disallowed.

20.8 According to Rule 17(3)(iii) of the Tariff Standards and Procedure Rules 1998, tariffs should allow licensee a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service. For reliable supply of electricity the company has to be made viable for which the company should be allowed comparable return of similar business. In the earlier determination the Rate of Return allowed to the investor was the Weighted Average Cost of Capital (WACC) comprising of two components (i) cost of debt & (ii) cost of equity.

20.9 The Authority in its last decision in the matter of Petitioner decided to use post tax rate of return on which would guarantee interest payments and return on the assumed optimum capital structure of 80:20 (Debt ; Equity). For the FY 2012-13, after considering the available record, latest 10 year PIB Bond auction, and current interest rates fluctuations, decided to use the same WACC rate of 10.86% as it used last year. Here it is pertinent to mention that the Authority would reconsider WACC of the Petitioner , once it is felt that the recent KIBOR changes has attained a stabilized position or at least entered into a consolidation phase.

20.10 In the Authority's opinion the Rate of Return should be reasonable enough, sufficient to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public service. The Authority considers that from the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity owner should commensurate with the return on investment of other enterprises having comparable risks. Thus, using Post tax rate of return , the Authority has assessed Rs.2,356 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2011-12 Actual	FY 2012-13 Projected
Opening fixed assets in operation	40,368	46,474
Assets Transferred during the year	6,105	6,544

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Closing Fixed Assets in Operation	**46,474**	**53,018**
Less: Accumulated Depreciation	11,857	13,612
Net Fixed Assets in operation	**34,616**	**39,406**
+ Capital Work in Progress (Closing)	4,835	5,514
Total Fixed Assets	39,451	44,920
Less: Deferred Credit	19,391	21,575
Total	**20,060**	**23,345**
Average Regulatory Assets Base		21,702
Return on Rate Base @ 10.86%		2,356

20.11 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2012-13 has been assessed as per the following details;

1.	Power Purchase Price		Rs. 88,070 Million
	CpGenE	Rs.68,696 Million	
	CpGenCap	Rs.17,685 Million	
	UOSC	Rs. 1,688 Million	
2.	Distribution Margin		Rs. 7,268 Million
	O&M Cost	Rs. 5,637 Million	
	Depreciation	Rs. 1,549 Million	
	RORB	Rs. 2,356 Million	
	Gross DM	Rs. 9,542 Million	
	Less: Other Income	Rs. 2,274 Million	
	Net DM	**Rs.7,268 Million**	
	1st Qrt PPP Adj.	Rs. 1,566Million	
	2nd Qrt PPP Adj.	Rs. (504)Million	
	Total PPP Adjustment		Rs. 1,062 Million
	Prior Year Adjustment		Rs. 8,495 Million
	Total Assessed Revenue Requirement		**Rs.104,895 Million**

20.12 Based on the targeted sales of 7,690 GWh for the FY 2012-13, the Petitioner's average sale rate works out Rs. 13.64/kWh, consisting of Rs.11.45/kWh of adjusted PPP, Rs. 0.95 /kWh of DM. Rs. 0.14/ kWh of quarterly PPP adjustments and Rs.1.10 of prior year adjustment.

16.7 The assessed Revenue Requirement of Rs.104,895 million would be recovered from the

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consumers during the FY2012-13, through the projected sale of 7,690 GWh, as per Annex – II.

21. Summary of Directions

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

- To start study of T&D losses on 132 KV, 11 KV and below and submit the completion timelines by 31st March, 2013.
- To submit Auditor's Report with respect to clarification of negative revenue adjustment of Rs. 1,212 million.
- To get the reported figure of additional recruitments verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact.
- WAPDA and Others (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.
- To submit its comments on draft PSA at its earliest and sign the PSA not later than 31st March, 2013.
- To submit their genuine working capital requirement needs.
- To submit a report on the recovery from GOAJK , not later than 30th June, 2013.

22. ORDER:

22.1 From what has been discussed above, the Authority hereby determines the tariff of the petitioner Company for the Financial Year 2012-13 as under:-

I. Islamabad Electric Supply Company (IESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for IESCO annexed to the determination.

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA.

III. IESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

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i) Where only 132 kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.029)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

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

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

$$UOSC = DM \times \frac{(1-L)}{(1-0.079)} \quad Paisa/kWh$$

Where:

Distribution Margin for FY 2012-13 is set at Rs 0.8447/kWh. 'L' will be the overall percentage loss assessment for the year set at 9.50% or FY 2012-13.

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

V. The Order part, Annex-I, III, IV &V annexed with determination is intimated to the Federal Government, for notification in the official gazette under Section 31(4) of the NEPRA Act.

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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 Cost Component would include Energy Charge without Variable O&M.

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 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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Islamabad Electric Supply Company (IESCO)
Estimated Sales Revenue on the Basis of New Tariff

1

Description	Sales GWh	Sales Mix	Tariff (NEPRA) Fixed Charge Rs./kW/ Month	Tariff (NEPRA) Variable Charge Rs./ kWh	Revenue (as per NEPRA) Fixed Charge Rs.Million	Revenue (as per NEPRA) Variable Charge Rs.Million	Revenue (as per NEPRA) Total Rs. Million
Residential							
Up to 50 Units	271	3 52%		4 00	-	1,082	1,082
For peak load requirement less than 5 kW							
01-100 Units	1127	14 65%		11 00	-	12,398	12,398
101-300 Units	1130	14 69%		15 00	-	16,943	16,943
301-700Units	346	4 50%		17 00	-	5,886	5,886
Above 700 Units	137	1 79%		18 00	-	2,472	2,472
For peak load requirement 5 kW& above	0				-	-	-
Time of Use (TOU) - Peak	63	0 82%		18 00	-	1,134	1,134
Time of Use (TOU) - Off-Peak	287	3 74%		12 50	-	3,593	3,593
Total Residential	**3,361**	**43.70%**			-	**43,508**	**43,508**
Commercial - A2							
For peak load requirement less than 5 kW	295	3 83%		18 00	-	5,304	5,304
For peak load requirement 5 kW & above							
Regular	25	0 32%	400 00	16 00	38	400	437
Time of Use (TOU) - Peak	100	1 30%		18 00	-	1,796	1,796
Time of Use (TOU) - Off-Peak	467	6.08%	400.00	12 50	851	5,842	6,693
Total Commercial	**887**	**11.53%**			**889**	**13,342**	**14,230**
Industrial							
B1	10	0 13%		14 50		140	140
B1 Peak	8	0 10%		18 00	-	139	139
B1 Off Peak	44	0 58%		12 50	-	555	555
B2	29	0 38%	400 00	14 00	38	405	443
B2 - TOU (Peak)	35	0 46%		18 00	-	633	633
B2 - TOU (Off-peak)	284	3 70%	400 00	12 30	416 95	3,498	3,915
B3 - TOU (Peak)	33	0 42%		18 00		586	586
B3 - TOU (Off-peak)	376	4.90%	380 00	12 20	341	4,593	4,934
B4 - TOU (Peak)	95	1 23%		18 00		1,708	1,708
B4 - TOU (Off-peak)	759	9 87%	360 00	12 10	877	9,184	10,061
Total Industrial	**1,673**	**21.759%**			**1,673**	**21,443**	**23,115**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0 00%		15 00	-	2	2
C1(b) Supply at 400 Volts- 5 kW &	21	0 27%	400 00	14 50	21	305	326
Time of Use (TOU) - Peak	11	0 14%		18 00		192	192
Time of Use (TOU) - Off-Peak	47	0 61%	400 00	12 50	57	587	644
C2 Supply at 11 kV	121	1 58%	380 00	14 30	105	1,734	1,839
Time of Use (TOU) - Peak	52	0 67%		18 00		932	932
Time of Use (TOU) - Off-Peak	255	3 31%	380 00	12 30	266	3,132	3,398
C3 Supply above 11 kV	2	0 02%	360 00	14 20	1	23	24
Time of Use (TOU) - Peak	29	0 38%		18 00		530	530
Time of Use (TOU) - Off-Peak	139	1 81%	360 00	12 20	119	1,698	1,816
Total Single Point Supply	**677**	**8.799%**			**569**	**9,135**	**9,704**
Agricultural Tube-wells - Tariff D							
Scarp	12	0 16%		14 50	-	177	177
Agricultual Tube-wells	7	0 09%	200 00	14 00	6	98	105
Time of Use (TOU) - Peak	11	0 14%		18 00	-	198	198
Time of Use (TOU) - Off-Peak	58	0 75%	200 00	12 20	63	708	771
Total Agricultural	**88**	**1.1478%**			**69**	**1,182**	**1,251**
Public Lighting - Tariff G	77	1 00%		15 00	-	1,152	1,152
Tariff H - Residential Colonies attached to industries	4	0.05%		15 00	-	55	55
Tariff K - AJK	923	12.00%	360 00	12 22	591	11,279	11,870
Time of Use (TOU) - Peak	0	0 00%		18 00		5	5
Time of Use (TOU) - Off-Peak	0		360 00	12 20	0	-	0
Tariff K -Rawat Lab	0	0		15 00	0	4	4
Sub-Total	**1,004**	**13.06%**			**592**	**12,495**	**13,086**
Total Revenue	**7,690**	**100.00%**			**3,792**	**101,104**	**104,896**

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SCHEDULE OF ELECTRICITY TARIFFS FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-	11.00	
iii	101 - 300 Units	-	15.00	
iv	301 - 700 Units	-	17.00	
v	Above 700 Units	-	18.00	
b)	For Sanctioned load 5 kW & above	-		
			Peak	Off-Peak
	Time Of Use	-	18.00	12.50

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

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	
a)	For Sanctioned load less than 5 kW		18.00	
b)	For Sanctioned load 5 kW & above	400.00	16.00	
			Peak	Off-Peak
c)	Time Of Use	400.00	18.00	12.50

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

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SCHEDULE OF ELECTRICITY TARIFFS FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		14.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		14.00
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		18.00	12.50
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	18.00	12.30
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	18.00	12.20
B4	For All Loads (at 66,132 kV & above)	360.00	18.00	12.10

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

C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		15.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		14.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		14.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		14.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	18.00	12.50
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	18.00	12.30
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	18.00	12.20

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SCHEDULE OF ELECTRICITY TARIFFS FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		14.50
D-2	Agricultural Tube Wells	200.00		14.00
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	18.00	12.20

Under this tariff, there shall be minimum monthly charges of Rs.350/- 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
E-1(i)	Residential Supply	-	18.00
E-1(ii)	Commercial Supply	-	18.00
E-2	Industrial Supply	-	14.50

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

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

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting	-	15.00

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

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SCHEDULE OF ELECTRICITY TARIFFS FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	15.00

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
1	Azad Jammu & Kashmir (AJK)	360.00	12.22	
			Peak	Off-Peak
	Time Of Use	360.00	18.00	12.20
2	Rawat Lab			15.00

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IESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	856	891	871	700	624	593	546	593	606	598	770	850	8,498

kWh

Fuel Cost Component	7.0622	7.0755	6.2493	7.4924	6.9656	7.8690	9.5849	7.8430	9.9213	9.9751	8.3697	7.5103	**7.8537**
Variable O&M	0.2185	0.2069	0.2024	0.2316	0.2240	0.2461	0.2621	0.2466	0.2512	0.2553	0.2361	0.2208	**0.2305**
CpGenCap	1.8710	1.8706	1.7069	2.0814	2.1140	2.3573	2.5343	2.2512	2.4203	2.0331	2.2215	1.9354	**2.0812**
USCF	0.1751	0.1685	0.1812	0.1920	0.2004	0.2038	0.2088	0.2127	0.2368	0.2027	0.2242	0.2032	**0.1987**
Total PPP in Rs./kWh	**9.3268**	**9.3216**	**8.3399**	**9.9973**	**9.5040**	**10.6762**	**12.5901**	**10.5534**	**12.8295**	**12.4662**	**11.0515**	**9.8698**	**10.3641**

Rs. in Million

Fuel Cost Component	6,043	6,302	5,443	5,243	4,347	4,667	5,236	4,652	6,012	5,961	6,445	6,386	**66,737**
Variable O&M	187	184	176	162	140	146	143	146	152	153	182	188	**1,959**
CpGenCap	1,601	1,666	1,487	1,457	1,319	1,398	1,384	1,335	1,467	1,215	1,711	1,646	**17,685**
USCF	150	150	158	134	125	121	114	126	143	121	173	173	**1,688**
PPP	**7,981**	**8,302**	**7,263**	**6,996**	**5,931**	**6,332**	**6,878**	**6,259**	**7,774**	**7,449**	**8,511**	**8,392**	**88,070**

It is clarified that PPP is pass through for all the DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GOP

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Annex-V

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

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Islamabad Electric Supply Company (IESCO) 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

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

12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).

14. NTDC means the National Transmission and Dispatch Company.

15. CPPA means Central Power Purchasing Agency (CPPA).

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 Surcharge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

PART-II

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

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

   i) Residences,
   ii) Places of worship,
   iii) Approved religious and charitable institutions,
   iv) Government and Semi-Government Offices and institutions,
   v) Government Hospitals and Dispensaries,
   vi) Educational institutions.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1 (a) tariff.

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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 convert to A- 1(b) Tariff.

A-2 COMMERCIAL

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

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

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

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 and also for water pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;

   i) Poultry Farms
   ii) Fish Hatcheries and Breeding Farms and
   iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the

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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.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C SINGLE POINT (SINGLE-METERING) SUPPLY

"Single-Point Supply" for the purpose of this Tariff, means the supply given at one point:

i) To a licensee converted from a bulk supply status (who was procuring power from IESCO as a consumer prior to grant of license to IESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.

ii) To a mix-load consumer not reselling 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 mix-load at a single 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.

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

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of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b) .
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

1. This tariff shall apply to:

   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.

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

3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.

4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1 (a)

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.

D-1 (b)

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1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. 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.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

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. The fixed charges under this Tariff shall be recovered on the basis of sanctioned load in kilowatt as the billing demand and such charges will be applicable even if no energy is consumed during a month.

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

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not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

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

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

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Annex VI

List of Interested / Affected Parties to send the Notices of Admission /Hearing Regarding Tariff Petition filed by Islamabad Electric Supply Co. Ltd. (IESCO) for the Determination of its Consumer-end Tariff Pertaining to the FY 2012-13

A. *Secretaries of various ministries*

1. Secretary
Cabinet Division
Cabinet Secretariat
Islamabad

2. Secretary
Ministry of Industries & Production
'A' Block, Pak Secretariat
Islamabad

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

4. Secretary
Ministry of Finance
'Q' Block, Pak Secretariat
Islamabad

5. Secretary
Ministry of Commerce
A-Block, Pak Secretariat
Islamabad

6. Secretary
Privatization Commission
EAC Building
Islamabad

7. Secretary
Planning and Development Division
'P' Block, Pak Secretariat
Islamabad

8. Secretary
Ministry of Petroleum & Natural Resources
`A` Block, Pak Secretariat
Islamabad

9. Secretary
Irrigation & Power Department
Govt. of Punjab
Near Old Anarkali,
Lahore

10. Director General
National Tariff Commission
Ministry of Commerce
State Life Building No. 5,
Blue Area Islamabad

B. Chambers of Commerce and Industry & General Public

1. President
The Federation of Pakistan
Chamber of Commerce and Industry
Federation House, Main Clifton
Karachi – 5675600

2. Chief Capital Office
The Federation of Pakistan
Chamber of Commerce & Industry
Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.

3. President
Islamabad Chamber of Commerce & Industry
Chamber House, Aiwan-e-Sanat-o-Tijarat Road,
G-8/1, Islamabad

4. President
Senior Citizen Foundation of Pakistan
5-P, Markaz G-7, Sitara Market
Islamabad

5. Chairman
All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A, Lalazar P.O. Box 5446
Moulvi Tamizuddin Khan Road
Karachi

6. SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400

C. Power Companies

1. Chairman
   Pakistan Engineering Council
   Attaturk Avenue (East), G-5/2
   Islamabad

2. Member Power
   WAPDA
   738 – WAPDA House
   Shahra-e-Quaid-e-Azam
   Lahore

3. Managing Director
   Pakistan Electric Power Company (PEPCO)
   721-WAPDA House
   Shahrah-e-Quaid-e-Azam
   Lahore

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

5. Managing Director
   Private Power and Infrastructure Board (PPIB)
   House No. 50, Sector F-7/4
   Nazimuddin Road
   Islamabad

6. President
   Institute of Electrical & Electronics Engineers of Pakistan (IEEEP)
   4 – Lawrence Road
   Lahore

7. President
   The Institute of Engineers Pakistan
   IEP Roundabout Engineering Centre
   Gulberg – III
   Lahroe – 54660

D. Petitioner

1. Chief Executive Officer
   Islamabad Electric Supply Co. Ltd.
   Street # 40, Sector G-7/4,
   Islamabad.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

NOTICE OF ADMISSION / PUBLIC HEARING

PETITION FILED BY ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO) FOR THE DETERMINATION OF ITS CONSUMER-END TARIFF PERTAINING TO THE FY 2012-13

All stakeholders interested affected persons and the general public are notified that Islamabad Electric Supply Company (IESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for the determination of its consumer end tariff pertaining to the FY 2012-13.

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer end tariff pertaining to the Financial Year 2012-13 approval of Distribution Margin @ 1.47 kWh Investment for Rs.9,078 million line losses @ 9.50 % and average sales rate/tariff at Rs 14.10/kWh with the following category wise tariff -

Description	Requested Tariff for the FY 2012-13		NEPRA Determined Tariff Pertaining to the FY 2011-12	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh
Residential A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units per month		7.50		3.00
1-100 Units per month		13.87		8.70
101-300 Units per month		15.30		10.20
301-700 Units per month		19.50		14.30
Above 700 Units per month		22.28		16.50
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) Peak		22.48		15.50
Time of Day (TOU) Off Peak		11.38		9.13
Total Domestic				
Commercial A2				
For peak load requirement less than 5kW		20.63		16.50
For Peak load requirement 5 kW & above				
Regular	460	15.95	400	11.00
Time of Day (TOU) Peak	460	21.75	400	15.00
Time of Day (TOU) Off-Peak	460	11.35	400	9.30
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 volts)		15.44		11.70
B2(a) exceeding 25-500KW (400 volts)	460	13.96	400	10.30
B1(b) upto 25 kW (Peak)		21.08		15.50
B1(b) upto 25 kW (Off-Peak)		11.47		9.10
B2(b) - TOU (Peak) (400 volts)	460	20.07	400	14.30
B2(b) TOU (Off Peak) (400 volts)	460	11.25	400	9.00
B3 TOU (Peak) all loads upto 5000KW (11.33 Kv)	440	19.74	380	14.10
B3 TOU (Off-Peak) all loads upto 5000KW (11.33 Kv)	440	11.13	380	8.90
B4 TOU (Peak) all loads 66/132 kv and above	415	19.46	360	13.90
B4 TOU (Off-Peak) all loads 66/132 kv and above	415	11.00	360	8.90
Total Industrial				
Single Point Supply for further distribution				
C 1(a) For supply at 400/230 Volts less than 5KW		17.50		12.50
C-1(b) 400/230 Volts exceeding 5 KW and up to 500 kW	460	16.10	400	11.50
Time of Day (TOU) C 1(c) Peak	460	20.02	400	14.30
Time of Day (TOU) C 1(c) Off Peak	460	11.25	400	9.00
C 2(a) Supply at 11/33 kV	440	15.82	380	11.30
Time of Day (TOU) C 2(b) Peak	440	19.74	380	14.10
Time of Day (TOU) C 2(b) Off Peak	440	11.13	380	8.90
C-3(a) 66 above kV Load above 5000KW	415	15.54	360	11.10
Time of Day (TOU) C 3(b) Peak	415	19.46	360	13.30
Time of Day (TOU) - C-3(b) Off Peak	415	11.00	360	8.80
Total Single Point Supply for further distribution				
Agricultural Tube wells - Tariff D				
Scarp D-1(a) less than 5 kW		16.24		11.20
Agricultural Tube Well Tariff	230	9.60	200	8.00
Agricultural Tube Well Tariff 5kW & above Peak	230	18.85	200	13.00
Agricultural Tube wells 5kW & above Off Peak	230	9.60	200	8.00
Total Agricultural Tubewell Tariff D				
Public Lighting Tariff -G		19.50		15.00
Housing Colonies Attached to Industrial H		18.20		14.00
AJK Tariff K(a)	360	9.60	360	9.60
Time of Day (TOU) K (b) Peak	360	11.59	360	15.00
Time of Day (TOU) K (b) Off Peak	360	8.41	360	9.00
Rawat Lab		16.10		11.50

2. In terms of rules 6 of NEPRA (Tariff Standards & Procedures) Rules 1998 any interested person who desires to participate in the proceedings may file an intervention request within seven days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence if any in support of the case. In the intervention request the intervener may specifically admit, deny or explain the facts stated in the petition and may also state additional facts which are relevant and necessary for reaching a just and informed decision in the proceedings. The intervention request shall be signed, verified and supported by means of an affidavit in the same manner as in the case of the petition. The intervener shall also serve a copy of the intervention request duly attested as true copy on the petitioner or his authorized representatives and the petitioner may file a rejoinder to the intervention request which shall be filed before the commencement of the hearing.
3. Any person may also file the comments in the matter within 7 days of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.
4. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision the Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date	August 29, 2012 (Wednesday)
Time	10:30 a.m.
Venue	NEPRA main office, G-5/2, Islamabad

All communications should be addressed to

Registrar NEPRA
2nd Floor, OPF Building, Shahrah-e-Jamhuriat, G-5/2, Islamabad. Phone: 051-[illegible]
Fax: 051 921 0215, E mail office@nepra.org.pk

News 12-08-12

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی

نوٹس وصولی درخواست /عوامی سماعت

مالی سال 13-2012 میں صارفین کیلئے ٹیرف کے تعین کیلئے اسلام آباد الیکٹرک سپلائی کمپنی لمیٹڈ (آئیسکو) کی دائر کردہ درخواست

تمام متعلقہ فریقین / متاثرہ افراد اور عوام الناس کو مطلع کیا جاتا ہے کہ اسلام آباد الیکٹرک سپلائی کمپنی لمیٹڈ (آئیسکو) نے مالی سال 13-2012 میں صارفین کیلئے ٹیرف کے تعین کیلئے نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا) کے پاس درخواست دائر کی ہے۔

درخواست کی اہم خصوصیات

1۔ [illegible] 2012-13 [illegible] @1.47/kWh [illegible] 9,078 [illegible] @9.5% [illegible] 14.10 kWh [illegible]

Description	Requested Tariff for the FY 2012-13		NEPRA Determined Tariff Pertaining to the FY 2011-12	
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Time of Day (TOU) K (b) Off Peak	360	6.41	360	9.00
Rawat Lab		16.10		11.50

2۔ [illegible] 1998 [illegible] 6 [illegible]

3۔ [illegible] 7 [illegible]

4۔ تمام متعلقہ فریقین [illegible] فیصلہ کیا ہے

تاریخ	29 اگست 2012 (بدھ)
وقت	10:30 بجے
مقام	نیپرا آفس G-5/2، اسلام آباد

[illegible]

رجسٹرار نیپرا
دوسری منزل، او پی ایف بلڈنگ، شاہراہ جمہوریت، G-5/2، اسلام آباد
فون 051 920 6500، فیکس 051 921 0215، ای میل office@nepra.org.pk

PID(I)734/12

Nawa-e-Waqt 12-08-12

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