



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-336/IESCO-2015/45341-45343

December 12, 2020

Subject: Decision of the Authority in the matter of Request filed by Islamabad Electric Supply Company Ltd. (IESCO) for Adjustment/Indexation of Tariff for the FY 2019-20 under Multi Year Tariff (MYT) [Case # NEPRA/TRF-336/IESCO-2015]


Dear Sir,

Please find enclosed herewith subject Decision of the Authority along with Annexure-II, III, IV & V (45 Pages).

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

3. The Order Part along with revised Annexure-II, III, IV & V attached with this Decision are to be notified in the official Gazette which will replace the already notified Annexure-II, III, IV & V vide SRO 04(I)/2019 dated January 01, 2019.

Enclosure: As above


11/12/20
(Syed Safeer Hussain)

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

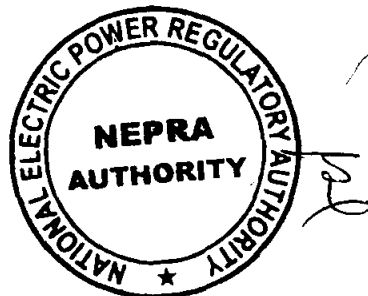
CC:

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

DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST FILED BY ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO) FOR ADJUSTMENT / INDEXATION OF TARIFF FOR THE FY 2019-20 UNDER THE MYT

1. Back Ground

- 1.1. The Authority determined tariff of Islamabad Electric Supply Company Limited (IESCO) (herein referred to as "Petitioner") under Multi Year Tariff (MYT) regime, for a period of five years i.e. from FY 2015-16 to FY 2019-20, vide tariff determination dated February 29, 2016. IESCO, being aggrieved from the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-off vide decision dated May 19, 2016. Subsequently, a reconsideration request u/s 31(4) of the then applicable Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was filed by the Federal Government, which was also decided by the Authority on July 01, 2016 and the decision was intimated to the Federal Government for notification in the official gazette.
- 1.2. IESCO filed a writ petition in Islamabad High Court (IHC) Islamabad against the aforementioned decisions of the Authority. Pursuant to the directions of the Honorable IHC, vide judgment dated June 22, 2017, the tariff of IESCO was re-determined by the Authority on September 18, 2017 and was intimated to the Federal Government for notification in the official gazette. The same was notified by the Federal Government on March 22, 2018.
- 1.3. Pursuant to notification of the tariff, IESCO filed requests for adjustments in tariff components for the FY 2016-17 and FY 2017-18. The Authority, while deciding the requests of IESCO for the FY 2016-17 and FY 2017-18, observed that the MYT of IESCO was determined for a control period of five years i.e. from FY 2015-16 to FY 2019-20, but considering the fact that the said tariff was notified by the Federal Government effective March 22, 2018, therefore, logically the MYT control period of five years should start from March 22, 2018 till March 21, 2023. However, since the efficiency targets were determined for the period starting from the month of July, hence the five years control period would start from July 2018 till June 2023.
- 1.4. Consequently, the Authority assessed the Distribution Margin of IESCO for the FY 2016-17 and FY 2017-18 and the components so determined pertaining to the FY 2017-18 were indexed as per the mechanism prescribed in the MYT determination, to be applicable in FY 2018-19 i.e. from July 2018. It was also decided that the same updated reference components for the FY 2018-19, and would be used as reference for making future adjustments/ indexations during the tariff control period as per the mechanism prescribed in the MYT determinations /redetermination of IESCO. The said tariff was notified by the Federal Government w.e.f. January 01, 2019.
- 1.5. Here it is pertinent to mention that amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, which was published in the official Gazette on 30th April 2018 (the "Amendment Act"), resulting in restructuring of the energy sector. The function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a) of the Amended Act, whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.

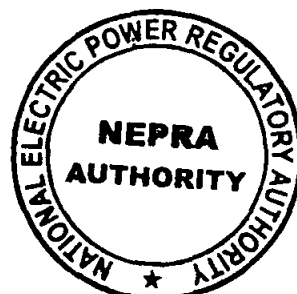


- 1.6. The newly introduced Section 23E of the Act, provides NEPRA with the powers to grant Electric Power Supply License for the supply of electric power.
- 1.7. The Amended Act under proviso to Section 23E(1), provides that the holder of a distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so.
- 1.8. IESCO accordingly, in line with the adjustment mechanism provided in its notified MYT determination, and as per the amended NEPRA Act, filed its request for adjustment/ indexation of different components of its revenue requirement vide addendum dated September 20, 2019, as under;
- 1.9. Further, the Petitioner also provided break-up of its costs for the FY 2018-19 & FY 2019-20, in terms of Distribution and Supply functions vide letter dated October 28, 2019 and February 04, 2020.

Description	Projected FY 2019-20 (Rs. In Mil)
Salaries and Wages	10,954
Post Retirements Benefits	5,410
Other Operating Expenses	3,361
O&M Cost	19,725
Depreciation	5,184
RoRB	5,293
Gross Distribution Margin	30,202
Other Income	(809)
Net Distribution	29,393
Adjustment Pertaining to Previous Periods	19,962
Total amount Requested	49,355

2. Hearing

- 2.1. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.
- 2.2. Hearing in the matter was scheduled to be held on February 13, 2020. An advertisement in this regard were published in newspaper on January 23 & 24, 2020, separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments along-with notice of hearing were also uploaded on NEPRA's Website for information of all concerned.
- 2.3. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;
- Whether the PPP, units to be purchased and sold by IESCO requires revision?
 - Whether the requested adjustments in tariff are in line with the MYT tariff determination and



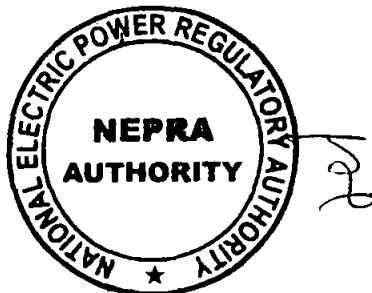
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are justified?

- iii. Whether the requested Previous Period Adjustment is justified?
- iv. What are the basis used by IESCO for bifurcation of its costs into supply and distribution segments, and whether they are justified?
- v. Whether the existing Tariff Terms and Conditions needs to be modified to incorporate concerns raised by various consumers?
- vi. As provided in NEPRA Amendment Act, 2018, IESCO as Distribution Licensee shall be deemed to hold a Supply License also for a period of 5-years. In this regard, IESCO is required to explain its organizational restructuring in respect of the segregation of responsibilities for Distribution Business and Sale Business?
- vii. As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection/reconnection services (on demand of Supplier) are with Distribution Licensee whereas the procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, IESCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?
- viii. Whether the ToU meters installed for the residential & general service consumers can record MDI? Whether the existing fixed charges applicable to different consumer categories are sufficient and whether there shall be any fixed charges for the residential consumers and General Services categories?
- ix. Whether the existing minimum/fixed monthly charges even if no energy is consumed needs to be revised to assist in the recovery of fixed cost?
- x. Whether the IESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?
- xi. Whether IESCO is to be treated as a Supplier of the last resort and whether the tariff of the IESCO or the National uniform tariff is to be treated as last resort tariff?
- xii. Whether the concerns raised commentator if any are justified?
- xiii. Any other issue that may come up during or after the hearing?

3. **Filing of objections/ comments:**

- 3.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Rules. In response thereof, IR has been filed by M/s CM Pak Limited (ZONG). A brief of the concerns raised by M/s CM Pak is as under;
- 3.2. The intervener highlighted issues being faced in terms of provision of electricity, coupled with over billing, deteriorating system and non-cooperative mechanism being adopted with respect to discharge of liabilities by the Petitioner. It was also submitted that provision of electricity connections despite paid demand notes ranges from 100-400 days, whereas, as per the rule 4 of NEPRA Performance Standards (Distribution) Rules, 2005, the time period prescribed for new connections is within 30 to



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55 days. The Intervener accordingly requested the Authority to issue directions to the Petitioner for provision of electricity connection in accordance with law and decide the pending over billing complaints/issues within a specified time in accordance with law.

- 3.3. The Authority observed that the issues highlighted by the Intervener were primarily complaints in nature, therefore, directed the Petitioner, during the hearing, to ensure provision of pending connections without further delay. The Authority also directed the Petitioner to establish a corporate desk to facilitate its corporate clients in terms of provision of electricity and to address the issues of overbilling, if any, on priority basis. The Authority while analyzing the DISCOs performance statistics report published by PEPCO noted that total applications pending for new connections in respect of the Petitioner were 19,675, which include 17,345 domestic, 2,203 commercial, 45 Agriculture, 47 industrial and 35 others applications. The Authority directs the Petitioner to provide electricity connections to all these pending applications without further delay and submit a quarterly progress report in this regard.
- 3.4. APTMA in its written comments dated February 11, 2020 submitted that in calculating the applicability of Fuel Price Adjustment (FPA), the units consumed by export sector who are eligible for 7.5 UScent/kWh may be excluded to ensure there is no short fall in collection or increase in circular debt. The Authority observed that the comments of APTMA are relevant under the Monthly Fuel Charge Adjustment, therefore needs to be discussed during proceeding of Monthly FCAs.
- 3.5. During the hearing, the Petitioner was represented by its CEO along-with its technical and financial teams; On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

4. Directions given to the Petitioner in the MYT Determination

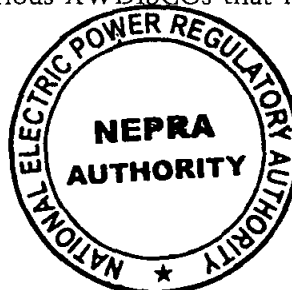
- 4.1. The Authority gave certain directions to the Petitioner in the MYT determination. The Authority understands that periodic monitoring of the directions given by the Authority is absolutely necessary in order to analyze the Petitioner's performance, therefore, the Authority has decided to have a half yearly review of the given directions, instead of discussing the same only during the tariff proceedings. However, the directions which are directly relevant to the tariff determination of the Petitioner are discussed hereunder;
- 4.2. To spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner is further directed to not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.
- 4.3. The Authority in the MYT determination of IESCO for the FY 2015-16 observed that the impact of all the investments may get diluted, if the Petitioner carry out village electrification imprudently as imprudent village electrification may result in overloading and increasing the T&D losses.
- 4.4. In the past, the village electrification was restricted to poles, lines and distribution transformers only. Its impact on the existing grid or strengthening of the grid due to the additional load in the form of village electrification was totally ignored. In view thereof, the Authority directed the Petitioner to spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner was further directed not to undertake any village electrification which would result in



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overloading of its system and the village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.

- 4.5. PEPCO vide letter dated July 01, 2020, directed all the DISCOs to deduct 20% from the SAP funds. This action caused hue and cry amongst the different stakeholders and a meeting of Cabinet was convened on July 07, 2020, wherein it was decided that the practice of deducting 20% from SAP funds should be discontinued.
- 4.6. The same decision was communicated to NEPRA, which was subsequently discussed with the honorable Federal Minister of Energy with respect to its implications to the Sector. The Federal Minister assured that wherever grid augmentation is involved, the Ministry of Energy (Power Division) will ensure these funds to DISCOs to beef up the grid facilities.
- 4.7. The Authority keeping in view the decision of Cabinet dated July 07, 2020 and subsequent assurance by the Honorable Federal Minister of Energy, hereby directs the Petitioner to stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy.
- 4.8. **To finalize the procurement process of HHUs at the earliest and convert the billing process on HHU basis in order to eliminate the inefficiencies and to adopt necessary measures to address problems being faced by the consumers regarding visibility of snap shots appearing on the bills and to keep the record of snap shots till one year.**
- 4.9. In order to protect the interest of consumers in the matter of excessive billing, the Authority while considering the proposals floated by different XWDISCOs, during the proceedings of the tariff determination for the FY 2014-15 tariff determination process; agreed with the proposal submitted by PESCO regarding printing of snapshot of meter reading on the electricity bills of the consumers not only to enhance the level of confidence of the consumers but also to create an effective quality check on the Meter Readers.
- 4.10. In view of the aforementioned proposal regarding printing of snap shot of meter reading on the electricity bills, the Authority also considered the proposal of the Petitioner & MEPCO for allowing the cost of hand held meter reading units and principally decided to allow the cost of the hand held units to the Petitioner and directed it to submit its investment requirements for the implementation of the said plan along with the completion timelines not later than 30th June 2015.
- 4.11. The Petitioner vide its letter No.8085-91/CEVCSD dated August 21, 2015 stated that meter reading has been started with the help of smart phones, whereby the project has been implemented in 83 sub-divisions out of 108 and the rest of sub-divisions will be covered in couple of weeks. Here it is pertinent to mention that the Petitioner in its DIIP included an amount of Rs.155 million on account of cost of HHUs and proposed that for the FY 2015-16 implementation of meter reading will be carried out using both Mobile Phones and HHUs and from FY 2016-17 onward the entire process will be converted on HHUs. The Petitioner however did not provide any details with regard to the total number of HHUs required. The Petitioner was accordingly directed to finalize the procurement of HHUs at the earliest and convert the billing process on HHU basis.
- 4.12. The Authority during the proceedings of tariff petitions of XWDISCOs for the FY 2019-20 noted that XWDISCOs have implemented printing of snap shot on bills through mobile phones meter reading instead of HHUs. It was also explained by various XWDISCOs that mobile meter reading, through

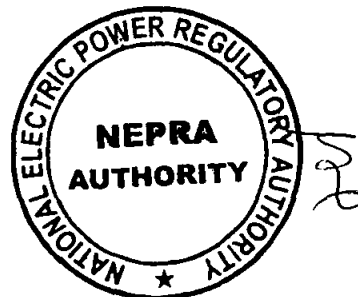


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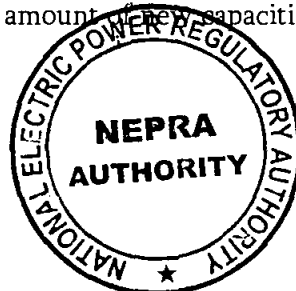
application developed by PITC, is successfully being carried out through Mobiles, and also the cost of mobile phones is much lower than then HHUs. The Authority considers that purpose of the direction was to ensure printing of meter snap shots on consumer bills to eliminate inefficiencies, which as per the submissions made by the Petitioner, are being done through mobile phones and at a lower cost. Thus, the direction of the Authority has been complied with by the Petitioner.

- 4.13. To ensure that in future consumer's deposits are not utilized for any other purpose and to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner.
- 4.14. To provide rationale/justification for the improper utilization of receipt against deposit works and security deposits.
- 4.15. The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.
- 4.16. The Authority during the tariff determination of the Petitioner for the FY 2015-16, noted that the Petitioner has insufficient cash balance as on 30th June 2015 against its pending liability of receipt against deposit works and consumer security deposits, which indicated that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide details in this regard. The Authority is of the view that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers. Also, the amount collected under the head of receipt against deposit works has to be spent for the purpose for which it has been collected. The utilization of the money collected against deposit works and security deposits other than the works for which it has been received is illegal and unlawful. In view thereof, the Petitioner was directed to provide rational / justification for improper utilization of the money because the consumers have to face unnecessary delay for their applied connections.
- 4.17. Similarly for the FY 2018-19, the Authority has again observed that the Petitioner as per audited accounts has insufficient cash balance as on 30th June 2019, against its pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else for which no details have been provided.
- 4.18. Accordingly, the Authority has decided, to include the amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2019-20, after excluding therefrom the cash/bank balances and the amount of stores & Spares available with the Petitioner as on June 30, 2019.
- 4.19. The Authority again directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law may be initiated against the Petitioner. The Petitioner is again directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

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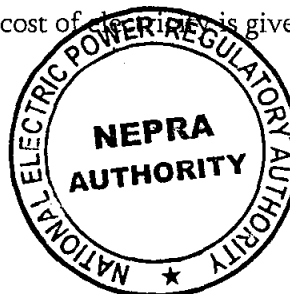
- 4.20. To maintain a proper record of its assets by way of tagging each asset for its proper tracking and to provide an explanation on the concerns raised by the Authority in terms of its R&M cost not later than 30 June, 2016.
- 4.21. The Authority in the MYT tariff determination of the Petitioner observed that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense. The Authority, accordingly, directed the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking.
- 4.22. The Petitioner, however, has not provided any update in this regard, therefore, the Authority again directs the Petitioner to ensure proper tagging of assets so that costs incurred are properly classified as per their nature.
- 4.23. To share the detail of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the FY 2014-15 and FY 2015-16.
- 4.24. The Petitioner has not shared any details with respect to the late payment charges recovered from the consumers and invoices, if any, raised by CPPA (G) under the head of mark-up on delayed payments for the FY 2014-15 and FY 2015-16.
- 4.25. In view thereof, the Authority, again directs the Petitioner to provide the required details of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20, in its next adjustment request.
5. Whether the Power Purchase Price (PPP), units to be purchased and sold by IESCO requires revision?
- 5.1. The Petitioner did not request as such for adjustment on account of PPP or units to be purchased / sold in its request neither discussed the same during the hearing of its adjustment request.
- 5.2. The Authority, observed that variations in the actual Power Purchase Price (PPP) for the FY 2019-20 are already being allowed to the Petitioner through quarterly adjustment mechanism, based on the reference PPP and the level of T&D losses that remained notified during the FY 2019-20 vis a vis the actual PPP billed to the Petitioner by CPPA-G for the FY 2019-20. The adjustment in this regard for the 1st quarter of FY 2019-20 i.e. Jul.-to Sep. 2019 has already been allowed to the Petitioner vide the Authority's decision dated November 26, 2019, and the same has been notified by the Federal Government w.e.f. December 01, 2019. Similarly variation in the PPP for the 2nd and 3rd quarters of FY 2019-20, have also been allowed by the Authority vide decision dated September 24, 2020. The Petitioner would also file its quarterly adjustment request for the last quarter of FY 2019-20 i.e. Apr. to Jun. 2020, in accordance with the notified mechanism, which will be decided by the Authority accordingly. Therefore, for the purpose of instant adjustment request, the PPP of the Petitioner for the FY 2019-20, shall be the PPP that remained notified during the FY 2019-20, and on which the Petitioner is being allowed quarterly adjustments, thus any reassessment of PPP for the FY 2019-20, is not required.
- 5.3. Although, variations in the PPP of the Petitioner are being actualized through quarterly adjustment mechanism, however, the existing PPP references, against which the variations are being allowed, were determined by the Authority keeping in view the FY 2017-18. The Authority understands that these references now require up-dation/ revision as large amount of new capacities e.g. Coal, Nuclear, REs,



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etc. have since been added in the system, and also to cater for the impact of PKR vs US\$ devaluation, change in fuel prices and CPI indexations. This revision of PPP references would minimize the impact of future monthly fuel charges adjustments & quarterly variations and will provide a more predictable tariff to the consumers.

- 5.4. Accordingly, the Authority, by adopting a forward looking approach, has projected the revised PPP references keeping in view the ground realities of the FY 2020-21. For the purpose of determining the new PPP references, the Authority has carried out a detailed exercise by first projecting the total amount of generation that would be required and then estimating the station wise generation. As per the analysis, an increase of around 2.8% has been projected in the generation for the FY 2020-21, over the actual generation made during the FY 2019-20.
- 5.5. Here it is pertinent to mention that for the FY 2018-19, the Authority projected a Generation of around 131,435 GWh keeping in view the Power Market Survey (PMS) Report of NTDC, however, the actual generation, remained at 122,708 GWh i.e. 7% lower than the projected generation of 131,435 GWh. Similarly, during the first eight (08) months of FY 2019-20 i.e. from Jul. 2019 to Feb. 2020, before the impact of COVID-19, the actual generation remained at 81,262 GWh, around 2.08% higher than the actual generation during the same period of FY 2018-19, however, still lower by 2.72% than the Authority's projected generation for the same period i.e. 83,535 GWh.
- 5.6. From March onward till June 2020, with Covid-19 around, the actual generation posted a negative growth of around 6%, as compared to the same period last year, resulting in decrease in overall generation in the FY 2019-20 by around 0.7% i.e. 121,868 GWh as compared to 122,708 GWh during the FY 2018-19, thus neutralized the growth of 2.08% witnessed in the first eight months of the FY 2019-20.
- 5.7. The Authority, however, going forward in the FY 2020-21, expects this trend to be reversed and actual generation may post some growth, considering improvement in the Covid-19 situation and easing out of the lockdown. Accordingly, after taking into all these assumptions, the Authority has estimated that the overall system generation will be around 125,264 GWh, and after adjusting for the NTDC's permissible transmission losses and sale to IPPs, about 121,804 GWh is expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool, is accordingly assessed as 12,096 GWh. After incorporating the T&D losses target of 8.60% allowed for the 2nd year of the MYT control period of the Petitioner, the sales target in the instant case works out as 11,056 GWhs.
- 5.8. As per the existing mechanism all the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA-G) on behalf of DISCOs at the rates as per their Power Purchase Agreements (PPAs) and as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government. Accordingly, the Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly/ biannual PPP adjustment with respect to T&D losses, Capacity and Transmission Charges. Here it is pertinent to mention that while making the quarterly/ biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.
- 5.9. From the available sources i.e. Hydel, Gas, RLNG, RFO, Nuclear, Coal, Solar, Wind, Bagasse and Imports, the estimated/projected generation and cost of the same is given in the following table:

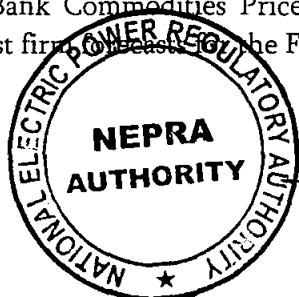


Source	Generation MkWh	Share	EPP Rs. Mln	CPP Rs. Mln	EPP + CPP Rs. Mln	Share	EPP Rs./kWh	CPP Rs./kWh	EPP + CPP Rs./kWh
Hydel	35,263	28.15%	4,266	148,465	152,731	9.94%	0.12	4.21	4.33
RFO	5,330	4.25%	75,327	84,825	160,151	10.43%	14.13	15.92	30.05
Coal	25,524	20.38%	207,492	197,319	404,811	26.36%	8.13	7.73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

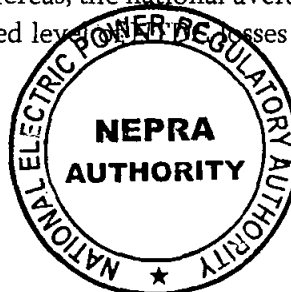
EPP is the Every Purchase Price i.e. Fuel & variable O&M

CPP is the Capacity Purchase price

- 5.10. Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges, however, variable O&M charges are not made part of monthly fuel charges adjustment and are adjusted as part of quarterly / biannual adjustments. As per the above table, around 28.15% of total generation is expected from Hydel sources. RLNG would contribute around 22.22% of total generation, with around 28.24% share in the overall energy cost. Generation from indigenous gas is expected to be around 14% with a cost share of around 13%. Generation from Coal, both local as well as imported, is expected to be around 20.38%, with a share of around 26 % in the overall energy cost. Renewables and Nuclear sources are expected to contribute around 3.5% and 7.12% in the total generation with a cost share of around 5% and 6.5% respectively. Here it is pertinent to mention that with increased generation from RLNG/ Gas, Coal and Nuclear, the share of RFO in total generation and consequently in the overall cost has been limited to only around 4% and 10.4% respectively. Meaning thereby that variation in generation mix and prices of RLNG/ Gas & Coal would have greater impact on the generation cost, thus, ultimately affecting the consumer-end tariff.
- 5.11. Regarding projection of fuel prices, the Authority noted that as per the RLNG price notification issued by OGRA, RLNG prices in Pakistan are benchmarked with Brent Crude Oil Prices. In addition to this price, Port charges, PSO import related actual costs, PSO/ PLL Margin and Terminal Charges etc. are added to the price. The said prices are also adjusted with the Transmission Losses and other miscellaneous costs. Thus, the RLNG prices in Pakistan are not only affected by the international market being linked with prices of crude oil but also by the exchange rate parity.
- 5.12. Therefore, to have a fair projection of RLNG prices, the Authority considered the projections of Brent Crude oil prices projected by various reliable sources i.e. Short Term Energy Outlook published by US Energy Information Administration, World Bank Commodities Price Forecast report, IMF-World Economic Outlook Database and various analyst firms for the FY 2020-21.



- 5.13. Accordingly, the Authority keeping in view the prevailing prices of RLNG, projections of crude oil prices and impact of rupee devaluation, has projected RLNG prices as Rs.1,234/mmbtu.
- 5.14. For indigenous gas, the Authority considering the existing price, is Rs.924/mmbtu inclusive of GIDC, has projected the same as Rs.1,000/mmbtu.
- 5.15. Regarding price of imported coal, the Authority has analyzed the projections made by Argus consulting, and commodity prices forecasts of World Bank. Based on these reports and keeping in view the impact of devaluation of Pak Rupee, the Authority has assessed coal prices of Rs.554/mmbtu, on delivered basis, as reasonable.
- 5.16. For projection of local coal prices for Thar coal, the Authority has considered the coal price determination made by Thar Coal Energy Board (TCEB) for Block-II. As per the TCEB determination, reference tariff determined for the 2nd year includes variable cost of US\$ 17.37 /Ton and fixed cost of US\$ 50.84/Ton. The total reference cost determined by TCEB has been indexed with US CPI and US\$ /PKR exchange rate to work out the projected coal price for the FY 2020-21, which works out at around Rs.1,228/mmbtu. The same has been considered while projecting the PPP references.
- 5.17. For projection of RFO prices, a comparison of actual RFO prices (ex-GST, ex-OMC margin, ex-Import incidental charges) for the period from March 2019 to February 2020, before Covid-19, has been compared with the actual Brent Crude Oil Prices for the same period. As per the comparison, Actual prices of RFO on average remained slightly lower i.e. S\$0.09/gallon than actual Brent Crude Oil Prices.
- 5.18. Accordingly, for making future projections, the impact of negative US\$0.09/gallon has been added in the prices of Brent Crude Oil, projected by US Energy Information Administration in its short term energy outlook report for the FY 2020-21, to project the RFO prices for the FY 2020-21. Afterwards, the same has been enhanced by 8% import incidentals & Inland Freight Equalization Margin, 3.5% of OMC margin and by incorporating therein the impact of exchange rate devaluation, the average RFO price has been worked out as Rs.51,985/MT. By adding therein an average freight of around Rs.2,500/MT, the average RFO prices works out as Rs.54,485/MT. The same has been considered while projecting the PPP references.
- 5.19. The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority. Energy transfer charge shall be calculated on the basis of units delivered after adjusting the transmission loss target allowed to NTDC. 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.
- 5.20. According to the above mechanism, Rs.71,815 million and Rs.3,922 million is the share of the Petitioner on account of CpGenCap and USCF & Market Operator Fee respectively for the FY 2020-21. The overall fixed charges comprising of CpGenCap and USCF & Market Operator Fee in the instant case works out as Rs.75,737 million, which translate into Rs.2,958/kW/month based on projected average monthly MDI of the Petitioner i.e.2,134 MW or Rs.6.26/kWh on units purchased basis.
- 5.21. The annual PPP of the Petitioner for the FY 2020-21 in the instant case works out as Rs.146,132 million. With the projected purchase of 12,096 GWh for the same period, the average PPP of the Petitioner turns out to be as Rs.12.08/kWh (Annex-IV), whereas, the national average determined PPP works out as Rs.12.95/kWh after accounting for the allowed level of losses and sale to IPPs. On the basis

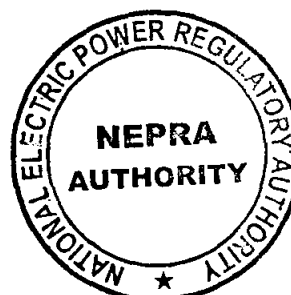


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of allowed level of T&D losses of 8.60% for the Petitioner for the 2nd Year of the MYT, the adjusted PPP of the Petitioner is assessed as Rs.13.22/kWh.

6. What are the basis used by IESCO for bifurcation of its costs into supply and distribution segments, and whether they are justified?
7. As provided in NEPRA Amendment Act, 2018, IESCO as Distribution Licensee shall be deemed to hold a Supply License also for a period of 5-years. In this regard, IESCO is required to explain its organizational restructuring in respect of the segregation of responsibilities for Distribution Business and Sale Business?
8. As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection/reconnection services (on demand of Supplier) are with Distribution Licensee whereas the procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, IESCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?
- 8.1. As per the amended NEPRA Act, 2018, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended whereby 'sale' of electric power has been separated from the scope of Distribution Licenses and is recognized as a separate function under 'Supply Licensee'.
- 8.2. In the light of aforementioned provisions of the Act, the Petitioner was required to bifurcate its costs in terms of Distribution and Supply Function and provide the basis thereof.
- 8.3. The Petitioner during the hearing of its adjustment request provided the following tables for break-up of its costs in terms of supply and distribution functions, however, basis for such bifurcation have not been provided either during the hearing or afterwards.

Description	Distribution Function				Justification
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
	Mln Rs.				
Salaries & Benefits	6,356	7,381	7,760	10,447	Due to enhancement in Pay allowed by GOP, Impact of new recruitment, incremental effect and adoption of various allowed by IESCO BOD and mainly due to inflationary impact.
Post-Retirement Benefits	3,113	3,654	4,349	4,011	
Traveling Costs	268	313	320	353	
Vehicles Maintenance	257	266	299	352	
Other Expenses	812	1,750	1,542	2,207	
Total	13,364	13,364	14,270	17,370	
Description	Supply Function				Justification
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
	Mln Rs.				
Salaries & Benefits	856	1,016	1,023	1,377	Due to enhancement in Pay allowed by GOP, Impact of new recruitment, incremental effect and adoption of various allowed by IESCO BOD and mainly due to inflationary impact.
Post-Retirement Benefits	419	503	573	529	
Traveling Costs	16	20	18	20	
Vehicles Maintenance	17	17	17	20	
Other Expenses	168	331	348	410	
Total	1,477	1,888	1,979	2,355	



- 8.4. As per the above table, around 88% of the total cost has been allocated to the Distribution function and around 12% to Supply segment, however, no basis for the proposed bifurcation has been provided. Moreover, no explanation / proposal for the organizational restructuring in terms of segregation of responsibilities for the distribution business and Supply business, and the mode / manner being developed & followed for appropriate coordination between Distribution licensee and Supply licensee has been shared.
- 8.5. The Authority understands that as per the Amended Act, the Distribution Licensee is responsible to provide distribution service within its territory on a non-discriminatory basis and develop, maintain and publicly make available, with the prior approval of the Authority, an investment program, meaning thereby, that installation/investment, operation, maintenance and controlling of distribution networks, form part of the Distribution License and activities like metering, billing and collection form part of the Supply License.
- 8.6. The Authority believes that after amendments in NEPRA Act, all the Public Sector Distribution companies are required to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions and in order to ensure appropriate coordination between both functions. Hence, keeping in view the fact that it is operational issue and DISCOs are owned by the Federal Government, it would be more appropriate that a centralized restructuring plan at the level of Federal Government is prepared to be implemented by all the public sector DISCOs in order to have a uniformity and consistency in the structure.

9. Whether the requested adjustments in tariff are in line with the MYT tariff determination and are justified?

- 9.1. The Petitioner has been allowed a Multiyear tariff for a control period of 5 years starting from July 2018 till June 2023, wherein a mechanism for adjustment/ indexation of different components of the revenue requirement has been prescribed. The Petitioner accordingly, in line with the prescribed mechanism and as per the amended NEPRA Act, filed its adjustment/ indexation request along-with break-up of costs in terms of Distribution and Supply functions.
- 9.2. A summary of the allowed adjustment/ indexation, as per the mechanism provided in the MYT determination of the Petitioner is as under;

O&M EXPENSE

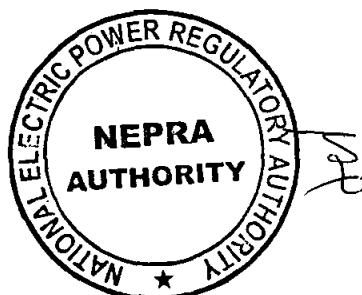
- 9.3. The O&M part of Distribution Margin shall be indexed with CPI subject to adjustment for efficiency gains (X factor). Accordingly the O&M will be indexed every year according to the following formula:

$$O\&M_{(Rev)} = O\&M_{(Ref)} \times [1 + (\Delta CPI - X)]$$

Where:

$O\&M_{(Rev)}$ = Revised O&M Expense for the Current Year

$O\&M_{(Ref)}$ = Reference O&M Expense for the Reference Year



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Δ CPI = Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage.

X = Efficiency factor

Regarding Efficiency Factor, the Authority decided that;

".....keeping in view the Petitioner's request of keeping it at zero% for the first two years, the Authority has decided to implement the same from the 3rd year of the control period.In addition, the Authority in order to save the Petitioner from any negative adjustment on account of O&M cost, has decided that the efficiency factor X, in any year of the control period, should not be greater than 30% of increase in CPI for the relevant control year...."

RORB

9.4. RORB assessment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

Where:

$RORB_{(Rev)}$ = Revised Return on Rate Base for the Current Year

$RORB_{(Ref)}$ = Reference Return on Rate Base for the Reference Year

$RAB_{(Rev)}$ = Revised Rate Base for the Current Year

$RAB_{(Ref)}$ = Reference Rate Base for the Reference Year

DEPRECIATION EXPENSE

9.5. Depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

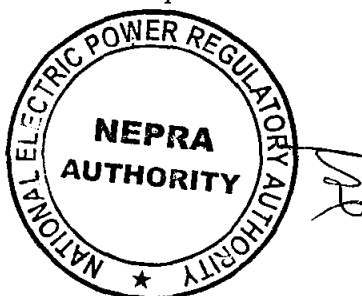
Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year

$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year

$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year

$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for the Reference Year



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OTHER INCOME

- 9.6. Other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + (OI_{(1)} - OI_{(0)})$$

Where:

- $OI_{(Rev)}$ = Revised Other Income for the Current Year
 $OI_{(1)}$ = Actual Other Income as per latest Financial Statements.
 $OI_{(0)}$ = Actual/Assessed Other Income used in the previous year.

Salaries & Wages –Re-determination decision dated Sep. 18, 2017

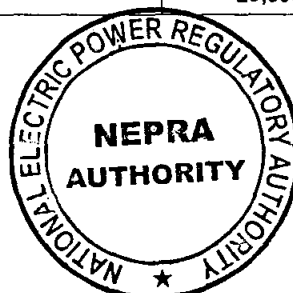
“.....the Authority has decided to allow the impact of increases in salaries & wages, as announced by GOP, in the tariff for the respective year, till the time, IESCO remains in the public sector.....”

Post-Retirement Benefits –Determination decision dated February 29, 2016

“....the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years' average is being allowed including the impact of the employees retired before unbundling of WAPDA.....It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision.....”

- 9.7. The Petitioner has requested an amount of Rs.29,393 million as Revenue Requirement for the FY 2019-20 after incorporating the adjustment as allowed under the MYT determination. The Petitioner has provided the following details in respect of the requested amount;

Rs. In Million	
Distribution Margin	Projected (2019-20)
Salaries and wages	10,954
Post Retirements Benefits	5,410
Other Operating Expenses	3,361
O&M Cost	19,725
Depreciation	5,184
RORB	5,293
Gross Distribution Margin	30,202
Other income	(809)
Net Distribution Margin	29,393



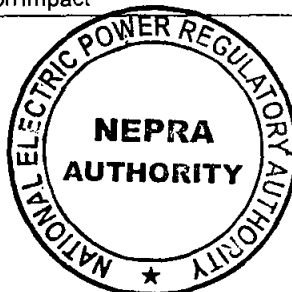
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Salaries and Wages

Salaries and Wages	
Subhead wise detail is as under please:	
Pay & Allowances	= 7,483
Daily Wages	= 61
Employees Benefits	= 3,410
Total	= 10,954
Main Reasons for enhancement : -	
Enhancement of 10% (BPS-1-16) & 5% (BPS-17-20) in Pay & Allowances allowed by GOP.	400
Impact of New Recruitment (4,649 No.)	1,238
Incremental Effect (5-6% of Basic Pay).	225
Due to enhancement of different allowances approved by BOD i.e. Marriage Grant, enhancement in Danger Allowance, healthcare policy as a whole.	675

Post Retirements Benefits, Other Operating Expenses, Depreciation, RoRB and Other Income

02	Post Retirements Benefits	5,410
	Post Retirement Benefit for FY 2018-19 is Rs. 4,696 Million, the projection for FY 2019-20 is Rs. 5,410 Million after incorporating inflationary impact. Balance in Pension Trust Fund as on 31-01-2020 is Rs.1711(M).	
03	Other Operating Expenses	3,361
	Travelling Expenses = 373	
	Vehicle Expenses = 371	
	Repair and Maintenance = 1383	
	Other Expenses = 1234	
	Total = 3361	
04	Depreciation	5,184
	Depreciation for FY 2018-19 is Rs. 4,699 Million, projection for FY 2019-20 Rs. 5,184 (M).	
05	RORB	5,293
	RORB calculated at reference of 11.83% which need adjustment for present three months KIBOR basis as per mechanism determined in Multi Year tariff Para 31.3 Page 66	
06	Other Income based on FY: 2018-19	(809)
	Last payment surcharge is deducted from Other Income. Other income =Rs.2,243 less Late payment surcharge Rs.1,499 = 744 plus inflation impact	



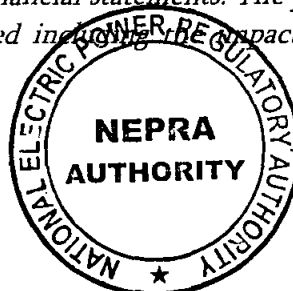
- 9.8. The Authority, as per the mechanisms prescribed in the MYT of the Petitioner, for adjustment / indexation of different components of revenue requirement, and based on the information submitted by the Petitioner, has worked out the following adjustments for the Petitioner for the FY 2019-20;

Description	FY 2019-20			
	Reference Cost FY 2018-19 Rs. Mln	Indexation/Adjustment Basis	Indexation Factor	Indexed /Adjusted Cost FY 2019-20 Rs. Mln
Pay & Allowances	6,973	GoP Increases & Annual Increment	Adhoc relief (BPS 1-16 @ 10% and BPS 17 & Above @ 5%)	7,578
Post Retirement Benefits	4,444	Actual Payment of FY 2018-19 + GoP increases for FY 2019-20	Rs. 1,692 million + 10% Increase	1,861
Repair & Maintenance	1,003	CPI of May 2019	9.11%	1,094
Other O&M Expenses	1,300	CPI of May 2019	9.11%	1,419
Depreciation	2,617	Allowed Investment for FY 2019-20	Rs. 10,090 Million	2,902
RORB	3,223	Allowed Investment for FY 2019-20 + KIBOR of July 2019 & January 2020	Rs. 10,090 Million + (KIBOR 12.97% of July 01, 2019 & 13.56% of January 02, 2020)	4,698
O.Income	(2,190)	As per Mechanism	=(((-2177+2190)-2177)	(2,163)
Margin	17,370			17,389

- 9.9. On the point of allowing cost of additional hiring, the Authority in the MYT of the Petitioner considered that allowing any such cost upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. The Authority decided that it will be in a position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Accordingly, the Authority decided to widen the scope of mid-term review of IESCO's O&M cost by including therein the financial impact of any additional hiring also. The mid-term review would be carried out in case if privatization program is deferred and IESCO remains in the Public sector. In view of the above decision of the Authority the impact of new hiring claimed by the Petitioner has not been accounted for, further the Petitioner is directed to claim the said amount with quantified benefit in its Mid Term Review application.
- 9.10. Here it is pertinent to mention that the Authority, under para 31.25 of the Petitioner's determination dated Feb. 29, 2016, allowed adjustments on account of variation in KIBOR on biannual basis. However, considering the fact that FY 2019-20 has already lapsed and actual KIBOR numbers as of 1st July 2019 and 2nd January 2020 are available, therefore, while allowing the RoRB for the FY 2019-20, the adjustment on account of variation in KIBOR for the FY 2019-20 has been incorporated upfront. Thus, no further adjustment on account of variation in KIBOR for the FY 2019-20 shall be allowed subsequently.
10. **Whether the IESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?**
- 10.1. Regarding Provision for postretirement benefits, the Authority in the MYT determination of the Petitioner decided as follows;

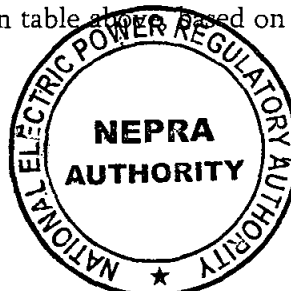
Post-Retirement Benefits - Determination decision dated Feb. 29, 2016

"....the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years' average is being allowed in view of the impact of the employees retired before



unbundling of WAPDA.....It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision....."

- 10.2. The Authority noted that the Petitioner, in its MYT determination was allowed provision for the post-retirement benefits, based on its last three years average provision as per the financial statements for the FY 2012-13, FY 2013-14 and FY 2014-15 amounting to Rs.2,894 million for the FY 2015-16, including the impact of the employees retired before unbundling of WAPDA.
- 10.3. The Authority for the FY 2016-17 & FY 2017-18 decided to allow the Petitioner, provision for postretirement benefits as per its financial statements. Accordingly for the FY 2016-17 the Petitioner was allowed an amount of Rs.3,532 million and for the FY 2017-18 an amount of Rs.4,444 million under the head postretirement benefits including the impact of the employees retired before unbundling of WAPDA, similarly for the FY 2018-19 the Petitioner was allowed an amount of Rs. 4,444 million on account of Post Retirement Benefit. Further, the above allowed figure were subject to the condition that it would deposit the whole amount into separate fund, net off actual payments made during the respective years. The Authority further decided that if the Petitioner fails to transfer the allowed amount of post-retirement benefits into the Fund, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision.
- 10.4. IESCO in its adjustment/indexation request filed in December 3, 2020 stated that it has transferred Rs.330 million in the FY 2018-19 and has a balance of Rs.1,335 million as of December 03, 2020. In addition a specific issue regarding sufficient amount deposited in the Post Retirement Benefit fund in line with the amount allowed by the Authority was framed for the hearing, however, IESCO did not provide any information in this regard during the hearing.
- 10.5. An analysis of the financial statements of the Petitioner for the FY 2015-16, FY 2016-17, FY 2017-18 and FY 2018-19, reveals that it actually made payments on account of postretirement benefits amounting to Rs.6,873 million against the total allowed amount of Rs.15,314 million under the head of post retirement funds for the said period. Further, as per the documentary evidence provided by the Petitioner, it has an amount of Rs.1,335 million available in its Post Retirement fund as of October 29, 2020, including profit of Rs.30.23 million earned on the deposited amount. Thus, the net amount deposited in the fund net of profit earned is Rs.1,305 million, meaning thereby that the Petitioner failed to deposit the balance amount of Rs.7,136 million in the Fund.
- 10.6. In view of the above, the Authority considers that the Petitioner has not complied with the directions of the Authority regarding deposit of available provision for postretirement fund in the Pension Fund account, therefore, the Authority in line with its decision in the MYT of the Petitioner has decided to adjust back the amount of Rs.7,136 million as MYT true up in the total amount of PYA, as the same has not been deposited in the Fund. Accordingly, for the FY 2019-20, the Petitioner is allowed an amount of Rs.1,861 million, as mentioned in table above based on actual payments made during the



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FY 2018-19 after incorporating therein the increases announced by the Federal Government in the Budget of FY 2019-20.

11. **Whether the requested Previous Period Adjustment is justified?**

11.1. The Petitioner has requested Rs.19,962 as Previous Period Adjustment and provided the following details in this regard vide letter dated September 06, 2019;

Detail	2018-19 Rs.in Million
Less Recovery of PPP (3rd & 4th Quarter)	3,409
Annual components FY 2018-19	6,388
Adjustment of advance tax (F/Y 2017-18 & 2018-19)	2,988
Adjustments for FY 2017-18	7,097
Impact of recruitment and retirement FY 2009-13	327
Sales Mix 2018-19	(246)
Total recoverable adjustment	19,962

11.2. The Petitioner regarding Rs.3,409 million as less PPP recovery for the 3rd & 4th quarters of FY 2018-19, submitted the following working;

Summary of IESCO Recoverable Amount F/Y 2018-19

Rs. In Million

1- T&D Losses Impact of FCA

Recovery As per Reference
Actual As per CPPA-G Invoice

1. Capacity Charges

Reference as per XWDISCOs notified tariff	11,420	14,231
Actual As per CPPA-G Invoice	13,212	14,994
Less/(Excess)	1,793	763

2. Use of System Charges

Reference as per XWDISCOs notified tariff	670	944
Actual As per CPPA-G Invoice	795	1,037
Less/(Excess)	125	94

3. Variable O&M Component of Energy Price

Reference as per XWDISCOs notified tariff	679	970
Actual As per CPPA-G Invoice	713	996
Less/(Excess)	34	26

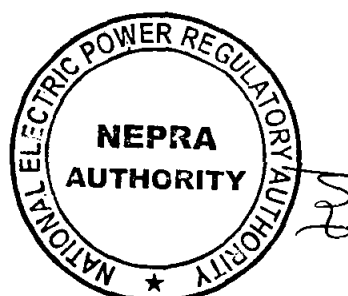
4. Impact of T&D Losses on Monthly FPA

Quarterly Adjustment Recoverable/(Excess)	2,181	1,227
Total recoverable adjustment till 3rd Quarter		2,181

Less/(Excess) recovery of PPP		3,409
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11.3. Regarding, claim of Rs.7,097 million pertaining to the FY 2017-18, the Petitioner submitted the following details;

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Rs. In Mln			
Distribution Margin	Actual	Allowed BY	Difference
2017-18	(Audited)	NEPRA	
Salaries and wages	7,484	6,369	1,115
Post Retirements Benefits	5,072	4,444	628
Other Operating Expenses	2,697	2,210	487
O&M Cost	15,253	13,023	2,230
Depreciation	4,250	2,467	1,783
RORB	4,259	2,471	1,788
Gross Distribution Margin	23,762	17,961	5,801
Other income	(894)	(2,190)	1,296
Net Distribution Margin	22,868	15,771	7,097

- 11.4. For the amount of Rs.6,388 million claimed on account of annual components for the FY 2018-19, the Petitioner submitted the following details;

Distribution Margin	Distribution Cost	Supply Cost	Total F/Y 2018-19 PF	Notified as on 1-01-2019	Difference
Salaries and wages	7,334	554	7,887	6,973	914
Post Retirements Benefits	4,727	261	4,988	4,444	544
Other Operating Expenses	2,355	140	2,496	2,303	193
O&M Cost	14,416	955	15,371	13,720	1,651
Depreciation	4,616	97	4,713	2,617	2,096
RORB	4,177	231	4,408	3,223	1,185
Gross Distribution Margin	23,209	1,283	24,492	19,560	4,933
Other Income	(696)	(39)	(735)	(2,190)	1,455
Net Distribution Margin	22,513	1,245	23,758	17,370	6,388

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

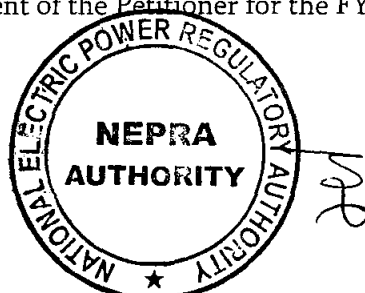
- Difference between the actual PPP billed and the amount recovered by the DISCO.
- Difference between the assessed DM and the amount actually recovered.
- Difference between the previously assessed PYA and the amount actually recovered.
- Difference between actual other income and the amount allowed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

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

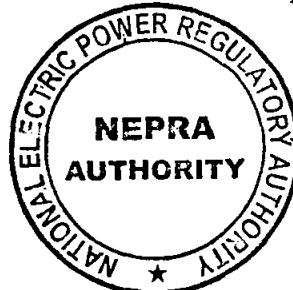
- 11.7. The Authority noted that variation on account of PPP for the 3rd and 4th quarters of FY 2018-19 has already been allowed to the Petitioner vide decision dated September 27, 2019, therefore, the instant request of the Petitioner in this regard does not merit consideration.

- 11.8. For the amount of Rs.7,097 million claimed on account of annual adjustment for the FY 2017-18, the Authority noted that the amount of Distribution margin allowed to the Petitioner for the FY 2017-18 is not subject to adjustment/ actualization, except Other Income, which has been actualized as per the amount appearing in the Audited Financial statement of the Petitioner for the FY 2017-18 inclusive of amortization of deferred credit.

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- 11.9. Regarding claim of Rs.2,988 million as adjustment for advance Tax for the FY 2017-18 and FY 2018-19, the Authority observed that the Petitioner in support of its claimed amount has provided copies of the computerized payment receipt, therefore, the Authority in consistency with its earlier decision i.e. tax payment to be allowed as a pass through cost, has decided to allow the claimed amount of Rs.2,988 million as part of PYA.
- 11.10. Regarding Impact of Rs. 324 million for Recruitment and Retirement for the FY 2009-13, the Petitioner has not provided any justification or details in this regard. The assessment of the Authority for the previous periods for the said head is not subject to any adjustment therefore, considering the matter as a past and closed transaction no adjustment is required in this regard.
- 11.11. For the adjustments claimed for the FY 2018-19, the different components of the allowed Distribution Margin have been adjusted in the instant decision as per the mechanism provided in the MYT determination of the Petitioner.
- 11.12. Here it is also pertinent to mention that the Authority through its interim decision dated September 27, 2019, in the matter of requests filed by Ministry of Energy (MoE) regarding Annual adjustment / indexation of Distribution Margin of DISCOs, allowed an amount of Rs.1,459.5 million as Interim adjustment to the Petitioner, strictly on provisional/ interim basis, subject to its adjustment once the annual adjustments of the Petitioner is finalized by the Authority. The said decision was notified by the Federal Government w.e.f. October 01, 2019 and would continue till September 30, 2020, whereby, the Petitioner has been allowed to recover the said amount through monthly billing as a separate tariff component. In view of thereof and the considering the fact that the Petitioner's adjustment request for the FY 2019-20 is being finalized, the amount of Rs.1,459.5 million allowed on interim basis, has been adjusted back through PYA. Any under recovery of the allowed Interim DM would be adjusted subsequently as PYA.
- 11.13. The Authority in line with its earlier decision in the matter of negative FCA, has calculated the impact of negative FCA pertaining to the FY 2019-20 in the matter of lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers which has been retained by the Petitioner. The Authority also considered the relevant clauses of the S.R.O. 189 (1)/2015 dated March 05, 2015 issued by GoP and the amount of subsidy claims filed by the Petitioner for the FY 2019-20, which shows a net surcharge claim filed by the Petitioner.
- 11.14. After considering all the aforementioned factors, the Authority observed that IESCO has retained an amount of Rs.98 million on account of negative FCA for the FY 2018-19, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with IESCO. Consequently, the amount of Rs.98 million retained by IESCO on account of negative FCA for the FY 2018-19, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers, which is still lying with IESCO has been adjusted back in the PYA. Here it is pertinent to mention that the above figures have been worked on the basis of information provided by the IESCO.
- 11.15. This decision of the Authority is only applicable under a subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff. Here it is pertinent to mention that the above figures have been worked on the basis of information provided by the Petitioner.



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- 11.16. Based on the discussion made in the above paragraphs, the Authority has assessed the following PYA of the Petitioner for the FY 2019-20;

Description	Rs. Mln IESCO
PYA 2017	
Allowed	9,855
Recovered	10,358
Under/(Over) Recovery	<u>(503)</u>
PYA 2018	
Allowed	18,476
Recovered	17,203
Under/(Over) Recovery	<u>1,273</u>
Interim DM Adjusted Back	<u>(1,460)</u>
D.M FY 2018-19	
Allowed	17,369
Recovered	15,516
Under/(Over) Recovery	<u>1,853</u>
Other Income FY 2017-18	
Allowed	(2,190)
Actual	(2,165)
Under/(Over) Recovery	<u>25</u>
Sales Mix Variances	
FY 2017-18	(1,956)
FY 2018-19	(744)
Total	<u>(2,700)</u>
Turn Over/Advance Tax	<u>2,988</u>
Excess Negative FCA	<u>(98)</u>
Total Prior Period Adjustment	<u>1,379</u>

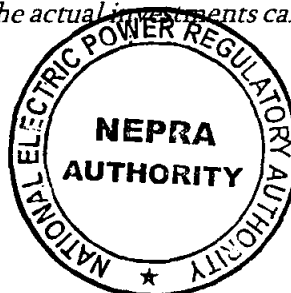
True ups allowed in the MYT

- 11.17. The MYT determination also allows truing up of certain costs allowed to the Petitioner during the tariff control period i.e. Depreciation, Investments and KIBOR + Savings in spread as Prior Year Adjustments, as per the prescribed mechanism as detailed below;

Depreciation

- 11.18. Regarding Depreciation, the MYT determination mentions that;

"Considering the fact that Depreciation expense for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turns out to be different



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from the estimated level, i.e. in case the Petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the Petitioner and vice versa. In view thereof, the Authority has decided to true up the benefit of incremental investments and vice versa each year through the Prior Year Adjustment mechanism.....”

- 11.19. The Authority noted that actual depreciation of the Petitioner for the FY 2018-19, as per the provisional accounts, provided by the Petitioner, remained at around Rs. 2,893 million, against the allowed amount of Rs.2,617 million in the revenue requirement for the FY 2018-19. Accordingly, the additional amount of Rs.277 million, is being allowed to the Petitioner for the FY 2018-19, through PYA.

Investments

- 11.20. Regarding Investments, the MYT determination mentions that;

“Considering the fact that RAB for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turn out to be different from the estimated level i.e. the Petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the Petitioner and vice versa. In view thereof, the Authority has decided to true up the benefit of incremental investments and vice versa each year through the Prior Year Adjustment mechanism.....”

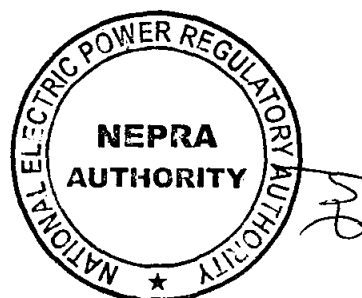
KIBOR and Spread Variations –Determination decision dated February 29, 2016

“.....the Authority has decided to cover the risk of floating KIBOR, thus, any fluctuation in the reference KIBOR would be adjusted biannually....”

“.....If the Petitioner manages to negotiate a loan below 2.75% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.75%, the additional cost would be borne by the Petitioner.....”

- 11.21. The Authority noted that the Petitioner was allowed an RoRB of Rs.3,223 million, based on projected investment of Rs. 11,918 million for the FY 2018-19, whereas, as per the provisional accounts, provided by the Petitioner, its actual investment for the FY 2018-19 has remained around Rs.10,259 million. Further, for the purpose of calculation of cost of debt component of WACC, the Authority used the KIBOR of 7.01% for the entire FY 2018-19, whereas the actual KIBOR remained at 6.93% and 10.55 % as of July 03, 2018 and January 02, 2019 respectively.
- 11.22. Regarding adjustment of spread on KIBOR, since all the loans as per the Audited financial statement of the Petitioner for the FY 2018-19 are re-lent loans therefore issue of adjustment on account of variation in spread over KIBOR does not arise.
- 11.23. In view thereof and as per the true up mechanism provided in the MYT, the RoRB of the Petitioner needs to be revised for the FY 2018-19, for variations in KIBOR and actual investments made by the Petitioner during the FY 2018-19.

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- 11.24. Accordingly, the RoRB of the Petitioner for the FY 2018-19, after taking into account the actual investments made and impact of variations in KIBOR, has been reworked as Rs.3,221 million. The difference of Rs.2 million between the already allowed RoRB of Rs.3,223 million, and the revised amount of Rs.3,221 million has been adjusted in the PYA.
- 11.25. Based on the discussion made in the above paragraphs, the Authority has assessed the following true-ups of the Petitioner for the FY 2018-19;

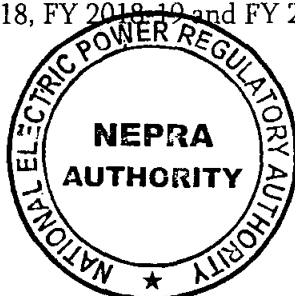
MYT True Ups - FY 2018-19		Rs. Mln
		IESCO
Provision for Post Retirement Benefit		
Allowed		15,314
Recovered		
Benefit Paid		6,873
Transferred to Account		1,305
Under/(Over) Recovery		<u>(7,136)</u>
Depreciation		
Allowed		2,617
Actual		2,893
Under/(Over) Recovery		<u>277</u>
RoRB (Investment & KIBOR)		
Allowed		3,223
Actual		3,222
Under/(Over) Recovery		<u>(2)</u>
Total MYT True Ups		<u><u>(6,861)</u></u>

- 11.26. Based on the discussions made in the preceding paragraphs, the total PYA of the Petitioner including true up of costs allowed under the MYT has been worked out as under;

		Rs. Mln
Description		IESCO
Total Prior Period Adjustment		<u>1,379</u>
Total MYT True Ups		<u><u>(6,861)</u></u>
Grand Total		<u><u>(5,482)</u></u>

12. Whether the Petitioner has been able to utilize the allowed investment and achieved the desired/ anticipated benefits? IESCO is required to substantiate the same by making comparison of its base line conditions with the improved conditions, along with their financial impact.

- 12.1. The Petitioner during the hearing, provided the following details in respect of actual investments made during the FY 2016-17, FY 2017-18, FY 2018-19 and FY 2019-20;



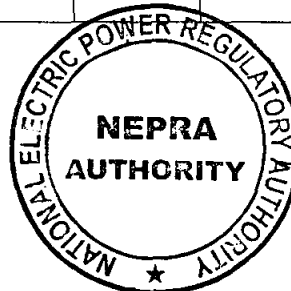
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Investment	Actual Investments		System Improvements and Benefits Achieved in respect of Each Project		Financial Impact
	FY 2016-17	FY 2017-18	Base Line Conditions	Improved Conditions	
STG	Rs. in Mln	Rs. in Mln			
New Grids	290	205	Improvement in Losses	Improvement in Losses	Improvement in Losses
Conversion of Grids (66 kV to 132 kV)			FY: 2016-17	FY: 2017-18	-0.06%
Augmentation of Grids	794	344	1.90%	1.84%	Rs.85 Mln
Extension of Power T/Fs and Line Bays	488	383			
New Transmission Lines	927	70	Increase in Capacity	Increase in Capacity	Increase in Capacity
2nd Circuit Stringing of Existing Transmission Lines			5787 MVA	6197 MVA	410 MVA
Reconductoring/Up-gradation of Existing Transmission Lines	633				
Capacitor Installation Projects to Improve Power Factor					
Others (System Constraints)					

Investment	Actual Investments		System Improvements and Benefits Achieved in respect of each Project		Financial Impact
	FY 2018-19	FY 2019-20	Base Line Conditions	Improved Conditions	
STG	Rs. in Mln	Rs. in Mln			
New Grids	172	726	Improvement in Losses	Improvement in Losses	Improvement in Losses
Conversion of Grids (66 kV to 132 kV)	-	601	FY: 2018-19	FY: 2019-20	
Augmentation of Grids	1412	71	1.79%	1.75%	-0.09%
Extension of Power T/Fs and Line Bays	510	59			Rs.127 Mln
New Transmission Lines	-	1639	Increase in Capacity	Increase in Capacity	Increase in Capacity
2nd Circuit Stringing of Existing Transmission Lines			6348 MVA	6664 MVA	726 MVA
Reconductoring/Up-gradation of Existing Transmission Lines	290	3306			
Capacitor Installation Projects to Improve Power Factor					
Others (System Constraints)					

Investment	Actual Investments		System Improvements and Benefits Achieved in respect of each Project		Increase in Capacity
	FY 2016-17	FY 2017-18	Increase in Capacity	Increase in Capacity	
DoP	Rs. in Mln	Rs. in Mln			
Installation of New HT/LT Lines / Extension of 11kV Networks			FY: 2016-17	FY: 2017-18	
New Distribution Transformers Installation			3832 MVA	3934 MVA	102 MVA
Rehabilitation of overloaded transformers					
Rehabilitation of LT Lines	328	413			
Rehabilitation of 11kV Feeders	126	166			
GIS Mapping (at different voltage levels)					
Provision of New Connections	190	342			
Others (Civil works, T&P, Mobile plant, Safety Hazards etc.)					

Investment	Actual Investments		System Improvements and Benefits Achieved in respect of each Project		Increase in Capacity
	FY 2018-19	FY 2019-20	Increase in Capacity	Increase in Capacity	
DoP	Rs. in Mln	Rs. in Mln			
Installation of New HT/LT Lines / Extension of 11kV Networks			FY: 2018-19	FY: 2019-20	
New Distribution Transformers Installation			4032 MVA	4142 MVA	212 MVA
Rehabilitation of overloaded transformers					
Rehabilitation of LT Lines	338	600			
Rehabilitation of 11kV Feeders	241	250			
GIS Mapping (at different voltage levels)					
Provision of New Connections	1279	3334			
Others (Civil works, T&P, Mobile plant, Safety Hazards etc.)					



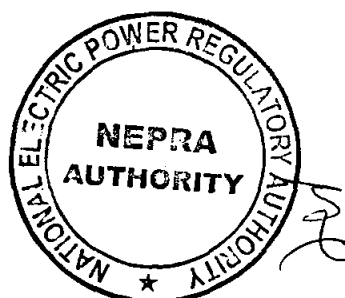
Investment	Actual Investments		System Improvements and Benefits Achieved in respect of each Project		Financial Impact
	FY 2016-17	FY 2017-18			
ELR, Commercial & Financial Improvement Plan	Rs. in Mln	Rs. in Mln	Savings	Savings	
Faulty/Burnt Meters Replacement			FY: 2016-17	FY: 2017-18	FY: 2016-17
Reinforcement of Overloaded Transformers	386	744	35.41 MkWh	59.33 MkWh	Rs.459 Mln
Reconductoring of HT Lines	291	340	T&D loss	T&D loss	
AMR/Electronic Metering			9.02%	9.13%	
ERP Implementation Program					FY: 2017-18
New CIS Program					Rs.771 Mln
Others					

Investment	Actual Investments		System Improvements and Benefits Achieved in respect of each Project		Increase in Capacity
	FY 2018-19	FY 2019-20			
ELR, Commercial & Financial Improvement Plan	Rs. in Mln	Rs. in Mln	Increase in Capacity	Increase in Capacity	
Faulty/Burnt Meters Replacement			FY: 2018-19	FY: 2019-20	FY: 2018-19
Reinforcement of Overloaded Transformers	746	745	85.84 MkWh	100 MkWh	Rs.1012 Mln
Reconductoring of HT Lines	439	600	T&D loss	T&D loss	
AMR/Electronic Metering	290	2424	8.86%	8.55%	
ERP Implementation Program		233			FY: 2019-20
New CIS Program					Rs.1179 Mln
Others					

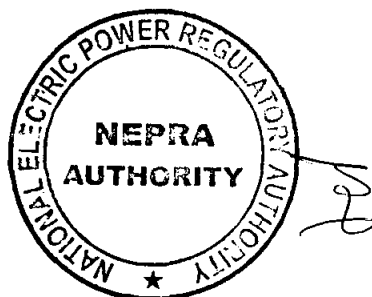
- 12.2. A summary of the investments allowed vis a vis actual investments made by the Petitioner during the last five years i.e. FY 2014-15 to FY 2018-19 is as under;

IESCO	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
	Allowed Investment	7,823	11,918	10,090	6,719	13,720
	Actual Investment	4,827	5,195	5,313	7,451	10,259
	Difference	(2,996)	(6,723)	(4,777)	732	(3,461)

- 12.3. The Authority observed that as per the details given above, although the actual investments carried out by the Petitioner have remained lower as compared to the amounts allowed by the Authority, except for the FY 2017-18, however, still the Petitioner has claimed reduction in losses and impact in terms of units and amount saved and improvements in network in comparison with the base line conditions. The Authority considers that submissions made by the Petitioner in terms of improvement in network conditions and consequential benefits, requires detailed analyses and scrutiny, therefore, has decided to analyze the submissions of the Petitioner during half yearly review of the directions given to the Petitioner.



13. **Whether the existing Tariff Terms and Conditions needs to be modified to incorporate concerns raised by various consumers?**
- 13.1. A lot of complaints have been received through Pakistan Citizen Portal, as well as in the Consumer Affairs Department of NEPRA, from XWDISCOs and other stakeholders, regarding clarification of Terms & Conditions with regard to applicability of tariff for different consumer categories, like Hostels (Commercial), Foreign Embassies, Water pumps & tube-wells, Fish farms etc.
- 13.2. In order to address these concerns, the Authority framed an issue for discussion during the hearing of DISCOs and for providing written comments in this regard. The Petitioner during the hearing requested for clarification regarding tariff to be charged to Cold storage, private hostels and fish farms/hatcheries.
- 13.3. Further, the Ministry of Energy (MOE) vide letter dated May 20, 2020, forwarded request from the Government of Punjab for revision in Tariff Category for Water and Sanitation Agencies (WASA) in Punjab from A-3 General Service Category to D-1(b) SCARP (Salinity Control & Reclamation Program).
- 13.4. The Authority considers that SCARP is not the relevant Tariff category for Water Schemes as SCARP is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation. Moreover, the purpose of creation of A-3 category was to reduce the undue benefit of Off-Peak rates for such consumers who although have TOU meters but only operate during day hours. In view thereof, the Authority has decided to maintain its earlier decision of inclusion of water schemes under A-3 category.
- 13.5. The Authority has also decided the other concerns of the DISCOs and other stakeholders by amending the terms & conditions of the tariff, if deemed correct, and the same are attached herewith the instant determination.
14. **Whether the ToU meters installed for the residential & general service consumers can record MDI? Whether the existing fixed charges applicable to different consumer categories are sufficient and whether there shall be any fixed charges for the residential consumers and General Services categories?**
- 14.1. The Petitioner did not provide any submission on the issue during the hearing. The Authority observed that currently no fixed charges are being levied on Domestic consumers and General Service Category, i.e. such consumers only pay variable charge @ Rs./kWh, based on the amount of actual energy consumed during the month.
- 14.2. Considering the increase in capacity charges coupled with demand exiting the system due to net metering etc., the Authority is cognizant that there is a need to levy certain fixed charges for those domestic and general services consumers who have installed net metering facility, however, as the issue requires further deliberation, therefore, the Authority has decided not to levy any fixed charges for such consumers.



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

15.1. The Petitioner did not provide any submission on the issues either during the hearing or afterwards.

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

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

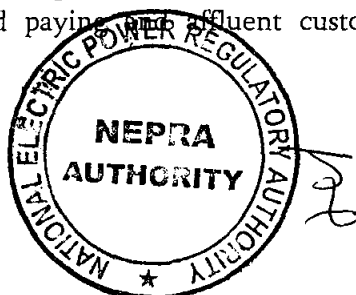
16. Whether IESCO is to be treated as a Supplier of the last resort and whether the tariff of the IESCO or the National uniform tariff is to be treated as last resort tariff?

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

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

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

16.4. In the light of aforementioned provisions and keeping in view the fact that when markets are liberalized, the Suppliers always go for the good paying and affluent customers, whereas the



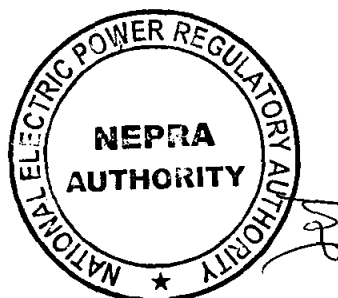
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economically vulnerable customers are preferred to be avoided. Hence, there must be a declared "Last resort supplier" in the distribution area of each DISCO who would be obligated to provide electricity to a consumer who could not get electricity from any other source. Internationally these "Supplier of Last Resort (SoLR)" are always incumbent utility companies and their consumer end tariffs includes both retail, network costs, cross subsidization along with profits and incentives.

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

17. **Wheeling Issues**

- 17.1. The Authority approved National Electric Power Regulatory Authority (Wheeling of Electric Power) Regulations, 2016 (the Regulations) vide SRO dated June 13, 2016, in order to facilitate wheeling of power in the country. However, different stakeholders voiced their concerns on the Regulations in terms of treatment of T&D losses during wheeling, imposition of Cross subsidies, treatment of Stranded costs if any, applicability of Use of System charges of NTDC, Hybrid BPCs, and Banked Energy etc.
- 17.2. In view thereof, consultative sessions on wheeling involving all the stakeholders, were held in NEPRA as well as in LUMS, Lahore. Based on the input received from various stakeholders during the sessions and in-house deliberations, the Authority placed the amended Wheeling Regulations on the website for the comments of different stake holders and further decided to address some of these issues in the tariff determinations of XWDISCOs for the FY 2018-19 and FY 2019-20. The Authority accordingly made two additional issues of Cross Subsidy charge and Stranded cost under the instant petition, for which advertisement was published in the leading newspapers on September 9th, 2020 and hearing in this regard was held on 17th September, 2020. Here it is also pertinent to mention that to get an international view on these issues, the Authority has also engaged an international consultant through USAID.
- 17.3. The Authority considering the impact of the above issues on the power sector, considers that the matter requires further deliberations, and has therefore decided to issue a separate additional decision on the aforementioned proceedings.
- 17.4. Thus, the Use of System Charge (UoSC) determined by the Authority in the instant decision, as mentioned under the Order part, may be revised accordingly, if required in light of the decision of the Authority on the wheeling issues, which will be issued separately.



18. **Revenue Requirement**

18.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the adjusted revenue requirement of the Petitioner, for the FY 2019-20 is as under;

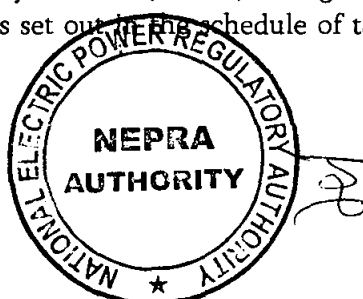
Description	Unit	Allowed FY 2019-20		Total
		DoP	SoP	
Units Received	[MkWh]	12,096	12,096	12,096
Units Sold	[MkWh]	11,056	11,056	11,056
Units Lost	[MkWh]	1,040	1,040	1,040
Units Lost	[%]	8.60%	8.60%	8.60%
Energy Charge			70,395	70,395
Capacity Charge			71,815	71,815
Transmission Charge & Market Operation Fee			3,922	3,922
Power Purchase Price	[Mln. Rs.]	-	146,132	146,132
Pay & Allowances		6,695	882	7,578
Post Retirement Benefits		1,645	217	1,861
Repair & Maintainance		1,090	4	1,094
Traveling allowance				
Vehicle maintenance		1,073	324	1,419
Other expenses				
O&M Cost		10,503	1,427	11,952
Depreciation		2,902	-	2,902
RORB		4,698	-	4,698
O.Income		(2,163)	-	(2,163)
Distribution/Supplier Margin	[Mln. Rs.]	15,941	1,427	17,389
Prior Year Adjustment		-	(5,482)	(5,482)
Revenue Requirement	[Mln. Rs.]	15,941	142,077	158,039
Average Tariff	[Rs./kWh]			
Power Purchase Price-Unadj.		-	12.08	12.08
Power Purchase Price-Adjusted		-	13.22	13.22
Margin		1.44	0.13	1.57
PYA Adjustments		-	(0.50)	(0.50)
Tariff		1.44	12.85	14.29

18.2. The above determined revenue shall be recovered from the consumers through the projected sales of 11,056 GWhs, as per Annex – II.

19. **ORDER**

19.1. From what has been discussed above, the Authority hereby approves the following adjustments in the MYT of the Petitioner Company for the Financial Year 2019-20:-

- Islamabad Electric Supply Company Limited (IESCO), being a deemed supplier, is allowed to charge its consumers such tariff as set out in the schedule of tariff for IESCO annexed to the decision.



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- II. The residential consumers will be given the benefit of only one previous slab.
- III. In addition to compensation of losses as discussed above, IESCO, being a distribution licensee, is allowed to charge the users of its system a "Use of system charge" (UOSC) as under:

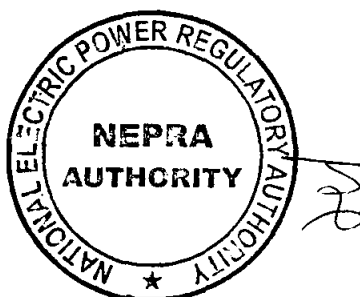
Description	For 132 kV Only	For 11 kV Only	For both 132 & 11 kV
Asset Allocation	36%	27%	64%
Level of Losses	1.70%	5.62%	7.22%
UoSC Rs./kWh	0.55	0.49	1.07

- IV. Use of System Charge (UoSC), as mentioned above, may be revised accordingly, if required in light of the decision of the Authority on the wheeling issues, which will be issued separately.
- V. Responsible to provide distribution service within its service territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority,
- VI. To make its system available for operation by any other licensee, consistent with applicable instructions established by the system operator.
- VII. To follow the performance standards laid down by the Authority for distribution and transmission of electric power, including safety, health and environmental protection instructions issued by the Authority or any Governmental agency [or Provincial Government;
- VIII. To develop, maintain and publicly make available, with the prior approval of the Authority, an investment program for satisfying its service obligations and acquiring and selling its assets
- IX. To disconnect the provision of electric power to a consumer for default in payment of power charges or to a consumer who is involved in theft of electric power on the request of Licensee.
- X. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.

20. **Summary of Direction**

20.1. The summary of all the directions passed in this decision by the Authority are reproduced hereunder. The Authority hereby directs the Petitioner;

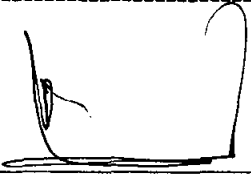
- to immediately stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy and report be shared with the Authority by December 31, 2020.
- to immediately ensure that consumer's deposits are not utilized for any other purpose and the same is reflected in the Audited accounts for the FY 2020-21 & onward.
- to immediately restrain from unlawful utilization of receipts against deposit works and security deposits immediately, and the same is reflected in the Audited accounts for the FY 2020-21 & onward.

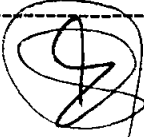



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- to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance for the FY 2020-21 & onward.
 - to ensure proper tagging of assets so that costs incurred are properly classified as per their nature and report be submitted to the Authority by June 30, 2021.
 - to provide the required details of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20, by March 31, 2021.
 - to immediately provide electricity connections to all the pending applications without further delay and submit a progress report in this regard by the end of each quarter.
 - to immediately establish a corporate desk to facilitate its corporate clients in terms of provision of electricity and to address the issues of overbilling, if any, on priority basis and submit report to the Authority by March 31, 2021.
21. In terms of Section 31(7) of the NEPRA Act, decision of the Authority and the Order part along with revised Annex-II, III, IV and V attached with this decision, which shall replace the already notified Annex-II, III, IV and V vide SRO 04(I)/2019 dated January 01, 2019, is hereby intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. The remaining Annexures i.e. Annex-I, I-A, VI & VII would remain the same.


AUTHORITY


Engr. Bahadur Shah
Member

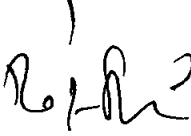

Rehmatullah Baloch
Member

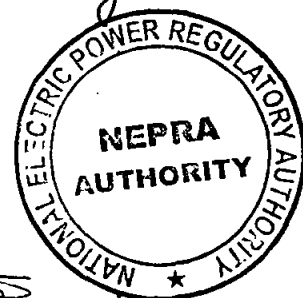

Rafique Ahmed Shaikh
Member

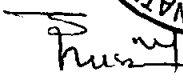

Saif Ullah Chattha
Vice Chairman


Tauseef H. Farooqi
Chairman

Central Period needs to be reviewed by Authority.


3/12/20

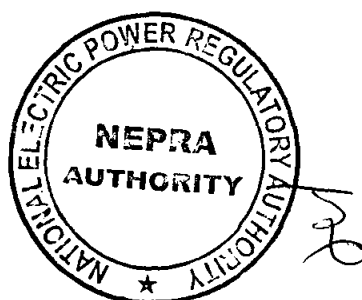



11/12/20

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

Description	Sales		Revenue			Base Tariff		PYA 2019		Total Tariff	
	GWh	% Mix	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Variable Charge
			Min. Rs.	Rs./kWh		Rs./kWh M	Rs./ kWh	Min. Rs.	Rs./ kWh	Rs./kWh M	Rs./ kWh
Residential											
Up to 50 Units	29	0.26%	-	117	117		4.00	-	-		4.00
For peak load requirement less than 5 kW											
01-100 Units	1361	12.31%	-	17,025	17,025		12.51	(694)	(0.51)		12.00
101-200 Units	1232	11.15%	-	19,275	19,275		15.64	(629)	(0.51)		15.13
201-300 Units	1159	10.49%	-	19,963	19,963		17.22	(591)	(0.51)		16.71
301-700 Units	544	4.92%	-	9,908	9,908		18.21	(267)	(0.49)		17.72
Above 700 Units	74	0.67%	-	1,496	1,496		20.31	(36)	(0.49)		19.82
For peak load requirement exceeding 5 kW)											
Time of Use (TOU) - Peak	128	1.16%	-	2,433	2,433		18.95	(63)	(0.49)		18.46
Time of Use (TOU) - Off-Peak	584	5.28%	-	6,700	6,700		11.47	(286)	(0.49)		10.98
Temporary Supply	2	0.02%	-	50	50		24.04	(1)	(0.49)		23.55
Total Residential	6,114	48.2564%	-	76,966	76,966			(2,567)			
Commercial - A2											
For peak load requirement less than 5 kW	394	3.56%	-	7,218	7,218		18.32	(193)	(0.49)		17.83
For peak load requirement exceeding 5 kW											
Regular	6	0.05%	10	88	98	440	15.17	(3)	(0.49)	440	14.68
Time of Use (TOU) - Peak	150	1.36%	-	2,864	2,864		19.07	(74)	(0.49)		18.58
Time of Use (TOU) - Off-Peak	665	6.01%	1,881	7,755	9,636	440	11.67	(326)	(0.49)	440	11.18
Temporary Supply	17	0.16%	-	317	317		18.32	(8)	(0.49)		17.83
Total Commercial	1,232	11.1416%	1,891	18,242	20,133			(604)			
General Services-A3											
	308	2.79%	-	4,403	4,403		14.29	(154)	(0.50)		13.79
Industrial											
B1	4	0.04%	-	75	75		17.31	(2)	(0.49)		16.82
B1 Peak	8	0.07%	-	153	153		19.21	(4)	(0.49)		18.72
B1 Off Peak	55	0.50%	-	630	630		11.51	(27)	(0.49)		11.02
B2	2	0.02%	2	32	34	440	14.66	(1)	(0.49)	440	14.17
B2 - TOU (Peak)	64	0.58%	-	1,214	1,214		19.06	(31)	(0.49)		18.57
B2 - TOU (Off-peak)	452	4.09%	1,305	5,181	6,486	440	11.46	(222)	(0.49)	440	10.97
B3 - TOU (Peak)	53	0.48%	-	1,009	1,009		19.06	(26)	(0.49)		18.57
B3 - TOU (Off-peak)	445	4.03%	621	5,012	5,633	420	11.26	(218)	(0.49)	420	10.77
B4 - TOU (Peak)	90	0.81%	-	1,741	1,741		19.36	(44)	(0.49)		18.87
B4 - TOU (Off-peak)	683	6.18%	977	7,963	8,940	400	11.66	(335)	(0.49)	400	11.17
Temporary Supply	0	0.00%	-	0	0		23.71	(0)	(0.49)		23.22
Total Industrial	1,856	16.7870%	2,905	23,011	25,917			(909)			
Single Point Supply											
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%	-	7	7		18.82	(0)	(0.49)		18.33
C1(b) Supply at 400 Volts-exceeding 5 kW	1	0.01%	1	12	13	440	18.17	(0)	(0.49)	440	17.68
Time of Use (TOU) - Peak	14	0.13%	-	295	295		21.15	(7)	(0.49)		20.66
Time of Use (TOU) - Off-Peak	61	0.55%	118	710	828	440	11.67	(30)	(0.49)	440	11.18
C2 Supply at 11 kV	44	0.40%	43	662	706	420	15.00	(22)	(0.49)	420	14.51
Time of Use (TOU) - Peak	82	0.74%	-	1,574	1,574		19.21	(40)	(0.49)		18.72
Time of Use (TOU) - Off-Peak	396	3.58%	775	3,737	4,511	420	9.44	(194)	(0.49)	420	8.95
C3 Supply above 11 kV	0	0.00%	-	-	-	400	14.87	-	(0.49)	400	14.38
Time of Use (TOU) - Peak	72	0.65%	-	1,386	1,386		19.38	(35)	(0.49)		18.89
Time of Use (TOU) - Off-Peak	344	3.11%	515	3,971	4,485	400	11.55	(168)	(0.49)	400	11.06
Total Single Point Supply	1,013	9.162%	1,462	12,353	13,805			(496)			
Agricultural Tube-wells - Tariff D											
Scarp	1	0.01%	-	19	19		19.22	(0)	(0.49)		18.73
Time of Use (TOU) - Peak	3	0.03%	-	66	66		23.58	(1)	(0.49)		23.09
Time of Use (TOU) - Off-Peak	17	0.15%	16	246	263	200	14.42	(8)	(0.49)	200	13.93
Agricultural Tube-wells	5	0.04%	17	82	99	200	17.17	(2)	(0.49)	200	16.68
Time of Use (TOU) - Peak	4	0.03%	-	70	70		19.22	(2)	(0.49)		18.73
Time of Use (TOU) - Off-Peak	19	0.17%	53	270	322	200	14.42	(9)	(0.49)	200	13.93
Total Agricultural	48	0.43%	86	753	839			(24)			
Public Lighting - Tariff G	76	0.69%	-	1,316	1,316		17.27	(37)	(0.49)		16.78
Residential Colonies	5	0.04%	-	75	75		16.50	(2)	(0.49)		16.01
Tariff K - AJK	426	3.86%	441	6,275	6,716	400	14.72	(209)	(0.49)	400	14.23
Time of Use (TOU) - Peak	185	1.67%	-	3,408	3,408		18.44	(91)	(0.49)		17.95
Time of Use (TOU) - Off-Peak	793	7.17%	1,211	8,729	9,940	400	11.01	(388)	(0.49)	400	10.52
Tariff K - Rawat Lab	0	0.00%	-	4	4		17.56	(0)	(0.49)		17.07
Sub-Total	1,485	13.43%	1,652	19,807	21,459			(728)			
Grand Total	11,056	100.00%	7,986	155,535	163,521			(5,481)			

Note: The PYA 2019 column shall cease to exist after one year from the date of notification of the instant decision.



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

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Ru/kW/M	Ru/kWh		Ru/kWh		Ru/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW	-	4.00		-		4.00	
i	Up to 50 Units	-	-		-		-	
	For Consumption exceeding 50 Units	-	-		-		-	
ii	001 - 100 Units	-	12.51		(0.51)		12.00	
iii	101 - 200 Units	-	15.64		(0.51)		15.13	
iv	201 - 300 Units	-	17.22		(0.51)		16.71	
v	301 - 700 Units	-	18.21		(0.49)		17.72	
vi	Above 700 Units	-	20.31		(0.49)		19.82	
b)	For Sanctioned load 5 kW & above	-	-		-		-	
	Time Of Use	-	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
			18.95	11.47	(0.49)	(0.49)	18.46	10.98

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

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Ru/kW/M	Ru/kWh		Ru/kWh		Ru/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW	-	18.32		(0.49)		17.83	
b)	For Sanctioned load 5 kW & above	440.00	15.17		(0.49)		14.68	
	Time Of Use	440.00	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
			19.07	11.67	(0.49)	(0.49)	18.58	11.19

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

a) Single Phase Connections:

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Ru/kW/M	Ru/kWh		Ru/kWh		Ru/kWh	
		A	B		C		D	
a)	General Services	-	14.29		(0.50)		13.79	

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

a) Single Phase Connections:

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Ru/kW/M	Ru/kWh		Ru/kWh		Ru/kWh	
		A	B		C		D	
B1	Upto 25 kW (at 400/230 Volts)	-	17.31		(0.49)		16.82	
B2(a)	exceeding 25-500 kW (at 400 Volts)	440.00	14.66		(0.49)		14.17	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW		19.21	11.51	(0.49)	(0.49)	18.72	11.02
B2(b)	exceeding 25-500 kW (at 400 Volts)	440.00	19.06	11.46	(0.49)	(0.49)	18.57	10.97
B3	For All Loads up to 5000 kW (at 11.33 kV)	420.00	19.06	11.26	(0.49)	(0.49)	18.57	10.77
B4	For All Loads (at 66,132 kV & above)	400.00	19.36	11.66	(0.49)	(0.49)	18.87	11.17

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

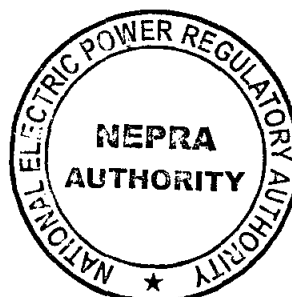
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Ru/kW/M	Ru/kWh		Ru/kWh		Ru/kWh	
		A	B		C		D	
C-1	For supply at 400/230 Volts	-	-		-		-	
a)	Sanctioned load less than 5 kW	-	18.82		(0.49)		18.33	
b)	Sanctioned load 5 kW & up to 500 kW	400.00	18.17		(0.49)		17.68	
C-2(a)	For supply at 11.33 kV up to and including 5000 kW	380.00	15.00		(0.49)		14.51	
C-3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	14.87		(0.49)		14.38	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	21.15	11.67	(0.49)	(0.49)	20.66	11.18
C-2(b)	For supply at 11.33 kV up to and including 5000 kW	380.00	19.21	9.44	(0.49)	(0.49)	18.72	8.95
C-3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	19.38	11.55	(0.49)	(0.49)	18.89	11.06



**SCHEDULE OF ELECTRICITY TARIFFS
FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)
D - AGRICULTURE TARIFF**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
D-1(a)	SCARP less than 5 kW	-	19.22		(0.49)		18.73	
D-2 (a)	Agricultural Tube Wells	200.00	17.17		(0.49)		16.68	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	23.58	14.42	(0.49)	(0.49)	23.09	13.93
D-2 (b)	Agricultural 5 kW & above	200.00	19.22	14.42	(0.49)	(0.49)	18.73	13.93

Under this tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.
Note: The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
E-1(i)	Residential Supply	-	24.04		(0.49)		23.55	
E-1(ii)	Commercial Supply	-	18.32		(0.49)		17.83	
E-2	Industrial Supply	-	23.71		(0.49)		23.22	

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	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
	Street Lighting	-	17.27		(0.49)		16.78	

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

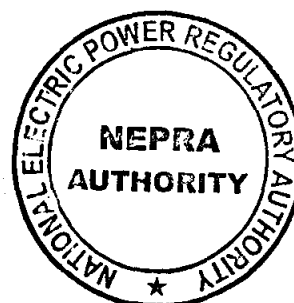
H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
	Residential Colonies attached to industrial premises	-	16.50		(0.49)		16.01	

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		FYA 2019		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
1	Azad Jammu & Kashmir (AJK)	400.00	14.72		(0.49)		14.23	
	Time Of Use	400.00	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
			18.44	11.01	(0.49)	(0.49)	17.95	10.52
2	Rawat Lab	-	17.86		(0.49)		17.07	

The FYA 2019 column shall cease to exist after one year from the date of notification of the instant decision.



Annex - IV

Description	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,449	1,336	1,282	867	687	761	815	733	742	904	1,184	1,338	12,096

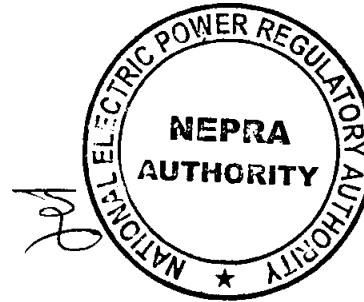
Rs./kWh

Fuel Cost Component	5.2798	4.7334	5.0229	5.1733	3.7381	5.5347	6.5124	4.2516	6.2295	6.6087	5.9322	5.9344	5.4276
Variable O&M	0.3897	0.3769	0.3808	0.3520	0.2993	0.4027	0.4887	0.3462	0.3739	0.4447	0.4070	0.4138	0.3919
Capacity	4.6835	4.5988	5.0165	6.4326	8.2895	7.1948	7.5722	8.4270	7.3336	6.0051	5.0399	4.8824	5.9369
UoSC	0.2906	0.2848	0.3166	0.3398	0.3667	0.3314	0.3554	0.3856	0.3510	0.3319	0.3153	0.3067	0.3242
Total PPP in Rs./kWh	10.6437	9.9940	10.7368	12.2978	12.6935	13.4636	14.9286	13.4104	14.2880	13.3903	11.6944	11.5373	12.0806

Rs. in million

Fuel Cost Component	7,648	6,325	6,438	4,483	2,568	4,211	5,307	3,115	4,620	5,972	7,025	7,942	65,655
Variable O&M	565	504	488	305	206	306	398	254	277	402	482	554	4,740
Capacity	6,784	6,145	6,430	5,574	5,695	5,474	6,170	6,174	5,439	5,427	5,969	6,534	71,815
UoSC	421	381	406	294	252	252	290	283	260	300	373	410	3,922
Total PPP in Rs./kWh	15,418	13,355	13,762	10,656	8,721	10,244	12,165	9,825	10,597	12,100	13,849	15,441	146,132

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

PART-I

GENERAL DEFINITIONS

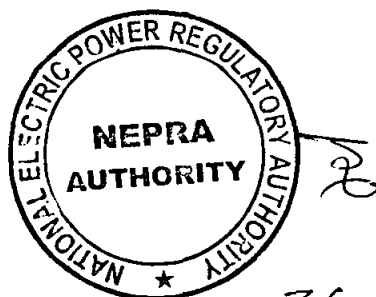
The Company, for the purposes of these terms and conditions means Islamabad Electric Supply Company (IESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

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:

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

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

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

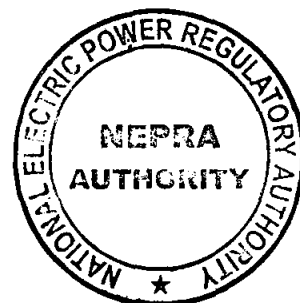


13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Charge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

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PART-II

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

A-1 RESIDENTIAL

Definition

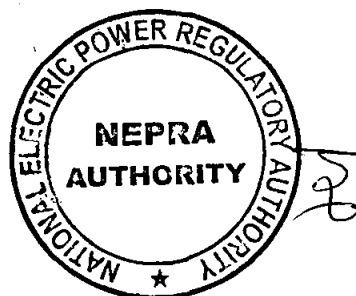
"Life Line Consumer" means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

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

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

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
 - i) Shops,
 - ii) Hotels, Hostels and Restaurants,
 - iii) Petrol Pumps and Service Stations,
 - iv) Compressed Natural Gas filling stations,
 - v) Private Hospitals/Clinics/Dispensaries,
 - vi) Places of Entertainment, Cinemas, Theaters, Clubs;
 - vii) Guest Houses/Rest Houses,
 - viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company and convert it to-A-2 (c) Tariff.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).



A-3 GENERAL SERVICES

1. This tariff is applicable to;
 - i. Approved religious and charitable institutions
 - ii. Government and Semi-Government offices and Institutions
 - iii. Government Hospitals and dispensaries
 - iv. Educational institutions
 - v. Water Supply schemes including water pumps and tube wells other than those meant for the irrigation or reclamation of Agriculture land.
1. Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
 - i) Poultry Farms
 - ii) Fish Hatcheries, fish farms, fish nurseries & Breeding Farms and
 - iii) Software houses

Conditions

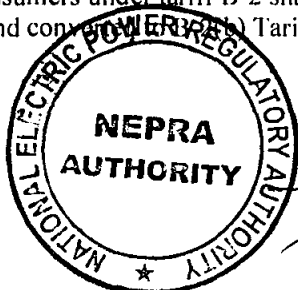
An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

B-1 SUPPLY AT 400 VOLTS THREEPHASE AND/OR 230 VOLTS SINGLE PHASE

1. This tariff is applicable for supply to Industries having sanctioned load upto a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.
3. All existing consumers under tariff B-1 shall be provided T.O.U metering arrangement by the Company and convert it to-B1 (b) Tariff.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and convert it to-B2 (b) Tariff.



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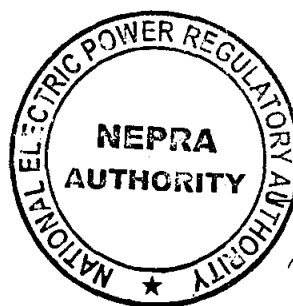
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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



C BULK SUPPLY

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

General Conditions

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

C-1 SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

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



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D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

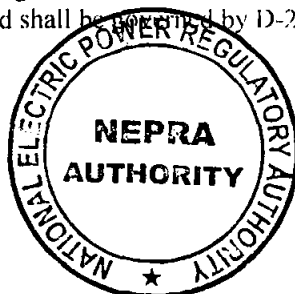
1. This tariff shall apply to:
 - i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
 - ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
 - iii) Tube-wells meant for aqua-culture.
 - iv) Tube-wells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

D-1

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

D-2

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



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E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

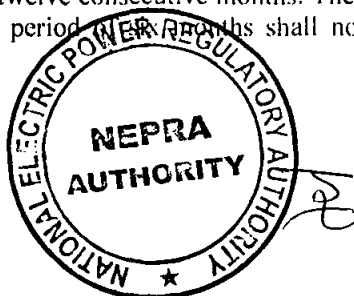
"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against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

Definitions

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

Special Conditions of Supply

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



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

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

Special Conditions of Supply

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

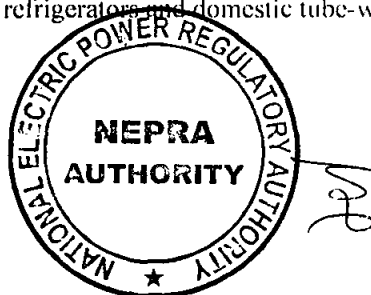
II RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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.

K. SPECIAL CONTRACTS

Supply under this tariff means supply of power to Special Contracts, i.e. Government of Azad Jammu & Kashmir (AJK) and Rawat Lab at one point.

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