National Electric Power Regulatory Authority
Islamic Rebublic of Pakistan

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No. NEPRA/TRF-212/PESCO-2012/2350-2352
March 15, 2013

Subject: **Determination of the Authority in the matter of Petition filed by Peshawar Electric Supply Company Ltd. for Determination of its Consumer end Tariff Pertaining to the FY 2012 – 13 [Case # NEPRA/TRF-212/PESCO-2012 -** Intimation of Determination of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V & VI and Additional Note of Mr. Shaukat Ali Kundi, Vice Chairman NEPRA (67 pages) in Case No. NEPRA/TRF-212/PESCO-2012.

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

3. Please note that only the Order of the Authority at para 26 of the Determination along with Annexure-I (Fuel Price Adjustment Mechanism), Annex-III (Schedule of Electricity Tariffs), Annex-IV (Fuel Cost Component, Variable O&M, CpGenCap & USCF) and Annex-V (Terms and Conditions) needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain)

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

CC:

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

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-212/PESCO-2012

TARIFF DETERMINATION

FOR

PESHAWAR ELECTRIC SUPPLY COMPANY

(PESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

PERTAINING TO THE FY 2012-13

Islamabad

March 15, 2013

Abbreviations

CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DM	Distribution Margin
FY	Financial Year
GOP	Government of Pakistan
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PPP	Power Purchase Price
PYA	Prior Year Adjustment
RAB	Regulatory Asset Base
RORB	Return on Rate Base
SRO	Statutory Regulatory Order
T&D	Transmission and Distribution
TOU	Time of Use
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month

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

CASE NO. NEPRA/TRF/212/PESCO-2012

PETITIONER

Peshawar Electric Supply Company (PESCO), Shami Road, Sakhi Chashma Peshawar

INTERVENER

1. Finance Department, Government of Khyber Pakhtunkhwa.
2. The Network for Consumer Protection

COMMENTATOR

Nil.

REPRESENTATION

1. Brig ® Tariq Saddozai,Chief Exective Officer, PESCO
2. Engr. Abdul Latif Khan, Chief Operation Officer, PESCO
3. Engr. Pervez Akhtar Shah, Chief Commercial Officer, PESCO
4. Engr. Syed Sajjad Hussain, Chief Technical Officer / Chief Engineer (P&E), PESCO
5. Engr. Muhammad Fida Khan, Chief Engineer T&G (O&M), PESCO
6. Engr. Aftab Ahmed Sethi, Chief Engineer (Development), PESCO
7. Mr. Anwar ul-Haq Yousafzai, Finance Director, PESCO
8. Mr. Yasir Naseem, Manager Finance, PESCO
9. Mr. Adil Rehman , Deputy Manager Tariff , PESCO.
10. Mr. Khurshid Ahmad Orakzai, DG (HR), PESCO
11. Representative of, TheNetwork for Consumer Protection.
12. Mr. Shumail Ahmad Butt, Advocate, on Behalf of intervener, Government Khyber Pakhtunkhwa.

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

My additional note is attached

06.03.2013

(Khawaja Muhammad Naeem)
Member

14.03.13

(Shaukat Ali Kundi)
~~Member~~

14/3

(Major (R) Haroon Rashid)
Vice Chairman

15/3/2013.

(Habibullah Khilji)
~~Chairman~~
(MEMBER SINDH)

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15-3-2013

1. Background and Brief History

1.1 Peshawar Electric Supply Company Limited (PESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition for the determination of its consumer-end tariff pertaining to the FY 2012-13.

2. Grounds of the Petition;

2.1 As per the Petitioner, it requires adequate revenues in order to perform its obligatory duties prescribed under laws.

2.2 While justifying the grounds of the Petition, the Petitioner stated in the petition that the aim of the petition is to ensure the financial viability of the Company, a reasonable return may be allowed to maintain its existing distribution system and to enable it for future expansion of its system.

2.3 The Petitioner further submitted that the tariff determination pertaining to the FY 2011-12 was not sufficient to meet its revenue requirement. Hence, it filed a Review Motion with the Authority on 1st February, 2012, however the same was declined by the Authority on 7th March, 2012.

2.4 As per petitioner, there was a stay order issued by Peshawar High Court on 16th June, 2011 and in February, 2012, regarding non-charging of PPP adjustment allowed by the Authority, the Petitioner could not pass on the fuel price adjustment to its consumers from March 2011 onwards. The Petitioner has been able to charge only Rs. 220 million on account of fuel price adjustment for the month of July, 2011 and consequently suffered a loss of Rs. 10 billion on this account during FY 2011-12.

2.5 The Petitioner informed that due to delayed notification of tariff, stay on fuel price adjustment and non-provision of the requested tariff, it has suffered a loss of approximately Rs.40 billion during FY 2011-12.

3. Relief Sought

3.1 In its petition, the Petitioner has sought for the following relief ;

- Ensuring the financial viability of the Petitioner for the reliable supply of electricity to its 2.75 million consumers.
- Timely determination of tariff along with monthly adjustments.
- To determine the tariff pertaining to the FY 2012-13,
- To approve the Distribution Margin for the FY 2012-13 as 1.89/kWh.
- To allow the investments for Rs. 7,470 million.
- Transmission and Distribution Losses (T&D losses) be allowed to the tune of 33%.

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- To approve financial charges on the petitioner's share of TFCs arranged by GoP on behalf of DISCOs to reduce circular debt amounting to Rs 5,404 million.
- To issue distribution license to TESCO.

4. Proceedings

4.1 In terms of rule 4 of the Tariff Standards and Procedure Rules 1998 (hereinafter referred to as Rules"), the Petition was admitted by the Authority on 31st July, 2012 and the notices of admission and hearing were sent to the parties which were considered to be affected or interested and advertisement by publication of the title and brief description of the petition was also affected on 7th September, 2012. Comments/replies and filing of intervention request; if any, was desired from the interested person within 7 days of the publication. Considering the nature of the said petition as it was filed for the whole FY 2012-13, the Authority, at out set, decided to conduct a hearing on 27th September, 2012, in order to arrive at just and informed decision and the date of hearing was communicated and published along with the notice of admission to the interested stakeholders and general public.

5. Filing of reply/intervention request/comments

5.1 In response to the notice of admission and hearing, intervention requests were filed by the Secretary Finance, Government of Khyber Pakhtunkhwa, through Mr. Shumail Ahmad Butt, Standing Counsel and The Network for Consumer Protection.

5.2 Government of Khyber Paktunkhwa

5.2.1 Government of Khyber Pakhtunkhawa failed to submit its written contentions/ comments, however, the concerns raised during the hearing include inter-alia the following :-

- Peshawar High Court, in its decision on writ petition number 2723 of 2010 dated 30th June, 2011, very clearly discussed the roles and powers of NEPRA and has addressed NEPRA not to determine any tariff or make any increase in tariff except with the written consent of Provincial Government. Thus, the current Hearing, if carried out may be considered as contempt of Court.
- The Recovery Magistrate to be appointed as stated by CEO is not possible. Previously Executive Magistracy was possible based on provisions in criminal procedure. Later on a judgment of Supreme Court enforced that Executive and Magistry should be separate. Now Magistrate can be introduced but he needs to be a judge. The same issue was discussed between Chief Secretary, Government of KPK and CEO, PESCO and it was agreed in principle that the matter will be addressed. Consequently, the issue was taken up with Federal Government to appoint a Recovery Magistrate for DISCOs. The Magistrate

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already available with the Petitioner will probably not be able to function because he is an Executive Magistrate. On this issue the provincial government will assist the Petitioner to get requisite permission from high court.

- The Petitioner should be ordered to comply with the directions of the Authority in the tariff determination of FY 2011-12 to create a separate fund for post retirement benefit's obligation. Further, the approved provision should not be used to meet any other expense. Since 2008, the petitioner is recording a provision of approximately Rs. 1 billion (each year) to meet this expense. Against this amount, the actual payment is between Rs. 200 to Rs. 250 million. Due to this huge differential, the Authority directed the Petitioner in tariff determination pertaining to FY 2011-12 to create a separate fund based on the provision amount as determined by the actuaries. This is also to be noted that the DISCOs have not received post retirement benefits fund from WAPDA post de-merger in respect of WAPDA employees.
- The Petitioner has not complied with all the directions of the Authority. While discussing the lifeline consumers, the federal government has changed the slab to up to 100 kW from up to 50 kW. But the petition has been prepared on old slab and it should be changed as per the decision of Federal Government.
- While determining tariff for the FY 2011-12, the Authority while noted abnormal consumption patterns in residential class of consumers and directed that the wrong application of tariff will not be tolerated again. The Petitioner has again come up with 10% consumers in residential class which was 9% last year.
- Regarding TOU meters, the Authority had given 3 to 4 very specific directions in the tariff determination of FY 2011-12 that consumers should be educated regarding installation of meters. In reality the consumers fear TOU meters as fast meters that will result in higher side bills. This is high time that consumers should be educated.
- Regarding line losses, the Petitioner has been time and again instructed to conduct an elaborate study and share a plan for reduction of losses. The compliance of this order is not clear.
- The Petitioner has not shared any basis for projected purchase and sale units for FY 2012-13. No increase in generation capacity has been accounted for in the sales units. This impact Distribution margin and all revenue requirement dimension. Justification should be taken for this restricted sales figure.
- The document presented by the Petitioner for calculation of rate base is questionable. The Petitioner has Rs 2.5 billion as deposit work and the interest earned thereon has not been accounted for.

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- The Authority has very clearly stated that no provision for bad debts will be allowed in the tariff determinations for FY 2010-11 and FY 2011-12, yet the Petitioner has gain requested for this provision. The board of directors of the Petitioner has approved write offs, yet the Ministry is disallowing these write off.
- The calculation of return on rate base is not accurate. Therefore, the requested return should be scrutinized.
- The Petitioner has requested other income of Rs 2,150 million. However, the Petitioner is claiming wheeling charges from TESCO. What is the financial benefit on this amount and why it is not being included in other income.
- The Authority has clearly stated that investment will be allowed after cost benefit analysis. The Petitioner has claimed huge amount in last 5 years under the head energy loss reduction. Against this amount the loss reduction is negligible.
- The distribution margin approved for the Petitioner, by the Authority for FY 2011-12 was Rs 0.89, however, the requested margin for FY 2012-13 is 115% in excess of the last year's approved margin. This is very surprising.

5.3 TheNetwork for Consumer Protection

5.3.1 The Network, in its intervention request, contended inter-alia that:-

- it understands that energy is an essential commodity and it is the responsibility of the Authority to ensure provision of safe, reliable, efficient, affordable electric power to the electricity consumers and protecting their interests while performing its functions. In order to do so, "the Act" provides opportunities for consumers and other interested parties to participate meaningfully in the tariff approval process. But the consumers being non – technical and layman on the subject cannot respond to the claims of the Petitioner, as they need to have technical expertise, knowledge, and understanding of all the details. Thus, in order to fulfill its statutory duty, the Authority should, first, educate the consumers about the technicalities of the tariffs and tariff determination process and then proceed in determining the tariffs for the Petitioner.
- The Petitioner's request for increase in consumer-end tariff through the petition is unjustified as the Petitioner has failed to meet the targets set by the Authority in previous years. It has also failed to comply with the directions of the Authority in reducing its losses and improving its efficiency.
- From the petition, it appears that the Petitioner has huge losses of electricity which are unprecedented and unjustified. The electricity losses of the Petitioner remained above 30% to maximum 43% during FY 2011-12. It has

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also projected its electricity losses above 33% during FY 2012-13. The Authority, as per the petition, had directed the Petitioner to bring down its losses to 28%. However, the Petitioner has failed to comply with the direction of the Authority. Hence there is no justification of pleading for tariff increase without improving the efficiency and reducing the losses to acceptable level.

- At page -031 (FORM-7A) the Petitioner has projected its line losses above 30% in first 7 months of the year (36% in Month 01, 40% in Month 02, 34% in Month 03, 30% in Month 04, 31% in Month 05, 34% in Month 06 and 35% in Month 07). However, the Petitioner projects 27% of losses in Month 08 and 29% in each of Months 10 & 12. The projection seems to be unrealistic as the Petitioner does not provide reasons behind the variation. It can also be questioned that the Petitioner is able to bring down its losses to even 27% in one month, why can't it maintain the same status in the rest of the year.
- The Network is of the view that even the level of 28% of electricity losses is too high. The neighboring DISCO i.e. the Islamabad Electric Supply Company (IESCO), have brought down its electricity losses to less than 10%. Given the circumstances, in which the Petitioner is operating, some variation of 05% to 08% of losses can be justified. Nevertheless, a difference of more than 20% of losses is totally unjustified. Therefore, the Authority should direct the Petitioner to bring its losses down to less than 20%.
- The Petitioner has argued that the law and order situation is hampering its capacity to bring down the losses to acceptable level. Interestingly, the Petitioner has also mentioned that the Ministry of Water and Power has approved 40% Hard Area Allowance for the employees of the Petitioner. (The allowance is shown as part of salaries and wages in the petition). It is therefore questionable that despite having such huge Hard Area Allowance, the employees are unable to perform and failing to reduce the losses.
- In the Petition, the amount of receivables has been projected to increase from Rs. 41,104/- million in FY 2011-12 to Rs.47,504/- million in 2012-13. This huge increase in the receivables shows lack of seriousness of the Petitioner to improve its efficiency. This is also alarming because of the fact that the inefficiency of the Petitioner in recovering its dues from consumers is curtailing its capacity to pay for the electricity to Central Power Purchase Agency (CPPA). This ultimately adds to the ever increasing circular debt which is the main cause of the electricity shortfall as well as the load-shedding.
- The O&M Expenditures have also shown to be increasing in the tariff petition. Huge increase in head of salaries, travel expenses, repair and maintenance, vehicle running has been mentioned as compare to previous year. Amounts demanded in various other heads under the O&M expenditure seems to be

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unjustified. Therefore, TheNetwork submits that all the costs under the O&M must be valid and properly justified keeping in view all inflationary and best market practices.

- In view of the above, TheNetwork submits that the Petitioner's request for increase in tariff may be dismissed and a direction may be made to the Petitioner to improve its efficiency rather than requesting for tariff increase.

6. Framing of Issues

6.1 The Authority framed the following issues to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

- What should be the future tariff methodology in respect of Annual determinations, Quarterly and monthly adjustments.
- Whether the contentions raised by the interveners are justified?
- Whether the Petitioner has complied with the directions of the Authority?
- Whether the Petitioner's projected purchase of 11,605 GWh and sales units of 7,775 GWh for the FY 2012-13, are reasonable?
- Whether the Petitioner's proposed transmission and distribution losses of 33% for the FY 2012-13 are justified?
- Whether the Petitioner's projected Power Purchase cost of Rs 107,924 million for the FY 2012-13, is justified?
- Whether the Petitioner's projected O&M cost of Rs 9,950 million for the FY 2012-13 based on the actual / provisional cost of Rs 8,689 million for the FY 2011-12 is justified?
- Whether the Petitioner's proposed depreciation charges of Rs 1,694 million for the FY 2012-13 after accounting for projected addition to fixed assets, is correctly projected?
- Whether the Petitioner's proposed provision for bad debt amounting to Rs 2,284 million (2% of the sales) is justified?
- Whether the Petitioner's projected Return on Regulatory Asset Base (RORB) of Rs 2,902 million for the FY 2012-13, is justified?
- Whether the Petitioner's projected Other Income of Rs 2,150 million for the FY2012-13 based on the determined income of the FY 2011-12 is reasonable?
- Whether the Petitioner's proposed investment plan of Rs 7,470 million for the FY 2012-13 is justified keeping in view the prospective benefits?
- Whether the Prior year Adjustment of Rs 20 billion (excluding adjustment pertaining to consumption mix variance, assessment of DM and impact of late notification of tariff etc) as calculated by the Petitioner is correct?
- Whether the financial charges amounting to Rs 5,404 million claimed by the Petitioner is justified?

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- Whether the proposed Revenue Requirement of Rs 128,007 million at an average sale rate of Rs 16.46/kWh for the FY 2012-13, is correct and justified?
- Whether the revision / modification of the fuel charge mechanism requested by Pakistan Steel Melters is justified?

7. Hearing

7.1 As per rescheduled date, the hearing was conducted on 27th September, 2012 at Pakistan Academy for Rural Development, Peshawar. During the hearing, the Petitioner was represented by Brig ® Tariq Sadozai along with his financial and technical team. The Interveners also attended the hearing and were represented by Mr. Shumail Ahmad Butt, Standing Counsel and Representative of TheNetwork for Consumer Protection.

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

8. Issue #1. Future Tariff Methodology with respect to the Annual determinations , Quarterly and Monthly adjustments pertaining to the FY 2012-13.

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

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

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

- Assessment of T&D losses target
- Assessment of Sales target.

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

Quarterly Adjustments

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

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

Monthly Fuel Adjustments

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

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

9. <u>Issue #2. Whether the contentions raised by the Intervener are justified ?</u>

9.1 Article 157(2)(d) of the Constitution of Pakistan, in reference whereof, the NEPRA's jurisdiction to determine electricity distribution tariff in a Province is questioned stood already interpreted by the Honorable Supreme Court of Pakistan vide judgment reported as 1997-SCMR-641 (M/s GADOON Textile Mills and 814 others Vs WAPDA and others) whereby it was held that sub-clause (b) of clause 2 of Article 157 is independent and can be pressed into service without invoking other sub-clauses. However, sub-clause (d) of clause (2) is not independent. The Government of a Province can determine the tariff for distribution of electricity within a Province under sub-clause (d) only when it purchases electricity in bulk from the national grid under sub-clause (a) for distribution within the Province or when it constructs power

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houses and grid stations and lay transmission lines for use within the Province under sub-clause (c). Further the issue of NEPRA 's jurisdiction has already been adjudicated in the Authority's determination dated 11th June, 2009 . The objection of the intervener was overruled by the Authority while observing as under:-

"The Authority is of the view that Section 7(4) of the Act read in conjunction with Article 157(2)(d) of the Constitution of Pakistan and the Judgment of Supreme Court (1997-SCMR-641) establishes beyond any doubt that Government of a Province would have the power to determine tariff for distribution of electricity in a Province only if the Government of the Province opts to construct power houses and grid stations and lay transmission lines for use within the Province. Otherwise the power to determine tariff for distribution of electricity solely rests with NEPRA in accordance with the provisions of the Act and the Rules made there-under."

9.2 Against the aforementioned decision of NEPRA, the Government of KPK had filed a writ petition No. 3243 of 2001 before Peshawar High Court, Peshawar. In that petition, the question of jurisdiction of NEPRA in terms of Article 157 of the Constitution was raised. Said petition was, however, subsequently withdrawn by the petitioner Government, thus the jurisdiction of NEPRA is an admitted position on the subject. Here is may also to be relevant to state that a question as to whether "NEPRA's functions are within Constitution are not?" was also raised by the Council of Common Interest, i.e, the apex constitutional forum to formulate policies on the subject of electricity. A sub-Committee was constituted to review and analyze the dispute and during the meetings of said sub-Committee, the representatives of KPK also participated. As per the final outcome of those proceedings, ultimately it has been decided by the Council of Common Interests that NEPRA's role is not in deviation from any Article of the Constitution of Pakistan

9.3 In view of the aforementioned legal position, the Authority considers that the objection of Government of Khyber Pakhtunkhwa regarding NEPRA's jurisdiction to determine tariff for the Petitioner is without any substance. As far as the particular case to which the Intervener is referring to, the notice of contempt was served and was subsequently withdrawn. Here it is pertinent to mention that the consumers in the Province of KPK, just like any other citizen of Pakistan are currently paying a subsidized Schedule – II, uniform tariff across the country. The decision in this regard does not specifically mention Schedule-I or II. But it appears that since Court is adjudicating for a consumer, hence the written consent is with respect to Schedule- II as the end consumer is directly affected by it. Further, Authority determines consumer-end of the Petitioner in a participatory approach, whereby Provincial Government participates as an Intervener and the decision is made after considering its concerns. It may also to be mentioned here that in its orders dated 30th June, 2011, the

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Honorable Court has restrained NEPRA to unilaterally increase the tariff without the consent of Provincial Government as per Article 157 of the Constitution. In this regard, it needs to be clarified that no "consent" as such is provided in Article 157 of the Constitution and that due consultation with Provincial government is made prior to determination of any tariff. Keeping in view, the aforementioned judgment of Superior Court, the Authority considers that the Courts judgment does not bar it from deciding this case.

9.4 The issue of creation of post retirement fund is addressed under the head of O&M costs.

9.5 On the issue of changing lifeline consumer threshold, the Federal Government has not notified its decision as such. Further, the Authority is of the view that this increase in threshold would end up in further burdening the other consumer categories , whereby enhancing cross subsidies.

9.6 While determining tariff for the FY 2011-12, the Authority noted the abnormal consumption patterns in residential class of consumers and based on the available evidence disallowed the consumer-mix variance for the FY 2011-12. Yet again this year, the Petitioner has submitted the data in this regard in the same pattern. The Authority vide its letter dated 9th January, 2013 again asked the Petitioner to submit the same within three working days. Again the data was in the same form. The Authority will address the issue under the head of Prior Year Adjustment.

9.7 On the issue of Wheeling charges from TESCO, the Authority while determining the tariff petition pertaining to the FY 2011-12 decided to exclude it from Other Income on the grounds that the Petitioner would be charged Wheeling charges from MEPCO, which the Authority has allowed after careful consideration of its study of T&D losses and the impact of import & export of electricity through its network. The Authority in its determination pertaining to MEPCO for the same period compensated it by not including wheeling charges as a part of Other Income. By considering it a legitimate income for MEPCO makes it an equally legitimate cost for the Petitioner. By not including wheeling charges as apart of Other Income would ensure the Petitioner to pay its obligations with respect to the Wheeling charges charged by the MEPCO.

9.8 The issue of TOU, line losses, projected purchases , rate base calculation , provision for doubtful debts, investments and Distribution margin is addressed under their relevant heads.

9.9 The concern of TheNetwork for Consumer Protection that since tariff determination process must be proceeded after the technical education of consumers is not valid as all the relevant rules, regulations and standards pertaining to the tariff setting process are

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publically available on its website. Further, all the consumers are always welcome to get clarification from the Authority on any issue of technical nature concerning them. But the Authority cannot delay the tariff determination process merely on the grounds that an intervener to the petition is non technical and the Authority should stop working until that consumer equips with an un defined level of technical knowledge.

9.10 The remaining concerns of the TheNetwork for Consumer Protection are addressed under relevant heads.

9.11 The perception of the Petitioner with respect to suffering loss of Rs. 40 billion, due to delayed determination of its tariff, is not true. The Authority while determining Petitioner's consumer- end tariff pertaining to the FY 2011-12, incorporated all the pending adjustments till 30th September, 2010. GOP by notifying and implementing the Schedule – I, with effect from 1st of March, 2012 virtually eliminated all the delays in terms of recovery of determined consumer-end tariff. In addition, the Intervener's concerns have also highlighted the quality of information provided by the Petitioner, which is prime reason for the delay in the determination of tariff. In Authority's view the major contributor to the Petitioner's reported losses for the FY 2011-12, is its failing to achieve the Authority's determined T&D losses target of 28 % pertaining to the same period.

9.12 As regard the stay order issued by Peshawar High Court on 16th June, 2011 regarding non charging of monthly fuel adjustment allowed by the Authority for the month of March 2011 and onwards, the Authority has already issued its decision in the matter of Writ Petition No. 1772/2011 which was referred to NEPRA by Peshawar High Court vide Order dated 19th July, 2011, on 19th September, 2011. In that decision the Authority has upheld its previous decision in this regard. As per the Petitioner, another stay in this regard was granted in February, 2012. It is still unclear that why the stay on the same grounds are still there since February , 2012, considering the fact that the Authority has already comprehensively adjudicated on the matter .

10. Issue # 3 .Whether the Petitioner has complied with the directions of the Authority regarding 100% installation of TOU meters, cost benefit analysis of investments and creation of independent post retirement benefits funds. What are the post TOU financial implications on the Petitioner's revenue??

10.1 ***TOU Meters***

10.1.1 The Authority, while determining the Consumer – End Tariff of the Petitioner for FY 2008-09, gave directions to convert all consumer categories, including residential consumers having load requirement of 5 kW and above to TOU metering. All new consumers having load exceeding 5 kW were required to be provided TOU meters with effect from 1st January 2009. Considering the volume of these replacements, the

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Authority extended the said deadline to 30th June , 2010. During the 2nd quarter of the FY 2009-10, it was stated on behalf of the Petitioner that it might not be possible for it to arrange TOU metering for all consumers having load requirement of 5 kW and above by June 30, 2010 and requested to extend the deadline. The Authority decided not to extend target date of June 30, 2010 and directed the Petitioner to make serious efforts to complete the task by the target date i.e. 30th June, 2010.

10.1.2 During the process of determining the consumer-end tariff pertaining to the 1st quarter of the FY 2010-11, the Petitioner pleaded that it failed to meet the deadline set by the Authority due to the practical problems faced by it. The Petitioner attributed the delay in the installation for TOU to the financial constraint and the availability of these meters on the pretext that there is limited number of manufacturers with limited production capacity. In view of the aforementioned argument, the Authority decided to extend the deadline for the installation of TOU meters by June, 2011.

10.1.3 During the tariff determination pertaining to the FY 2011-12, the Authority was apprised by the Petitioner that it has completed an overall 28% of the installation and requested to revise deadline for the installation of TOU meters. It was stated that the delay has occurred due to non-supply of meters by the manufacturer within the agreed schedule. In view thereof, the Authority decided to extend the deadline till 30th June, 2012 and the Petitioner was directed to initiate wide spread media campaign to educate the consumers regarding benefits of TOU meters and conduct training to staff to ensure accurate readings.

10.1.4 For the current financial year, the Petitioner intimated the following progress on installation of TOU meters vide its letter no. 928/F-15 dated 26th July, 2012;

Tariff Category	Total Connections Qualified for Installation of TOU meters	Total Nos. of TOU meters installed up till 30th June, 2012	% Installed	No. of TOU meters not yet installed
Residential	21,560	5,222	24	16,338
Commercial	9,364	4,331	46	5,033
Industrial	11,338	5,379	47	5,959
Bulk Supply C	718	131	18	587
Agricultural D	12,523	8,628	69	3,895

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Public Lighting G	1,118	185	17	933
Residential Colonies Attached to Industries H	27	7	26	20
Total	**56,648**	**23,883**	**42**	**32,765**

10.1.5 Subsequently, the Petitioner submitted the following report on TOU meters installation up to August 2012 vide its letter No. 274/F-15 dated September 28, 2012;

Tariff Category	**Total Connections Qualified for Installation of TOU meters**	**Total Nos. of TOU meters installed up till 31st August, 2012**	**% Installed**	**No. of TOU meters not yet installed**
Residential	21,560	5,514	26	16,046
Commercial	9,364	4,486	48	4,878
Industrial	11,338	5,584	49	5,754
Bulk Supply C	718	140	19	578
Agricultural D	12,523	8,632	69	3,891
Public Lighting G	1,118	181	16	937
Residential Colonies attached to Industries H	27	7	26	20
Total	**56,648**	**24,544**	**43**	**32,104**

10.1.6 Considering the seriousness of the issue, the Authority directed the Petitioner to give a separate presentation on the subject on 25th September, 2012. The Authority while evaluating the information in the matter, observed that the Petitioner has previously provided a target of TOU meters installation as 51,338 meters instead of 56,648 meters. The aforementioned target was revised without any proper explanation or reasoning. This raised concerned about the fact that whether the revised figure of 56,648 meters is

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final and would be revised again. In addition, the Petitioner has not shared any information of complying with the Authority's direction of media campaign. During the hearing, one of the Interveners also raised questions on non compliance by the Petitioner in this regard. When the Petitioner was asked about the compliance its statement was that the media campaign is in future plans.

10.1.7 The Authority has seriously noted that the Petitioner has again failed to achieve Authority's set deadline with respect to the installation of TOU meters. The Authority while setting the deadline of 30th June 2012, decided not to give any further extension in this regard. The Petitioner vide its letter dated 18th October, 2012, informed the Authority that it plans to TOU meters in two phases. In first phase, meters of commercial and industrial categories will be replaced up to 31st December, 2012 and in the second phase the installation of the remaining categories will be carried out up to June 2013. The Authority keeping in view the Petitioner's firm commitments and assurances has decided to further extend the deadline for the installation of TOU meters till 31st March, 2013 and at the same time directs the Petitioner to carry out the training sessions of its concerned staff from the manufacturing companies of TOU meters and the consumer awareness campaign must be continued on the back on the each consumer bill. In addition the Authority further directs the Petitioner to confirm the revised target of TOU installation in writing at earliest. The rest of the compliances are discussed under the relevant heads of issues.

11. **Issue # 4 ; Whether the Petitioner's projected purchase of 11,605 GWh and sales units of 7,775 GWh for the FY 2012-13, are reasonable?**

11.1 The Petitioner based its projections for the FY 2012-13 on a sales target of 7,775 GWh and purchases of 11,605 GWhs. The Intervener, Government of KPK, while objecting to the projection stated that the Petitioner has not assumed any increase in generation capacity in the FY 2012-13. The Petitioner, in its petition and during the hearing has not substantiated its forecast with any working or rationale. The actual purchases during the FY 2011-12, as per actual available record, remained around 11,023 GWhs, showing a negative growth of approximately 1.0% in terms of actual purchases for the FY 2010-11.

11.2 The Authority is of the view that the Intervener while objecting that the said forecasts does not assume any increase in generation capacity in the FY 2012-13, itself has failed to mention specifically the additional generation capacity to which it is referring to. Having said that, the Authority while projecting the same do take into account all the factual positions on ground.

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11.3 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2012-13. On the basis of 3 year's actual trend of purchase of power and prevailing circular debt issue, it is estimated that in the FY 2012-13 the overall system generation will be about 91,293 GWh. After adjusting for the permissible transmission losses of 2.5% about 89,011 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for FY 2012-13, is accordingly assessed as 11,277 GWh as against 11,605 GWh projected by it. After incorporating the T&D losses target for the FY 2012-13 (discussed below) the sales target for the same period worked out as 8,120 GWhs.

12. **Issue # 5 . Whether the Petitioner's proposed transmission and distribution losses of 33% for the FY 2012-13 are justified?**

12.1 The Authority assessed T&D losses target of 28% for the FY 2010-11 and FY 2011-12, against the requested target of 33% for both the financial years. The Petitioner's actual T&D losses for the FY 2009-10, FY 2010-11 & FY 2011-12 remained around 36.91%, 37.25% and 35.98% respectively. The Authority assessed a target of 28%, as an overall figure of T&D losses for the FY 2011-12, on the basis of unjustifiable administrative losses in the soft distribution area of the Petitioner and efficiency that Petitioner should achieve considering the investments already made by it with respect to the up gradation and improvement in its existing system. The Authority had discussed in detail the rationale for its assessment of T&D losses as 28% in its earlier determinations for the FY 2008-09 and FY 2009-10.

12.2 The Petitioner was directed by the Authority in the tariff determination pertaining to the second quarter of the FY 2009-10 to submit a comprehensive plan for the improvement in its T&D losses. Subsequently, the Petitioner was again directed in the tariff determination pertaining to the first quarter of the FY 2010-11 to submit study regarding T&D losses at feeder level. The Petitioner's submissions were discussed in detail in the tariff determination pertaining to FY 2011-12 with the Authority concluding the discussion by stating the compliance as partial and directing the Petitioner to submit a workable action plan for the reduction of T&D losses at feeder & subdivisions level.

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12.3 The Intervener, Government of KPK, raised concern on the issue of line losses and informed that the Petitioner has been time and again instructed by the Authority to conduct an elaborate study of its line losses and share a plan for reduction of losses. As per the Intervener, the compliance of this order is not clear. The other Intervener, TheNetwork for consumer protection, shared its concern on the huge line losses of the Petitioner and baseless projections whereby in one month the projected losses are as low as 27%. The intervener also requested the Authority to assess Petitioner's losses less than 20%.

12.4 As far as the compliance of the order is concerned, (as pointed out by the Intervener) a briefing on the subject was given on 18th May, 2012 which was followed by a letter dated 14th June, 2012, whereby the Petitioner submitted a circle wise monthly / quarterly distribution losses targets based on 33% losses for the FY 2011-12. The Petitioner argued that the same level of T&D losses i.e. 33% , was requested in the tariff petition pertaining to the FY 2011-12, but the Authority, subsequently in its determination dated 20th January, 2012 allowed a T&D losses target of 28% pertaining to the same period. In addition, the Petitioner, through the aforementioned letter, informed the Authority about its five year loss reduction programme (Vision 2015-16) whereby the Petitioner intends to reduce its level of losses by 3% per annum, which would eventually bring down its losses to a level of 18.4% in FY 2015-16. As per the Petitioner, in order to achieve that goal, it would require an overall investment of Rs. 87.25 billion for the said programme.

12.5 The argument raised by the Intervener, (the Network for consumer protection), whereby it challenges the fluctuating projections of the Petitioner and request the Authority to fix the target at a minimum level of 20%, by citing examples of IESCO, is not true. The Authority wants to clarify that these fluctuations in T&D losses are due seasonal effects as discussed under Issue# 1 of the instant decision. Further, the comparison of Petitioner with IESCO is also not justified as both are having different consumer mix, geographical and technical aspects and setting T&D losses target at 20% instantly would seriously affect the operational capabilities of the Petitioner.

12.6 The Authority is of the view that irrespective of Authority's set target of 28% and Petitioner's own circle wise plan based on 33% level of T&D losses, that plan has failed itself when compared with the actual T&D losses of 35.98 % during the FY 2011-12. The only justification for these high losses, as submitted by the Petitioner , is worst law and order situation of the province. The Intervener, (TheNetwork for consumer protection) while discussing this excuse, questioned the Hard Area allowance approved for the employees of the Petitioner to perform their duties in such areas, when their results are almost nothing in this regard. As far as the Vision 2015-16 is concerned, it is addressed under the relevant head of investments.

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12.7 Based on the available information, arguments of the Intervener and considering the higher proportion of administrative losses particularly in soft areas of the Petitioner, the Authority is of the view that the Petitioner's request for setting 33% as T&D losses target for the FY 2012-13, is not justified. The reduction of administrative losses in the soft distribution area was one of the predominant basis for the Authority's assessment of 28% T&D losses. In addition to aforementioned, the efficiency that the Petitioner must achieve based on the investments already made for the up gradation and improvement in its existing system should also be given consideration when setting the target for a future period. In view of aforesaid reasons, the Authority is of the opinion that the Petitioner has completely failed to make its case for determining T&D losses target to 33% for the FY 2012-13. Setting T&D losses at 33% for the FY 2011-12 would be unjust for the consumers, if the burden of the inefficiencies on the part of the Petitioner is passed on to them. In view thereof, the Authority has decided to maintain the same level of T&D losses target of 28% for the FY 2012-13, considering it not only realistic but also achievable for the Petitioner.

13. Issue # 6. Whether the Petitioner's proposed investment plan of Rs 7,470 million for the FY 2012-13 is justified keeping in view the prospective benefits?

13.1 The Petitioner has requested for a sum of Rs. 7,470 million to execute its development/ investment plan for the FY 2012-13 in the areas of Development of Power (DOP), Energy Loss-Reduction (ELR), Rural Electrification, Smart / TOU meters and Secondary Transmission & Grid (STG, which will be funded by ADB). The break-up of proposed investment provided by the Petitioner is as under:

S.#	Description	FY 2012-13 (Rs in million)
1.	Development of Power (DOP)	1,115
2.	Energy Loss Reduction (ELR)	600
3.	Rural electrification (RE)	3,000
4.	Installation of TOU / AMR meters	1500
5.	6th STG	2,255
	Total	**7,470**

13.2 The Petitioner plans to fund the aforementioned investments through its own resources and loans as specified below;

Loans	Rs. 1,155 million
Own Resources	Rs. 2,700 million
Consumer Contributions	Rs. 3,615 million
Total	**Rs. 7,470 million**

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13.3 The Petitioner was directed to submit detailed cost benefit analysis of its investment program by 15th March, 2012 in the tariff determination of FY 2011-12. The instant petition does not provide any quantified cost benefit analysis of the requested investments. The purpose of the required information was not to question the significance or importance of these investments, but to monitor the effectiveness of these investments. The intervener also drew attention to huge investments being allowed under energy loss reduction in last five years, against which the loss reduction is negligible. However, the Petitioner vide its letter dated 14th June, 2012 provided a plan termed as Vision 2015-16 , wherein it plans to reduce its current level of T&D losses to a level of 18.4 % by 2016, through an investment of Rs. 87.25 billion. As per the Petitioner, because of the aforementioned investments, the net saving per annum would be around Rs. 18.25 billion.

13.4 The Authority, while going through the submitted documents with respect to the Vision 2016, has observed that the Petitioner has not clarified that whether it require the requested investment at once or over five years? Further, it is also not clear that whether the requested investment for the FY 2012-13, includes a component of Vision 2016 or not? In addition, the submitted plan does not set priorities across different components of the plan and last but not the least, how the Petitioner plans to fund these investments ? Having said that, the Authority appreciate Petitioner's intentions to bring efficiencies and directs the Petitioner to resubmit it prioritizing different components of the plan with all detailed workings for each year and corresponding benefits. Despite the aforementioned reasons, the Authority cannot ignore the requirement of investments in order to improve the system and to meet the T&D losses target of 28.00% set by the Authority for the FY 2012-13.

13.5 Here it is pertinent to mention that the Petitioner has managed to carry out net investments of Rs. 4,303 million and Rs. 5,003 million during the FY 2011-12 and FY 2010-11 respectively. The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 3,655 million and Rs. 2,444 million respectively. Thus, net capital investment carried out through loans and own resources, works out as Rs. 648 million and Rs. 2,559 million during the FY 2011-12 and FY 2010-11 respectively.

13.6 Based on the available record, arguments, evidences and the fact that these allowed investments affect the annual Return on Rate Base (RORB) for a DISCO, hence while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to fixed operating assets. In view of aforementioned, it is expected that the Petitioner would be

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able to undertake the projected investment of Rs. 5,128 million (including the impact of consumer contributions of Rs. 3,655 million) during the FY 2012-13. Here it is pertinent to mention that the existing mechanism of determining RORB automatically caters for the benefits of investments and any investment exceeding Authority's assessment (which is desirable) during the FY 2012-13, would be considered for in the next year's returns.

14. **Issue # 7. Whether the Prior year Adjustment of Rs 20 billion (excluding adjustment pertaining to consumption mix variance, assessment of DM and impact of late notification of tariff etc) as calculated by PESCO is correct?**

14.1 The Petitioner has requested Rs 20 billion for 1st, 2nd and 3rd quarter of FY 2011-12 on account of Power Purchase price and impact of extra or lesser purchases of units on Power Purchase Price. The Petitioner, however, has not substantiated its request with any reconciled working. Further, the Petitioner has mentioned in the petition that adjustment for the 4th quarter and other adjustments that are allowed annually like consumption mix variance, assessment of Distribution Margin, impact of late notification of tariff etc will be claimed when actual data for whole FY 2011-12 would be available. As per the petitioner, it has claimed substantial amount on account of prior year adjustment due to delay in notification of tariff for the FY 2011-12 and no fuel price adjustment being allowed during FY 2011-12 owing to stay order issued by Peshawar High Court.

14.2 Based on the information provided with respect to units sold, adjustment already made and the impact of consumer-mix the Petitioner's un recovered cost works out as follows;

		Rs. Million
	Notified reference PPP during the FY 2011-12.	84,186
	Assessed Distribution Margin for the FY 2011-12	7,414
	Assessed PYA for the FY 2011-12	80
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2011-12	5,308
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2011-12	3,287
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2011-12	1,304
Add;	4th Qrt's PPP adjustment pertaining to the FY 2011-12	(393)
Less ;	Regulated PPP recovery on notified rates during the FY 2011-12	84,886
Less;	Regulated DM recovery on notified rates during FY 2011-12	5,732
Less;	Regulated PYA recovery on notified rates during FY 2011-12	1,983
Add;	Net impact of assessed & actual Other Income for the FY 2011-12	435
Total Uncovered Costs for the FY 2011-12		**9,019**

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14.3 Here it is pertinent to mention that non collection of monthly FPA by the Petitioner due to stay in Peshawar High Court, is not included in the calculation of PYA. The Authority is of the view that this is a legitimate cost for the Petitioner and it must do all out efforts to vacate the said stay, considering the fact that the Authority has exclusively adjudicated on the subject in the matter of Petitioner.

14.4 In the tariff determination pertaining to the FY 2011-12, the Authority noted with great concern that the consumer-mix data as submitted by petitioner for the FY 2010-11 showed abnormal consumption patterns related to residential class of consumers particularly Life line consumers, whereby the consumption by life line consumers was about 9% of the total Petitioner's sales. The analysis of the monthly data indicated that the monthly consumption per consumption in the case of life line consumers ranges between minimum of 57 to 86 kWhs per month. As a matter of principle the average monthly consumption of life line consumers must be less than 50 kWhs. It was further noted that the actual average rate for the life line consumers without subsidy works out as Rs. 4.67/ kWh as against the applicable rate of Rs. 1.83/ kWh.

14.5 The Authority further noted that the Petitioner's information is inaccurate therefore cannot be relied upon for making fair assessment of the Petitioner's requirement on the basis of consumption mix given by the Petitioner. The Authority therefore decided to shift consumption from life line consumers to first 100 slab category, applying 50 kWh to the number of consumers falling under 100 slab category. The Authority also decided to initiate a separate case for wrong application of tariff under relevant rule.

14.6 Subsequent to the aforementioned a briefing on the subject of lifeline was given by the Petitioner on 18th May, 2012 which was followed by a letter dated 7th May, 2012, ***received on 12th June, 2012***, wherein the Petitioner tried to explain the reasons for high consumption for the life line consumers. The Petitioner attributed the abnormal consumption patterns to adjustment billing as per the detection policy in vogue. It was further stated that if the consumption is seen with adjustments, it would present a logical picture. Thus, the Authority's apprehension with respect to charging wrong tariff is not correct. Here it pertinent to mention that the Petitioner has again with the tariff petition pertaining to the FY 2011-12 submitted the same data with respect to Life line consumers .i.e. with the same 9% life line consumption of the overall DISCO's sales. The same point was also highlighted by the Intervener , Government of KPK.

14.7 The Authority, after careful consideration of the Petitioner's argument, is of the view that it even if the adjustment is charged as per the existing detection policy, it should not end up in overall per kWh charges per consumer greater than the determined rates. The Petitioner's statement has further aggravated Authority's concerns with respect to charging of wrong tariff as it still not clear that if a theft or detection is

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identified, which eventually classifies that consumer as a regular residential consumer from its existing life line consumer status, whether the tariff of that consumer is charged as of a regular residential consumer or the whole detection is charged at a tariff of Life line consumer? The Authority is aware of the fact that mostly detection bills are worked back from the amount of detections, yet the same does not translates into changing the classification of consumer category. In view thereof, the Authority directs the Petitioner to conduct an investigative audit of the matter from the Auditor of its company and submit a report in this regard not later than 30th June, 2013. The Authority, in the findings of the audit would take the case further as per Rules.

14.8 As regard submitting the same data with respect to the life line consumers in the tariff petition pertaining to the FY 2012-13, the Authority after observing the same abnormality wrote a letter# TRF-212/250 dated 9th January, 2013, asking the Petitioner to submit month wise consumer mix sales. The Petitioner vide its letter 17th January, 2013 submitted that it has already provided this information.

14.9 On the available evidence, the Authority cannot allow Petitioner allowing consumer-mix as it may result in unrealistic assessment. Accordingly, the consumer-mix variance is not made part of the Petitioner's assessed PYA.

15. Issue # 8. Whether the projected O&M cost of Rs 9,950 million for the FY 2012-13 based on the actual / provisional cost of Rs 8,689 million for the FY 2011-12 is justified and whether each component of O&M (e.g. Salaries & wages, repair & maintenance, traveling expenses, vehicle maintenance & miscellaneous expenses) claimed in the Petition are justified?

15.1 The Petitioner requested an amount of Rs. 9,950 million on account of O&M cost. The Petitioner contended that O&M expenses include salary and other benefits, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided here under:

Description	2009 Audited	2010 Audited	2011 Audited	2012 Audited	2013 Requested
Salaries & Other Benefits	4,432	4,950	6,346	7,950	8,555
Maintenance Expenses	392	417	425	480	551
Traveling Expenses	93	101	117	250	147

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Vehicle Running Expenses	104	118	122		149
Other Expenses	321	430	469	635	548
Total	**5,343**	**6,016**	**7,479**	**9,315**	**9,950**

15.2 Salaries Wages & Other Benefits

15.2.1 The Petitioner in its petition and during the hearing submitted that being public sector company, its employees salaries are protected under pay scale, hence any increase in salary and long term benefits as approved in finance bill have to be adopted by the Petitioner under the terms of employment i.e. on the basis of protected national pay scales. The Petitioner, in its petition, explained the basis of requested increase under this head. According to the Petitioner, the Government of Pakistan has increased the pay and pension of government employees by 20% and revised the conveyance allowance rates. Further, the effect of annual increment of 5% w.e.f 1st December, 2012 has been taken in the projection. In addition to this, the Petitioner has mentioned that Ministry of Water & Power has approved 40% Hard Area Allowance for the employees of Petitioner and also increased House Rent Allowance at Abbottabad from 30% to 45%. The effect of all these increments has been taken in the projection resulting in an increase of Rs. 605 million from the audited figures of the FY 2011-12.

15.2.2 The employees retirement benefits have been based on the average of annual increase in the last three years audited figures. The Intervener, TheNetwork for consumer protection argued that all the costs under the O&M must be valid and properly justified keeping in view all inflationary and best market practices.

15.2.3 In order to make fair assessment of the Salaries, wages & benefits, the Petitioner's audited accounts for the FY 2011-12 were analyzed. The analysis of the accounts revealed that the salaries, wages and other benefits for FY 2011-12 were Rs. 7950 million. As per the information provided by the Petitioner, it was observed that during the FY 2011-12 the salaries & wages increased by Rs. 1,604 million; indicating an overall increase of about 25% from the audited figure of the FY 2010-12. This increase is substantial when compared with other DISCOs. The expense for FY 2011-12 also include an amount of Rs. 2,447 million pertaining to the employee's post retirement benefit.

15.2.4 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority in its determination pertaining to the FY 2011-12, directed the Petitioner to create a separate fund in this regard before 30th June 2012, which is allowed by IAS - 19. Creation of funds would ensure that the Petitioner records it

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liability more prudently as the funds would be transferred to a separate legal entity. In addition to that these independent funds would generate their own profits, if kept separate from the company's routine operations. The Petitioner vide its letter dated 28th May , 2012, informed the Authority that due to its cash flow problems it may not be possible for it to create a separate fund. This justification was debated upon as the petitioner is being allowed provision on a consistent basis and the funds have been used to meet other operating expenses. In view of aforementioned, the Authority has decided to take actual payments for the FY 2011-12, as reference for requested increase pertaining to the FY 2012-13, instead of provision for post retirement benefits. For future assessments, the amount transferred into the fund would be allowed by the Authority on actual basis until the fund is created and directs the Petitioner to create it not later than 30th June, 2013.

15.2.5 On the issue of 'Hard Area Allowance' for the Petitioner's employees and increase in 'House Rent Allowance at Abbottabad', it has not provided any justification / evidence which would substantiate the rationale of the said cost other than this that it has been approved by Ministry of Water & Power. The Authority is of the view that sufficient evidence / justification is to be shared in this regard. Further, considering the actual results of T&D losses for the FY 2011-12, the " Hard Area " allowance also becomes debatable as rightly pointed out by the Intervener.

15.2.6 The Petitioner has not provided any detail with regard to new recruitments. The Authority has been disallowing new recruitments and asking the Petitioner to justify the need of these posts as most of the new recruits were non-professionals. Irrespective of aforementioned, the Authority is cognizant of the fact that the Petitioner's work force is retiring each year and if their replacements are not made, Petitioner would not be able to work efficiently and effectively. In view thereof the Authority has decided to allow only replacement hiring, whereby an employee is hired in lieu of a retiring employee. In this particular scenario no additional / incremental cost could be incurred by the Petitioner. The Petitioner intimated the Authority that as on 30th June, 2012, the financial impact of additional recruitments carried out during FY 2009-10 and onwards is Rs. 170 million (communicated vide letter dated 8th January, 2013) . The Authority directs the Petitioner to get the reported figure verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact.

15.2.7 LESCO in its Petition raised the issue of retired WAPDA employees before 1998. The Authority in its determination dated 10th January, 2012, decided to hold separate meeting on the subject whereby the arguments of the Petitioner and WAPDA could be heard in light of available evidences. Pursuant to which a presentation on the subject was given by the Petitioner on 30th May, 2012 and WAPDA's point of view was also

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heard separately. Subsequently, a final meeting on the subject was held on 22nd January, 2013. The following concluding and implementations points were emerged out of a long brain storming session;

- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.
- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directs the WAPDA and Other (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

15.2.8 While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above) , the GOP's recent announcement of 20% increase as adhoc allowance, increase in post retirement benefits on actual payments, increase in conveyance allowance , 5% annual increment along with its effect on other benefits has been accounted for. Here it is pertinent to mention that the base expense taken excludes the impact of additional recruitments of Rs. 170 million as reported by the Petitioner. The GOP's recent increase with respect to the post retirement benefits has been taken on actual payments, in this regard, during the FY 2011-12.

15.2.9 Based on the discussion made in the preceding paragraphs, incorporating GOPs recent increases and annual assessments of salaries & wages for the FY 2012-13 of other DISCOs, the Authority has assessed Rs. 7,280 million on account of salaries, wages and other benefits for the FY 2012-13.

15.3 Maintenance Expenses

15.3.1 The Petitioner requested Rs. 551 million on account of repair and maintenance. The requested amount is based on 1.74% of the net fixed assets. The actual cost on this account as per the audited accounts for the FY2011-12 is Rs. 480 million. This turned out to be approximately 13% higher than the audited figure of the FY 2010-11. As per the Petitioner, this amount is required to undertake following expenses:

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- Purchase of material for Repair and Maintenance (R&M) of 87 nos. Grid Stations (132KV, 66KV & 33KV);
- R&M of 3,065 KM Transmission Lines;
- R&M of 32,112 KM HT Lines;
- R&M of 43,067 KM LT Lines;
- R&M of 53,034 No. of Distribution Transformers which are frequently damaged due to over loading;
- Replacement of defective meters; and
- R&M of residential & office buildings

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

15.3.3 If the Petitioner's request is examined on the basis of its past trend, the requested amount of Rs. 551 million appears to be on higher side therefore needs to be rationalized. Keeping in view, past trend and comparison with other DISCOs, the repair and maintenance cost of Rs. 486 million has been assessed for the FY 2012-13 in the instant case.

15.4 Traveling Expenses

15.4.1 The Petitioner requested an amount of Rs 147 million to manage travelling expenses in the FY 2012-13. The actual cost on this account as per the data presented by the Petitioner for the FY 2011-12, is Rs. 116 million.

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

15.4.3 The Petitioner while requesting the Rs. 147 million for the FY 2012-13 , has not substantiated its request with any evidence or details of the actual TA claims designation wise, pertaining to the last year to justify its requested increase under this head.

15.4.4 Based on the above discussion, comparison with other DISCOs and Petitioner's actual results after the GOP's increase, the Authority has decided to allow this cost to the tune of Rs. 136 million for the FY 2012-13.

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15.5 Vehicle Running Expenses

15.5.1 The Petitioner requested Rs. 149 million under the head of Vehicle maintenance for the FY 2012-13. The actual cost on this account as per the data presented by the petitioner for the FY 2011-12 is Rs. 136 million, which turns out to be 11% higher than the audited figures of the FY 2010-11.

15.5.2 The matter of the fact is that the Vehicle maintenance cost is not only affected by the inflation but also with the variation in the number of vehicles which in turn is dependant on the distribution area of the Petitioner. Further, the life of the vehicles also plays a contributory role towards the higher expenditure under this head.

15.5.3 In view of the aforementioned arguments, available evidence/information, past trend, increasing fuel prices and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 138 million under the head of vehicle running cost pertaining to the FY 2012-13.

15.6 Other Expenses

15.6.1 The Petitioner requested Rs. 548 million for the FY 2012-13, pertaining to the expenses that include rent, rates & taxes, utility expenses, bills collection charges, postage, telephone, office supplies, communication, insurance expense, overhead expenses, Auditor's remuneration, NEPRA fee and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. The actual expense under this head in the FY 2011-12 has been Rs 547 million. The Petitioner has given no rationale or provided any evidences in order to substantiate its claim.

15.6.2 In view thereof, considering the past trend and comparison with the other DISCOs, it could be observed that the request of the petitioner on this account is not justified and needs to be rationalized. Hence, the Authority has decided to assess the cost of Rs. 425 million on the account of Other expenses.

16. Issue # 9. Whether the Petitioner's projected Other Income of Rs 2,150 million for the FY 2012-13 based on the determined income of the FY 2011-12 is reasonable?

16.1 The Petitioner has projected Rs. 2,150 million as other income. The other income as per the audited accounts for the FY 2011-12 was Rs. 6,698 million. The higher income in last financial year was due to reversal of system charges of MEPCO and FESCO as per the order passed by the Authority in the tariff determination pertaining to FY 2011-12 that amounted to Rs. 3,635 million. This cost pertained to the period from January, 2006 to June, 2010 and the claim of MEPCO and FESCO was turned down by the Authority as being time barred.

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16.2 As per the Authority's decision passed in the tariff determination of the FY 2011-12, whereby it decided not to include wheeling charges from TESCO as a part of other income , the actual Other Income of the Petitioner works out as Rs.2,517 million. The Intervener, has objected the Authority's decision in this regard. The Authority wants to clarify the this is a legitimate cost for the Petitioner as the it has to pay its liabilities on the same account to MEPCO. The decision was in principle for all the DISCOs , which would eventually open up the market for all the DISCOs and bulk power consumers.

16.3 Here it is pertinent to mention that CPPA on various fora agitated that the Authority has been disallowing markup on delayed payments to IPPs, at CPPA level, yet on the other hand late payment surcharge recovered from the consumers is adjusted against the Distribution Margin. PEPCO requested to off-set the two markups against each other. The Authority declined the request on the grounds that each company is different legal entity and in the absence of any sale/purchase agreements between CPPA and the DISCO, passing on such cost is legally not sustainable. The Authority further directed CPPA to enter into relevant bilateral agreements no later than 15th March 2011. Subsequently, the Petitioner was again directed to sign the contract not later than 30th June, 2012. But till today no progress has been made so far in this regard.

16.4 The Authority has been deducting Other Income from the Distribution Margin of the Petitioner considering it a non – regulated Income for a DISCO. Since CPPA has not entered into sale/purchase agreement with the DISCOs therefore in the absence of such agreements the Authority is constrained to continue with previous practice. In view thereof, the Authority has decided to assess Rs. 2,517 million as Other Income which also includes late payment surcharge.

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

17. <u>Issue # 10. Whether Petitioner's proposed provision for bad debt amounting to Rs 2,284 million (2% of the sales) is justified?</u>

17.1 The Petitioner has requested Rs. 2,284million as Provision for bad debts. As per the Petitioner, provision is based on ageing formula, stated in audited accounts and agreed with the statutory auditors. The Petitioner informed that the requested provision is based on 2% of projected sales to the consumers and 93% recovery.

17.2 As per the Petitioner's Representatives, the worst law and order situation in the province of KP and non-payment culture in the areas adjacent to TESCO there are big hindrance in the collection of revenue billed. Moreover, disconnection for revenue

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recovery creates law and order situation in the form of road blockage and attacks on the Petitioners staff, grid stations and offices. Therefore, provision for bad debts is requested for the FY 2012-13.

17.3 The Intervener strongly objected to allowing provision for bad debts and informed that despite the Authority's clear directions that no provision for bad debts will be allowed in the tariff determinations for FY 2010-11 and FY 2011-12, the Petitioner has again requested for this provision.

17.4 In the past, keeping in view the peculiar area in which the Petitioner operates, the Authority has been allowing the Petitioner a reasonable level of provision against doubtful debts. But the allowed provision has not been consistent with actual write-offs. The same contention was also raised by the Learned Counsel of Khyber Phutunkhawa. Considering the documents required for new connection/extension and reduction of load or change of name in terms of Chapter 2.3 (b) & (h) of the Consumer Service Manual, the risk of credit sales transfers to the third party, i.e., Owner of the premises or purchaser of the property. Currently DISCOs are functioning in a monopolized environment and in case of default the connection of the premises, if disconnected, cannot be restored till the outstanding dues are paid. Electricity in today's life is a basic necessity and the consumers cannot afford to live without it and as per referred Chapter of Consumer Service Manual, the risk transfers to the occupant of the premises. In addition to this, at the time of connection, DISCO also collects one months billing from the consumers in the shape of security deposits, which also serves as a deterrence for a consumer to default.

17.5 In view of aforementioned, the Authority considering the previous trend of actual write-offs, has decided to allow actual write offs of debtors on actual basis rather than allowing provision for doubtful debts for future assessments. Thus, for the FY 2012-13, the actual write offs were nil hence no amount is allowed on this account.

18. <u>Issue #11. Whether the request of Petitioner to allow financing cost amounting to Rs. 5,404 million on the debt allocated to the Petitioner by Power Holding (Pvt.) Ltd. For onward payment to CPPA, is justified?</u>

18.1 The Petitioner in its petition and during the hearing submitted that in order to cope up with the circular debt of power sector, Ministry of Finance has arranged a loan of Rs.160 billion, out of which Rs.136 billion has been disbursed by the lending institutions to Power Holding (Pvt.) Ltd. (PHL) for onward payment to CPPA to pay off the obligations towards generation companies and oil companies. Out of this disbursed amount, Rs.39 billion have been allocated to the Petitioner. Thus, for the FY 2012-13, the Petitioner had to pay Rs.5,404 million as the financing cost of its share in total loan which is calculated on its share by applying current KIBOR rate. This amount is subject to change due to fluctuation in KIBOR rates.

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

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

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

18.5 Having said that, this issue highlights DISCO's genuine need for working capital (short – term financing e.g. running finance, local L/Cs etc).

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

19. **<u>Issue # 12. Whether the claim of the petitioner for revenue requirement is justified?</u>**

19.1 Annual Revenue Requirement comprises of the following;

1. Power Purchase Price
2. Impact of T&D Losses
3. Distribution Margin
   i) O&M Expenses

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ii) Depreciation, RORB and Other Income

4. Prior Year Adjustment

19.2 For the assessment of annual revenue requirement each of the components of average tariff is discussed in detail in the succeeding paragraphs.

19.3 Power Purchase Price (PPP)

19.3.1 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs). The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in its Official Gazette. The Power Purchase Price for FY 2012-13 has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

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

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	28,047	30.72%	1,768	0.24%
Coal	66	0.07%	246	0.03%
HSD	1,854	2.03%	39,090	5.40%
Thermal - RFO	31,869	34.91%	533,815	73.80%
Thermal - Gas	23,931	26.21%	134,480	18.59%
Nuclear	4,675	5.12%	5,338	0.74%
Mixed	585	0.64%	6,139	0.85%
Import from Iran	259	0.28%	2,462	0.34%
Wind	8	0.01%	0.0306	0.00%
Total	91,293	100%	723,340	100%
Capacity Charge			194,233	
Total Generation Cost			917,573	

19.3.3 Here it is pertinent to mention that the aforementioned Energy charge includes variable O&M charges. But as per the revised tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as

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

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

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

XTC = XCTC + XETC

Where:

XTC = Transfer charge to XWDISCOs & KESC

XCTC = Capacity Transfer Charge to XWDISCOs & KESC

XETC = Energy Transfer Charge to XWDISCOs & KESC

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

Where:

(i) CPGenCap = the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus

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the amount of liquidated damages received during the month.

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

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

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

Where:

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

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

Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses of 2.5%. NTDC shall, for the purpose of clarity intimate to all DISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

19.3.6 According to the above mechanism Rs. 21,869 million and Rs. 2,079 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2012-13. The overall fixed charges comprising of CpGenCap and USCF in the instant case work out as Rs. 23,948 million, which translate into Rs. 1,031.72/kW/month or Rs.3.38/kWh.

19.3.7 The annual PPP for the FY 2012-13 in the instant case works out as Rs. 115,738 million. With the projected purchases of 11,277 GWh for the same period the average PPP turns out to be as Rs. 10.26 / kWh (Annex – IV). On the basis of 28.00 % T&D losses, the PPP per kWh is assessed as Rs. 14.25 /kWh.

19.3.8 Considering the timing of the determination the Authority has decided to include

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quarterly adjustment pertaining to the first two quarters of the FY 2012-13. In the matter of Petitioner the 1st and 2nd quarters PPP adjustment works out as Rs. 1,306 million and Rs. (2,131) million respectively.

20. Distribution Margin (DM)

20.1 The Petitioner has requested to allow a Distribution Margin of Rs. 14,679 million for the FY 2012-13 which is inclusive of O&M Cost, Depreciation, Provision for bad debts, RORB and Other income. The assessment of O&M Cost and Other Income has been done in the preceding paragraphs. The remaining two items depreciation and RORB are being discussed in the following paragraphs;

21. Depreciation

21.1 The Petitioner has requested for approval of Rs. 1,694 million on account of depreciation for the FY 2012-13 based on the estimated figures of fixed assets for the FY 2012-13. In order to make fair assessment the Authority keeps in view the investment approved by the Authority. After taking into account new investments, the Gross Fixed Assets in Operation for the FY 2012-13 will be Rs. 48,101 million. Accordingly the depreciation charge for the FY 2012-13 has been assessed as Rs. 1,647 million.

21.2 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2011-12 & 2010-11, the Authority has assessed the amortization of deferred credit to the tune of Rs. 777 million for the FY 2012-13, thus passing on the benefit to this extent to the consumers.

22. **Return on Rate Base (RORB)**

22.1 The Petitioner has requested a return of Rs. 2,902 million. The Petitioner has calculated the Return on Rate Base (RORB) assuming a Weighted Average Cost of Capital (WACC) of 11.25% and average regulatory asset base of Rs. 25,793 million in accordance with the following formula:

RORB = Rate Base x WACC

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

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(ii) cost of equity.

22.3 The Authority in its decision pertaining to the FY 2011-12 decided to use post tax rate of return on which would guarantee interest payments and return on the assumed optimum capital structure of 80:20 (Debt ; Equity). For the FY 2012-13 , after considering the available record, latest 10 year PIB Bond auction and current interest rate fluctuations, decided to use the same WACC rate of 11.25% as it used last year. Here it is pertinent to mention that the Authority would reconsider WACC of the Petitioner , once it is felt that the recent KIBOR changes has attained a stabilized position or at least entered into a consolidation phase.

22.4 In the Authority's opinion the Rate of Return should be reasonable enough, sufficient to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public service. The Authority considers that from the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity owner should commensurate with the return on investment of other enterprises having comparable risks. Thus, using Post tax rate of return , the Authority has assessed Rs.2,003 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2011-12 Audited	FY 2012-13 Projected
Opening fixed assets in operation	36,370	42,557
Assets Transferred during the year	6,187	5,543
Closing Fixed Assets in Operation	**42,557**	**48,101**
Less: Accumulated Depreciation	14,308	15,955
Net Fixed Assets in operation	**28,249**	**32,145**
+ Capital Work in Progress (Closing)	6,882	6,467
Total Fixed Assets	35,132	38,613
Less: Deferred Credit (including share of deposit works in CWIP)	17,629	20,507
Total	**17,502**	**18,105**
Average Regulatory Assets Base		17,804
Return on Rate Base @ 11.25%		2,003

22.5 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2012-13 may be assessed as per the following details;

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1.	Power Purchase Price		Rs. 115,738 Million
	CpGenE	Rs. 91,790 Million	
	CpGenCap	Rs. 21,869 Million	
	USCF	Rs. 2,079 Million	
2.	Distribution Margin		Rs. 9,598 Million
	O&M Cost	Rs. 8,464 Million	
	Depreciation	Rs. 1,647 Million	
	RORB	Rs. 2,003 Million	
	Gross DM	Rs. 12,115 Million	
	Less: Other Income	Rs. 2,517 Million	
	Net DM	**Rs. 9,598 Million**	
	Prior Year Adjustment		Rs. 9,019 Million
	1st Qrt PPP Adj.	Rs.1,306 Million	
	2nd Qrt PPP Adj.	Rs.(2,131) Million	
	Total Assessed Revenue Requirement		**Rs. 133,530 Million**

22.6 Based on the targeted sales of 8,120 GWh for the FY 2012-13, the Petitioner's average sale rate works out Rs. 16.4451/kWh, consisting of Rs.14.25/kWh of adjusted PPP, Rs. 1.18 /kWh of DM , Rs. (0.10) / kWh of quarterly adjustment and Rs.1.11 of prior year adjustment.

22.7 This revenue would be recovered from the consumers during the FY 2012-13, through the projected units of 8,120 as per Annex – II.

23. <u>Issue # 12. What are major changes in the amount of receivables depicted by projected financial statements of the Petitioner?</u>

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

23.2 The Petitioner' audited accounts for the FY 2011-12, presents Rs. 53,521 million as an overall figure of trade debtor as on 30th June, 2012. Out of these receivables Rs. 28,754 million worth of receivables are considered doubtful. During the FY 2011-12, a relatively substantial provision of Rs.15,273 million is charged. Previously the notes to the accounts (8.3) described the policy for charging provision for doubtful debts, whereas the audited accounts for the FY 2011-12 does not explicitly describes the policy of charging the same.

23.3 In view of the fact the Petitioner is operating in a monopolized environment and fact that the risk of credit sales is transferred to the third party, i.e., Owner of the premises

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or purchaser of the property, one fails to understand the reasons of doubtful receivables. The Authority is compelled to construe that the most of the receivables appearing on the company's books are not real but are the result of manipulation to keep the level of reported losses on the lower side.

23.4 Considering the amount of Rs. 13,482 million, last year, the Authority directed the Petitioner to come up with a concrete plan on the issue of recoveries. The Petitioner vide its letter dated 14th June, 2012 , submitted a plan for active recoveries, whereby it fixed the responsibilities of concerned Officers for recovery. But keeping in view the actual results in this regard where the Petitioner is charging Rs. 15,273 million of provision in one year , the Authority consider that plan, a totally failed plan. In view thereof, the Authority again directs the Petitioner to come up with a concrete plan in this regard. The Petitioner may think of outsourcing collection of these receivable to a debt colleting agency, which must be paid on only, if they collect something. But in any case, the Petitioner should submit this plan no later than 30th June 2013.

23.5 Another significant amount of Rs. 25,610 million, lies under the head of Due from associated undertakings, as receivable from TESCO. The Petitioner is directed to take up the issue with the concerned, for the recovery of this amount and report back to the Authority before 30th June, 2013.

24. <u>Issue # 13. Steel Melter's Association's contention on current fuel price adjustment regime is justified?</u>

24.1 Steel Melters Association approached NEPRA on the subject issue. They contented that they sell their goods in a particular month and accordingly pay their electricity bills in the respective months. Once they do that they consider their transaction close for the particular month. The current FPA regime bounds them to pay for a month retrospectively for which their goods were already sold.

24.2 The Authority after hearing the arguments of SMA considers that the issue of retrospective recovery of FPA is highly debatable as the normal electricity bills are also paid retrospectively whereby consumers pay their bills of electricity consumption after a month. Here it is pertinent to mention that the FPA charge is made on the particular month's consumption for that particular connection. Any other option of advance billing, as was discussed in the hearing, may result in overbilling of that particular consumer and Authority cannot support a mechanism which eventually ends up as a tool of harassment for consumers. The only judicious way to recover a cost over and above monthly fuel references, is through its retrospective implementation on the particular month's consumption only. However, as per the tariff methodology in vouge, the Authority may review the monthly reference of fuel price adjustment

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considering any abnormal changes in fuel prices or generation mix. In view thereof, the Authority has decided to revise the references as discussed under the Issue of PPP.

25. Summary of Directions

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

- To complete installations of TOU metering by 31st March, 2013 and continue with the consumer awareness campaign in this regard.
- To submit Auditor's Report on the matter of life line consumers.
- To complete the creation of Independent Post retirement benefits funds not later than 30th June , 2013.
- To get the reported figure of additional recruitments verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact.
- WAPDA and Others (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.
- To submit its comments on draft PSA at its earliest and sign the PSA not later than 31st March, 2013.
- To submit their genuine working capital requirement needs.
- To submit concrete recovery plan with respect to receivables (especially TESCO) no later than 30th June, 2013.
- To submit comments on TOU metering for cellular companies (issue raised by IESCO) not later than 31st March , 2013.
- To submit comments on changing terms and conditions of life line consumers, (as proposed by IESCO) not later than 31st March, 2013.

26. ORDER

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

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

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. Adjustment on account of T&D losses,

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variation in capacity and transmission charges will be considered in the subsequent tariff determinations for the petitioner Company.

III. The Petitioner is allowed to charge the users of its system i.e. bulk power consumers, a use of system charge (UOSC) equal to:

i) Where only 132kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.04)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution system is involved

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

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

$$UOSC = DM \times \frac{(1-L)}{(1-0.09)} \quad Paisa/kWh$$

Where:

Distribution Margin for the FY 2012-13 is set at Rs. 1.18 /kWh. 'L' will be the overall percentage loss of 28% set for the FY 2012-13.

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

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

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

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

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Peshawar Electric Supply Company (PESCO)
Estimated Sales Revenue on the Basis of New Tariff

0

Description	Sales	Sales Mix	New Tariff (NEPRA		Revenue (as per NEPRA)		
	GWh		Fixed Charge Rs./kW/ Month	Variable Charge Rs./ kWh	Fixed Charge Rs.Million	Variable Charge Rs.Million	Total
Residential							
Up to 50 Units	326	4.01%		4.00	-	1,303	1,303
For peak load requirement less than 5 kW							
01-100 Units	2,086	25.69%		15.00	-	31,284	31,284
101-300 Units	1,284	15.82%		16.50	-	21,193	21,193
301-700Units	699	8.61%		18.50	-	12,928	12,928
Above 700 Units	236	2.91%		20.50	-	4,845	4,845
For peak load requirement 5 KW & above	-						-
Time of Use (TOU) - Peak	4	0.05%		20.50		81	81
Time of Use (TOU) - Off-Peak	19	0.24%		15.50		298	298
Total Residential	**4,654**	**57.32%**			**-**	**71,932**	**71,932**
Commercial - A2							
For peak load requirement less than 5 kW	298	3.67%		20.50	-	6,115	6,115
For peak load requirement 5 kW & above							
Regular	62	0.76%	400.00	19.00	169	1,171	1,340
Time of Use (TOU) - Peak	48	0.59%		20.50		983	983
Time of Use (TOU) - Off-Peak	228	2.81%	400.00	15.50	756	3,532	4,287
Total Commercial	**636**	**7.83%**			**924**	**11,801**	**12,726**
Industrial							
B1	190	2.34%		17.00		3,226	3,226
B1 - TOU (Peak)	9	0.11%		20.50	-	176	176
B1 - TOU (Off-peak)	48	0.59%		15.50	-	739	739
B2	149	1.84%	400.00	16.50	359	2,464	2,823
B2 - TOU (Peak)	37	0.46%		20.50		759	759
B2 - TOU (Off-peak)	275	3.39%	400.00	15.30	751	4,210	4,961
B3 - TOU (Peak)	61	0.75%		20.50		1,251	1,251
B3 - TOU (Off-peak)	605	7.46%	380.00	15.20	499	9,201	9,700
B4 - TOU (Peak)	89	1.09%		20.50		1,820	1,820
B4 - TOU (Off-peak)	581	7.15%	360.00	15.10	431	8,769	9,200
Total Industrial	**2,043**	**25.17%**			**2,041**	**32,615**	**34,655**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	1	0.02%		17.50		24	24
C1(b) Supply at 400 Volts 5 KW & upto	122	1.50%	400.00	16.50	167	2,014	2,181
Time of Use (TOU) - Peak	4	0.04%		20.50		72	72
Time of Use (TOU) - Off-Peak	18	0.22%	400.00	15.50	29	278	307
C2 Supply at 11 kV	58	0.72%	380.00	16.30	99	948	1,047
Time of Use (TOU) - Peak	12	0.14%		20.50		237	237
Time of Use (TOU) - Off-Peak	51	0.63%	380.00	15.40	60	791	850
C3 Supply above 11 kV	-	0.00%	360.00	16.20	-	-	-
Time of Use (TOU) - Peak	3	0.03%		20.50		57	57
Time of Use (TOU) - Off-Peak	15	0.18%	360.00	15.30	13	223	236
Total Single Point Supply	**283**	**3.49%**			**368**	**4,643**	**5,011**
Agricultural Tube-wells - Tariff D							
Scarp	47	0.58%		17.00		805	805
Agricultual Tube-wells	66	0.81%	200.00	16.50	106	1,088	1,194
Time of Use (TOU) - Peak	8	0.09%		20.50		157	157
Time of Use (TOU) - Off-Peak	43	0.53%	200.00	15.30	81	654	735
Total Agricultural	**164**	**2.02%**			**187**	**2,704**	**2,891**
Public Lighting - Tariff G	24	0.30%		15.85	-	388	388
Tariff H - Residential Colonies attached to industries	3	0.03%		15.00	-	39	39
Special Contracts - Tariff K (AJK)	40	0.49%	360.00	16.16	39	644	683
Time of Use (TOU) - Peak	47	0.58%		20.50		963	963
Time of Use (TOU) - Off-Peak	226	2.78%	360.00	15.30	790	3,452	4,242
Total	**8,120**	**100.000%**			**4,351**	**129,180**	**133,530**

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SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		4.00
	For Consumption exceeding 50 Units			
ii	01-100 Units	-		15.00
iii	101-300 Units	-		16.50
iv	301-700Units	-		18.50
v	Above 700 Units	-		20.50
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	20.50	15.50

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

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

a) Single Phase Connections: Rs. 75/- per consumer per month
b) Three Phase Connections: Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			20.50
b)	For Sanctioned load 5 kW & above	400.00		19.00
			Peak	Off-Peak
c)	Time Of Use	400.00	20.50	15.50

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

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

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SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		17.00
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		16.50
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		20.50	15.50
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	20.50	15.30
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	20.50	15.20
B4	For All Loads (at 66,132 kV & above)	360.00	20.50	15.10

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

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		17.50
b)	Sanctioned load 5 kW & up to 500 kW	400.00		16.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		16.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		16.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	20.50	15.50
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	20.50	15.40
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	20.50	15.30

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SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		17.00
D-2	Agricultural Tube Wells	200.00		16.50
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	20.50	15.30

Under this tariff, there shall be minimum monthly charges Rs.350/- per consumer per month, even if no energy is consumed.

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	20.50
E-1(ii)	Commercial Supply	-	20.50
E-2	Industrial Supply	-	17.00

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

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

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting	-	15.85

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

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SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

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

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
	Azad Jammu & Kashmir (AJK)	360.00	16.16	
			Peak	Off-Peak
	Time of Day	360.00	20.50	15.30

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PESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,044	1,095	1,086	894	953	903	862	794	891	814	929	1,013	11,277

kWh

Fuel Cost Component	7.0622	7.0755	6.2493	7.4924	6.9656	7.8690	9.5849	7.8430	9.9213	9.9751	8.3697	7.5103	**7.9076**
Variable O&M	0.2185	0.2069	0.2024	0.2316	0.2240	0.2461	0.2621	0.2466	0.2512	0.2553	0.2361	0.2208	**0.2317**
CpGenCap	1.7863	1.6881	1.6305	2.0122	1.9072	2.0832	2.4342	2.0506	2.1344	2.0024	1.9429	1.8018	**1.9392**
USCF	0.1672	0.1521	0.1731	0.1856	0.1808	0.1801	0.2006	0.1937	0.2088	0.1996	0.1961	0.1892	**0.1843**
Total PPP in Rs./kWh	**9.2341**	**9.1226**	**8.2554**	**9.9217**	**9.2776**	**10.3784**	**12.4818**	**10.3339**	**12.5157**	**12.4325**	**10.7448**	**9.7222**	**10.2628**

Rs. in Million

Fuel Cost Component	7,370	7,751	6,788	6,697	6,636	7,105	8,263	6,228	8,844	8,115	7,772	7,608	**89,177**
Variable O&M	228	227	220	207	213	222	226	196	224	208	219	224	**2,613**
CpGenCap	1,864	1,849	1,771	1,799	1,817	1,881	2,098	1,628	1,903	1,629	1,804	1,825	**21,869**
USCF	174	167	188	166	172	163	173	154	186	162	182	192	**2,079**
PPP	**9,636**	**9,993**	**8,967**	**8,869**	**8,839**	**9,371**	**10,760**	**8,206**	**11,156**	**10,114**	**9,977**	**9,849**	**115,738**

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 Peshawar Electric Supply Company (PESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 30 days or less reckoned from the date of last meter reading.
2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.
3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.
4. "Billing Demand" means the highest of maximum demand recorded in a month except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.
5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.
6. "Maximum Demand" where applicable , means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes duration.
7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.
8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh,.
9. Point of supply means metering point where electricity is delivered to the consumer.
10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

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

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

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

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

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

14. NTDC means the National Transmission and Dispatch Company.

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

16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

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

PART-II

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

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

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

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

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3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-l(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- l(b) Tariff by the Company no later than 31st March,2013.

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
   - i) Shops,
   - ii) Hotels and Restaurants,
   - iii) Petrol Pumps and Service Stations,
   - iv) Compressed Natural Gas filling stations,
   - v) Private Hospitals/Clinics/Dispensaries,
   - vi) Places of Entertainment, Cinemas, Theaters, Clubs;
   - vii) Guest Houses/Rest Houses,
   - viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company-and converted to-A-2 (c) Tariff no later than 31st March 2013.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry and also for water pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
   - i) Poultry Farms
   - ii) Fish Hatcheries and Breeding Farms and
   - iii) Software houses

Conditions

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

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season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

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

1. This tariff is applicable for supply to Industries having sanctioned load upto a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff no later than 31st March, 2013.
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

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

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

C SINGLE POINT (SINGLE-METERING) SUPPLY

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

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

ii) To a mix-load consumer not reselling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

1. This Tariff is applicable to a consumer having mix-load at a single metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff'.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements by 31st March, 2013.

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) by 31st March, 2013.

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval

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

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b) by 31st March, 2013.
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

D-1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

D-1 (b)

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1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 1(b) given in the Schedule of Tariff.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements by 31st March, 2013 and shall be governed by D-1(a) for SCARP and D2 for Agricultural Supply, 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. The fixed charges under this Tariff shall be recovered on the basis of sanctioned load in kilowatt as the billing demand and such charges will be applicable even if no energy is consumed during a month.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

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one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

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

Special Conditions of Supply

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

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

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Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

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Annex - VI

List

Of

Experts and interested/affected persons/parties

in case of

(PESCO)

A.	Secretaries of various ministries	=	10
B.	Chambers of Commerce and Industry & General Public	=	11
C.	Power Companies	=	04
D.	Petitioner	=	01
		Total	26

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List of Interested / Affected Parties to send the Notices of Admission/ Hearing regarding Petition filed **by Peshawar Electric Supply Co. Ltd. (PESCO) for the determination of Consumer-end tariff for the FY 2012-13**

***

A. ***Secretaries of various ministries***

1. Secretary
   Cabinet Division
   Cabinet Secretariat
   Islamabad

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

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

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

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

6. Secretary
   Privatization Commission
   EAC Building
   Islamabad
   Tel: 9222242

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

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

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9. Secretary,
Irrigation & Power Deptt.
Govt. of NWFP
NWFP Sectt.
Peshawar

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

11. Project Director
Energy Monitoring Cell
Finance Department
Govt. of NWFP
Benevolent Fund Building,
Saddar Road,
Peshawar

B. <u>Chambers of Commerce and Industry & General Public</u>

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

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

3. President
Lahore Chamber of Commerce & Industry
11, Shahrah-e-Awan-e-Tijarat
Lahore

4. President
Khyber Pakhtunkhwa Chamber of Commerce & Industry,
Khyber Pakhtunkhwa Chamber G.T. Road
Peshawar

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

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

7. Chairman
S.I.T.E. Association of Industry
H-16, S.I.T.E.
Karachi

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

9. Industrials Association of Peshawar
I.A.P. Office Plot No. 77
Hayatabad Industrial Estate, Jamrud Road,
Peshawar

10. Rashid Law Associates on behalf of
All Pakistan Textile Mills Association
5th Floor, Ajmal House, 27-Egerton Road,
Lahore.

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

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

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

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C. Power Companies

1. Project Director
   (Energy Monitoring Cell)
   Finance Department
   Government of NWFP
   2nd Floor, Benevolent Fund Building,
   Peshawar Cantt.

2. Secretary
   Energy & Power Department
   H. No. 69, St. No. 3,
   Defence Officers Colony,
   Shami Road,
   Peshawar

3. Secretary
   Finance Department
   Government of NWFP
   NWFP Secretariat
   Peshawar

4. Member Power
   WAPDA
   738 – WAPDA House
   Shahra-e-Quaid-e-Azam
   Lahore
   Tel: 042-9202225
   Fax: 042-9202454, 9202486

5. Chief Executive
   Pakistan Electric Power Company (PEPCO)
   721-WAPDA House
   Shahrah-e-Quaid-e-Azam
   Lahore

6. Chief Executive Officer
   NTDC
   414 WAPDA House
   Shaharah-e-Qauid-e-Azam
   LAHORE

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

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D. Petitioner

1. Chief Executive Officer,
Peshawar Electric Supply Company (PESCO)
WAPDA House, Shami Road, Sakhi Chashma,
Peshawar

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نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی

نوٹس وصولی درخواست / عوامی سماعت

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

(نیپرا) کے پاس درخواست دائر کی ہے۔

درخواست کی اہم خصوصیات

1. پیٹشنر نے درج ذیل کیٹگری کی ترتیب سے مالی سال 2012-13 میں صارفین کیلئے ٹیرف کے تعین ... 1.89 kWh @ 4,470 ملین روپے کی سرمایہ کاری ... 33% @ ... ٹیرف Rs. 16.46 kWh @ کیلئے استدعا کی ہے۔

Description	Requested Tariff for the FY 2012-13		NEPRA Determined Tariff Pertaining to the FY 2011-12	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential -A1				
For Peak load Requirement less than 5 kW				
Up to 50 Units		5.50		3.00
1-100 Units		12.80		11.15
101-300 Units		17.39		15.50
301-700 Units		19.50		17.50
Above 700 Units		21.00		19.50
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) - Peak		21.00		19.50
Time of Day (TOU) -Off-Peak		15.00		11.50
Total Domestic				
Commercial - A2				
For peak load requirement less than 5kW		22.00		19.50
For Peak load requirement 5 kW & above				
Regular	400	20.06	400	17.00
Time of Day (TOU) -Peak	400	22.74	400	19.50
Time of Day (TOU) - Off-Peak	400	15.00	400	11.50
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 volts)		18.26		15.50
B2(a) exceeding 25-500KW (400 volts)	400	17.08	400	14.50
B1(b) upto 25 kW (Peak)		22.97		19.50
B1(b) upto 25 kW (Off-Peak)		15.00		11.50
B2(b) - TOU (Peak) (400 volts)	400	22.97	400	19.50
B2(b) - TOU (Off-Peak) (400 volts)	400	15.00	400	11.40
B3 - TOU (Peak) all loads upto 5000KW (11/33 Kv)	380	22.97	380	19.50
B3 - TOU (Off-Peak) all loads upto 5000KW (11/33 Kv)	380	14.90	380	11.30
B4 - TOU (Peak) all loads 66/132 kv and above	360	22.97	360	19.50
B4 - TOU (Off-Peak) all loads 66/132 kv and above	360	14.80	360	11.20
Total Industrial				
Single Point Supply for further distribution				
C-1(a) For supply at 400/230 Volts - less than 5KW		19.00		16.50
C-1(b) 400/230 Volts - 5 KW and up to 500 kW	400	18.29	400	15.50
Time of Day (TOU) - C-1(c)Peak	400	22.97	400	19.50
Time of Day (TOU) - C-1(c)Off-Peak	400	14.33	400	11.40
C-2(a) Supply at 11/33 kV up to and including 5000 kW	380	17.75	380	15.25
Time of Day (TOU) - C-2(b) Peak	380	22.97	380	19.50
Time of Day (TOU) - C-2(b) Off-Peak	380	14.25	380	11.30
C-3(a) 66 kV & above and sanctioned load above 5000KW			360	15.00
Time of Day (TOU) - C-3(b) Peak	360	22.97	360	19.50
Time of Day (TOU) - C-3(b) Off-Peak	360	14.00	360	11.20
Total Single Point Supply for further distribution				
Agricultural Tube-wells - Tariff D				
Scarp D-1(a) less than 5 kW		17.00		14.30
Agricultural Tube Well Tariff	200	16.00	200	13.30
Agricultural Tube Well Tariff 5kW & above Peak	200	22.97	200	19.50
Agricultural Tube-wells 5kW & above Off-Peak	200	13.80	200	11.00
Total Agricultural Tubewell Tariff -D				
Public Lighting - Tariff -G		19.24		16.40
Housing Colonies Attached to Industrial - H		19.24		16.40
AJK - Tariff -K(a)	360	16.50	360	13.50
Time of Day (TOU) - K (b) Peak	360	22.97	360	19.50
Time of Day (TOU) - K (b) Off-Peak	360	14.00	360	11.00

2. نیپرا (ٹیرف سٹینڈرڈز اینڈ پروسیجر) رولز 1998 کے ضابطہ 6 کے تحت کوئی بھی دلچسپی رکھنے والا فرد/ادارہ اس کارروائی میں شرکت کا خواہشمند ہو ... درخواست برائے مداخلت اشتہار ہذا کی اشاعت سے سات یوم کے اندر جمع کرا سکتا ہے ...

3. کوئی بھی فرد اپنی آراء اشتہار ہذا کی اشاعت سے 7 یوم کے اندر جمع کرا سکتا ہے ...

4. تمام متعلقہ فریقین ... سماعت کے انعقاد کا فیصلہ کیا ہے

تاریخ: 27 ستمبر 2012 (جمعرات)

وقت: 11:00 بجے

مقام: پاکستان اکیڈمی ... پشاور

5. اس حوالے سے تمام خط و کتابت درج ذیل پتہ پر کی جائے

رجسٹرار نیپرا

دوسری منزل، او پی ایف بلڈنگ، شاہراہ جمہوریت، G-5/2، اسلام آباد

فون 051-920 6500، فیکس 051-921 0215، ای میل office@nepra.org.pk

PID(I)1097/12

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مشرق پشاور
27-9-12

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

مشرق پشاور
27-9-12

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی

نوٹس وصولی درخواست / عوامی سماعت

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

[illegible] (نیپرا) کے پاس درخواست دائر کی ہے۔

درخواست کی اہم خصوصیات

1. پٹیشنر نے درج ذیل کیٹگری کی ترتیب سے مالی سال 2012-13 میں صارفین کیلئے ٹیرف کے تعین، ڈسٹری بیوشن مارجن 1.89 kWh @ 470.4 ملین روپے کی سرمایہ کاری، لائن لاسز 33% @ اور اوسط سیل ریٹ / ٹیرف Rs 16.46 kWh @ کیلئے استدعا کی ہے۔

Description	Requested Tariff for the FY 2012-13		NEPRA Determined Tariff Pertaining to the FY 2011-12	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residenti. l -A1				
For Peak Load Requirement less than 5 kW				
Up to 5 1 Units		5.50		3.00
1-100 Units		12.80		11.15
101-30) Units		17.39		15.50
301-70 Units		19.50		17.50
Above 7)0 Units		21.00		19.50
For Peak L ad Requirement 5 kW & above				
Time of Day (TOU) - Peak		21.00		19.50
Time of Day (TOU) -Off-Peak		15.00		11.50
Total Dome.tic				
Commercia - A2				
For peak load requirement less than 5kW		22.00		19.50
For Peak loa l requirement 5 kW & above				
Regular	400	20.06	400	17.00
Time of Day (TOU) -Peak	400	22.74	400	19.50
Time of Day (TOU) - Off-Peak	400	15.00	400	11.50
Total Comm rcial				
Industrial				
B1 upto 2 kW (400/230 volts)		18.26		15.50
B2(a) exc eding 25-500KW (400 volts)	400	17.08	400	14.50
B1(b) upt 25 kW (Peak)		22.97		19.50
B1(b) upt 25 kW (Off-Peak)		15.00		11.50
B2(b) - T U (Peak) (400 volts)	400	22.97	400	19.50
B2(b) - T U (Off-Peak) (400 volts)	400	15.00	400	11.40
B3 - TOU Peak) all loads upto 5000KW (11/33 Kv)	380	22.97	380	19.50
B3 - TOU Off-Peak) all loads upto 5000KW (11/33 Kv)	380	14.90	380	11.30
B4 - TOU Peak) all loads 66/132 kv and above	360	22.97	360	19.50
B4 - TOU Off-Peak) all loads 66/132 kv and above	360	14.80	360	11.20
Total Industri l				
Single Point Supply for further distribution				
C-1(a) For supply at 400/230 Volts - less than 5KW		19.00		16.50
C-1(b) 400/230 Volts - 5 KW and up to 500 kW	400	18.29	400	15.50
Time of Da (TOU) - C-1(c)Peak	400	22.97	400	19.50
Time of Da (TOU) - C-1(c)Off-Peak	400	14.33	400	11.40
C-2(a) Suppl at 11/ 33 kV up to and including 5000 kW	380	17.75	380	15.25
Time of Day (TOU) - C-2(b) Peak	380	22.97	380	19.50
Time of Day (TOU) - C-2(b) Off-Peak	380	14.25	380	11.30
C-3(a) 66 kV & above and sanctioned load above 5000KW			360	15.00
Time of Day (TOU) - C-3(b) Peak	360	22.97	360	19.50
Time of Day (TOU) - C-3(b) Off-Peak	360	14.00	360	11.20
Total Single Po nt Supply for furt her distribution				
Agricultural Tul e-wells - Tariff D				
Scarp D-1(a) le s than 5 kW		17.00		14.30
Agricultural Tub Well Tariff	200	16.00	200	13.30
Agricultural Tub Well Tariff 5kW & above Peak	200	22.97	200	19.50
Agricultural Tub -wells 5kW & above Off-Peak	200	13.80	200	11.00
Total Agricultur l Tubewell Tariff -D				
Public Lighting - Tariff -G		19.24		16.40
Housing Colonie Attached to Industrial - H		19.24		16.40
AJK - Tariff -K(a)	360	16.50	360	13.50
Time of Day (TOU) - K (b) Peak	360	22.97	360	19.50
Time of Day (OU) - K (b) Off-Peak	360	14.00	360	11.00

2. نیپرا (ٹیرف سٹینڈرڈز اینڈ پروسیجر) رولز 1998 کے ضابطہ 6 کے تحت کوئی بھی دلچسپی رکھنے والا فرد/ادارہ اس کارروائی میں شرکت کا خواہشمند ہو اپنی درخواست برائے مداخلت اشتہار ہذا کی اشاعت سے سات یوم کے اندر جمع کرا سکتا ہے۔ [illegible]

3. کوئی بھی فرد اپنی آرا اشتہار ہذا کی اشاعت سے 7 یوم کے اندر جمع کرا سکتا ہے۔ [illegible]

4. تمام متعلقہ فریقین [illegible] سماعت کے انعقاد کا فیصلہ کیا ہے۔

تاریخ: 27 ستمبر 2012 (جمعرات)

وقت: 11:00 بجے

مقام: [illegible] پشاور

5. اس حوالے سے تمام معلومات درج ذیل سے حاصل کی جا سکتی ہیں۔

رجسٹرار نیپرا

دوسری منزل، او پی ایف بلڈنگ، شاہراہ جمہوریت، G-5/2، اسلام آباد

فون 051-920 6500، فیکس 051-921 0215، ای میل office@nepra.org.pk

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ADDITIONAL NOTE OF
MR. SKAUKAT ALI KUNDI, VICE CHAIRMAN/MEMBER (LICENSING)
IN THE MATTER OF PESCO'S TARIFF DETERMINATION – FY 2012-13

1. PESCO has failed in meeting different deadlines by the Authority for installing TOU meters. The last such date was 30th June, 2012. Despite various clarifications by PESCO, it still failed to meet the deadline and requested for a new deadline by 30th June 2013. The Authority in its wisdom had allowed to extend the deadline till 31 March 2013. Such short deadline would definitely put pressure on the PESCO in terms of expediting the installation process, yet in no way it would be able to complete the remaining TOU meters by March, 2013. A final deadline for PESCO is required along with the decision that any tariff category, other than TOU metering, for above 5KW (connections eligible for TOU metering) would cease to exist.

2. For the past two years, the Authority has been setting the T&D loss targets as 28% against the requested target of 33%. For the year 2012-13, PESCO has again requested 33% losses, whereas it also stated that its actual losses are higher than the requested figure. The Authority while acknowledging the compete failure of PESCO in meeting Authority's target or reducing its losses has set the same target level of 28% meaning thereby that there was no target for the DISCO to improve upon the T & D losses during these years which to my opinion is not justified. The DISCOs with 28% losses must reduce the losses atleast 2-3% every year till it brings down its T&D losses to a maximum of 10-12% as in the case of DISCOs like IESCO, GEPCO and FESCO.

3. Further, I am of the opinion that determination of the consumer end tariff for DISCOs must be made by the Authority on Multi-Year basis i.e. minimum for 3 years with mechanism of adjustments. This will not only provide comfort to DISCO to improve its efficiency but also allow the regulator sufficient time to monitor the affairs of these DISCOs including T & D losses in an efficient and effective manner.

Shaukat Ali Kundi
(Shaukat Ali Kundi)
Vice Chairman/Member (Licensing) 3.04.13

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