National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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

Registrar

No. NEPRA/R/ADG(Trf)/TRF-564 &TRF-565 /PESCO-2021/9247-53 June 14, 2024

Subject: **Decision of The Authority regarding Request filed by Peshawar Electric Supply Company (PESCO) For Adjustment/Indexation of Tariff for the FY 2024-25 under the MYT**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority along with Annexure-I, I-A II, III, IV & V (total 51 pages).

2. The instant Decision of the Authority along with annexures, is hereby intimated to the Federal Government for filing of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. The instant Decision of the Authority and the Order part along with Annexure-I, I-A II, III, IV & V be also notified in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, while notifying the uniform tariff application Decision of the Authority.

Enclosure: **As above**

(Engr. Mazhar Iqbal Ranjha)

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

Copy to:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, 1st Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Chief Executive Officer, NTDC,414 WAPDA House, Shaharah-e-Qauid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Ltd., (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
6. Chief Executive Officer, Peshawar Electric Supply Company (PESCO), WAPDA House, Shami Road, Sakhi Chashma, Peshawar

DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST FILED BY PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO) FOR ADJUSTMENT / INDEXATION OF TARIFF FOR THE FY 2024-25 UNDER THE MYT

1. Back Ground

1.1. The Authority determined tariffs of Peshawar Electric Supply Company Limited (PESCO) (herein referred to as "Petitioner") under Multi Year Tariff (MYT) regime, for a period of five years i.e. from FY 2020-21 to FY 2024-25, separately for both its Distribution and Supply of power functions vide tariff determinations dated June 02, 2022. The tariff so determined was notified by the Federal Government vide SRO dated 25.07.2022. PESCO, being aggrieved from the determination dated 02.06.2022, filed Motion for Leave for Review (MLR), which was accordingly decided by the Authority vide decision dated 23.01.2023. The Authority subsequently determined PESCO's annual adjustment / indexation for the FY 2023-24 vide decision dated 14.07.2023.

1.2. The Petitioner now in line with the adjustment mechanism provided in its notified MYT determination, has filed its request for adjustment/ indexation of different components of its revenue requirement for the FY 2024-25, along-with break-up of costs in terms of Distribution and Supply functions. A summary of the adjustments request submitted by the Petitioner is as under;

Mln. Rs.

Description	Unit	Distribution Business	Power Supply Business	Total Revenue Requirement
Pay & Allowances	Rs. Mln	12,565	6,402	18,967
Post-Retirement Benefit	Rs. Mln	9,282	4,781	14,063
O&M Costs	Rs. Mln	2,431	1,895	4,326
Depreciation	Rs. Mln	4,688	521	5,209
Return on Rate Base	Rs. Mln	12,117	3,028	15,145
Gross Margin	**Rs. Mln**	**41,083**	**16,627**	**57,710**
Less: Other Income	Rs. Mln	(3,450)	(1,571)	(5,021)
Net Margin	**Rs. Mln**	**37,633**	**15,056**	**52,689**
Turnover tax	Rs. Mln		3,940	3,940
Prior Year Adjustment	Rs. Mln		10,615	10,615
Revenue Requirement	**Rs. Mln**	**37,633**	**29,611**	**67,244**

2. Hearing

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

2.2. Hearing in the matter was held on April 02, 2024, for which advertisement was published in newspapers on 20.03.2024. Separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments along-with notice of hearing were also uploaded on NEPRA's website for information of all concerned.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

1/51

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

i. Whether the requested indexation/adjustments in tariff are in line with the MYT tariff determination and are justified?

ii. PESCO to present its Power Purchases Price (Energy & Cost) for the FY 2024-25, keeping in view the Section 32 of NEPRA Act and NEPRA Power Procurement Regulations?

iii. Whether the requested PYA, is justified?

iv. Whether the existing tariff rate design needs to be modified, to levy fixed charges on all consumer categories and fixed charges be designed in a way to ensure that it accounts for a significant portion of fixed costs i.e. capacity charges, UoSC etc., in line with Strategic Directives given in NE Plan.

v. Whether the existing tariff rate design needs to be modified for consumers having net metering generation facilities or generation facilities behind the meters installed by third parties or Captive generation power, to levy fixed charges, etc. in order to ensure recovery of fixed costs i.e. capacity charges, UoSC etc.?

vi. What will be the mechanism to recover fixed charges from consumers having meters not recording MDI?

vii. Whether the schedule of tariff be designed on cost of service basis or otherwise?

viii. Whether the rate design for Temporary connections needs to be revised or otherwise?

ix. Whether the peak and off-peak timing and rate design needs to be revised, in line with Strategic Directives given in NE Plan?

x. Whether prepaid metering shall be allowed to different consumers categories and what shall be appropriate tariff for such consumers considering various periodic adjustments in the base tariff?

xi. Whether the Petitioner has prepared any plan in consultation with the Federal Government for its organization restructuring in terms of segregation of responsibilities of Distribution and supply function in order to ensure independent and transparent working of both these functions.

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

3. <u>Filing of objections/ comments:</u>

3.1. The interested parties were given an opportunity to submit comments/replies and Intervention Request (IR), if any, within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998 (**"Tariff Rules"**). However, no comments have been received in the matter.

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

2/51

4. **<u>Whether the requested indexation/adjustments in tariff are in line with the MYT tariff determination and are justified?</u>**

4.1. The Petitioner submitted during the hearing that the requested adjustments are in line with the mechanism determined vide Tariff redetermination and NEPRA guidelines for determination of consumer end tariff (Methodology & Process).

4.2. The Petitioner requested the following adjustments on account of its O&M costs, Other Income, RoRB, Prior Period Adjustments etc., for the FY 2024-25;

Mln. Rs.

Description	Unit	Distribution Business	Power Supply Business	Total Revenue Requirement
Pay & Allowances	Rs. Mln	12,565	6,402	18,967
Post-Retirement Benefit	Rs. Mln	9,282	4,781	14,063
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Revenue Requirement	**Rs. Mln**	**37,633**	**29,611**	**67,244**

4.3. The Petitioner provided the following basis for projection made for the FY 2024-25;

- ✓ Salaries & Other Benefits: 15% Ad-hoc Relief & 5% increase of increment in the Basic Pay
- ✓ Post-Retirement Benefits: 20% increase
- ✓ Inflation: NCPI = Other O&M Cost using NCPI at 29.66% of December 2023 and efficiency factor of 30%, however, PESCO requests to consider efficiency factor 0%
- ✓ Operating Gross Fixed Asset (GFA): Opening GFA taken on the basis of the financial statements of FY 2022-23. Depreciation estimated based on actualized expenditure.
- ✓ Cost of Debt: Cost of Debt computed on the basis of fluctuation in the reference KIBOR biannually, i.e. July (22.90%) & January (21.46%), i.e. on average 22.18%.
- ✓ Basis for Bifurcation: As per the approved mechanism in the MYT Determination.

4.4. The Petitioner's submissions under each head are as under;

<u>Pay & Allowances</u>

4.5. **Regarding Pay & Allowances**, the Petitioner submitted that as per its MYT determination, the reference costs shall be adjusted every year with the increase announced by the GoP and a 5% increase would be allowed on the amount of Basic Pay to account for the impact of annual increment. It further stated that NEPRA has allowed impact of increase in Salary etc. as announced by GoP for the respective year for the future indexation, till the time, PESCO remains in the Public Sector. Therefore, increase in salaries, as notified by the GoP in July, 2023 may be considered and necessary adjustment in the determined amount for FY 2023-24 may be

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

3/51

allowed in the base reference. The Petitioner also submitted that annual increment in Basic Pay to the extent of 5%, as allowed in the MYT Determination for FY 2020-21 to FY 2022-23, has been incorporated based on the revised expenditure for FY 2023-24. Similarly, Adhoc Relief allowance may be allowed @ 15% on the current Basic Pay.

4.6. The Petitioner also explained that determination of Adhoc Relief for FY 2023-24 at the rate of 32.5% by assuming 50% officers and 50% staff may also be reconsidered as the breakup of the staff and officers is different. Furthermore, the decision to allow annual increment @ 5% for 7 months is not in line with the methodology as decided in MYT determination, hence, the annual increment calculations may be reconsidered and be allowed on average basis of 5% for the whole year as requested. The Petitioner accordingly, projected Pay & Allowances for the FY 2024-25 as Rs.18,967 million considering the assumption of increment of 5% in the Basic Pay and 15% Ad hoc Relief.

<u>Post-retirement benefits</u>

4.7. **Regarding Post-retirement benefits,** it has been submitted that as per the MYT determination, the amount of post-retirement benefits will also be adjusted every year with the Pension increase announced by the GoP for the respective year, till the time PESCO remains in the public sector. It has further been submitted that PESCO has installed a full fledge Pension Management System (PMS), being implemented throughout PESCO with a database of around 19,900 plus pensioners. Accordingly, as per PMS data, an analysis, regarding the actual payments made, new pensioners added along with their commutation paid & the total pension expenditure, has been submitted as under;

Description	FY 2021-22	FY 2022-23
Nos of Pensioners	15,518	16,220
Increase in Number		702

4.8. The Petitioner stated that Pension payments and the number of Pensioners have increased during FY 2022-23 and will further increase during FY 2023-24 due to new retirees. In view thereof, and assuming expected increase in Federal Budget & increased number of pensioners, the projected cost for the FY 2024-25 has been requested as Rs. 14,063 million.

<u>NTDC Pensioners</u>

4.9. The Petitioner also submitted that NTDC has forwarded 88 Nos. PPO files pertaining to Ex-GSC retired employees of the formations transferred to PESCO on the grounds that the assets and liabilities of PD (GSC) Peshawar (132 KV Grid System Construction) have been transferred to PESCO and that the said employees have served in the formation which is currently part of PESCO. The Petitioner requested to consider the matter of NTDC Pensioners, as it is already facing financial hardships in the shape of huge cash shortfall due to unrealistic T&D loss targets and may not be able to finance this cost due to non-payment by NTDC, which will create problems for the pensioners. The Petitioner requested for the following amount in this regard;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

4/51

Description	Year	No. of Pensioners	Impcat p.a. (Mln. Rs.)
NTDC Pensioners	2014-15 to 2022-23	88	183
	2023-24 (prov.)		44
Total			227

4.10. PESCO further mentioned that it has created a separate Pension fund, and provision for post-retirement benefits expenses is required to enable it to transfer the funds to the designated bank account. PESCO is already transferring an amount of Rs.545 million to the pension fund with reference to FY 2021-22 as per direction of the Authority. It is therefore requested to allow the annual provision for post-retirement benefits amounting to Rs.6,500 million each for FY 2023-24 & FY 2024-25 as the amount determined in the Indexation decision will not be sufficient to serve the purpose.

Other O&M costs

4.11. **On the point of Other O&M costs**, it has submitted that Travelling, Vehicle Running & Other Expenses as determined by the Authority for FY 2022-23 are less than the actual audited expense incurred by PESCO. PESCO is already facing financial hardship and the determination of other expenses by excluding various legitimate costs may hamper PESCO's ability to provide uninterrupted services to the consumers as it will further aggravate the weak financial position of the company. The Petitioner submitted the following head wise justification;

Repair and Maintenance:

✓ An amount of Rs.1,587 million has been projected for FY 2024-25 considering the NCPI of 29.66% based on the projected expenditure of FY 2023-24. PESCO's determined expenditure under the head of Repair & Maintenance for FY 2023-24 is Rs.1,235 million, however based on historical trends and inflationary impact an amount of Rs.1,314 million has been projected for FY 2023-24 in view of revised repair policy approved by the BoD. The change in policy has heavily increased the Repair & Maintenance cost, and funds are needed to continue the policy in the interest of consumers. Additionally, the cost of materials such as copper, iron, and aluminum used in the production/repair of electrical equipment has increased abnormally due to international price fluctuations and rupee devaluation. The Authority should consider these changed market realities and accordingly allow the increase in Repair & Maintenance expenses.

Vehicle Running Expenses:

✓ According to the statistics taken from PSO website, the POL prices have increased by 67.8% during FY 2022-23, whereas, the Authority's determination of Vehicle Running expenses for FY 2023-24 at Rs.265 million, with only a marginal 17% increase from the determined amount of Rs.226 million for FY 2022-23, appears contrary to prevailing market rates which will be insufficient to meet the expenses and for sustainable smooth operations of the company. An analysis of the increase in POL prices for the last three years is tabulated below:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

Description	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Average Price of Petrol (Annual) (Rs./Ltr)	106.43	150.57	247.82	280.23
% Increase (yoy)		41.46%	64.59%	13.08%
Average Price of Diesel (Annual) (Rs./Ltr)	108.98	149.36	255.51	289.47
% Increase (yoy)		37.06%	71.06%	13.29%
Average POL Price *(Petrol + Diesel) (Rs./Ltr)*	107.7	149.97	251.67	284.85
% Increase (yoy)		39.25%	67.81%	13.18%

- ✓ Considering the inflationary trend, Rs.360 million and Rs.435 million has been requested under the head of Vehicle Running expense for FY 2023-24 and FY 2024-25 respectively. The Authority is requested to consider the prevailing market trends and enhance the Vehicle Running expenses accordingly.

Rs. in Mln

Description	2022-23	2023-24	2024-25
Vehicle Running Expense	272	360	435
% Increase (YoY)		32%	21%

Other O&M Expenses:

- ✓ The Authority in its indexation decision of 14.07.2023, has determined other expenses for FY 2023-24, amounting to Rs.1,366 million which is insufficient to provide uninterrupted services, hence, in view of the inflationary trend an amount of Rs.1,519 million is estimated. It should be noted that the cost of materials has experienced abnormal increases due to fluctuations in international prices and rupee devaluation, leading to a rise in various commodities' prices. Accordingly, the Authority is requested to consider the prevailing ground realities and allow adjustment of Rs.1,519 million for FY 2023-24 and Rs.1,834 million for FY 20224-25 in view of NCPI of Rs.29.66% as on December, 2023. Other O&M expenses includes expenses such as Rent, Rates & Taxes, Power, Light and Water, Communication, Bill Collection Charges, Office supplies (includes stationery for MIS for bill printing forms, cartridges etc.), Director Fees, Auditor Remuneration, Professional Fees, Outside Service Employed, Management Fees, NEPRA License Fees, Advertisement & Publicity, Subscriptions & Periodicals, Representation & Entertainment, Insurance (Wapda Equipment Protection Scheme for Grid System only), Bank Charges, and other miscellaneous expenses. The main reason for increase during FY 2020-21 is due to the increase in Rent Expense and the Bill collection charges and the payment of arrears. Bill Collection Charges were increased during FY 2020-21 due to the payment of arrears of Rs.89 million as well as current cost to Telenor Microfinance Bank for online collections (annual Impact Rs.35 million approx.), the same was pending due to verification / reconciliation. Although the Authority has not considered the said cost, however it is requested to reconsider and allow the same to the extent of annual impact of Rs.35 million in the base tariff along with indexation in the subsequent period.
- ✓ Similarly for rent expense, out of the total arrears of Rs.100 million, the annual impact amounting to Rs.30 million may be allowed to PESCO in the base tariff for the purpose of indexation of FY 2023-24. Similarly, an increase has been recorded under the head Postage & Telephone, this is primarily due to the increase in Tariff as well as the ever-increasing requirement for communication services in wake of the expansion in ERP system at Circle level, Integrated Billing Solution (IBS) and PITC services etc. Further, the efficiency factor-

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

X may be allowed on an actual basis. This entails adjusting the indexed amount if the actual expenditure in a particular category is less than the indexed amount then in that case its benefit may be passed on to the consumers. The Authority's determination of a 30% adjustment factor needs to be reassessed in light of the fact that indexation is based on the National Consumer Price Index (NCPI), which is directly linked with prices. Considering PESCO's weak financial condition and resource shortfall together with the unrealistic target of losses of 20.16 % & 19.71 % for FY 2022-23 & FY 2023-24 contrary to the market realities as envisaged in the National Electric Policy it would be more appropriate to link the adjustment factor with actual expenditure, as proposed;

Rs. in Mln

Description	2023-24 *[Proj.]*	2024-25 *[Proj.]*
Other O&M Expense	1,519	1,970
% Increase (YoY)		29.66%

Submissions already made in earlier petitions,

X factor response

Depreciation expenses

4.12. **Regarding depreciation expenses**, the Petitioner submitted that as per the mechanism provided in the MYT determination, the depreciation will be assessed in accordance with the following formula/mechanism:

$$\text{DEP (Rev)} = \text{DEP (Ref)} \times \frac{\text{GFAIO (Rev)}}{\text{GFAIO (Ref)}}$$

4.13. It also stated that according to the investment allowed for FY 2023-24 & FY 2024-25 and net book value of the assets as per audited financial statements of FY 2022-23, the depreciation of Rs.4,680 million for FY 2023-24 and Rs.5,209 million for FY 2024-25 has been projected, as provided hereunder;

DESCRIPTION	FY'2022-23	FY'2023-24	FY'2024-25
	AUDITED	PROVISIONAL	ADJUSTMENT
Gross Fixed Assets in Operation (GFAIO) — Opening Balance	107,485	121,951	135,978
Addition in Fixed Assets	14,466	14,027	14,977
Fixed Assets in Operation (GFAIO) — Closing Balance	121,951	135,978	150,954
Depreciation-Expense	**4,210**	**4,680**	**5,209**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

4.14. The Petitioner further mentioned that according to the Indexation decision for the FY 2023-24, decision to true-up depreciation downward only for the previous year based on allowed investment, without considering unavoidable factors, like natural calamities, may lead to negative consequences for service quality and inefficiencies in the long term. The scope and the amount of the investment allowed are not matching due to abnormal increase in inflation. Accordingly, it may be decided whether scope of work is required to be completed or the amount is capped and in case the amount is capped then the target for losses etc., also needs to be reconsidered on the basis of the works physically completed compared to the scope of investment.

4.15. Considering this fact in view, an investment of Rs.17,809 million has been considered for the calculation of depreciation. Because, it is not possible for PESCO to carry out the scope as per the approved investment plan and may not be able to achieve the targets. Hence, based on estimated investment, the above projected depreciation may be allowed. Moreover, the investment plan for FY 2020-21 to FY 2023-24 may also be revised as already requested in Review Motion on Indexation Decision for FY 2023-24.

Return of Rate Base (RoRB)

4.16. **On the issue of Return of Rate Base (RoRB),** the Petitioner submitted that as per the mechanism provided in the decision for Adjustment/ Indexation of tariff for the FY 2023-24 under the MYT, the Return on Rate Base (RORB) will be assessed in accordance with the following formula/ mechanism;

$$RORB_{(Rev)} = RORB_{(Ref)} * RAB_{(Rev)} / RAB_{(Ref)}$$

4.17. The Petitioner submitted following calculation of the requested RoRB of Rs.15,145 for the FY 2024-25;

DESCRIPTION	UOM	FY'2022-23	FY'2023-24	FY'2024-25
		AUDITED	PROVISIONAL	ADJUSTMENT
Gross Fixed Assets in Operation-B/F	[Mln Rs]	**107,485**	**121,951**	**135,978**
Addition in Fixed Assets	[Mln Rs]	14,466	14,027	14,977
Gross Fixed Assets in Operation-C/B	[Mln Rs]	**121,951**	**135,978**	**150,954**
Less: Accumulated Depreciation	[Mln Rs]	43,322	48,002	53,211
Net Fixed Assets in Operation	[Mln Rs]	**78,629**	**87,975**	**97,743**
Add: Capital Work In Progress - C/B	[Mln Rs]	20,608	27,194	30,026
Investment in Fixed Assets	[Mln Rs]	**99,236**	**115,169**	**127,769**
Less: Deferred Credits	[Mln Rs]	43,715	48,047	52,459
Regulatory Assets Base	[Mln Rs]	**55,521**	**67,122**	**75,310**
Average Regulatory Assets Base	[Mln Rs]	**51,787**	**61,321**	**71,216**

Rate of Return	[%age]	17.07%	21.27%	21.27%
Return on Rate Base	[Mln Rs]	**8,842**	**13,041**	**15,145**

4.18. The Petitioner also mentioned that the investment allowed of Rs.10,054 million is not sufficient for FY 2024-25 in view of the scope of investment allowed in the investment plan, considering price escalation and economic situation of the country. Hence, an investment of Rs.17,809 million has been projected for FY 2024-25 for the calculation of Regulatory Asset Base. The

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

8/51

Petitioner presented the following workings on account of deductions of over-investments during the previous years;

Mln RS.

DESCRIPTION	2020-21	2021-22	2022-23	Total
Capital WIP O/B	19,756	22,693	25,853	
Addition / Capitalisation	6,893	6,895	13,634	
Overinvestment-Deductions	(3,956)	(3,735)		**(7,691)**
Capital WIP C/B	**22,693**	**25,853**	**39,487**	
Regulatory Asset Base (RAB)	**35,136**	**39,176**	**51,180**	
RORB *(With Overinvestment Deductions)*	3,779	4,713	8,738	**17,230**
RORB *(Without Deductions)*	3,992	5,413	10,051	**19,457**
Financial Implications	**(213)**	**(701)**	**(1,313)**	**(2,226)**

4.19. It also stated that the Authority in its decision computed RORB based on adjustment of overinvestment and excess adjustment of Deferred Credit after taking into account the cash balances under deposit works and consumer security, which needs to be reconsidered. The issue of excessive deduction of Deferred Credits from Regulatory Asset Base (RAB) due to insufficient cash balances was discussed during the MLR hearing for FY 2020-21 to FY 2022-23, however, the Authority in its decision stated that PESCO Financial statement for FY 2019-20 shows insufficient balances as on 30th June, 2020 against their pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else.

4.20. It was further mentioned that cash balance under Deposit head has no correlation with Revenue Requirement and the Distribution Margin. Such interpretation is based on the incorrect assumptions which is creating financial hardships for PESCO, although the detail calculations along with documentary evidence was provided to NEPRA's Tariff team, however still PESCO submissions has not been considered. Moreover, this treatment/calculation has no legal backing, because NEPRA Act, 1997 and the regulations thereunder doesn't support this treatment. PESCO is not utilizing the consumer receipts for any other purpose and since FY 2015-16, PESCO has managed to reduce the shortfall under Deposit head (whether inherited or recovered by FBR) to Zero, hence the deduction of RORB has no legal grounds, because NEPRA Act, 1997 and the regulations thereunder doesn't support the above treatment rather the required treatment as per NEPRA Guidelines for determination of Consumer End tariff (Methodology and Process) 2015 (**Guideline 2015**). According to Clause 19(3)(a) of the "Guideline 2015", the determination of Rate Base of the company includes Deferred Credit along with other components of Regulatory Asset Base (RAB). The relevant part of the Guidelines is reproduced as:

"19. Cost Categories (3) (a) Post-tax rate-of-return on rate base

(i) Average net fixed assets, construction work in progress (CWIP) and deferred credits including share of deposit works valued at original cost and/or expected cost shall be used to determine the rate base of the affected company."

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

9/57

4.21. Further, the Annex-II of the Guideline 2015 also provided formula for RAB Calculation. Based on above references of the Guideline 2015, it is evident that the treatment adopted in the MYT Determination and later in the Review Decision with regards to insufficient Cash Balances is not covered under the Rules and hence, needs to be reconsidered by the Authority.

<u>Other Income</u>

4.22. **Regarding Other Income**, the Petitioner stated that as per the mechanism provided in the decision for Adjustment/ Indexation of tariff for the FY 2023-24 under the MYT, the other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + \{OI_{(1)} - OI_{(o)}\}$$

4.23. As per the Petitioner, based on audited financial statements for FY 2022-23, the other income is Rs.5,201 million and the same amount has been projected for FY 2023-24 and FY 2024-25, with the following breakup;

DESCRIPTION	ACTUAL	ACTUAL
	FY' 2021-22	FY' 2022-23
Other Income	7,735	10,122
Add: Rental & Service Income	49	52
Add: Amortization of Deferred Credits	2,071	2,309
TOTAL Other Income	**9,855**	**12,483**
Less: Wheeling Charges	2,490	2,098
Less: Late Payment Surcharge	2,965	5,364
Net Other Income	**4,400**	**5,021**

4.24. The Authority has considered the submissions of the Petitioner under each head and noted that MYT of the Petitioner provided the following adjustment/ indexation mechanism;

<u>O&M expense</u>

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

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

Where:

$O\&M_{(Rev)}$	=	Revised O&M Expense for the Current Year
$O\&M_{(Ref)}$	=	Reference O&M Expense for the Reference Year
ΔCPI	=	Change in Consumer Price Index published by Pakistan Bureau of
X	=	Efficiency factor

4.26. Regarding Efficiency Factor, the Authority decided that;

"...The Authority in line with its decisions in the matter of XWDISCOs which have been allowed MYTs, has decided to keep the efficiency factor "X', as 30% of increase in CPI for the relevant year of the MYT control period. The Authority has further decided to implement the efficiency factor from the 3rd year of the control period..."

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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RORB

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

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

Where:

RORB(Rev)	=	Revised Return on Rate Base for the Current Year
RORB(Ref)	=	Reference Return on Rate Base for the Reference Year
RAB(Rev)	=	Revised Rate Base for the Current Year
RAB(Ref)	=	Reference Rate Base for the Reference Year

"In addition the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to allow sharing of benefit by introducing a claw back mechanism for any savings resulting from cheaper financing by the Petitioner to the extent of 2.00% spread. If the Petitioner manages to negotiate a loan below 2.00% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.00%, the additional cost would be borne by the Petitioner."

Depreciation expense

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

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

Where:

DEP(Rev)	=	Revised Depreciation Expense for the Current Year
DEP(Ref)	=	Reference Depreciation Expense for the Reference Year
GFAIO(Rev)	=	Revised Gross Fixed Assets in Operation for the Current Year
GFAIO (Ref)	=	Reference Gross Fixed Assets in Operation for Reference Year

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

"In addition the allowed Depreciation for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the depreciation expenses, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc."

<u>Other Income</u>

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

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

Where:

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

"...the other income would be trued up every year ..."

<u>Salaries & Wages</u>

"The reference costs shall be adjusted every year with the increase announced by the GoP, being beyond the Petitioner's control, for the respective year till the time the Petitioner remains in the public sector. In addition a 5% increase as requested by the Petitioner would be allowed on the amount of Basic pay to account for the impact of annual increment..."

<u>Post-Retirement Benefits</u>

"... the allowed amount of post-retirement benefits would also be adjusted every year with the Pension increase announced by the GoP for the respective year, till the time the Petitioner remains in the public sector. In case, the Petitioner is privatized during the MYT period, the allowed cost would be adjusted with CPI-X factor."

4.30. <u>Regarding adjustment of Salaries, Wages & Other Benefits</u>, the Authority observed that the Federal Budget for the FY 2024-25, has not yet been announced by the Federal Government, therefore, budgetary increases of Pay & allowances to be applicable for FY 2024-25, are not available as of date. In view thereof, the Authority has decided to apply an Adhoc allowance of 15% on provisional basis on the amount of pay & allowances allowed for the FY 2023-24. In addition, the impact of annual increment @ 5% has also been included in the assessed amount of Salaries, Wages & Other Benefits for the FY 2024-25. Accordingly, for the FY 2024-25, the amount of Pay & allowances has been worked out as Rs.20,484 million, which is hereby allowed to the Petitioner. Since the increases being allowed for the FY 2024-25, are on provisional basis, therefore, the same shall be adjusted subsequently, based on actual increases of Pay & Allowances as announced by the Government in the Federal Budget for the FY 2024-25. The financial impact thereof, would be allowed separately as part of PYA, either in the next adjustment request or tariff determination of the Petitioner as the case may be.

4.31. On the point of the Petitioner to also allow increase in salaries & wages for the FY 2022-23 as per the GoP notification of July 2023, and necessary adjustment be made in the determined amount for the FY 2023-24, the Authority noted that such impact has already been allowed to the Petitioner vide decision dated 14.07.2023, while allowing adjustment/ indexation for the FY 2023-24 as under;

"...revised detail of salaries, wages & other benefits, after including therein the allowed increase as per the Federal Government notification dated 01.07.2022, were obtained from the Petitioner for the FY 2022-23. The same has been reported as Rs.15,956 million against the allowed amount of Rs.14,853 million. Accordingly, while assessing salaries, wages & other benefits for the FY 2023-24, the revised cost of Rs.15,956 million for the FY 2022-23, as provided by the Petitioner, has been used as reference. Further, the impact of differential due to revision of Salaries, wages & Other Benefits for the FY 2022-23, based on data provided by the Petitioner, has been allowed as part of PYA, which works out as Rs.1,103 million."

4.32. The Petitioner also in its Motion for Leave for Review (MLR), against determination of the Authority dated 14.07.2023 raised this issue and also requested that determination of Adhoc Relief for FY 2023-24 at the rate of 32.5% by assuming 50% officers and 50% staff may also be reconsidered as the breakup of the staff and officers is different. The Authority in its decision dated 03.04.2024 in the matter of MLR, deliberated these issue in detail under para 7.9 to 7.11 and decided as under;

"...the Petitioner already has an amount of Rs.3,984 million over & above its actual costs till FY 2022-23, therefore, the requirement of additional amount of Rs.3,507 million for the FY 2023-24, needs to be met from the extra amount already available with the Petitioner. Thus, the instant request of the Petitioner does not merit further consideration..."

4.33. In view of the above discussion, the request of the Petitioner to allow any additional amount on account of Salaries & Wages is not justified, hence declined. Therefore, for the FY 2024-25, the total cost of Salaries, Wages & Other Benefits *(excluding post-retirement benefits)* of the Petitioner has been worked out as Rs.20,484 million for both the distribution and supply of power functions. In order to bifurcate the allowed cost of Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used. Thus, the allowed amount of Salaries Wages for the FY 2024-25 pertaining to the distribution function works out as Rs.13, 519 million and Rs.6, 964 million for Supply function.

4.34. <u>Regarding Post-retirement Benefits</u>, the Authority in the MYT determination of the Petitioner, allowed actual payment of postretirement benefits and decided that the allowed amount of post-retirement benefits would also be adjusted every year with the Pension increase announced by the GoP for the respective year, till the time the Petitioner remains in the public sector.

4.35. Regarding assessment of post-retirement benefits for the FY 2024-25, the Authority observed that the Federal Budget for the FY 2024-25, has not yet been announced by the Federal Government, therefore, budgetary increases of Pension Benefits for FY 2024-25, are not available as of to date. In view thereof, the Authority has decided to apply an increase of 10%

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

on provisional basis on the amount of Pension Benefits allowed for the FY 2023-24. Accordingly, for the FY 2024-25, the post-retirement benefits of the Petitioner has been worked out as Rs.10,297 million, which is hereby allowed to the Petitioner. Since the increases being allowed for the FY 2024-25, are on provisional basis, therefore, the same shall be adjusted subsequently, based on actual increases of pension benefits as announced by the Government in the Federal Budget for the FY 2024-25. The financial impact thereof, would be allowed separately as part of PYA, either in next adjustment request or tariff determination of the Petitioner as the case may be.

4.36. On the point of Petitioner to allow impact of NTDC pensioners, the Authority noted that this issue was also raised by the Petitioner in its MLR dated 14.07.2023. The Authority vide decision dated 03.04.2024 in the matter of MLR, decided as under;

"As mentioned above under the issue of Pay & Allowances and Pension Benefits, the Petitioner has an additional amount of Rs.3,984 million, over & above its actual expenditure till FY 2022-23, for both the Pay & allowances and pension benefits. The Petitioner in its MLR for the FY 2023-24, has requested an additional amount of Rs.3,507 million for pension benefits, thus, it would still be having an amount of Rs.477 million in excess. In view thereof, the Petitioner is directed to meet its requested amount of Rs.211 million out of the already available amount and ensure payment to all NTDC Pensioners. Thus, the request of the Petitioner to allow an additional amount in this regard is not justified and hence declined. The Petitioner is further directed to inform NTDC about these Pensioners so that NTDC does not claim the financial impact of such pensioners in its tariff petition separately."

4.37. The Authority further decided that;

In case, the actual expenditure of the Petitioner, combined for both heads, remains higher than the allowed amount, the Authority may consider to allow such additional amount of Pay & Allowances and Pension Benefits till FY 2023-24, as PYA based on audited accounts of the Petitioner. Similarly, in case the actual expenditure of the Petitioner of Pay & Allowances and Pension Benefits, during the current MYT till the FY 2023-24 remains lower than the allowed costs till the FY 2023-24, the Petitioner shall deposit the excess amount in the Pension Fund."

4.38. In view thereof, the request of the Petitioner for allowing additional impact on account of NTDC pensioners is not justified, hence declined in light of the aforementioned decision.

4.39. In order to bifurcate the allowed cost of post-retirement benefits of Rs.10,297 million, in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used. Thus, the allowed amount of post-retirement benefits for the FY 2024-25 pertaining to the distribution function works out as Rs.6,796 million and Rs.3,501 million for Supply function.

4.40. Regarding Other O&M expenses, the MYT tariff determination requires the same to be indexed with NCPI of December for the respective year after adjustment for the X factor i.e. 30% of CPI. Accordingly, for indexation of other O&M expenses for the FY 2024-25, the NCPI of December 2023 has been considered. The same as reported by Pakistan bureau of Statistics is 29.66%. With this NCPI, and after accounting for the X-factor, the Other O&M cost of the Petitioner for the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

14/51

FY 2024-25 works out as Rs.3,906 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.

4.41. In order to bifurcate the allowed cost of other O&M expenses in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used. Thus, the allowed amount of Other O&M expenses for the FY 2024-25 pertaining to the distribution function works out as Rs.2,222 million and Rs.1,684 million for Supply function.

4.42. On the request of the Petitioner to allow higher inflationary increase for transportation and consider its actual O&M costs for the previous years and to accordingly revise base rates, the Authority noted that same are out of scope of the MYT adjustment/ indexation mechanism. The Authority has further observed that all these issues were also raised by the Petitioner in its MLR dated 14.07.2023. The Authority in its MLR decision dated 03.04.2024, deliberated these issues in detail under para 10.8 to 10.20, and decided not to accept the request of the Petitioner to allow any increase in the already allowed amounts or modify the adjustment/indexation mechanism. In view thereof, the instant request of the Petitioner is again declined.

4.43. Regarding Depreciation expenses, the same are required to be worked out based on the Revised Gross Fixed Assets in Operation (GFAIO) for FY 2024-25, to be calculated based on Investment allowed for the FY 2024-25. The revised Gross Fixed Assets in Operation of the Petitioner for the FY 2024-25 works out as Rs.145,451 million, after including therein the impact of allowed investment for the FY 2024-25 i.e. Rs.10,054 million. Accordingly, as per the allowed mechanism the total depreciation expense of the Petitioner for the FY 2024-25 works out as Rs.5,017 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.

4.44. In order to bifurcate the allowed cost in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used. Thus, the allowed amount of depreciation cost for the FY 2024-25 pertaining to the distribution function works out as Rs.4,515 million and Rs.502 million for Supply function.

4.45. In addition the mechanism given in the MYT, also provides that the allowed Depreciation for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In view thereof, the depreciation cost allowed for the FY 2022-23, has been trued up and made part of PYA of the Petitioner for the FY 2024-25 as under;

Depreciation		PESCO
Allowed	Rs. Mln	3,789
Actual	Rs. Mln	4,210
Under/(Over) Recovery	Rs. Mln	421

4.46. Here it is clarified that the Authority is in the process of evaluating the investments actually carried out by the Petitioner, whether the same in line with the allowed investment plan or otherwise. Therefore, for the purpose of truing up of Depreciation expenses for the FY 2022-23, depreciation expense as reported in Audited financial statements of the Petitioner have been considered, keeping in view the mechanism prescribed in the MYT determination. Any

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

15/51

adjustment based on the final evaluation of the Authority, if required, would be made in next adjustment/indexation request of the Petitioner.

4.47. Regarding request of the Petitioner to allow true-up of depreciation upward as well, the Authority noted that as per the MYT determination, the depreciation expense is required to be adjusted downward only, keeping in view the amount of investment allowed for the respective year and in case of any additional investment, the same would be Petitioner's commercial decision and would not be considered while truing up the depreciation expenses. Accordingly, while deciding the adjustment / indexation request of the Petitioner for the FY 2023-24, the criteria as prescribed in the determination was considered and the depreciation expenses were restricted only to the extent of allowed investment. Therefore, the request of the Petitioner to allow depreciation of additional investments made by the Petitioner is not in line with the MYT determination. Here it is pertinent to mention that as per the approved Investment plan of the Petitioner, the amount allowed under each head of investment shall not be used under any other head. In case of any deviation under each head of the investment for more than 5% in the approved investment plan due to any regulatory decisions/interventions/approved plans, DISCOs are required to submit additional investment requirements for prior approval of the Authority.

4.48. Regarding excess deduction of depreciation for the FY 2020-21 and FY 2021-22, the Authority has carefully considered the submissions of the Petitioner and noted that as per the financial statements of the Petitioner, its actual capitalization for the relevant year although exceeded its projected capitalization, however, the same remained within the total amount of investments allowed by the Authority for the relevant year. In view thereof, the Authority has decided to allow the depreciation of Rs.262 million to the Petitioner for the FY 2020-21 and FY 2021-22 as part of PYA in the instant determination of FY 2024-25.

4.49. **Regarding RoRB**, the reference RoRB is required to be adjusted every year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for that year, as per the mechanism provided in the MYT. Further, the Authority in the earlier decision of the Petitioner, decided to allow WACC by including 100% balance of CWIP in the RAB instead of allowing ROE component only to the extent of 30% of CWIP balance.

4.50. Accordingly, the revised RAB of the Petitioner for the FY 2024-25, based on the Investment allowed for the FY 2024-25, and incorporating therein 100% balance of CWIP, works out as Rs.69,708 million. The average RAB of the Petitioner however, for the purpose of calculation of RoRB, works out as Rs.74,226 million for the FY 2024-25.

4.51. Here it is pertinent to mention that the Authority vide determination dated 02.06.2022, allowed adjustments on account of variation in KIBOR on biannual basis. The same would be adjusted subsequently once the actual KIBOR and Audited Accounts of the Petitioner for the FY 2024-25, are available for true up of RORB.

4.52. Based on the above discussion, the total RoRB of the Petitioner for the FY 2024-25 works out as Rs.15,145 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

4.53. In order to bifurcate the allowed RoRB in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used. Thus, the allowed amount of RoRB for the FY 2024-25 pertaining to the distribution function works out as Rs.12,116 million and Rs.3,029 million for Supply function.

4.54. In addition the mechanism also provides that the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. Further, the variations on account of KIBOR are also required to be allowed on biannual basis. In view thereof, the RoRB cost allowed for the FY 2022-23, has been trued up and made part of PYA of the Petitioner for the FY 2024-25, on both these accounts as under;

RORB	Unit	PESCO
Allowed KIBOR	%	7.45%
Actual KIBOR 04.07.2022	%	15.32%
Actual KIBOR 03.01.2023	%	17.06%
RoRB (Investment + KIBOR)		
Allowed	Rs.Mln	7,514
Actual	Rs.Mln	7,844
Under/(Over) Recovery		330

4.55. Here it is pertinent to mention, that amount of investments appearing in the Financial Statements has been restricted to the extent of allowed investments.

4.56. The Authority in its earlier decisions, while allowing RORB on 100% balance of CWIP also directed DISCO to disclose the amount of Interest during Construction (IDC) separately in their financial statements. While going through the Financial Statements of the Petitioner, it was observed that the Petitioner has separately disclosed the amount of IDC. The Petitioner shall continue with this practice in future and in case the Petitioner fails to reflect the amount of IDC in its future financial statements, the Authority may consider not to allow RORB on 100% balance of CWIP. The Petitioner is, therefore directed to continue to reflect the IDC amount its Audited Financial Statements.

4.57. It is also clarified that the Authority is in the process of evaluating the investments actually carried out by the Petitioner, whether the same is in line with the allowed investment plan or otherwise. Therefore, for the purpose of truing up of RAB for the FY 2022-23, investments as reported in the Audited Financial Statements of the Petitioner, have been considered. However, the amount of investment appearing in the Financial Statements has been restricted to the extent of allowed investment. Any adjustment based on the final evaluation of the Authority, if required, would be made in next adjustment/indexation request of the Petitioner.

4.58. Regarding request of the Petitioner to calculate RAB for the FY 2024-25, by including therein higher amount of investments, than the amount allowed by the Authority, the Authority noted that as per the MYT determination, RAB for the respective year is to be calculated after taking into account the amount of investment allowed for that year. Therefore, the request of the Petitioner is not in line with the mechanism prescribed in the MYT determination. Here it is

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

17/51

pertinent to mention that as per the approved Investment plan of the Petitioner, the amount allowed under each head of investment shall not be used under any other head. In case of any deviation under each head of the investment for more than 5% in the approved investment plan due to any regulatory decisions/interventions/approved plans, DISCOs are required to submit additional investment requirements for prior approval of the Authority.

4.59. Regarding submissions of the Petitioner for excess deduction of RoRB during previous years, owing to insufficient cash balance vis a vis deposit works & security deposits, the Authority observed that this issue was also raised by the Petitioner in its MLR dated 14.07.2023. The Authority in its MLR decision dated 03.04.2024, deliberated this issue in detail in para 12.6, and decided not to allow the request of the Petitioner by observing that while working out RAB, the amount of receipts against deposit works and security deposit are netted off against the available balance of cash/ bank for the relevant heads, short term investments, if any, and stores & spares. The extra shortfall, if any, is deducted from the RAB, to ensure that the consumers are not burdened with the unfair and unjust use of resources by the Petitioner In view thereof, the instant request of the Petitioner is again declined.

4.60. Here it is also pertinent to mention that the Authority while working out the RoRB of the Petitioner for the FY 2024-25, has also adjusted RAB with insufficient balances of cash and other items vis a vis deposit works & security deposits balances.

4.61. Regarding Other Income, the same has been adjusted as per the mechanism provided in the MYT determination for the FY 2024-25. The same for the FY 2024-25 works out as Rs.5,021 million for the Petitioner. Further, the MYT determination also provides truing up of Other Income every year. Accordingly, the allowed Other income for the FY 2022-23, has also been trued up based on Audited Financial statement of the Petitioner for FY 2022-23, resulting in negative adjustment of Rs.841 million. The same has been made part of PYA for FY 2024-25.

5. Whether the requested PYA, is justified?

5.1. The Prior Year Adjustment includes the impact of variation in the following, based on the Authority's allowed benchmarks of T&D losses and recoveries;

- ✓ Impact of Negative/Positive FCAs not passed on/recovered
- ✓ Under/Over Recovery of allowed Quarterly Adjustments
- ✓ Under/Over Recovery of the assessed DM
- ✓ Under/Over Recovery of the previously assessed PYA
- ✓ Cost allowed in Motion for Leave for Review
- ✓ Sales Mix Variance
- ✓ Adjustment of excess LPS over supplemental charges
- ✓ MYT True ups

5.2. The Petitioner has requested the following PYA for the FY 2024-25;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

Sr. #	DESCRIPTION	Mln Rs.
1	Under / (Over) recovery of QTA, Dist. Margin for FY 2022-23 & PYA	3,400
2	Sales Mix Variances	5,100
3	Under / (Over) recovery of Depreciation & RORB	1,750
4	Under / (Over) recovery of Other Income for FY 2021-22	(841)
5	Impact of positive FCA regarding Lifeline Consumers	1,163
6	Pending Adjustment of NTDC Pensioners	44
Total Prior Period Adjustment		10,615

5.3. In addition, the Petitioner has also requested Rs.3,940 million on account of turn over tax.

5.4. The Petitioner provided the following head wise justification for the requested PYA;

<u>Quarterly Adjustments for 2nd & 3rd Quarters of FY 2022-23</u>

✓ PESCO has been allowed Quarterly Adjustments for 2nd & 3rd Quarters of FY 2022-23, which were subsequently notified by Government of Pakistan. The recovery of Quarterly Adjustments at notified rates has been calculated and included in the PYA amounting to Rs.103 million.

<u>Under-Recovered Distribution Margin (DM)</u>

✓ PESCO has been allowed Distribution Margin (DM) of Rs.32,647/- Million for the FY 2022-23, and the recovery of the same at notified rates remained Rs.28,916 Million. Thus, resulted into an under recovery of Rs.3,731 million.

<u>Sales Mix Variance</u>

✓ The actual Sales Mix for FY 2022-23 at the notified tariff vide SRO 1424(1)/2021, dated November 05, 2021, SRO 989(I)/2022 dated July 05, 2022 and SRO 1173(I)/2022, dated July 25, 2022 has been assessed as Rs.5,100 million.

<u>Impact of positive FCA regarding Lifeline Consumers for the period FY 2017-18 to FY 2021-23 & FY 2023-24 (up-to Dec-23).</u>

✓ The Authority was approached vide letter no. 8139-41/FD/PESCO/CP&C dated 14.05.2022, for the determination of impact of positive FCA on Lifeline consumers, as discussed at para 19.7 of the determination for Multi Year Supply Function Tariff for FY 2020-21 to FY 2024-25, however, the matter was deferred. The instant matter also taken up in the PESCO Motion for Leave for Review petition, however, instead of allowing the adjustment to PESCO, like correction made under PYA, Post Retirement Benefit & RORB in the Review Decision, the matter has been deferred till next indexation/adjustment along with the direction to reconcile the data with PITC. That the impact of positive FCA on the supplies to the Lifeline consumers computed on the basis of CPPA-G Power Purchase Invoiced Units instead of unit billed to the consumers by calculating the units to be sold by applying the determined T&D losses as per Transfer Pricing Mechanism, hence, the direction issued vide the Review Decision dated 23/01/2023, requires rectification or further explanation in this

NEPRA AUTHORITY NATIONAL ELECTRIC POWER REGULATORY AUTHORITY regard and the data of PITC as already requested through e-mail may be shared to give the necessary detail / explanation. However, still PESCO is of the view that the said impact of FCA on lifeline consumers has no correlation with the consumer end data of PITC.

✓ Earlier, during regulatory proceeding these charges were allowed as part of periodic adjustments, however, since the issuance of Quarterly Adjustments determinations, the Authority on the issue of Periodic Quarterly Adjustments in Tariff for FY 2017-18 to FY 2020-21, has neither allowed the impact of lifeline consumers in the quarterly tariff determinations, nor the same has been allowed in Annual Tariff Determinations of PESCO as part of Prior Year Adjustments (PYA) thereby, resulting in the shortfall of Rs.1,023 million for the period FY 2017-18 to FY 2020-21.

✓ The yearly detail of pending / unrecovered positive FCA on lifeline consumers as per the Quarterly requests filed by PESCO and Quarterly FCA allowed by NEPRA is as under:

Mln Rs.

Table 14- Impact of Positive FCA on Lifeline Supplies

Period	PESCO	NEPRA	Variance
	[Units to be Sold]	*[Actual Units Sold]*	
FY 2017-18	54	-	54
FY 2018-19	202	-	202
FY 2019-20	506	-	506
FY 2020-21	260	15	245
FY 2021-22	336	425	-89
FY 2022-23	128	47	81
FY 2023-24	165	-	165
Total	**1,651**	**487**	**1,164**

✓ Moreover, the impact of lifeline consumers for FY 2020-21 to FY 2022-23 (up-to Dec-22) Rs.486 million is based on the incorrect assumption of using actual units of lifeline consumers in the units to be sold figure which is contrary to the regulatory targets / decision and it should be based on the reference determined mix of lifeline consumers. Further, the adjustment of said amount against the subsidy receivables is against the GoP policy which states that the negative impact of FCA may be adjusted against the GoP Subsidy, hence the same needs rectification as the said amount pertains to the consumers rather than receivables from GoP. The Authority is therefore, requested to allow the pending adjustment of positive FCA, amounting to Rs.1,164 million for FY 2017-18 to FY 2023-24 (up to Dec-23) in the matter of life line consumers along with Rs.487 million adjusted against subsidy as part of Prior Year Adjustment.

5.5. In addition the Petitioner has also included the following amounts on account of PYA for the FY 2020-21 to 2022-23, which were already requested by the Petitioner as part of its Motion for Leave for Review (MLR);

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Mln. Rs.

Sr.#	Description	Pending Adjustments
1	Recovery of Quarterly Adjustments for the period from 2nd QTR of FY 2019-20 to 1st QTR of FY 2021-22 due to inconsistent application of formula in calculations, ignoring the incremental units and lifeline units	3,447
2	Pending recovery of FCA during November 2019 to June 2020 as determined vide NEPRA decision no. 20257-74 dated 07/08/2020, due to COVID-19	2,436
3	Excess deduction of Other Income as PYA for FY 2020-21 & FY 2021-22, without considering the adjustment of Wheeling Charges, Rental & Service Income and Amortization of Deferred Credit	1,308
4	Revenue shortfall on the basis of subsidized rates charged to the consumers for the period November 2019 to February 2020 regarding Uniform Seasonal Pricing Structure relief package vide S.R.O. 1379(1)/2019 dated 12-11-2019.	708
5	Excess deduction of Depreciation for FY 2020-21 & FY 2021-22	347
6	Pending MLR adjustment of NTDC Pensioners	183
	TOTAL	8,429

5.6. The Petitioner has also requested an amount of Rs.347 million on account of excess deduction of depreciation for the period from FY 2020-21 to FY 2021-22. The Petitioner informed that the Authority has made excess deduction on account of depreciation, based on the amounts appearing in the financial statements, on the plea that investments has been made in excess of the amounts allowed in the MYT for the relevant period. The Petitioner further submitted that although investments have been incurred in excess, however, the amount capitalized against such investments remained within the allowed investment limits.

5.7. The Authority has considered the submissions of the Petitioner regarding PYA and point wise discussion is as under.

5.8. **Regarding impact of monthly FCAs**, the Authority in line with its earlier decision, has calculated impact of negative FCA pertaining to the period from January 2023 to December 2023 in the matter of lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers, which has been retained by the Petitioner, which works out as Rs.0.15 million. The Authority has also worked out the impact of positive FCAs not recovered by the Petitioner from life line and EV consumers during the same period, which works out as Rs.215.70 million. The workings have been carried out based on the information provided by the Petitioner. The Authority also considered the relevant clauses of the S.R.O. 189 (1)/2015 dated March 05, 2015 issued by GoP and the amount of subsidy claims filed by the Petitioner for these periods.

5.9. After considering all the aforementioned factors, the Authority observed that the Petitioner has not recovered a net amount of Rs.215.55 million on account of positive FCAs pertaining to the lifeline and EV consumers. The Authority in view of the above and in line with its earlier decisions, has decided to allow the impact of Rs.215.55 million to PESCO as part of PYA. The above working has been carried out based on the data/ information provided by the Petitioner.

5.10. **Regarding RoRB,** the Petitioner although has requested an amount of Rs.1,328 million for the FY 2021-22, however, no further rationale/ justification for the said amount has been provided in the Petition. The Authority observed that RoRB of the Petitioner for the FY 2021-22 has already been trued up vide decision of the Authority dated 14.07.2023 under para 6.38, in line with the adjustment/ truing up mechanism provided in the MYT determination of the Petitioner. Therefore, no further adjustment on this account is required, as the matter already stands addressed.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

21/57

5.11. **Similarly, the issue of adjustment of other income** for the FY 2021-22, has also been discussed in the MLR decision of the Petitioner dated 03.04.2024, whereby the Petitioner has been allowed a positive adjustment of Rs.945 million (FY 2020-21 Rs.730 million and Rs.215 million for FY 2021-22). Therefore, no further adjustment on this account is required, as the matter already stands addressed.

5.12. **On the issue of minimum tax,** Section 113 of the Income Tax Ordinance 2001 states as under;

113- Minimum tax on the income of certain persons.- (1) This section shall apply to a resident company, permanent establishment of a non-resident company, an individual (having turnover of hundred million rupees or above in the tax year 2017 or in any subsequent tax year) and an association of persons (having turnover of hundred million rupees or above in the tax year 2017 or in any subsequent tax year), where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force (a) loss for the year; (b) the setting off of a loss of an earlier year; (c) exemption from tax; (d) the application of credits or rebates; or (e) the claiming of allowances or deductions (including depreciation and amortization deductions) no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than the percentage as specified in column (3) of the Table in Division IX of Part-I of the First Schedule, of the amount representing the person's turnover from all sources for that year;
Explanation; For the purpose of this sub-section, the expression "tax payable or paid" does not include- (a) tax already paid or payable in respect of deemed income which is assessed as final discharge of the tax liability under section 169 or under any other provision of this Ordinance; and (b) tax payable or paid under section 4B or 4C.

5.13. LESCO in its adjustment/ indexation request for the FY 2024-25, provided an opinion in the matter from M/s Yousaf Adil, Chartered Accountants, wherein it has been submitted inter alia as under;

"...from bare perusal of the above mentioned provisions of section 113, it is clear that the minimum tax shall be applicable on every company whose normal tax liability, calculated currently as 29% of the taxable income (under Division II of Part I to the Second Schedule of the Ordinance), is either zero or lower than the minimum tax calculated under section 113 of the Ordinance. This requirement is particularly relevant to the companies like Electric Distribution Companies (DISCOs) including LESCO who have historically reported substantial taxable losses. Since the normal tax liability of LESCO is zero due to taxable losses including brought forward taxable losses, therefore, given the absence of a normal tax liability, Section 113 of the Ordinance is invoked/applicable on LESCO. Therefore, LESCO is obliged to discharge its minimum tax obligation, calculated as prescribed under section 113 of the Ordinance..."
"Furthermore, it is important to highlight the historical context of Section 113 with respect to its applicability on DISOCs, which initially saw the issuance of SRO 171(1)/2008 dated February 21, 2008. This SRO provided relief to DISCOs, wherein the DISCOs were obligated to pay minimum tax under Section 113 (if applicable) solely on their distribution margin calculated as the difference between sales value of electricity and purchase cost of electricity. It is noteworthy that the aforementioned SRO, having lapsed in the tax year 2013, was not renewed or extended.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

22/51

Additionally, in Section 113 of the Ordinance, there existed a proviso which stated that companies declaring gross losses (calculated as per the provision of section 113), would be excluded from the application of Section 113. The benefit of this proviso was availed by major DISCOs including LESCO, owing to the fact that such DISCOs were incurring gross losses. However, it is pertinent to note that this proviso was removed through the Finance Act of 2016." "...till today, both of the above mentioned reliefs i.e. the extension of said SRO and the proviso to Section 113 have not been restored..."

"In consideration of the aforementioned circumstances and as per the existing l/egal framework from tax year 2017 and onwards, it is clarified that Section 113 is applicable to LESCO on its turnover calculated under the said section and no exemption is available from its applicability under the Ordinance even in the presence of gross losses incurred by LESCO".

5.14. In view of the relevant provision of Income Tax Ordinance 2001, and the opinion submitted by LESCO, the Authority considers that minimum tax is applicable on every company even if it is incurring gross loss. In view thereof, the Authority has decided to allow PESCO, the minimum tax of Rs.3,940 million, paid by the Petitioner for the FY 2022-23 and FY 2023-24 as under;

TAX RECONCILIATION STATEMENT

FOR FY-2022-23

S.NO.	DESCRIPTIONS	AMOUNT (PKR)
1	Tax Assessed for the period	3,149,775,155
	PAYMENT DETAILS	
	ADVANCE TAX U/S 147/113	
1	IT202209290101238 6343	589,817,852
2	IT202212290101236 4332	535,613,226
3	IT202303270101233 5460	579,782,976
4	IT202305310101259 2192	300,000,000
5	IT202306230101232 7601	276,612,445
6	IT202306270101257 7821	100,000,000
7	IT202306270101257 8520	100,000,000
8	IT202306270101257 8531	100,000,000
9	IT202312290101169 9498	358,975,628
	ADVANCE & ADMITTED TAX PAID	**2,940,802,127**
	AT SOURCE TAX DEDUCTION	**208,973,028**
	TOTAL TAX PAID	**3,149,775,155**

TAX RECONCILIATION STATEMENT

FOR FY-2023-24

Advance Income Tax Paid		
Sno.	**CPR No.**	**Amount**
1	IT20230925010120955O3	290,015,999
2	IT2023122601011596954	500,102,408
	TOTAL TAX PAID	**790,118,407**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

5.15. **Regarding PYA adjustments of Rs.8,429 million**, claimed by the Petitioner in its MLR an also in the instant adjustment request, the Authority has discussed and deliberated these points in the MLR decision of the Petitioner dated 03.04.2024, therefore, the same are not discussed here again. Any amount allowed in the MLR has been included in the instant decision as part of PYA.

5.16. **Regarding excess deduction of depreciation** for the FY 2020-21 and FY 2021-22, the Authority has carefully considered the submissions of the Petitioner and noted that as per the financial statements of the Petitioner, its actual capitalization for the relevant year although exceeded its projected capitalization, however, the same remained within the total amount of investments allowed by the Authority for the relevant year. In view thereof, the Authority has decided to allow the depreciation of Rs.262 million to the Petitioner for the FY 2020-21 and FY 2021-22 as part of PYA in the instant determination of FY 2024-25.

5.17. **Regarding Sales mix**, the Authority in previous determination dated 14.07.2023, directed DISCOs to provide the reconciled date of sales mix with its reported revenue as per audited financial statement of the respective year. However, no such reconciliation has been submitted by the Petitioner, rather DISCOs have claimed new sales mix for FY 2022-23. Therefore, the Authority has decided not to allow the sales mix variance of FY 2022-23, till the time, the Petitioner complies with the direction of the Authority and submits the reconciled data till FY 2022-23.

5.18. **Regarding under/ over recovery of other adjustments in terms of already allowed PYA, DM for the FY 2022-23, quarterly adjustments for the 2nd & 3rd quarter of FY 2022-23, MYT True ups for FY 2022-23, reworking of other income for FY 2020-21 & FY 2021-22 after including therein the impact of amortization of deferred credits etc.**, the Authority has carried out its workings and the same has been included in the PYA of the Petitioner, determined for the FY 2024-25.

5.19. Here it is also pertinent to mention that the Petitioner has revised its workings for the PYA of FY 2021-22, whereby it has now included sales to lifeline, domestic consumers' up-to 300 units and agriculture consumers based on their actual sales mix, instead of allowed sales mix. This has resulted in negative adjustment of Rs.1,099 million, which has been deducted as part PYA in the instant decision.

5.20. Based on the above discussion, decisions of the Authority under various head of accounts in the earlier paras and in line with the scope of MYT, the PYA of the Petitioner for the FY 2024-25 has been worked out as under, which is hereby allowed to the Petitioner for the FY 2024-25;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Description	Unit	PESCO
January 2023 to December 2023		
Impact of Negative FCA- retained	Rs. Mln	- 0.15
Impact of Positive FCA- Lifeline + EV	Rs. Mln	215.70
Net	Rs. Mln	215.55
January 2023 to December 2023		
Tariff Diff. Subsidy	Rs. Mln	33,502
Surcharge	Rs. Mln	- 3,447
Net - Jul.20 to Mar. 23	Rs. Mln	30,055
Excess FCA impact -Adjusted as subsidy	Rs. Mln	
FCA Impact -Adjusted as PYA	Rs. Mln	215.55
2nd Qtr. FY 2022-23 (Apr. Jun. 23)		
Allowed Amount	Rs. Mln	- 1,983
Qtr. Rs./kWh	Rs./kWh	- 0.53
Recovered	Rs. Mln	- 1,599
Under/(Over) Recovery	Rs. Mln	- 384
3rd Qtr. FY 2022-23 (Jul. Sep. 23)		
Allowed Amount	Rs. Mln	1,376
Qtr. Rs./kWh	Rs./kWh	0.3334
Recovered	Rs. Mln	1,289
Under/(Over) Recovery	Rs. Mln	87
D.M FY 2022-23		
Allowed Amount	Rs. Mln	28,184
Rate. Rs./kWh	Rs./kWh	2.14
Recovered	Rs. Mln	24,819
Under/(Over) Recovery	Rs. Mln	3,365
PYA 2022		-
Allowed Amount	Rs. Mln	- 2,949
Rate. Rs./kWh	Rs./kWh	- 0.22
Recovered	Rs. Mln	- 2,176
Under/(Over) Recovery	Rs. Mln	- 772
Other Cost related to PYA		
D.M FY 2021-22 _Adjustment	Rs. Mln	- 3,051
MLR Cost	Rs. Mln	945
P.M Assistance Package	Rs. Mln	
Minimmum Tax	Rs. Mln	3,940
Other Adjustment of previous PYA	Rs. Mln	- 1,099
GENCO Pensioners	Rs. Mln	
Adjustment of Final tariff v.s Interim Tariff	Rs. Mln	
Total		735
Total	Rs. Mln	3,245

MYT True Ups		PESCO
FY 2022-23		
Depreciation		PESCO
Allowed	Rs. Mln	3,789
Actual	Rs. Mln	4,210
Under/(Over) Recovery	Rs. Mln	421
RoRB (Investment + KIBOR)		PESCO
Allowed	Rs. Mln	7,514
Actual	Rs. Mln	7,844
Under/(Over) Recovery	Rs. Mln	330
Other Income		PESCO
Allowed	Rs. Mln	- 4,180
Actual	Rs. Mln	- 5,021
Under/(Over) Recovery	Rs. Mln	- 841
Total MYT Rue Ups	Rs. Mln	- 89
G. Total PYA FY 2022-23	Rs. Mln	3,156

6. <u>PESCO to present its Power Purchases Price (Energy & Cost) for the FY 2024-25, keeping in view the Section 32 of NEPRA Act and NEPRA Power Procurement Regulations?</u>

6.1. The Petitioner during hearing presented the following data regarding its projected power purchase price for the FY 2024-25;

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

FY	2022-23	2023-24	2024-25
Units (MkWh)	15,255	15,009	16,050
Incr./Decr. (yoy)		-1.60%	6.90%
Cost (Mln Rs.)	317,865	380,223	421,798

6.2. The Authority noted that Power Purchase Price (PPP) forecast of the Petitioner as well for all XWDISCOs for the FY 2024-25 has since been determined by the Authority through a separate decision, detailing the assumptions of the forecast and relevant share of the Petitioner. In view thereof, the Authority does not see any rationale to discuss this issue again herein in the instant decision. However, for the purpose of calculation of overall revenue requirement of the Petitioner, the PPP forecast for the FY 2024-25 as determined by the Authority, has been made part of the overall Revenue Requirement of the Petitioner. Further, Annex-I of the PPP decision, to the extent of the Petitioner, has been attached as Annex-IV with the instant decision. The PPP forecast of the Petitioner for the FY 2024-25 shall be used as reference for future adjustments of PPP including the monthly and quarterly adjustments.

7. <u>Whether the existing tariff rate design needs to be modified, to levy fixed charges on all consumer categories and fixed charges be designed in a way to ensure that it accounts for a significant portion of fixed costs i.e. capacity charges, UoSC etc., in line with Strategic Directives given in NE Plan?</u>

<u>What will be the mechanism to recover fixed charges from consumers having meters not recording MDI?</u>

7.1. The Petitioner during the hearing submitted that NE plan provides direction to progressively include the fixed charges in all categories (except Protected). The Authority may also consider the imposition of the fixed charges gradually and it is suggested to start charging the three phase connections in the first phase.

7.2. Regarding recovery of fixed costs from consumers with meters where MDI is not recorded, the Petitioner submitted the following alternatives for recovery of fixed costs:

- ✓ **Flat Rate Charges:** A flat rate across the category
- ✓ **Sanctioned Load Basis:** Fixed charges rate based on the sanctioned load

7.3. The Authority observed that as per the current tariff structure, certain consumer categories like Commercial, Industrial, Bulk and Agriculture are levied fixed charges, based on billing demand. Billing demand means 50% of the sanctioned load or actual maximum demand recorded in a month, whichever is higher, except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load. The Authority observed that capacity charges of generation companies which are fixed in nature, as it has to be paid based on plant availability, are charged to DISCOs based on the actual MDIs of DISCOs. However, the present consumer end tariff design is volumetric in nature, whereby major portion of the cost is recovered from consumers on units consumed basis i.e. per kWh, and only a small amount of around 3-4% is being recovered on MDIs basis from the consumers. The Authority has also considered NE Plan which provides that fixed charges shall be progressively incorporated in the tariffs of all consumer segments except consumers of protected category. Accordingly, the Authority in line with the relevant provisions of NE Plan 2023-27, has decided to levy fixed charges on certain consumer

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

26/51

categories. The Authority has further decided to increase the rate of fixed charges currently applicable to certain categories, keeping in view the quantum of overall fixed charges in the revenue requirement of DISCOs, the cost of service of each consumer category and the fact that NE Plan obligates that fixed charges shall account for at least 20% of the fixed cost of the respective categories evaluated through a cost-of-service study. The rate of fixed charges @ Rs./kW/Month for each consumer category, has been mentioned in the Schedule of Tariff ("SoT") attached with the decision.

7.4. Here it is pertinent to mention that there are certain consumer categories, where actual load/ MDI is not being recorded. The DISCOs for such consumers, submitted that either a fixed charge per connection or per KW sanctioned load be used for recovery of fixed charges. The Authority, for such consumers where MDI is not recorded, has decided to initially levy fixed charges at a fixed rate per month, as mentioned in the SoT attached with the decision. The Authority further directs the Petitioner to ensure that by the time it files its next tariff petition/ adjustment request, MDI for all consumers at all levels is properly recorded. However, at the same time, the Authority, not to overburden such consumers who are being levied fixed charges, has adjusted their variable rate (Rs./kWh), to minimize the impact of increase in fixed charges.

7.5. Here it is pertinent to mention that Rs.223,549 million and Rs.18,750 million is the share of the Petitioner on account of CpGenCap and UoSC (NTDC/ HVDC) & Market Operator Fee respectively for the FY 2024-25. The overall fixed charges comprising of CpGenCap and UoSC (NTDC/HVDC) & Market Operator Fee in the instant case works out as Rs.242,299 million, which translate into Rs.6,974/kW/month based on projected average monthly MDI of the Petitioner.

8. <u>Whether the existing tariff rate design needs to be modified for consumers having net metering generation facilities or generation facilities behind the meters installed by third parties or Captive generation power, to levy fixed charges, etc. in order to ensure recovery of fixed costs i.e. capacity charges, UoSC etc.?</u>

8.1. The Petitioner submitted during the hearing that it supports recovery of fixed costs, including capacity charges and Use-of-System Charges (UoSC), from consumers with net metering generation facilities or third-party-installed generation. Levying fixed charges on these consumers can contribute to fair and equitable cost recovery across the system. It also referred to various provisions of NE Plan in this regard.

9. The Authority considers that the matter requires further deliberations, therefore, the same would be decided subsequently after having input from all the stakeholders.

10. <u>Whether the schedule of tariff be designed on cost of service basis or otherwise?</u>

10.1. The Petitioner during hearing submitted that NE Plan emphasises cost-of-service based tariffs for transparent cost recovery and equitable design. Accordingly, it would be appropriate to modify the rate design by charging the fixed charges on the same basis as being charged to DISCOs with corresponding reduction in variable charges.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

27/51

10.2. The Authority observed that as per NE Plan 2023-27 under Strategic Directive 82, Tariffs for residential consumers shall be progressively adjusted to align with the principle of cost-of-service, taking into account the following:

- ✓ Subsidies to the protected categories of residential consumers shall be disbursed directly pursuant to the detailed action plan to be developed under Strategic Directive 067;
- ✓ Residential consumers (below cost recovery) shall be cross subsidized by:
  - i. industrial & commercial consumers, pursuant to the Strategic Directive 084;
  - ii. Other residential consumers (above cost recovery).

10.3. Similarly, Strategic Directive 83 states that tariff structure for agricultural consumers shall be segmented into sub-categories, taking into account the following:

- ✓ subsidies to the agricultural consumers shall be disbursed pursuant to the detailed action plan to be developed under Strategic Directive 068;
- ✓ Agricultural consumers (below cost recovery) shall be cross-subsidized by:
  - i. industrial & commercial consumers, pursuant to the Strategic Directive 084;
  - ii. Other agricultural consumers (above cost recovery).

10.4. Further, Strategic Directive 84 provides that cross-subsidy by the productive consumers, to subsidize residential and agricultural consumers, shall be progressively restricted to 20% of the respective cost of service of such consumers by FY-2026.

10.5. The Authority noted that as per different provisions of NE Plan mentioned above, tariff for residential consumers is progressively to be aligned with the principle of cost-of-service, and till such time, residential consumers below cost of service shall be cross subsidized by Industrial and Commercial consumers and other residential consumers. Similarly, for Agriculture consumers, the tariff structure shall be segmented into sub-categories and agriculture consumers below cost of service shall be cross subsidized by Industrial and Commercial consumers and other agriculture consumers.

10.6. In view thereof, the Authority has decided to gradually reduce the quantum of cross subsidization among different consumer categories and the SoTs for the FY 2024-25, have been designed accordingly.

11. <u>Whether the rate design for Temporary connections needs to be revised or otherwise?</u>

11.1. The Petitioner submitted that it has already requested the Authority for the revision of Temporary Connection rate.

11.2. The Authority noted that as per the existing notified tariff terms & conditions, the Temporary Residential/ Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, exhibitions, political gathering, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction of house/buildings/plazas of single phase loads. A temporary electric power supply connection for the construction shall be provided by distribution company initially for a period of six months which is further extendable on three month basis up to completion of the specific job/project for which the temporary connection

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

28/51

was obtained. "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.

11.3. Different DISCOs raised their concerns regarding misuse of temporary connections by consumers as the existing tariff rates for temporary connections are lower than standard rates of comparable regular categories of consumers. DISCOs submitted that this provides incentive to some consumers to exploit by reselling electricity illegally due to delayed infrastructure completion. Therefore, to address such issues, tariff rates needs to be increased, coupled with MDI adjustment.

11.4. The Authority in order to address such issues and to discourage delay in infrastructure completion, has decided to increase the rates of temporary connections for Residential, Commercial and Industrial consumers. Accordingly, the rates for temporary connections have been revised along-with application of fixed charges, as mentioned in the SoT attached with this decision. The Authority considers that this will contribute to a fair and balanced tariff structure, encouraging responsible usage of temporary connections.

12. <u>**Whether the peak and off-peak timing and rate design needs to be revised, in line with Strategic Directives given in NE Plan?**</u>

12.1. The Petitioner during the hearing submitted that it supports the change of Peak timings. NE Plan Strategic Directive No. 75 also allows adjusting peak and off-peak timings based on actual peak demand.

12.2. The Authority noted that NE Plan envisages that first assessment of ToU tariff, is to be completed by March 2024. The Authority observed that USAID (PSIA) has been asked to provide technical assistance for carrying out the required assessment. USAID has intimated that said assessment require data from CPPA, and NTDC, therefore, subject to the availability of data, it will be able to conduct the assessment by July / August 2024. In view thereof, the Authority would deliberate this issue, once the required assessment form USAID is received. Further, the Authority also understands that the existing infrastructure of DISCOs also needs to be evaluated in terms of its capability to cater for multiple peak /off peak rates and times during a billing cycle.

12.3. In view thereof, the Authority has decided to continue with the existing mechanism of peak / off-peak hours and prevailing rate design. At the same time, the Petitioner is directed to evaluate the different proposals of tariff design so as to make it more efficient and cost reflective with the objective to maximize the utilization of available capacity.

13. <u>**Whether prepaid metering shall be allowed to different consumers categories and what shall be appropriate tariff for such consumers considering various periodic adjustments in the base tariff?**</u>

13.1. The Petitioner on the issue of pre-paid metering submitted that prepaid metering requires a complete system and infrastructure before company-wide implementation. PESCO is making assessment of its infrastructure to gauge the readiness of this system

13.2. The Authority observed that various DISCOs have been allowed investments for AMR/AMI meters, in their MYT determinations / Investment plans. IESCO accordingly vide its letter dated

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

18.01.2024 also requested for pre-paid tariff for Advanced Metering Infrastructure (AMI) project and made the following submissions in this regards;

- ✓ The scope of the IESCO AMI project encompasses the implementation of an Advanced Metering Infrastructure (AMI) system, covering the deployment of Smart Meters, Data Concentrator Units (DCU) and essential communication infrastructure in the jurisdiction of Rawalpindi City Circle, Rawalpindi Cantt. Circle and Taxila Division along with the implementation of the new Billing System/Customer Information System (CIS) for whole IESCO. The project scope involves the installation of 879,564 smart meters, with the first phase targeting the installation of 135,000 smart meters in area of Rawalpindi City Circle. The new Billing system will be operational tentatively from June 2024.
- ✓ IESCO AMI Billing System has a value-added feature of Prepayment along with Post-payment functionality which is already in vogue. The new Billing System is capable to calculate the allowable units / consumption (KWh) and communicate this information to Meter Data Management System (MOMS). Consequently, smart meters are configured to operate exclusively within the limits of these calculated units. After the exhaust of these units, a remote disconnection order will be executed through the smart meter. Further, after the recharge of the new top up the reconnection order will be made automatically.
- ✓ The inclusive development of this prepaid functionality offers various advantages for both the utility companies and consumers;
    - Advance payment will improve the cash flow of utility companies.
    - Mitigate the financial risk associated with bad debts and will increase the revenue collection.
    - Diminishes traditional billing and collection expenses, leading to cost savings for utility companies. Remote disconnection and reconnection through the AMI system will improve overall efficiency and reduce cost.
    - Offers diverse payment options, including online and mobile payments, enhancing convenience for consumers.
    - Enabling consumers to actively monitor and manage their energy consumption pattern through a mobile application.
- ✓ To fully operationalize the salient feature of prepayment in the AMI system, it is imperative to accurately convert the energy top-up amount into units. Currently, prepaid tariff structure is not available. Therefore, it is requested to formulate the prepaid tariff structure initially up-to 25 KW for tariff categories such as Domestic, Commercial, General, Industrial and Temporary by considering the IESCO submissions:
    - Formulation of prepaid tariff structure that will cater for both Protected and non-protected type of consumer categories.
    - Incorporation of Fuel Price Adjustment (FPA) and Quarterly Tariff Adjustment (QTA) charges, minimum charges and PTV fee.
    - Calculation of Electricity Duty (ED), GST and Income tax for non-filer consumers.
    - Incorporation of extra tax and further tax for the industrial consumers.
    - Imposition of fixed charges, especially related to Maximum Demand Indicator (MDI).

13.3. Considering the request of IESCO, the Authority made this "pre-paid metering" an issue for deliberations during tariff proceedings of all DISCOs for the FY 2024-25. However, no comments were received from any stakeholder on the issue including the Ministry of Energy.

13.4. The Authority understands that prepaid metering system is a modernized billing mechanism which integrates metering equipment with smart card technology. It may offer benefits for the stakeholders of electricity supply chain but at the same may also have some disadvantages. At the consumer end, it helps them to control electricity consumption patterns and provides a smart payment option. The availability of real time electricity consumption data, also motivates consumers towards utilization of energy-efficient appliances, thus, may help reduce the undue increase in electricity demand. Consequently, may reduce the burden of government in terms of subsidies, circular debt, and import bill. From DISCOs perspective, prepaid metering provides the opportunity to optimize billing & revenue of the distribution utility and improved cash flows, thus helping in meeting their financial obligations. It may also mitigate the financial risk associated with bad debts.

13.5. Similarly, in several cases around the world, prepaid metering has helped in significant reduction in non-technical losses. It also reduces financial burden of DISCOs for maintaining workforce employed for manual billing system and may also lead to improved employee to customer ratio. Remote disconnection and reconnection through the AMI system may also improve overall efficiency and reduce cost.

13.6. On the other hand, there may be resistance from the employees of DISCOs due to the fear of downsizing and reduction of non-technical staff. Another critical challenge could be the development of IT-based prepaid metering infrastructure, while replacing the conventional billing mechanism. The internet-based purchase of electricity requires specific technical expertise for designing, installing and managing the backend operations of the prepaid metering system and full coordination among power sector institutions on technical systems. Moreover, consumers' acceptance of the technology shift could be one of the challenges towards implementation of prepaid technology.

13.7. In view of the above discussion, the Authority has decided to allow the request of IESCO for pre-paid metering as a pilot project, and if successful, the same may be started in other DISCOs. IESCO in this regard shall ensure that all required Technical & IT infrastructure, security controls and billing system etc. for prepaid metering, are in place.

13.8. The Authority has further noted that prepaid metering system had been implemented in neighboring countries like India and Bangladesh in 2005 with the aim of reducing electricity pilferage and non-payment from consumers in remote areas. The Authority observed that different approaches were adopted by these countries w.r.t. tariff for prepaid meters. Initially tariff for conventional and prepaid metering was kept same in India, to motivate the consumers. In Bangladesh, the aim of introducing prepaid metering was to eliminate electricity pilferage and to motivate consumers to adopt prepaid metering, a 2% discount was offered.

13.9. In view thereof and to promote the pre-paid metering, the Authority has decided to allow a flat variable rate (Rs./kWh) for pre-paid consumers along-with fixed charges, as mentioned in the SoT attached with the instant decision. No monthly FCAs or quarterly adjustments shall be charged from the pre-paid metering consumers. However, regarding applicable Federal and

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

Provincial taxes, duties or surcharges, DISCO shall ensure to recover the same from pre-paid metering consumers, as the same are not part of NEPRA determined tariffs.

14. <u>Whether the Petitioner has prepared any plan in consultation with the Federal Government for its organization restructuring in terms of segregation of responsibilities of distribution and supply function in order to ensure independent and transparent working of both these functions.</u>

14.1. The Petitioner submitted during the hearing that PESCO is working on the modalities of the plan by taking onboard all stakeholders, however, PESCO is facing severe HR resource shortage and the matter is being taken up with the Federal Government. Once finalized, the same will be shared.

14.2. The Authority, keeping in view the amended NEPRA Act, 2018, whereby sale of electric power has been removed from the scope of distribution licenses and transferred to supply licensee, directed the Petitioner in its earlier tariff determinations to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions, in order to ensure independent and transparent working of both these functions.

14.3. Since all the distribution companies are 100% owned by the GoP, therefore, DISCOs in consultation with GoP should develop a centralized restructuring plan and submit the same to NEPRA for consideration and necessary vetting for its compliance with NEPRA applicable documents.

14.4. The Authority observed that the Petitioner although in instant Petition has bifurcated its costs into Distribution and Supply of Power Functions, however, the petition was submitted with common accounts and both functions combined. No progress has been shared by the Petitioner in terms of its organizational restructuring. The Authority understands that a proper organization restructuring, is essential to improve the performance of the Petitioner and to ensure transparency for both functions. Therefore, the Petitioner is again directed that a restructuring plan in consultation with the Federal Government be prepared, within the stipulated time.

14.5. The Petitioner is directed to ensure compliance of the Authority's direction during the FY 2024-25 and submit its progress report along-with its annual adjustment/ indexation request or petition for the FY 2025-26. In case of non-compliance by the Petitioner, the Authority shall initiate legal proceedings against the Petitioner under relevant rules and regulations, which may not be limited to imposing of fines but also initiate process for adjustment in the revenue requirement of the Petitioner.

15. <u>Any Other issue that may come up during the hearing?</u>

<u>Revision in Tariff Terms & Conditions</u>

15.1. The Authority has also decided to revise the tariff Terms & conditions for certain consumer categories as under;

<u>Billing Demand</u>

Regarding change in mechanism of application of fixed charges based on actual MDI or sanctioned load or otherwise, large number of stakeholders raised their concerns in the matter especially with respect to calculation of their sanctioned loads. The Authority considering the concerns of consumers has decided to amend the definition of billing demand for the purpose of charging of fixed charges. The same has been reflected in Tariff Terms & Conditions attached with the instant decision.

<u>Billing Month</u>

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

Various DISCOs have shown their concerns regarding definition of Billing month, appearing in the Tariff Terms & Conditions, as it does not take into account the month where no of days are in excess of 30. Considering the submissions of DISCOs, the Authority has decided to amend the definition of billing month. The same has been reflected in Tariff Terms & Conditions attached with the instant decision.

Further, the issue of delayed readings due to holidays etc., resulting in change in slab of domestic consumers, has also been addressed in the Tariff Terms & Conditions attached with the instant decision.

Late Payment charges (LPC)

The Authority also decided to rationalize the Late Payment charges (LPC) by modifying existing rate of 10% into two brackets and accordingly the Tariff Terms & Conditions have been modified.

16. **Revenue Requirement**

16.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the adjusted revenue requirement of the Petitioner, for the FY 2024-25 is as under;

Description	Unit	Allowed FY 2024-25	
		DOP	SOP
Units Received	[MkWh]	15,323	15,323
Units Sold	[MkWh]	12,372	12,372
Units Lost	[MkWh]	2,951	2,951
Units Lost	[%]	19.26%	19.26%
Energy Charge			149,611
Capacity Charge			223,549
Transmission Charge & Market Operation Fee			18,750
Power Purchase Price	[Mln. Rs.]		391,910
Wire Business cost			35,703
Power Purchase Price with wire business cost	[Mln. Rs.]	-	427,613
Pay & Allowances		13,519	6,964
Post Retirement Benefits		6,796	3,501
Repair & Maintainance		1,433	60
Traveling allowance		315	129
Vehicle maintenance		243	77
Other expenses		231	1,419
O&M Cost	[Mln. Rs.]	22,537	12,149
Depriciation		4,515	502
RORB		12,116	3,029
O.Income		(3,464)	(1,557)
Margin	[Mln. Rs.]	35,703	14,124
Prior Year Adjustment	[Mln. Rs.]	-	3,156
Revenue Requirement	[Mln. Rs.]	35,703	444,893
Average Tariff	[Rs./kWh]	2.89	35.96

16.2. The above determined revenue shall be recovered from the consumers through the projected sales of 12,372 GWhs, as per Annex – II.

16.3. The above assessment has been carried out based on the data/information provided by the Petitioner, which the Authority believes is correct and based on facts. In case of any deviation / misrepresentation observed at a later stage, the Petitioner shall be held responsible for the consequences arising out, under NEPRA Act, Rules and Regulations made thereunder. Any consequential adjustment, if required will be made accordingly.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

17. ORDER

17.1. From what has been discussed above, the Authority hereby approves the following adjustments in the MYT of the Petitioner Company for the Financial Year 2024-25:-

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

II. In addition to compensation of losses, PESCO, being a distribution licensee, is allowed to charge the users of its system a "Use of system charge" (UOSC) as under:

Description	For 132 kV only	For 11 kV only	For both 132kV & 11 kV
Asset Allocation	23.65%	43.65%	67.30%
Level of Losses	2.44%	11.82%	13.97%
UoSC Rs./kWh	0.87	1.92	2.90

III. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.

IV. To file future monthly & quarterly adjustments on account of Power Purchase Price (PPP) in line with MYT determination, NEPRA Act and other applicable documents.

V. The Petitioner shall comply with the Tariff terms & Conditions for supply of electricity as annexed with decision as Annex-V.

18. Summary of Direction

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

- To provide the reconciled date of sales mix with its reported revenue as per audited financial statements.
- To provide proper details of GENCO employees allocated to it by providing proper employee wise details, their pay scales, terms of adoption, approvals of competent authority for such adoption and placement details along-with their financial impact.
- To provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.
- To provide the IDC amount with subsequent adjustment request and reflect the same in its Audited Financial Statements.
- To get its data, regarding units billed to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers', reconciled with PITC and submit such reconciliation to the Authority for the period FY 2020-21 to FY 2023-24.
- To evaluate the different proposals of tariff design so as to make it more efficient and cost reflective with the objective to maximize the utilization of available capacity.
- To prepare restructuring plan in consultation with the Federal Government during the FY 2024-25 and submit its progress report along-with its annual adjustment/ indexation request or petition for the FY 2025-26.
- To ensure that by the time it files its next tariff petition/ adjustment request, MDI for all consumers at all levels is properly recorded.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

34/51

19. The instant decision of the Authority along-with annexures, is hereby intimated to the Federal Government for filling of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

20. The instant decision of the Authority and the Order part along with Annex-I, I-A, II, III, IV and V, be also notified in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, while notifying the uniform tariff application decision of the Authority.

AUTHORITY

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Amina Ahmed
Member

Waseem Mukhtar
Chairman

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14/6/24

Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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Annex-I-A

QUARTERLY ADJUSTMENT MECHANISM

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

Quarterly $PPP_{(Adj)}$ = $PPP_{(Actual)}$ (excluding Fuel cost)-$PPP_{(Recovered)}$ (excluding Fuel cost)

Where;

$PPP_{(Actual)}$ is the actual cost, excluding Fuel cost, invoiced by CPPA-G to XWDISCOs, adjusted for any cost disallowed by the Authority.

$PPP_{(Recovered)}$ is the amount recovered based on reference rate in Rs./kWh, excluding fuel cost, as per the Annex-IV of the XWDISCOs determination that remained notified during the period.

Impact of T&D losses on FCA

= Monthly FCA $allowed_{(Rs./kWh)}$ x Actual units Purchase x % T&D losses

Where;

Monthly FCA allowed $_{(Rs./kWh)}$ is the FCA allowed by the Authority for the respective months of the concerned period.

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

The sum of amounts so worked for each month of the Quarter shall be divided by the Projected units to be sold as determined by the Authority to work out Rs./kWh Quarterly adjustment.

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Annex-II

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

	Description	Sales	Base Revenue			Base Tariff			PYA 2023		Total Tariff		
		GWh	Fixed Charge	Variable Charge	Total	Fixed Charge	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Fixed Charge	Variable Charge
			Mln. Rs.	Mln. Rs.	Mln. Rs.	Rs./Con/ M	Rs./kW/ M	Rs./ kWh	Mln. Rs.	Rs./ kWh	Rs./Con/ M	Rs./kW/ M	Rs./ kWh
	Residential												
	For peak load requirement less than 5 kW												
Protected	Up to 50 Units - Life Line	56	-	347	347	-	-	6.26			-	-	6.26
Protected	51-100 units - Life Line	104	-	1,119	1,119	-	-	10.77			-	-	10.77
Protected	01-100 Units	1681	-	48,671	48,671	-	-	28.95	434	0.26	-	-	29.21
Protected	101-200 Units	384	-	12,040	12,040	-	-	31.33	99	0.26	-	-	31.59
Un-Protected	01-100 Units	422	-	12,207	12,207	-	-	28.95	109	0.26	-	-	29.21
Un-Protected	101-200 Units	897	-	29,824	29,824	-	-	33.25	232	0.26	-	-	33.51
Un-Protected	201-300 Units	1340	-	49,113	49,113	-	-	36.66	346	0.26	-	-	36.92
Un-Protected	301-400 Units	575	85	22,926	23,011	200	-	39.90	148	0.26	200	-	40.16
Un-Protected	401-500 Units	348	67	14,315	14,382	400	-	41.19	90	0.26	400	-	41.45
Un-Protected	501-600 Units	188	42	8,017	8,059	600	-	42.56	49	0.26	600	-	42.81
Un-Protected	601-700Units	117	29	5,120	5,150	800	-	43.88	30	0.26	800	-	44.14
Un-Protected	Above 700 Units	346	81	16,832	16,913	1,000	-	48.64	89	0.26	1,000	-	48.89
	For peak load requirement exceeding 5 kW)												
	Time of Use (TOU) - Peak	46	-	2,165	2,165	-	-	46.65	12	0.26	-	-	46.91
	Time of Use (TOU) - Off-Peak	195	414	7,879	8,292	1,000	-	40.32	51	0.26	1,000	-	40.58
	Temporary Supply	0	1	3	3	2,000	-	59.54	0	0.26	2,000	-	59.80
	Total Residential	**6,698**	**718**	**230,580**	**231,297**				**1,690**				
	Commercial - A2												
	For peak load requirement less than 5 kW	430	3,533	16,402	19,936	1,000	-	38.19	111	0.26	1,000	-	38.45
	For peak load requirement exceeding 5 kW					-	-						
	Regular	0	1	4	4	-	2,000	36.78	0	0.26	-	2,000	37.04
	Time of Use (TOU) - Peak	144	-	6,355	6,355	-	-	44.06	37	0.26	-	-	44.32
	Time of Use (TOU) - Off-Peak	608	6,227	20,377	26,605	-	2,000	33.50	157	0.26	-	2,000	33.75
	Temporary Supply	3	13	152	166	5,000	-	53.88	1	0.26	5,000	-	54.14
	Electric Vehicle Charging Station (EVCS)	0	-	-	-	-	-	48.63	-	0.26	-	-	48.89
	Total Commercial	**1,185**	**9,775**	**43,290**	**53,065**				**306**				
	General Services-A3	**595**	**473**	**25,277**	**25,750**	**1,000**	**-**	**42.50**	**154**	**0.26**	**1,000**	**-**	**42.76**
	Industrial												
	B1	5	14	148	162	1,000	-	28.93	1	0.26	1,000	-	29.19
	B1 Peak	10	-	359	359	-	-	35.45	3	0.26	-	-	35.71
	B1 Off Peak	77	97.88	2,225	2,322	1,000	-	29.04	20	0.26	1,000	-	29.30
	B2	0	1	5	6	-	2,000	24.69	0	0.26	-	2,000	24.95
	B2 - TOU (Peak)	121	-	4,220	4,220	-	-	34.80	31	0.26	-	-	35.06
	B2 - TOU (Off-peak)	834	7,523	20,172	27,694	-	2,000	24.20	215	0.26	-	2,000	24.45
	B3 - TOU (Peak)	118	-	4,127	4,127	-	-	35.08	30	0.26	-	-	35.33
	B3 - TOU (Off-peak)	775	3,069	20,067	23,136	-	2,000	25.89	200	0.26	-	2,000	26.15
	B4 - TOU (Peak)	97	-	3,426	3,426	-	-	35.41	25	0.26	-	-	35.67
	B4 - TOU (Off-peak)	691	3,568	17,903	21,471	-	2,000	25.92	178	0.26	-	2,000	26.18
	Temporary Supply	1	1	40	41	5,000	-	40.47	0	0.26	5,000	-	40.73
	Total Industrial	**2,728**	**14,274**	**72,692**	**86,966**				**705**				
	Single Point Supply												
	C1(a) Supply at 400 Volts-less than 5 kW	0	0	6	6	2,000	-	39.40	0	0.26	2,000	-	39.66
	C1(b) Supply at 400 Volts-exceeding 5 kW	9	54	317	371	-	2,000	34.77	2	0.26	-	2,000	35.03
	Time of Use (TOU) - Peak	12	-	549	549	-	-	45.50	3	0.26	-	-	45.76
	Time of Use (TOU) - Off-Peak	62	197	2,214	2,411	-	2,000	35.90	16	0.26	-	2,000	36.15
	C2 Supply at 11 kV	7	35	266	301	-	2,000	37.93	2	0.26	-	2,000	38.18
	Time of Use (TOU) - Peak	75	-	3,485	3,485	-	-	46.70	19	0.26	-	-	46.96
	Time of Use (TOU) - Off-Peak	332	2,091	11,573	13,664	-	2,000	34.88	86	0.26	-	2,000	35.14
	C3 Supply above 11 kV	0	1	4	5	-	2,000	34.33	0	0.26	-	2,000	34.59
	Time of Use (TOU) - Peak	3	-	138	138	-	-	45.64	1	0.26	-	-	45.89
	Time of Use (TOU) - Off-Peak	17	99	568	667	-	2,000	33.77	4	0.26	-	2,000	34.03
	Total Single Point Supply	**516**	**2,477**	**19,120**	**21,597**				**133**				
	Agricultural Tube-wells - Tariff D												
	Scarp	0	-	19	19	-	-	38.83	0	0.26	-	-	39.09
	Time of Use (TOU) - Peak	0	-	13	13	-	-	32.09	0	0.26	-	-	32.34
	Time of Use (TOU) - Off-Peak	2	3	49	53	-	500	25.40	1	0.26	-	500	25.66
	Agricultural Tube-wells	13	23	312	335	-	500	24.19	3	0.26	-	500	24.44
	Time of Use (TOU) - Peak	6	-	174	174	-	-	30.59	1	0.26	-	-	30.85
	Time of Use (TOU) - Off-Peak	48	117	1,404	1,521	-	500	29.42	12	0.26	-	500	29.68
	Total Agricultural	**69**	**144**	**1,971**	**2,115**				**18**				
	Public Lighting - Tariff G	17	23	694	716	2,000	-	42.02	4	0.26	2,000	-	42.28
	Residential Colonies	2	1	87	88	2,000	-	42.48	1	0.26	2,000	-	42.74
	Tariff K - AJK	0	-	-	-	-	2,000	31.87	-	0.26	-	2,000	32.13
	Time of Use (TOU) - Peak	113	-	3,890	3,890	-	-	34.47	29	0.26	-	-	34.73
	Time of Use (TOU) - Off-Peak	450	2,709	13,544	16,253	-	2,000	30.12	116	0.26	-	2,000	30.38
		581	**2,732**	**18,215**	**20,947**				**150**				
	Pre-Paid Supply Tariff												
	Residential					1,000		45.51		0.26	1,000	-	45.77
	Commercial - A2						2,000	38.78		0.26	-	2,000	39.04
	General Services-A3					1,000		46.76		0.26	1,000	-	47.01
	Industrial						2,000	37.82		0.26	-	2,000	38.08
	Single Point Supply						2,000	48.29		0.26	-	2,000	48.55
	Agricultural Tube-wells - Tariff D						500	29.17		0.26	-	500	29.43
	Grand Total	**12,372**	**30,592**	**411,144**	**441,737**				**3,156**				

Note: The PYA 2023 column shall cease to exist after One (01) year of notification of the instant decision.

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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. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
			A	B	C		D		E= C+D	
	a)	For Sanctioned load less than 5 kW								
Protected	i	Up to 50 Units - Life Line	-		6.26		-		6.26	
Protected	ii	51 - 100 Units - Life Line	-		10.77		-		10.77	
Protected	iii	001 - 100 Units	-		28.95		0.26		29.21	
Protected	iv	101 - 200 Units	-		31.33		0.26		31.59	
Un-Protected	v	001 - 100 Units	-		28.95		0.26		29.21	
Un-Protected	vi	101 - 200 Units	-		33.25		0.26		33.51	
Un-Protected	iv	201 - 300 Units	-		36.66		0.26		36.92	
Un-Protected	viii	301 - 400 Units	200		39.90		0.26		40.16	
Un-Protected	ix	401 - 500 Units	400		41.19		0.26		41.45	
Un-Protected	x	501 - 600 Units	600		42.56		0.26		42.81	
Un-Protected	xi	601 - 700 Units	800		43.88		0.26		44.14	
Un-Protected	vi	Above 700 Units	1,000		48.64		0.26		48.89	
	b)	For Sanctioned load 5 kW & above			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
		Time Of Use	1,000		46.65	40.32	0.26	0.26	46.91	40.58
	c)	Pre-Paid Residential Supply Tariff	1,000		45.51		0.26		45.77	

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

As per Authority's decision, residential life line consumer will not be given any slab benefit.

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed. For consumers where monthly Fixed charges are applicable, no minimmum charges shall be applicable on such consumers, even if no energy 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. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E= C+D	
a)	For Sanctioned load less than 5 kW	1,000		38.19		0.26		38.45	
b)	For Sanctioned load 5 kW & above		2,000	36.78		0.26		37.04	
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	-	2,000	44.06	33.50	0.26	0.26	44.32	33.76
d)	Electric Vehicle Charging Station	-		48.63		0.26		48.89	
e)	Pre-Paid Commercial Supply Tariff		2,000	38.78		0.26		39.04	

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher.

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	FYA 2023 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E= C+D
a)	General Services	1,000	-	42.50	0.26	42.76
c)	Pre-Paid General Services Supply Tariff	1,000	-	46.76	0.26	47.01

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher.

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E= C+D	
B1	Upto 25 kW (at 400/230 Volts)	1,000	-	28.93		0.26		29.19	
B2(a)	exceeding 25-500 kW (at 400 Volts)	-	2,000	24.69		0.26		24.95	
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW	1,000		35.45	29.04	0.26	0.26	35.71	29.30
B2(b)	exceeding 25-500 kW (at 400 Volts)	-	2,000	34.80	24.20	0.26	0.26	35.06	24.45
B3	For All Loads up to 5000 kW (at 11,33 kV)	-	2,000	35.08	25.89	0.26	0.26	35.33	26.15
B4	For All Loads (at 66,132 kV & above)	-	2,000	35.41	25.92	0.26	0.26	35.67	26.18
Pre-Paid Industrial Supply Tariff		-	2,000	37.82		0.26		38.08	

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher.

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E= C+D	
C -1	For supply at 400/230 Volts								
a)	Sanctioned load less than 5 kW	2,000		39.40		0.26		39.66	
b)	Sanctioned load 5 kW & up to 500 kW	-	2,000	34.77		0.26		35.03	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	-	2,000	37.93		0.26		38.18	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	2,000	34.33		0.26		34.59	
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	-	2,000	45.50	35.90	0.26	0.26	45.76	36.15
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	-	2,000	46.70	34.88	0.26	0.26	46.96	35.14
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	2,000	45.64	33.77	0.26	0.26	45.89	34.03
Pre-Paid Bulk Supply Tariff			2,000	48.29		0.26		48.55	

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

39/51

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

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E= C+D	
D-1(a)	SCARP less than 5 kW	-	-	38.83		0.26		39.09	
D-2 (a)	Agricultural Tube Wells	-	500	24.19		0.26		24.44	
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	-	500	32.09	25.40	0.26	0.26	32.34	25.66
D-2 (b)	Agricultural 5 kW & above	-	500	30.59	29.42	0.26	0.26	30.85	29.68
Pre-Paid for Agri & Scarp		-	500	29.17		0.26		29.43	

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

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	FYA 2023 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E= C+D
E-1(i)	Residential Supply	2,000		59.54	0.26	59.80
E-1(ii)	Commercial Supply	5,000		53.88	0.26	54.14
E-2	Industrial Supply	5,000		40.47	0.26	40.73

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. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	FYA 2023 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E= C+D
	Street Lighting	2,000		42.02	0.26	42.28

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	FYA 2023 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E= C+D
	Residential Colonies attached to industrial premises	2,000		42.48	0.26	42.74

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		FYA 2023 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E= C+D	
1	Azad Jammu & Kashmir (AJK)	-	2,000	31.87		0.26		32.13	
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	-	2,000	34.47	30.12	0.26	0.26	34.73	30.38

Note: The FYA 2023 column shall cease to exist after One (01) year of notification of the instant decision.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

40/51

PESCO

Annex - IV

Description	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,789	1,823	1,541	986	893	1,027	1,179	945	1,087	1,154	1,313	1,588	15,323

Rs./kWh

Fuel Cost Component	9.3520	9.3877	9.8006	10.2752	7.8609	10.6364	13.0100	8.5276	9.2560	7.6803	7.3925	8.3341	9.2846
Variable O&M	0.4550	0.4854	0.5260	0.5218	0.4063	0.4337	0.6064	0.3927	0.4800	0.4277	0.4575	0.5072	0.4789
Capacity	12.1148	10.1569	11.8556	16.0352	18.3097	18.5969	18.5904	19.0681	16.7782	16.6504	12.7250	12.4402	14.5887
UoSC	1.0932	0.9675	1.0555	1.4095	1.5506	1.4990	1.4845	1.5789	1.3612	1.3015	0.9604	1.0119	1.2236
Total PPP in Rs./kWh	23.0150	20.9974	23.2376	28.2418	28.1275	31.1660	33.6914	29.5672	27.8753	26.0599	21.5354	22.2934	25.5758

Rs. in million

Fuel Cost Component	16,734	17,112	15,099	10,134	7,016	10,926	15,334	8,055	10,066	8,861	9,703	13,231	142,272
Variable O&M	814	885	810	515	363	446	715	371	522	493	601	805	7,339
Capacity	21,678	18,514	18,265	15,815	16,343	19,104	21,912	18,011	18,246	19,210	16,703	19,750	223,549
UoSC	1,956	1,763	1,626	1,390	1,384	1,540	1,750	1,491	1,480	1,502	1,261	1,606	18,750
Total PPP in Rs.Mln	41,182	38,274	35,799	27,854	25,106	32,015	39,711	27,928	30,314	30,066	28,267	35,392	391,910

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Annex-V

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

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means PESCO engaged in the business of distribution/supply 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 31 days or less reckoned from the date of last meter reading.

   If, for any reason, the scheduled reading period of a consumer exceeds the number of days in a calendar month, the total consumption should be prorated to match the number of days in that calendar month for determining the applicable slab rate and same be used for actual billing purpose.

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 50% of the sanction load or Actual maximum demand recorded in a month, whichever is higher, except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.

   Provided that for the purpose of fixed charges sanctioned load means maximum demand recorded so far.

   Provided further that in case of new connections or consumers who have renewed/revised their sanctioned load, the fixed charges will be charged on 50% of the sanctioned load or actual maximum demand recorded in a month, whichever is higher. However, upon establishment of MDI in next six months, the adjustment of fixed charges will be made accordingly by the DISCO."

   Provided also that consumers having alternate/ dual source i.e. captive power, net metering etc. the existing mechanism of fixed charges shall remain the same i.e. the 50% of the sanctioned load or actual maximum demand recorded in a month, whichever is higher.

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,.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

42/51

9. Point of supply means metering point where electricity is delivered to the consumer.

10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

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

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

11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load 5 kW and above supply shall be given at three-phase.

12. "Consumer" as defined in NEPRA Act.

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

14. NTDC means the National Transmission and Despatch Company.

15. CPPA(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).

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

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 (LPS) of 5% may be levied for next three (03) days after the due date and thereafter 10% LPS may be charged on the amount billed excluding Govt. taxes and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.

3. The supply provided to the consumers shall not be available for resale.

4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

PART-II

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

A-1 RESIDENTIAL

Definition

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

The lifeline consumers to include residential Non-Time of Use (Non-ToU) consumers having maximum of last twelve months and current month's consumption $\leq$100 units; two rates for $\leq$ 50 and $\leq$100 units will continue.

"Protected consumers" mean Non-ToU residential consumers consuming $\leq$ 200 kWh per month consistently for the past 6 months.

Residential Non-ToU consumers not falling under the protected category would be categorized under "Un-protected consumer category".

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

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
   i) Shops/Flower Nurseries/Cold Storage
   ii) Hotels, Hostels and Restaurants,
   iii) Petrol Pumps and Service Stations,
   iv) Compressed Natural Gas filling stations,
   v) Private Hospitals/Clinics/Dispensaries,
   vi) Places of Entertainment, Cinemas, Theaters, Clubs;
   vii) Guest Houses/Rest Houses,
   viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
   ix) Electric Vehicle Charging Stations (EVCS)
2. Electric Vehicle Charging Stations shall be billed under A-2(d) tariff i.e. Rs./kWh for peak and off-peak hours. For the time being, the tariff design is with zero fixed charges, however, in future the Authority after considering the ground situation may design its tariff structure on two part basis i.e. fixed charges and variable charges.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

3. The Electric Vehicle Charging Station shall provide "charging service" to Electric Vehicle shall provide charging service to Electric Vehicles as per the applicable tariff for EVCS plus Rs.24.44/kWh as margin for EVCS. The EVCS shall be billed by DISCOS under A-2(d) tariff. However, monthly FCAs either positive or negative shall not be applicable on EVCS.

4. 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)

5. 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).

6. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff A-2(c).

A-3 GENERAL SERVICES

1. This tariff is applicable to;

i. Approved religious and charitable institutions

ii. Government and Semi-Government offices and Institutions

iii. Government Hospitals and dispensaries

iv. Educational institutions

v. Water Supply schemes including water pumps and tube wells other than those meant for the irrigation or reclamation of Agriculture land.

Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices inside the premises and for normal working of the industry.

2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.

3. This Tariff shall also be available for consumers having single-metering arrangement such as;

   i) Poultry Farms

   ii) Fish Hatcheries, fish farms, fish nurseries & Breeding Farms and

   iii) Software houses

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Conditions

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

Math 9

45/51

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 25 kW.
2. Consumers having sanctioned load upto 25 kW shall be billed on single-part kWh rate.
3. Consumers under tariff B-1 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate. However, B-1 consumers having sanctioned load of less than 5 kW may opt for ToU meter
4. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff B1(b).

B-2 SUPPLY AT 400 VOLTS

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

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5 MW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. While allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.
3. 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.
4. 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 Eligibility Criteria laid down by the Authority read with Consumer Service Manual (CSM).
5. 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 5MW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5MW 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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

46/51

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 Eligibility Criteria laid down by the Authority read with CSM, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by Eligibility Criteria laid down by the Authority read with CSM.
4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C BULK SUPPLY

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

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of more than 500 kW up to and including 5 MW.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 5MW upto 7.5MW whose connection is at least three (3) years old. While allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

47/51

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 Eligibility Criteria laid down by the Authority read with CSM.
4. 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.
5. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b).

C-3 SUPPLY AT 66 kV AND ABOVE

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

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

48/51

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

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

D-1

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.

4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply excluding SCARP related installations.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.

3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 2(b) given in the Schedule of Tariff.

4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-2(a) till that time.

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, exhibitions, political gathering, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction of house/buildings/plazas of single phase loads. A temporary electric power supply connection for the construction shall be provided by Distribution company initially for a period of six months which is further extendable on three month basis up to completion of the specific job/project for which the temporary connection was obtained. However, there is no minimum time period for provision of temporary connection. The temporary connection for illumination, lighting, weddings, festivals, functions, exhibitions, political gatherings or national and religious ceremonies, civil or military functions etc., testing of industrial equipment or any other emergent requirement of temporary nature, can be provided for specific time period not exceeding two weeks. The sanctioning officer shall ensure that the temporary connection will be utilized for temporary purpose only.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.

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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

Definitions

"Year" means any period comprising twelve consecutive months.

1. 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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

50/51

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. The supply under this tariff shall also be applicable for lamps used in public playgrounds and public parks.

Definitions

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

Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

TARCTION

Supply under this tariff means supply of power in bulk to Railways for Railway Traction only.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

51/51