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National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No .NEPRA/R/ADG(Trf)/TRF-603&TRF-604/LESCO-2024/ 4/9-26

January 07, 2026

Subject: Decision regarding Motion for Leave for Review (MLR) filed by Lahore Electric Supply Company (LESCO) against decision of the Authority in the matter of Annual Adjustment/Indexation of tariff for FY 2025-26

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 06 pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 Calendar days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above



(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Energy Department, Government of the Punjab, 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore
4. Managing Director, National Grid Company (NGC) of pakistan, 414 WAPDA House, Shahrah-e-Qauid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
6. Chief Executive Officer, Lahore Electric Supply Company Limited (LESCO) 22-A Queens Road, Lahore
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad

DECISION REGARDING MOTION FOR LEAVE FOR REVIEW (MLR) FILED BY LAHORE ELECTRIC SUPPLY COMPANY (LESCO) AGAINST DECISION OF THE AUTHORITY IN THE MATTER OF ITS ANNUAL ADJUSTMENT/ INDEXATION FOR THE FY 2025-26

Background

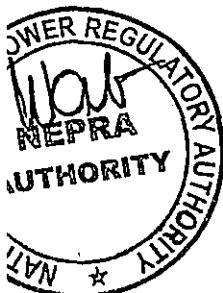
1. The Authority determined tariff of Lahore Electric Supply Company Limited (LESCO) under Multi Year Tariff (MYT) Regime, for the five-year period from FY 2023-24 to FY 2027-28, vide tariff determination dated 14.03.2024. The tariff so determined was subsequently notified by the Federal Government.
2. Pursuant thereto and as per the mechanism provided in the MYT determination, LESCO (hereinafter also referred to as "the Petitioner" or "Company"), filed its annual adjustment/indexation request for the FY 2025-26. The said request was decided by the Authority vide decision dated 23.06.2025, which was subsequently notified by the Federal Government vide SRO dated 01.07.2025 (Impugned Decision). LESCO being aggrieved of the said decision of the Authority, filed a Motion for Leave for Review (MLR).
3. The Petitioner in the MLR submitted that it has reservation on para 4.14, 5.25 and 5.32 of the Impugned Decision, regarding assessment of Salaries & Wages for the FY 2025-26, minimum tax payments and PYA respectively. LESCO's submissions are as under;

I. Salaries & Wages and Other Benefits assessed for FY 2025-26

Under para 4.14, the assessment for salaries, wages, and other employee benefits for FY 2025-26 has been made. While the assessment includes a 10% adhoc relief allowance, resulting in an allocation of Rs.27,976 million under this head, it does not account for the financial impact of the Federal Government's 30% disparity reduction allowance already announced in the federal budget 2025-26, which has an estimated impact of Rs. 2,902 million. Nearly all employees of the LESCO are on national pay scales as summarized below;

Description	Grade	No Of Employees	Basic Salary Rs. Mln.	DRA-30% Rs. Mln.
Officials	1-16	18,204	8,234.627	2,470.388
Officers	17 & above	1,096	1,437.516	431.255
Total		19,300	9,672.144	2,901.643

LESCO requests the Authority to incorporate the financial Impact of said allowance in the assessment by revising the total assessment to Rs. 30,878 million, subject to change with the audited financial statements for FY 2025-26 as per the MYT regime.



II. Minimum Tax Payments as pass through item claimed under PYA

The Authority has considered minimum tax payments as a passthrough cost in its previous determinations and allowed payments to LESCO upon payment to FBR and production of CPR.

Background on Applicability of Minimum Tax (Section 113):

Until Tax Year (TY) 2016, DISCOs were not liable to pay advance tax under Section 147 of the Income Tax Ordinance, 2001 (ITO), as the provisions of Section 113 (Minimum Tax on Turnover) were not applicable due to the presence of a gross loss proviso. This proviso exempted loss-making entities from the purview of Section 113 and was subsequently omitted through the Finance Act, 2016.

Judicial Rulings on Inclusion of Subsidy in Turnover:

The Lahore High Court (LHC) held that the government subsidy must be included in the turnover for the purposes of computing minimum tax liability under Section 113 of the ITO. This position was later upheld by the Honorable Supreme Court of Pakistan, making it binding on all DISCOs. As a result, historical gross losses were recalculated into taxable gross profits, substantially increasing minimum tax liability retrospectively.

Revised Computation of Turnover as per ADRC Directions:

The following components of Other Income have also been considered part of turnover by the ADRC:

- ✓ Other Income Components
- ✓ Meter/Service Rent
- ✓ Reconnection Fee
- ✓ Sale of Scrap
- ✓ PTV License Fee Collection Charges

Payments Made Under Section 113 (Minimum Tax) of ITO:

In compliance with the LHC and SC decisions, the amounts were paid including the WHT deducted at source adjustable against the tax liability calculated as Minimum Tax u/s 113 of ITO related to FY-2018, FY-2019, FY-2020, FY-2021 FY-2022 & FY-2023 as per ADRC Orders.

As per direction given in para 5.25 of the Impugned Decision a complete reconciliation with respect to amount allowed vis a vis actual amounts made to FBR after accounting for any amount of refund outstanding from FBR is as under:

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Detail of Turnover Tax paid and allowed by Authority

Description	Chargable for Ses-113	Rate of tax	Turnover Tax (Rs. 113)	Min Tax on Turnover Collection Charges	Total Turnover Tax allowed (Rs. 113)	Actual Tax Liability U/s 113	Actual Payment (Rs. Min.)			Allowed by Authority	Remaining claimable from Authority	
							Admitted Tax (U/s 147)	Withholding Tax Recovered allowable	Demandad Tax			
		%	Rs. Min.									
FY 2016	157,864	1%	1,579	-	1,579	-	38	1,541	1,579	-	1,579	
FY 2017	175,201	1%	1,752	-	1,752	1,405	137	209	1,752	-	1,752	
FY 2018	214,584	1.25%	2,682	2	(2,102)	583	100	256	228	583	-	583
FY 2019	312,038	1.25%	3,900	3	(1,120)	2,783	952	320	1,510	2,783	-	2,783
FY 2020	332,270	1.50%	4,984	3	-	4,984	3,502	636	849	4,987	448	4,539
FY 2021	332,203	1.50%	4,983	-	-	4,983	3,573	585	845	4,983	-	4,983
FY 2022	529,862	1.25%	6,623	4	-	6,627	4,675	656	1,065	6,627	-	6,627
FY 2023	572,382	1.25%	7,155	-	-	7,155	6,000	1,047	108	7,155	18,640	(11,485)
FY 2024	650,972	1.25%	8,137	-	-	8,137	6,606	1,456	350	8,393	6,000	2,393
FY 2025 (Jul-Dec)	678,394	1.25%	8,480	-	-	8,480	3,920	-	-	3,920	3,920	-
Total	3,955,769		50,276	12	[3,222]	47,065	30,934	5,143	6,685	42,761	29,008	13,753

The final tax liability for FY2025 is yet to be finalized by the FBR. However, the company is required to make payments against minimum tax on a quarterly basis as per ITO. In view of the above, LESCO requested the Authority to allow an amount of Rs. 13,753 million as a prior year adjustment, being the actual amount paid to FBR as minimum tax in accordance with judicial directives and ADRC recommendations. It is further highlighted that in addition to above claims, LESCO is also making phased payments to the FBR for prior years up to FY-20 11 to FY20 15, in compliance with the judgments of the LHC and the Supreme Court of Pakistan. The minimum tax payments made against these years up-to June 2025 amounts to Rs. 4,004 million.

III. Prior Year Adjustments (PYA)

LESCO has reservation on para 5.32 of the Impugned Decision regarding PYA and is submitting its working on the following components of PYA excluding Minimum Tax;

Prior Year Adjustment Calculation-Other than Minimum Tax

Sr. No.	Description	Rs. Min.			
		As Per NEPRA	As Per LESCO	Difference	Annex
1 AQTAs- Under / (Over) Recovered					
	Q4- 2022-23	-	1,719	1,719	F
	Q3- 2023-24	(1,019)	36	1,055	G
	Q1- 2024-25	(553)	(17)	536	H
2 Sales Mix Variance FY 2022-23					
		675	3,523	2,847	I
3 PYA- (allowed against Review)					
		3,869	10,032	1,163	J
Sub-Total		7,973	15,293	7,320	



Chairman

AQTA Under/(Over) Recovered

For the 4th quarter of FY 2022-23, the Authority allowed Rs.29,563 million, applicable for October 2023 to March 2024. However, LESCO incurred a net under-recovery of Rs.1,719 million, which remains pending.

The Authority allowed Rs.2,145 million for the 3rd quarter of FY 2023-24, applicable for June to August 2024. However, LESCO's calculations show a net under-recovery of Rs.36 million.

For 1st quarter of FY 2024-25 the Authority allowed a negative amount of Rs.745 million, applicable for Dec-2024. The net under passed onto consumers is Rs.17 million instead of Rs.553 million, therefore the Petitioner requested to allow Rs. 536 million.

PYA (allowed against Review)

It is submitted that the Authority allowed Rs. 8,869 million as per review decision, however, the under recovery against two components remains pending amounting to Rs.1,163 million i.e. under recovered DM of FY 2022-23 Rs.744 million & PYA of FY 2022-23 Rs. 418 million.

Sales Mix Variance FY 2022-23

It is apprised that the sales mix variance of FY 2022-23 is Rs.3,523 million calculated based on actual sales achieved for the year instead of Rs.676 million, therefore Petitioner requested to allow Rs.2,847 million under this head.

Proceedings:

4. The MLR was admitted by the Authority. Since the prayer of the MLR, impacts the consumer end tariff, therefore, the Authority decided to conduct a hearing in the matter, to provide a fair opportunity to the Petitioner to present its case.
5. The hearing was accordingly scheduled on 00.09.2025, at NEPRA Tower & through Zoom. Notice of hearing was issued to the parties to the proceedings. Hearing was held as per the schedule. During hearing, the Petitioner was represented by its Chief Executive Officer along-with its Technical and Financial Team.
6. The Petitioner reiterated its earlier submissions during the hearing and presented its workings of PYA as under;

9 Math.



PYA -2023	As Per		As Per LESCO	
	NEPRA	Rs. Mln.		
Sr. No. Description	Rs. Mln.		Rs. Mln.	Difference
1 FY 2022-23				
Turnover Tax	18,640			
PM Assistance Pacakge	842			
Supplier Fee NEPRA 2022	48			
Supplier Fee NEPRA 2023	72			
GENCO Pensioners (2022 & 2023)	211	19,813	19,813	-
2 DM FY 2021-22				
Under Recovered		-683	3,642	4,325
3 True Up allowed	FY 2020-21	FY 2020-22		
Depreciation	1,013	567		
RORB	(2,496)	(1,468)		
Other Income	2,008	3,121		
	525	2,221	2,746	2,746
4 Negative FCA-Retained by Company				
Jul-2020 to December 2022		(1,099)	(1,099)	-
5 NET AQTA's				
2nd & 3rd Qtr 2019-20 to 1st Qtr FY 2022-23		(5,823)	(1,279)	4,544
6 PYA 2020		23	23	-
7 Sales Mix				
FY 2021	(261)			
FY 2021-22	2,644	2,383	2,383	-
NET PYA		17,359	26,228	8,869

7. The Authority has analyzed the submissions of the Petitioner and the workings shared by the Petitioner under each head.
8. On the concerns of the Petitioner regarding Salaries & Wags and Other Benefits assessed for FY 2025-26, and the calculation of PYA, the Authority, in line with the guidelines issued by the Federal Government regarding tariff rebasing to be made effective from 1st January, instead of July each year, has determined the revised Power Purchase Price (PPP) references for the period from January 2026 to December 2026 through a separate decision. Pursuant thereto and keeping in view the request of the Petitioner to also determine tariff for the period from July 1, 2026 to December 31, 2026, in accordance with the revised annual rebasing timelines, the Authority has also reworked the revenue requirement of the Petitioner for the FY 2025-26, on account of certain costs which were earlier not made part of the Impugned Decision. This includes Disparity Reduction allowance @ 30% of basic pay, negative cost of working capital & its corresponding impact on RoRB and depreciation. In addition, the PYA of the Petitioner has also been updated after incorporating therein the impact of under / over recoveries of quarterly adjustments, MYT true ups etc. Thus, the concerns of the Petitioner have been addressed in the revised tariff for the FY 2025-26.

Q Math.



9. Regarding Minimum Tax Payments, the Authority has considered the submissions of the Petitioner and the fact that LESCO is required to make payments against minimum tax on a quarterly basis as per ITO. In view thereof, the Authority has decided to provisionally allow the tax amount of Rs.13,753 million as requested by the Petitioner. The Petitioner is directed to submit complete reconciliation with respect to amount allowed vis a vis actual amounts made to FBR after accounting for any amount of Refund outstanding from FBR.
10. On the issue of sales mix variance for the FY 2022-23, the Authority allowed the sales mix variance of Rs.676 million for the FY 2022-23 vide Impugned Decision, and also directed the Petitioner to provide reconciled data of sales mix with its reported revenue as per audited financial statements each year. Further, the Authority while working out the sales mix variance, adjusted the units sold on account of ISP in line with the quarterly adjustment decision which states that PYA as well as sales mix for the period would be worked out based on net units i.e. excluding units purchased for industrial incremental sales. Thus, no further adjustment would be allowed for such units purchased. In view thereof, the Petitioner is again directed to reconcile its sales data with reported revenue as per audited financial statements, keeping in view the treatment for incremental units as per the quarterly adjustment decisions and submit the same to the Authority. In view thereof, the Authority does not see any justification to review Impugned Decision to this effect.
11. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31(7) of the NEPRA Act.

AUTHORITY

Amina Ahmed

Amina Ahmed

Member

Maqsood Anwar Khan

Engr. Maqsood Anwar Khan

Member

W.M

Waseem Mukhtar

Chairman

