



Registrar

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

No. NEPRA/R/ADG(Tariff)/TRF-605 & TRF-606/ 428-35

January 07, 2026

Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Power Company (FESCO) against decision of the Authority's dated 23.06.2025 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
(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-Quaid-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, Faisalabad Electric Supply Company Limited (FESCO), FESCO Headquarter, Abdullah Pur, Faisalabad
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of Pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad



Decision of the Authority in the matter of Motion for Leave for Review filed by Faisalabad Electric Supply Company (FESCO) against decision of the Authority's dated 23.06.2025 in the matter annual adjustment/ indexation of Tariff for the FY 2025-26

1. The Authority determined Multi Year Tariffs (MYT) of Faisalabad Electric Supply Company Limited (FESCO) (herein referred to as "Petitioner") for a period of five years i.e. from FY 2023-24 to FY 2027-28, separately for both its Distribution and Supply of power functions vide tariff determinations dated 14.03.2024. The tariff so determined was notified by the Federal Government vide SRO dated 01.07.2025 (Impugned Decision). The Authority subsequently, under the allowed MYT framework, determined FESCO's annual adjustment / indexation for the FY 2025-26 vide decision dated 23.06.2025.
2. The Petitioner being aggrieved with the said decision of the Authority, subsequently, filed a Motion for Leave for Review (MLR), which was admitted by the Authority on 10.11.2025. To proceed further in the matter, the Authority decided to conduct a hearing in the matter, which was held on 03.12.2025, at NERPA Tower, Islamabad. Notice of hearing was accordingly issued to the Petitioner, to present its case before the Authority.
3. The Petitioner raised following issues in the MLR;
 - i. Under Assessed Actual Depreciation
 - ii. True Up of RoRB for the FY 2023-24
 - iii. Excess Recovery of Distribution Margin (DM) for FY 2023-24
 - iv. Over/ under Recovery of Quarterly Power Purchase Price Adjustment
 - v. Netting off LPS and Supplemental Charges
4. The Petitioner's submission on each issue is as under;

Under Assessed Actual Depreciation for FY 2020-21 and FY 2021-22

- ✓ The Authority in Tariff Determination dated 14.03.2024, while truing up the Depreciation Expense for FY 2020-21 and FY 2021-22, has under assessed Actual Depreciation of Rs.886 million for the FY 2020-21 and FY 2021-22. FESCO filed Motion for Leave for Review against above decision and the Authority in its decision in the matter of Motion for Leave for Review dated 12.02.2025 directed FESCO to provide an Audit Certificate regarding assets and accumulated depreciation retired during FY 2020-21 & FY 2021-22 from its Auditors. In compliance of Authority direction, FESCO submitted the requisite certificate from its external Auditors M/S Riaz Ahmad & Company (Chartered Accountants). However, the Authority in its decision of Annual Adjustment /Indexation for the FY 2025-26, dated 23.06.2025 did not allow the under assessed actual depreciation of Rs.886 million for the FY 2020-21 and FY 2021-22 with the remarks that petitioner has not provided requisite certificate.
- ✓ The Authority is requested to allow Rs.886 million on account of under assessed actual depreciation for the FY 2020-21 & FY 2021-22 as FESCO has already complied Authority directions regarding provision of Audit Certificate.

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Under Assessed Actual Depreciation for FY 2022-23 & FY 2023-24 adjusted in PYA

- ✓ The Authority in its Tariff determination dated 14.06.2024, while truing up depreciation, has considered/taken actual Depreciation of Rs.3,829 million against assessed depreciation of Rs.4,846 million for the FY 2022-23. Hence, the depreciation of Rs.1,017 million, over allowed as per the Authority working, has been adjusted in PYA.
- ✓ Similarly, the Authority in its Tariff determination dated 23.06.2025, while truing up the depreciation for the FY 2023-24 has considered actual Depreciation of Rs.4,364 million against the assessed depreciation of Rs.5,459 million. Hence, the depreciation of Rs.1,095 million, over allowed as per the Authority working, has been adjusted in PYA.
- ✓ Detail working is as under;

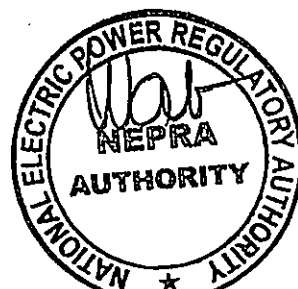
Description	Mln. Rs.		
	2022-23	2023-24	Total
Allowed depreciation	4,846	5,459	10,305
Less: Actual depreciation considered by NEPRA	3,829	4,364	8,193
Over /(Under) allowed	1,017	1,095	2,112

- ✓ The Authority has taken the comparative amounts of opening and closing accumulated depreciation as per Note 15.1.5 to the Financial Statements. The difference of two amounts has been calculated/ considered as actual depreciation expense for the said year. The fact is that the opening and closing amounts of accumulated depreciation included the amounts of accumulated depreciation of those assets that has been removed from site/retired during the year. The same issue was pointed out in FESCO Motion for Lave for Review dated 25.03.2025 for the FY 2020-21 & 2021-22 and Authority in its decision dated 12.02.2025 directed FESCO to re-instate its Financial Statements or provide Audit Certificate from its Auditors and resultantly FESCO provided Audit Certificate.
- ✓ FESCO also got incorporated an additional Audit Note No.15.1.6.1 from its external Auditors M/S Riaz Ahmad & Co (Chartered Accountant) in the Financial Statements ended 30.06.2024 for FY 2022-23 & FY 2023-24. The said Audit Note indicates the value of assets retired and their accumulated depreciation during respective years.
- ✓ As per FESCO's Audited Accounts read with the additional Note to the Financial Statements ended June 30,2024, the over allowed depreciation for the said years is Rs.1,074 million as given hereunder;

Description	Mln. Rs.		
	2022-23	2023-24	Total
Allowed depreciation	4,846	5,459	10,305
Less: Actual depreciation	4,249	4,982	9,231
Over /(Under) allowed	597	477	1,074

- ✓ The Authority is requested to allow/ adjust back the excess amount of depreciation amounting to Rs.1,038 million (difference of Rs.2,112 million & Rs.1074 million) already accounted for in the PYA of FY 2025-26.

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True Up of RoRB for the FY 2023-24

- ✓ The Authority allowed RoRB of Rs.13,910 million for the FY 2023-24, based on allowed investment in the Distribution Integrated Investment Plan (DIIP). As per Authority working the allowed RoRB for FY 2023-24 has been trued up to Rs.14,151 million. Hence, Rs.241 million allowed by the Authority in the instant Annual Adjustment/Indexation for FY 2025-26. However, as per FESCO's calculation actual RoRB for FY 2023-24 comes to Rs.15,902 million. Detail of which is reproduced as under:

Description	Mln. Rs.	
	2022-23	2023-24
	Audited	Audited
Gross Fixed Assets in Operation – Op. Balance	110,097	124,961
Add: Addition/Transfer in Fixed Assets (Net)	14,864	15,601
Fixed Assets in Operation – Closing Balance	124,961	140,562
Less: Accumulated Depreciation	-41,141	-45,336
Net Fixed Assets in Operation	83,820	95,226
Add: Assets Under Construction(AUC) – Cl. Balance	25,822	31,421
Total Fixed Assets	109,642	126,647
Less: Deferred Credits	40,912	45,830
Regulatory Assets Base	68,730	80,817
Average Regulatory Assets Base (RAB)	62,269	74,774
WACC	18.26%	21.27%
RORB = RAB * WACC	11,370	15,902

- ✓ The Authority is requested to allow Rs.1,751 million (difference of NEPRA trued up RoRB Rs.14,151 million and RoRB of Rs.15,902 million calculated by FESCO on the basis of actual results).

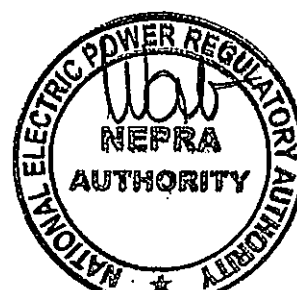
Over/ under Recovery of Quarterly Power Purchase Price Adjustment

- ✓ The Authority has worked out FESCO's PYA as Rs.8,452 million in the annual indexation/ adjustment for the FY 2025-26. In the said PYA, over recovery of Quarterly Tariff Adjustments pertaining to 1st, 2nd, 3rd and 4th quarters of FY 2023-24 and 1st quarter of FY 2024-25, total amounting to Rs. (3,087) million has also been made part the PYA. The Authority has used different amounts against its own determined figures for the 1st & 3rd quarters of FY 2023-24 as given below;

Quarters	Amount taken by NEPRA in the instant indexation	Amount originally determined by NEPRA	Variation
1 st Quarter FY 2023-24	304	4,716	4,412
3 rd Quarter FY 2023-24	9,293	9,090	203
Total	21,498	25,707	4,209

- ✓ The under/over recovery of 4th Quarterly Adjustment for the FY 2022-23 has not been addressed. Accordingly, under/(Over) recovery of QTAs for the period from 4th Quarter of FY 2022-23 to 1st Quarter of FY 2024-25 is tabulated below:

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Quarters	Mln. Rs.		
	Amount Determined by NEPRA	Recovery as per FESCO calculation	Under/(Over) Recovery
4th Quarter of FY 2022-23	22,022	19,905	2,117
2nd Quarter FY 2023-24	10,857	9,918	939
3rd Quarter FY 2023-24	9,090	7,573	1,517
4th Quarter FY 2023-24	4,674	4,115	559
1st Quarter FY 2024-25	-3,630	-3,320	-310
Total	43,013	38,190	4,823

- ✓ The Authority is requested to allow Rs.4,823 million on account of under recovery from the 4th quarter of FY 2022-23 to 1st Quarter of FY 2024-25 instead of over recovery of Rs. 3,087 million, thus cumulative impact will be Rs.7,910 million {(4,823-(-3,087))}.

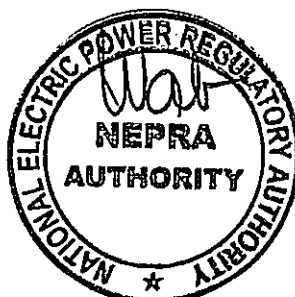
Excess Recovery of Distribution Margin for FY 2023-24

- ✓ The authority allowed Distribution Margin of Rs.43,564 million for FY 2023-24 in MYT determination dated March 14, 2024. The Authority trued up actual Distribution Margin at Rs.38,526 million for FY 2023-24 in the Annual Adjustment/Indexation for FY 2025-26 dated June 23, 2025
- ✓ As per FESCO calculation actual Distribution Margin for FY 2023-24 remained Rs.38,207 million. The Authority is requested to allow Rs.319 million (38,526-38,207).

Netting off LPS and Supplemental Charges:

- ✓ FESCO in its annual adjustment/indexation for the FY 2025-26 requested the Authority that netting off LPS and Supplemental charges shall be carried out over a 05 year Tariff Control period instead of annually. However, the Authority did not discuss the said point in the Tariff Determination dated 23.06.2025. FESCO stated that under the current NEPRA tariff regime, Late Payment Surcharge (LPS) earned by FESCO from consumers is adjusted against the Supplemental Charges billed by CPPA-G. If the LPS amount exceeds the Supplemental Charges, the excess is passed back to consumers through tariff adjustments. However, when Supplemental Charges exceed LPS, the additional burden is not allowed for recovery beyond the LPS amount, resulting in a financial strain on the company. Given that these fluctuations vary annually it is proposed that the netting off of LPS and Supplemental Charges be carried out over a five-year Tariff Control Period instead of annually. This approach under the Multi-Year Tariff (MYT) framework would ensure a more equitable adjustment of LPS and Supplemental Charges.
5. Based on the information given in the preceding paragraphs, summary of the Petitioner's request is as under;

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Description	Mln. Rs.
	PKR Mln
Less Allowed Actual Depreciation FY 2020-21 & FY 2021-22	886
Less Allowed Actual Depreciation FY 2022-23 & FY 2023-24	1,038
Less Trued Up RoRB for FY 2023-24 (1,992 -241)	1,751
Excess Adjusted Distribution Margin for FY 2023-24	319
Less Recovered of Quarterly Tariff Adjustments	7,910
Total	11,904

6. The Authority has carefully considered the submissions made by the Petitioner under each head.
7. With respect to depreciation for FY 2020-21 and FY 2021-22, the Authority, having considered the fact that the Petitioner has provided the required certification from its external Auditors, has decided to allow the cost of Rs.886 million as part of PYA while reassessing the Petitioner's tariff for the FY 2025-26.
8. Similarly, for FY 2022-23 & FY 2023-24, the Authority, after considering that the Petitioner has provided the required certification from its external Auditors, and has duly reflected the same in its Audited accounts, has reworked the depreciation for these years. The impact thereof has been allowed as part of PYA, while reassessing the Petitioner's tariff for the FY 2025-26. has also decided to allow the considering the fact that the Petitioner has provided.
9. On the issue of RoRB for the FY 2023-24, including the under/ over recoveries of the quarterly adjustments arising from quarterly adjustments from the 4th quarter of FY 2022-23 till 3rd quarter of FY 2024-25 and under/ over recovery of the allowed DM for the FY 2023-24, the Authority has reworked the PYA of the Petitioner for the FY 2025-26, whereby the impact of all these adjustments has been allowed as part of PYA, while reassessing the Petitioner's tariff for the FY 2025-26.
10. Regarding the treatment of Late Payment Surcharge (LPS), the Authority noted that under the existing mechanism, LPS earned by a DISCO is allowed to be adjusted against the supplemental charges billed by CPPA-G for the respective year. If the LPS amount exceeds the Supplemental Charges, the excess amount is adjusted in the tariff, however, in case of excess supplemental charges, no adjustment is allowed in tariff.
11. The Authority understands that the revenue requirement of each DISCO is determined on an annual basis, taking into account approved performance benchmarks, including targets for T&D losses and recovery ratios. These benchmarks are allowed on a yearly basis and are intended to incentivize operational efficiency and financial discipline within the same period for which the tariff is determined. The existing mechanism of adjusting LPS against the respective period, ensures that revenues and costs are matched within the same control period, thereby preserving the integrity of the annual revenue determination framework. Allowing adjustment of LPS earned in one year against supplemental charges of another year, as proposed by the Petitioner, would undermine this framework, thus effectively permitting carryover of inefficiencies or underperformance of a particular period into subsequent years, thereby diluting the accountability of the DISCO for meeting the approved benchmarks within the relevant year.



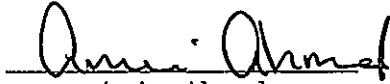
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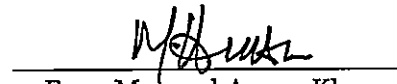


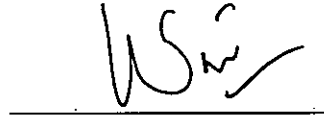
Accordingly, the Authority is of the view that the adjustment of LPS should remain confined to the respective year in which it is earned and against the corresponding supplemental charges of that year.

12. 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
Member


Engr. Maqsood Anwar Khan
Member


Waseem Mukhtar
Chairman

