



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-619/GEPCO-Distribution/2025/ 282-89

January 07, 2026

**SUBJECT: DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION
FILED BY GUJRANWALA ELECTRIC POWER COMPANY LIMITED
(GEPCO) FOR DETERMINATION OF DISTRIBUTION TARIFF UNDER MYT
REGIME FOR THE FY 2025-26 TO FY 2029-30**

Please find enclosed herewith the subject Determination of the Authority (total 38 pages).

2. The Determination of the Authority, 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 determination of the Authority along-with order part, 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



(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-auid-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, Gujranwala Electric Power Company Ltd. (GEPCO), 565/A, Model Town, G.T. Road, Gujranwala
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad



National Electric Power Regulatory Authority
(NEPRA)

PETITION NO: NEPRA/TRF-619/GEPCO/MYT-Distribution/2025

DETERMINATION OF DISTRIBUTION TARIFF PETITION

FOR

GUJRANWALA ELECTRIC POWER COMPANY LIMITED (GEPCO)

FOR THE FY 2025-26 – FY 2029-30

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

JANUARY 07, 2026



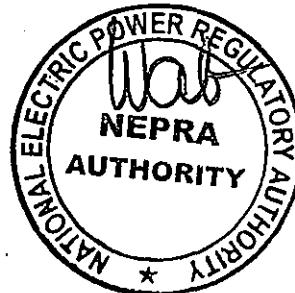
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Abbreviations

CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
ADB	Asian Development Bank
AMI	Advance Metering Infrastructure
AMR	Automatic Meter Reading
BoD	Board of Director
BTS	Base Transceiver Station
CAPM	Capital Asset Pricing Model
CDP	Common Delivery Point
COSS	Cost of Service Study
CPPA (G)	Central Power Purchasing Agency Guarantee Limited
CTBCM	Competitive Trading Bilateral Contract Market
CWIP	Closing Work in Progress
DIIP	Distribution Company Integrated Investment Plan
DISCO	Distribution Company
DM	Distribution Margin
DOP	Distribution of Power
ELR	Energy Loss Reduction
ERC	Energy Regulatory Commission
ERP	Enterprise resource planning
FCA	Fuel Charges Adjustment
FY	Financial Year
GIS	Geographical Information System
GOP	Government of Pakistan
GWh	Giga Watt Hours
HHU	Hand Held Unit
HT/LT	High Tension/Low Tension
HSD	High Speed Diesel
IGTDP	Integrated Generation Transmission and Distribution Plan
IESCO	Islamabad Electric Supply Company Limited
KIBOR	Karachi Inter Bank Offer Rates
KSE	Karachi Stock Exchange
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
LPC	Late Payment Charges
MDI	Maximum Demand Indicator
MMBTU	One million British Thermal Units
MoWP	Ministry of Water and Power
MVA	Mega Volt Amp

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MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PEPCO	Pakistan Electric Power Company
GEPCO	Gujranwala Electric Power Company Limited
PDEIP	Power Distribution Enhancement Investment Program
PDP	Power Distribution Program
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
PYA	Prior Year Adjustment
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RE	Rural Electrification
RFO	Residual Fuel Oil
RLNG	Re-gasified Liquefied Natural Gas
RoE	Return on Equity
RORB	Return on Rate Base
ROR	Rate of Return
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
SYT	Single Year Tariff
T&D	Transmission and Distribution
TFC	Term Finance Certificate
TOU	Time of Use
TOR	Term of Reference
TPM	Transfer Price Mechanism
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month
UOSC	Use of System Charges
WACC	Weighted average cost of capital
WAPDA	Water and Power Development Authority
XWDISCO	Ex-WAPDA Distribution Company

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**DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY
GUJRANWALA ELECTRIC POWER COMPANY LIMITED (GEPSCO) FOR
DETERMINATION OF DISTRIBUTION TARIFF UNDER MYT REGIME FOR THE FY
2025-26-2029-30**

CASE NO. NEPRA/ TRF-619/GEPSCO/MYT-Distribution/2025

PETITIONER

Gujranwala Electric Power Company Limited (GEPSCO), 565-A, Model Town Gujranwala.

INTERVENER

Nil

COMMENTATOR

NIL

REPRESENTATION

GEPSCO was represented by its Chief Executive Officer along-with its Technical and Financial team

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1. Background

- 1.1. The Authority awarded a Multi-Year Tariff (MYT) to Gujranwala Electric Power Company (GEPSCO), for a period of five years starting from 1st July 2021 till 30th June 2025. Upon expiry of its MYT on 30.06.2025, GEPSCO (hereinafter also called as “the Petitioner”), being a Distribution Licensee as well as Supplier of Last Resort, filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff under the MYT Regime for another period of five years i.e. from FY 2025-26 to FY 2029-30, in terms of Rule 3 (1) of Tariff Standards & Procedure Rules, 1998 (hereinafter referred as “Rules”).
- 1.2. GEPSCO was required to file its new MYT petitions for the Distribution and Supply functions by January 2025, in line with the NEPRA Guidelines for determination of Consumer End tariff (Methodology and Process) 2015, after incorporating therein, the approved number of investments and target of T&D losses. However, the petitions were filed with considerable delay i.e. on 29.04.2025, and were based on the requested numbers of Investment and T&D losses. GEPSCO also requested for grant of interim tariff for the FY 2025-26, in order to allow for timely rebasing of consumer-end tariff effective July 1, 2025, as considerable time would be required to finalize the MYT petitions. The Authority acceded with the request of GEPSCO and granted an “Interim tariff”, vide decision dated 23.06.2025 for FY 2025-26, subject to adjustment and/ or refund, based on the final determination of the Authority in the matter of MYT petitions of the Petitioner.
- 1.3. The Petitioner, inter alia, requested the following distribution margin for its distribution of power function for the five years control period;

Margin		FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Pay & allowances	Rs. Mln	10,321	11,346	12,472	13,711	15,072
Employees benefits	Rs. Mln	2,128	2,339	2,572	2,827	3,108
Post-retirement Benefits	Rs. Mln	10,361	9,843	9,351	8,883	8,439
Travelling expenses	Rs. Mln	346	371	398	418	439
Repair and Maintenance	Rs. Mln	1,867	2,001	2,146	2,254	2,368
Vehicle expenses	Rs. Mln	1,079	1,157	1,240	1,303	1,369
Other expense	Rs. Mln	446	478	513	539	565
Total O&M Costs	Rs. Mln	26,548	27,535	28,692	29,935	31,360
Depreciation	Rs. Mln	4,696	5,452	6,361	7,208	8,124
Return on Rate Base	Rs. Mln	8,575	10,567	12,551	14,031	14,775
Gross Distribution Margin	Rs. Mln	39,819	43,554	47,604	51,174	54,259
Less: Other Income	Rs. Mln	(1,625)	(1,788)	(1,967)	(2,163)	(2,380)
Net Distribution Margin	Rs. Mln	38,194	41,766	45,637	49,011	51,879
Projected Sales	GWh	10,619	10,566	10,533	10,520	10,514
Requested Tariff	Rs./kWh	3.60	3.95	4.33	4.66	4.93

2. Proceedings

- 2.1. In terms of Rule 4 of the Rules, the petition was admitted by the Authority. Since the impact of any such costs 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 parties and to meet the ends of natural justice, decided to conduct a hearing in the matter.
- 2.2. Hearing in the matter was scheduled on November 04, 2025, for which notice of admission / hearing along-with the title and brief description of the petition was published in the newspapers on 25.10.2025, and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

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3. Issues of Hearing

3.1. 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 request of Petitioner to allow MYT for a period of five years is justified, considering the fact that distribution license is valid till April 2022?
- ii. Whether the projected energy purchases and sales are justified?
- iii. Whether the requested/projected O&M cost (including new/replacement hiring) is justified and what are the basis for such projections?
- iv. Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable costs?
- v. Whether the requested/projected amount under heads of Other Income, Deprecations and RORB based on WACC of 12.39% is justified?
- vi. What will be adjustment mechanism for future indexation of different components of revenue requirement during the MYT? Whether there should any efficiency factor (X Factor)?
- vii. Whether there will be any claw back mechanism or not?
- viii. Any other issue that may come up during or after the hearing?

4. Filing Of Objections/ Comments

4.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Rules. In response no intervention request/ comments were received.

4.2. During the hearing, the Petitioner was represented by its Chief Executive Officer along-with its technical and financial teams.

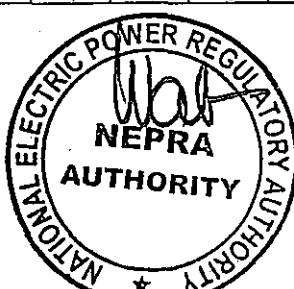
4.3. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

5. Whether the projected energy purchases and sales are justified?

5.1. The Petitioner, in its petition submitted that the quantitative data presented in the Distribution and Supply petitions is derived from GEPCO's Business Plan for FY 2025-26 to FY 2029-30 already submitted to NEPRA for approval, which includes detailed forecasts of demand and losses. The projections for demand, losses, and sources of units purchased as per submitted Business Plan are as follows:

Projected demand and Losses	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
MDI (MW)	2,424	2,444	2,490	2,546	2,598	2,680	2,755
Units Purchased (MkWh)	11,944	11,858	11,650	11,585	11,543	11,522	11,509
Units Sold (MkWh)	10,573	10,802	10,619	10,566	10,533	10,520	10,514
Units Lost (MkWh)	1,371	1,056	1,031	1,019	1,010	1,002	996
Units Lost %age	11.48%	8.90%	8.85%	8.80%	8.75%	8.70%	8.65%

Source wise Purchases	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
From CPPA-G	11,813	11,601	11,143	10,803	10,457	10,104	9,725
From Head Marah	19	19	19	19	19	19	19
From Chianwali	12	14	14	14	14	14	14
From Net Metering	100	224	474	749	1,052	1,385	1,751
Total	11,944	11,858	11,650	11,585	11,543	11,522	11,509



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PPP Projections	2023-24 (Actual)	2024-25 (Determined)	2025-26	2026-27	2027-28	2028-29	2029-30
Energy Charges	127,380	114,769	109,976	101,833	92,918	93,561	90,580
Capacity Charges	166,007	193,135	193,158	189,533	201,419	204,290	203,603
Use of System Charges	16,120	16,114	14,464	14,606	15,903	16,855	17,985
Market Operation Fee	101	116	120	122	137	151	165
Total	309,608	324,134	317,718	306,095	310,376	314,857	312,333

5.2. The Petitioner submitted that these projections provide a reasonable estimate of the expected PPP over the petition period, derived from the Medium Demand Scenario outlined in CPPA-G's "Power Purchase Price and End Consumer Outlook Report for FY 2026-2034". However, it is important to highlight that these projections are indicative and subject to NEPRA's annual determination of PPP, which will incorporate actual market conditions, including fluctuations in exchange rates, fuel prices, and demand patterns. Once determined, the PPP will remain a pass-through cost, adjusted through NEPRA's established monthly and quarterly mechanisms to ensure transparency, accuracy, and fairness for all stakeholders.

5.3. GEPCO submitted that for FY 2019-20 & MYT 2021-25, it has allocated entire Power Purchase Price to its Power Supply Business and the Authority also in Tariff Determination FY 2019-20 & MYT 2021-25 has adopted the same principle, therefore Power Purchase Price for the years 2025-26 to 2029-30 has been allocated to GEPCO Power Supply Business.

5.4. The Petitioner during the hearing submitted that the projected energy sales have been arrived at on the basis of PMS based Demand Forecast and Energy Purchase has been calculated accordingly after allowance of T & D Losses. The T & D losses are based on latest independent 3rd party study.

5.5. The Authority noted that PPP is the major component of consumer-end tariff, which accounts for around 90% of total consumer-end tariff. The Authority has determined the power purchases (GWhs) along-with its cost for each of the DISCOs through a separate decision, therefore, for the purpose of instant decision, the power purchases (GWhs) of the Petitioner as per the separate PPP decision, have been taken into account.

6. Whether the requested MYT for a control period of five years is justified?

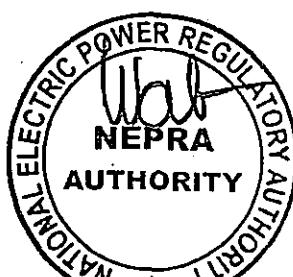
6.1. The Petitioner submitted that the petition has been filed in accordance with Rule 3(1) and Rule 4(7) of the Rules and NEPRA Performance Standards (Distribution) Rules 2005. As per Rule 17 (3) (1) of the Rules, tariff should allow the licensee the recovery of any and all costs prudently incurred to meet the demonstrated needs of their consumers. The Petitioner also submitted that it has filed Investment Plan and assessment of T&D losses for a period of five years, which are under deliberation with the Authority.

6.2. The Authority observed the Petitioner has requested for a five years tariff control period, in line with its five years investment plan. The Authority also noted that approval of the investment plan and assessment of T&D losses of the Petitioner for the five year period is at an advanced stage, therefore, to align the investment requirements of the Petitioner, with its tariff determination, which is a tool to incur and recover the allowed amount of investments, the Authority has decided to approve the tariff request of the Petitioner under the MYT tariff regime for a control period of five years i.e. from FY 2025-26 till FY 2029-30. The terms & conditions, given by the Authority, in the Distribution and SoLR license, as modified from time to time, of the Petitioner would be applicable during the MYT control period.





7. Whether the requested/projected O&M cost (including new/replacement hiring) is justified and what are the basis for such projections?
8. Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable costs?
- 8.1. The Petitioner submitted that Distribution Margin is a pivotal aspect of the tariff structure, ensuring that GEPSCO can recover the necessary costs for providing reliable and efficient power distribution services. The Petitioner submitted that the NEPRA Consumer-end-Tariff (Methodology & Process) Guidelines 2015 emphasize the need to identify a base year for determining a company's revenue requirement. This base year, which can be a historical financial year with actual or audited results, or a mix of actual and projected results, serves as the foundation for tariff projections. For GEPSCO's MYT period (FY 2025-26 to FY 2029-30), it is proposed that the Audited Financial Statements of FY 2023-24 be used as the base year, providing a solid basis for projecting the company's revenue requirements.
- 8.2. At its core, the Distribution Margin consists of the following components:
 - ✓ Operating & Maintenance (O & M) Expense;
 - ✓ Depreciation;
 - ✓ Return on Rate Base;
 - ✓ and Other Income.
- 8.3. GEPSCO requested approval from the Authority for the O&M costs for DoP and SoP for FY 2025-26, as detailed below, which are part of the MYT period (FY 2025-26 to FY 2029-30). A summary of Petitioners submission is as under;
 - ✓ Operating & Maintenance (O&M) Expenses
Salaries, Wages & Other Benefits:
 - ✓ The Petitioner submitted that the head of Salaries, Wages, and Other Benefits, comprising employees' pay, allowances, and post-retirement benefits, constitutes over 86% of GEPSCO's total O&M costs, excluding depreciation. Employees of XWDISCOs, including GEPSCO, are hired on Government pay scales, making them subject to salary increases announced in the Federal Budget. As such, Salaries and Wages costs are considered uncontrollable for DISCOs operating under public sector rules.
 - ✓ GEPSCO stated that it has adopted Audited Accounts for FY 2023-24 as the base year to determine Salaries and Wages costs, given the current MYT control period will end on 30.06.2025. GEPSCO proposes that gains or losses from the current MYT period should not carry forward into the new MYT to ensure transparency and avoid distortions.
 - ✓ The actual cost under Salaries and Wages (excluding post-retirement benefits) for FY 2023-24 is Rs. 13,735 million. To project costs for FY 2025-26, the following adjustments have been incorporated 20% / 25% salary increase as announced in the Federal Budget for FY 2024-25 and 5% annual increment.
 - ✓ The resulting projected cost for Salaries and Wages is Rs. 16,598 million for FY 2025-26, covering both Distribution and Power Supply functions. Of this, Rs. 12,448 million and Rs. 4,150 million pertains to the Distribution and Supply function, calculated using the allocation methodology previously endorsed by NEPRA. GEPSCO requests NEPRA to





approve Rs. 16,598 million as the reference cost for the MYT control period FY 2025-26 to FY 2029-30.

- ✓ For indexation of the cost, considering the fact that employees of GEPCO were hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the GEPCO, therefore, being uncontrollable cost, the Authority is requested to actualize the Pay & Allowances cost of GEPCO, based on its audited accounts for the relevant year for its existing employees. The impact of any such adjustment would be allowed as part of PYA in the next indexation / adjustment request or tariff determination as the case may be. Further, Costs for new recruitment will be allowed after the recruitment is completed, based on actual costs incurred and quantified benefits.

Additional Recruitment

- ✓ The Petitioner submitted that the projected Salaries and Wages cost for existing employees, which already accounts for any new hiring completed up to 30.06.2024, it has not claimed upfront costs for additional recruitment in this petition. GEPCO further submitted that it recognizes NEPRA's decisions in recent MYT determinations for other DISCOs (LESCO, FESCO, IESCO), where the Authority decided that costs for new recruitment will only be allowed after the recruitment is completed, based on actual costs incurred and quantified benefits. In alignment with these decisions, GEPCO will follow the same approach to maintain consistency and regulatory compliance. GEPCO is committed to submitting the requisite details of any hiring, including financial impact and associated benefits, in subsequent adjustment or indexation requests for NEPRA's consideration.
- ✓ While GEPCO is not claiming the upfront costs for additional recruitment in this petition, it is important to highlight that GEPCO has already submitted its Integrated Human Resource Plan to NEPRA as part of the GEPCO Business Plan for FY 2025-26 to FY 2029-30.

a) Baseline

- ✓ GEPCO submitted that it faces a significant challenge due to 6,868 vacant positions, impacting its operational efficiency. The current workforce status is as follows:

Description	Officers		Officials		Total		Grand Total
	Tech	Non-Tech	Tech	Non-Tech	Tech	Non-Tech	
Sanctioned	358	123	13,186	4,544	13,544	4,667	18,211
Working	285	82	9181	1795	9,466	1,877	11,343
	73	41	4,005	2,749	4,078	2,790	6,868
Vacant		114		6,754			6,868
		23.70%		38.09%			37.71%

b) Impact of Automation and Functional Improvement on HR Requirements

- ✓ In order to prepare future workforce requirements, impact of automation and functional improvements in coming years has been considered. The existing workforce yardsticks prepared against number of consumers to be managed by an office is being reviewed in view of functional improvements like ERP, AMI, SCADA and GIS etc. However, in order to operate these new projects additional workforce is also required which has also been considered.

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c) Additional HR Requirements

- ✓ Based on the current workforce position, anticipated consumer growth and future expansion plans in GEPCO, following expansion in sectioned posts is proposed to ensure smooth, reliable and efficient operations across departments of GEPCO.

Sr#	Offices	No. of offices	Manpower requirement
Fundamental Requirements:			
1	Division	5	120
2	Sub Divisions	39	4,017
3	Revenue office	5	165
4	Construction Sub Divisions	2	98
Total (Fundamental) – A		4,400	
Optional Requirements:			
1	Circle	1	45
2	Computer Centre	1	51
3	Construction Division	1	18
4	M&T Division	1	26
Total (Optional) – B		140	
Grand Total (A + B)		4,540	

d) Updated Position of HR workforce requirement

- ✓ Based on the current workforce position and proposed expansion in workforce of GEPCO, updated workforce position will be as tabulated below;

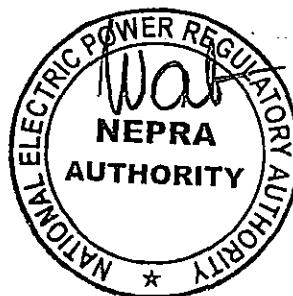
Description	Officers		Officials		Total		Grand Total
	Tech	Non-Tech	Tech	Non-Tech	Tech	Non-Tech	
Sanctioned	410	129	16,651	5,561	17,061	5,690	22,751

- ✓ Above sanctioned strength is based on current fundamentals, however, with gradual expansion in network outreach, customer base and advent of CTBCM related interventions, GEPCO may need to have more manpower.
- ✓ GEPCO shall take all possible measures to recruit suitable incumbents on vacant posts arising due to the mismatch between sanctioned strength and actual working manpower. However, such recruitment will be subject to approvals of BOD and submitting the requisite details of any hiring, including financial impact and associated benefits, in subsequent adjustment or indexation requests for NEPRA's consideration.

Post-Retirement Benefits:

- ✓ Regarding Post-retirement benefits the petitioner submitted that the head of Post-Retirement Benefits includes employees' pension, free electricity, and medical facilities. As employees of XWDISCOs, including GEPCO, are hired on Government pay scales, any pension increase announced by the Federal Government in the Budget is also applicable to retired employees/pensioners of DISCOs.
- ✓ The Petitioner stated that it has complied with the Authority's previous directive to create a separate fund for post-retirement benefits. This was done to ensure that the company records its liabilities prudently, with the funds being transferred to a separate legal entity. This approach ensures that the fund generates its own profits, remains separate from GEPCO's routine operations, and reduces the Distribution Margin, which can lower the consumer-end tariff in the long run.

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Years	2020-21	2021-22	2022-23	2023-24	Total
Amount Allowed by the Authority	10,513	11,937	13,131	9,227	44,808
Compliance by GEPSCO up to 30-06-2024:					
Less: Post Retirement Benefits Paid	3,643	4,238	5,244	7,693	20,818
Less: Contribution Made to Pension Fund	-	-	6,704	19,121	25,825
Sub Total	3,643	4,238	11,948	25,210	46,643
Excess amount Paid up to 30.06.2024					1,835

- ✓ Based on above the petitioner submitted that it has complied with the earlier directions of the Authority and deposited excess amount in the fund over & above its actual payments.
- ✓ The post-retirement benefits cost provision for FY 2025-26 is based on the actuarial valuation report and the audited financial statements for FY 2023-24, which amount to Rs. 13,815 million and Rs. 10,361 million allocated to Distribution Business and Rs. 3,454 million allocated to Power Supply Business. Future indexations will follow the mechanism defined by the Authority in Para 47 of GEPSCO's MYT Determination, which allows post-retirement benefits to be based on the actuarial valuation report or the latest available audited financial statements.

Repair & Maintenance (R&M) Costs:

- ✓ Regarding R&M cost the Petitioner submitted that the adherence to service standards and improvement in customer services are primarily dependent on the continuous repair and maintenance (R&M) of the distribution network. For the fiscal year 2025-26, GEPSCO has based its projections on the costs reported in its Audited Financial Statements for FY 2023-24, which serve as the base year for estimating operational and maintenance (O&M) expenses and other miscellaneous costs for the upcoming MYT control period.
- ✓ With the current MYT ending on June 30, 2025, GEPSCO considers it prudent to rely on the actual costs of FY 2023-24 amounting to Rs. 1,657 million when projecting R&M expenses for FY 2025-26. This approach ensures that any gains or losses from the prior MYT control period do not carry over into the new control period. After accounting for inflationary adjustments reflected in the Audited Financial Statements for FY 2023-24, GEPSCO has proposed an allocation of Rs. 1,905 million for R&M expenses for FY 2025-26, encompassing both its Distribution and Supply Functions while excluding meter-related costs. To determine this figure, GEPSCO applied the National Consumer Price Index (NCPI) as of December 2024 i.e. 7.22%.
- ✓ GEPSCO has requested that all expenses, including R&M, be adjusted by NCPI-X throughout the tariff control period. This request aligns with the current tariff methodology and ensures consistency in expense adjustments.
- ✓ GEPSCO has used its adopted criteria to allocate costs across functions. Based on this methodology, the R&M cost for the Power Distribution Business for FY 2025-26 is calculated to be Rs. 1,867 million. The projected R&M cost of Rs. 1,905 million for FY 2025-26 will serve as the reference cost for future R&M expenses during the remaining MYT





control period. Adjustments to these costs, including the application of CPI-X, will follow the prescribed mechanism outlined in the tariff petition. This approach aligns with the current tariff methodology and ensures consistency in expense adjustments. Additionally, GEPSCO has complied with the Authority's directive to capitalize meter-related costs, ensuring they are excluded from this projection.

Other O&M Expenses

- ✓ These expenses cover essential operational functions such as traveling costs, transportation, bill collection, building rent, NEPRA fees, insurance, rates and taxes, and other operating and maintenance activities. The PEPCO Management Fee is excluded from Other O&M Expenses as per the Authority's directives. Audited Other O&M expenses for FY 2023-24 amounts to Rs. 2,566 million including travelling expenses, vehicle running expenses & other expenses. NCPI of 7.22% of Dec-24 has been applied for projection. It is further added that Rs. 50 million is also added in FY 2024-25 for CSR Activities under the directions of the Authority. Accordingly, the requested amount of Rs. 3,003 million for Other O&M Expenses in FY 2025-26 will serve as the reference cost for future adjustments throughout the MYT period. Of this, Rs. 1,870 million and Rs. 1,133 million are allocated for the Distribution and Supply of Power functions for Other O&M Costs.
- ✓ In line with the NEPRA Consumer-end-Tariff Guidelines (2015), the O&M portion of the Distribution Margin will be indexed to the Consumer Price Index (CPI), with adjustments for efficiency gains (X factor). It is requested that X factor to be set at zero for the first three years (FY 2026-28), to allow an adequate transition period to the private sector participant after the privatization of the Company, and subsequently at 10% and 20% of CPI during years four and five respectively. The Petitioner also requested following adjustment/indexation mechanism for O&M cost;

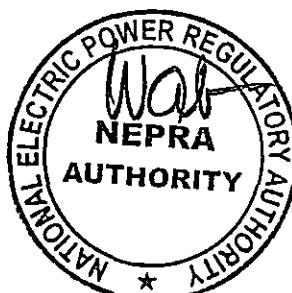
$$O \& M (Rev) = O \& M (Ref) X [1 + (\Delta CPI \cdot X)]$$

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 Statistics
 X = Efficiency factor

- ✓ The Petitioner during hearing revised its requested and submitted the following projections and justifications regarding O&M cost;

Sr. No.	Description	Basis for Projections
1	Pay & Allowances	Audited Figure FY 2024-25, 10% Ad-hoc Relief, 5% Annual Increment and 30% DRA. No new hiring cost claimed upfront and shall be claimed on actual basis.
2	Post-Retirement Benefits	Actuarial Amount based on latest Audited Financial Statements of FY 2024-25
3	Other O&M Costs	Audited Figure FY 2024-25, Indexed on December 2024 CPI @ 7.22% as per NEPRA Mechanism.



Operation & Maintenance	PROJECTED O & M COSTS FY 2025-26				
	Total	Distribution Business		Power Supply Business	
		100%	%	Cost	%
1. Salaries, Wages & Other Benefits:					
Salaries & Wages	13,265	75	9948	25	3,316
Employees Benefits	3,849	75	2887	25	962
Sub Total Salaries, Wages & Other Benefits	17,114	75	12835	25	4278
2. Retirement Benefits	11,812	75	8,859	25	2,953
3. Other O & M Costs:					
i. Travelling	517	75	387	25	129
ii. Repair & Maintenance	2,853	98	2,796	2	57
iii. Transportation	1,061	95	1,008	5	53
iv. Other Expenses:					
Bills Collection	416		-	100	416
Power, Light & Water	173	90	155	10	17
Postage & Telephone	70	30	21	70	49
Office Supplies & Others	380	30	114	70	266
Advertising	22	100	22	-	-
Professional Fee /NEPRA/PITC Fee	341	80	102	70	239
Misc. Expenses	17	90	15	10	2
Sub Total Other O & M	5,849	79	4,621	21	1,228
Grand Total(1+2+3)	34,774	76	26,315	24	8,459

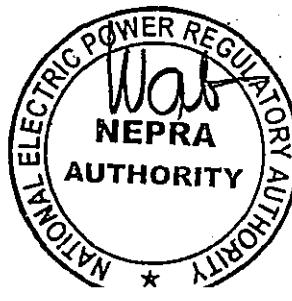
8.4. The Authority observed that as per section 31(3) of NEPRA Act, following general guidelines shall be applicable to the Authority in the determination, modification or revision of rates, charges and terms and conditions for provision of electric power services;

- ✓ “(a) tariffs should allow licensee's the recovery of any and all cost prudently incurred to meet the demonstrated needs of their customers Tariff.”
- ✓ “(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;”
- ✓ “(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;”
- ✓ “(d) tariffs should include a mechanism to allow licensees a benefit from and penalties for failure to achieve the efficiencies in the cost of providing the service and the quality of service;”

8.5. Further, as per NEPRA determination of Consumer-end-Tariff (Methodology & Process) Guidelines, 2015, the Authority shall choose a base year for the purpose of determining the affected company's revenue requirement under multi-year tariff regime or annual tariff regime. “Base Year” has been defined as the year on which the annual or multiyear tariff projection is being made, which may be a historical financial year, for which the actual results/audited accounts are available. It may be a combination of actual results and projected results for the same financial year or it may be a pure projection of a future financial year.

8.6. Here it is also pertinent to mention that as per the approved tariff methodology the Power Purchase Price is the only uncontrollable cost which is allowed a pass-through item. The other remaining costs are to be treated as controllable costs.

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- 8.7. Considering the fact that the MYT has been filed for a period of five years i.e. from FY 2025-26 to FY 2029-30, and the cost for the FY 2025-26 i.e. test year, is being assessed as reference cost during the MYT control period, the Authority has decided to consider the costs as per the Audited/ provisional accounts of the Petitioner for the FY 2024-25 as base year.
- 8.8. The Authority considers that for projections or assessment of OPEX costs, the two commonly used approaches are the Ex-Ante approach and the Ex-Post approach. In a regime where the allowed OPEX is determined Ex-Ante, there will inevitably be deviations between the allowed and actual OPEX in the form of efficiency savings or losses. Thus, resulting in two broad options, one that the utility bears all savings or losses, i.e. no action is taken by the Regulator. The 2nd that the utility shares the savings or losses with consumers. The former provides the utility with a profit incentive to cut costs, but at the same time places the utility at greater financial risk in the face of losses. The latter somewhat dilutes efficiency incentives, but also limits the losses/gains for the utility and its customers. However, the widely used approach is that no adjustments to allowed Revenues or OPEX allowances are made in the next period to compensate for a deviation from allowed OPEX in the current period except for certain allowed adjustments in terms of CPI etc.
- 8.9. In view thereof, the head wise assessment of the Petitioner under each of the requested costs is as discussed hereunder.

Salaries, Wages and Other benefits (excluding post-retirement benefits)

- 8.10. The Authority noted that head of Salaries, Wages and Other Benefits include employees Pay & Allowances and Post-retirement benefits and accounts for over 80% of the Petitioner's total O&M costs, excluding therefrom depreciation and RoRB. The Authority understands that employees of XWDISCOs are hired on Government pay scales, thus, any salary increase announced by the Federal Government in Fiscal Budget is also applicable on the employees of XWDISCOs. Therefore, salaries & wages cost of employees can be considered as un-controllable cost for XWDISCOs as long as they remain in public sector.
- 8.11. Considering the fact that the cost for the FY 2025-26 is being assessed, which would be used as reference during the MYT control period, the Authority has taken into consideration the costs as per the accounts of the Petitioner for the FY 2024-25, and information shared by the Petitioner subsequently in this regard. The Authority is of the view that since the previous MYT of the Petitioner has ended on 30.06.2025, therefore, it would be appropriate to account for the actual cost of the base year while projecting Salaries, Wages and Other benefits for the FY 2025-26, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.
- 8.12. The actual total cost as provided by the Petitioner for the FY 2024-25, under Salaries & Wages (excluding postretirement benefits, discussed separately) is Rs.15,399 million. The said amount has been considered as base cost and increases as approved by the Federal Government on Salaries and Wages in the Federal Budget for the FY 2025-26 i.e. ad-hoc relief allowance of 10% and DR allowance of 30%, along-with impact of annual increment i.e. 5% have been incorporated thereon.
- 8.13. Accordingly, the cost of Salaries & Wages (excluding postretirement benefits, discussed separately), for both the Distribution and Supply Functions works out as Rs.17,114 million.





The same is hereby allowed to the Petitioner for the FY 2025-26 for both its distribution and Supply Functions as reference cost, to be adjusted in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

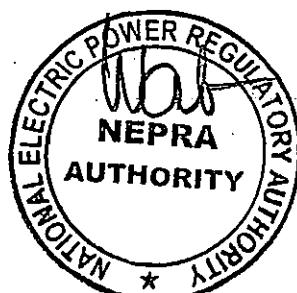
- 8.14. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of Salaries, Wages and other benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Thus, the cost of Salaries, Wages and other benefits (excluding postretirement benefits) for the FY 2025-26 pertaining to the distribution function works out as Rs.12,836 million.
- 8.15. The assessed Salaries & Wages costs for the FY 2025-26 i.e. Rs.12,836 million, shall be considered as the reference cost for future adjustment/ indexation of Salaries & Wages expenses, in the remaining tariff control period as per the mechanism given in the instant determination.
- 8.16. Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year for its existing employees. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

Additional Recruitment and Outsourcing

- 8.17. Regarding additional recruitment, the Authority observed that Salaries & Wages cost for the FY 2024-25, as per the accounts of the Petitioner, has been considered as base cost, therefore, impact of any new recruitment made till FY 2024-25 has already been accounted for. For future recruitment, the Petitioner itself requested to allow cost on account of new hiring once the new recruitment is completed. The Authority also understands that any allowing cost upfront either on account of new hiring, would be unfair with the consumers, without considering/ analyzing its benefits. The Authority understands that it will be in a better position to adjudicate on the issue, once the Petitioner provides details of actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Although, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year, however, that would only be to the extent of existing employees. Accordingly, the Petitioner is directed to provide detail of new recruitment during each year or new hiring if any, along-with its financial impact and benefits accrued, for consideration of the Authority, in its subsequent adjustment/ indexation request.

Post-Retirement Benefits

- 8.18. The Authority noted that the head of post-retirement benefit includes employees' pension, free electricity and medical facility. The Authority also understands that employees of XWDISCOs are hired on Government pay scales, thus, any pension increase announced by the Federal Government in the Budget is also applicable on the retired employees of XWDISCOs.



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8.19. It is also pertinent to mention that the Authority in its previous determinations, considering the overall liquidity position in the power sector and in order to ensure that XWDISCOs fulfil their legal obligations with respect to the post-retirement benefits, directed the XWDISCOs to create a separate fund in this regard. The rationale behind creation of separate fund was to ensure that DISCOs record their liability prudently as the funds would be transferred into a separate legal entity, which would also generate its own profits, as it would be kept separate from the Company's routine operations, thus reducing the Distribution Margin and eventually consumer-end tariff in longer run.

8.20. In compliance with the Authority's direction, the Petitioner has created a separate Fund for its post-retirement benefits and provided following details of its pension fund balance and Payments made thereof;

Year	NEPRA allowed amount	Amount Paid to Pensioners	Amount to be Transferred to Fund	Accumulated Fund Balance	Profit earned	Accumulated Fund Balance net of Profit
2015-16	1,522	1,522	-	-	-	-
2016-17	1,953	1,953	-	-	-	-
2017-18	2,600	2,600	-	-	-	-
2018-19	3,077	3,077	-	-	-	-
2019-20	3,198	3,198	-	-	-	-
2020-21	10,513	3,643	6,870	-	-	-
2021-22	11,937	4,238	7,699	1	-	1
2022-23	13,131	5,244	7,887	6,704	213	6,490
2023-24	9,227	7,693	1,534	25,825	1,278	25,824
FY 2024-25	13,178	7,674	5,504		4,989	36,689

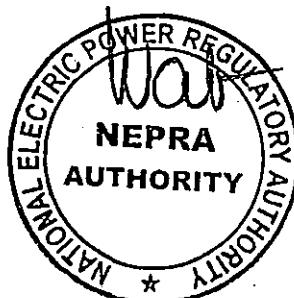
8.21. From the above table, it is clear that the Petitioner has complied with the earlier directions of the Authority and deposited excess amount in the Fund, after making actual payments. In view thereof, the Authority has also decided to allow the Petitioner, provision for post-retirement benefits, for the FY 2025-26 as well.

8.22. Here it is pertinent to mention that since audited accounts of the Petitioner for the FY 2025-26, are not yet available, therefore, information provided by the Petitioner for the FY 2024-25, has been relied upon and provision reported as for FY 2024-25, has been considered for FY 2025-26 i.e. Rs. 11,976 million, for its both Distribution and Supply of Power Functions.

8.23. The Petitioner is directed to deposit the amount of provision, over and above their actual post-retirement benefit payments, in the Fund and in case of failure to deposit the excess amount in the Fund, the same shall be adjusted/deducted in the subsequent tariff determination and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. Here it is also pertinent to mention that Petitioner has deposited Rs. 7,196 million over and above the allowed amount, therefore, the Authority has decided to allow the amount of Rs. 7,196 million already deposited by the Petitioner in the Fund as part of PYA.

8.24. Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2025-26 pertaining to the Distribution Function

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works out as Rs.8,982 million, to be adjusted in the MYT Control period as per the adjustment mechanism provided in the instant determination.

Repair & Maintenance Costs

- 8.25. The Authority has carefully examined the Petitioner's request and also analyzed the past trend of R&M expenses of the Petitioner. The Authority understands that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, however, at the same time the Petitioner has also requested for huge CAPEX for making additional investment in Fixed Assets, resulting in new, expensive and efficient equipment, leading to overall reduction in R&M cost and increasing the total Assets base.
- 8.26. The Authority is also of the view that since the previous MYT of the Petitioner has ended on 30.06.2025, therefore, it would be appropriate to account for the actual cost of the base year while projecting O&M expenses and other Misc. expenses for the FY 2025-26, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.
- 8.27. In view of the foregoing and keeping in view the current approved tariff methodology, the Authority has decided to allow an amount of Rs.2,770 million under R&M head, for the FY 2025-26, after incorporating the inflationary impact as also requested by the Petitioner, on the R&M cost as per the audited accounts of the Petitioner for the FY 2024-25 for both the Distribution and Supply functions. The same is hereby allowed to the Petitioner for the FY 2025-26 for both its distribution and Supply Functions.
- 8.28. Since the Audited accounts of the Petitioner, do not provide bifurcation of the R&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of R&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of R&M for the FY 2025-26 pertaining to the distribution function works out as Rs.2,714 million.
- 8.29. The assessed repair and maintenance cost for the FY 2025-26 i.e. Rs.2,714 million, shall be considered as the reference cost for working out future repair and maintenance expenses, in the remaining control period as per the adjustment mechanism prescribed in the instant determination.
- 8.30. The DISCOs are also directed to provide a certification from its Auditors that Repair and Maintenance expenditure does not include any CAPEX nature item. In case any CAPEX nature cost has been booked as R&M expenses, the same may be disclosed separately in the financial statements. The Authority may consider to revise the R&M assessment of the Petitioner, based on such disclosure/certification.

Other O&M Expenses

- 8.31. The Authority noted that as per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through NCPI-X formulae for the tariff control period. Here it is pertinent to mention that the Petitioner itself has requested that other O&M expenses, may be linked with CPI during the entire tariff control period. The Petitioner has also requested to allow Rs.50 million on account of CSR activities.
- 8.32. For assessment of Other O&M costs for the FY 2025-26, the Authority, keeping in view the cost as per the audited accounts of the Petitioner for the FY 2024-25, and incorporating therein inflationary impact as also requested by the Petitioner, has decided to allow an





amount of Rs.2,950 million to GEPSCO for the FY 2025-26. The allowed amount of Rs. 2,950 million is being allowed for both the Distribution and Supply of Power function for the FY 2025-26.

- 8.33. However, while working out the other O&M expense the cost on account of PEPCO management fee has been excluded, as also excluded by the Petitioner itself. Similarly, no costs on account of CSR activities is allowed as part of O&M expenses, and the Petitioner is direct to carry such activities from its allowed returns.
- 8.34. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Other O&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of other O&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of other O&M expenses for the FY 2025-26 pertaining to the distribution function works out as Rs. 2,631 million.
- 8.35. By considering the figures as per financial statement, the Authority has incorporated all the costs including bill collection, building rent, NEPRA fee, insurance cost, rent, rates & taxes, and travelling, transportation etc.
- 8.36. The aforementioned assessment for the FY 2025-26 shall be considered as reference for working out future Other Operating Expenses for remaining tariff control period to be adjusted based on change in "NCPI-General", in line with the mechanism provided in the instant determination. However, the vehicle running expenses would be adjusted with "NCPI-Transport", in line with the mechanism provided in the instant determination.
- 8.37. In case the Petitioner's actual O&M cost (excluding pay & Allowances & post-retirement benefits) for the relevant year as per its audited accounts is lower than the amount allowed for that year, any saving in this regard, shall be shared between consumers and the Petitioner in the ratio of 50:50. For future indexation of O&M cost during the MYT control period, the lower of allowed O&M cost or actual O&M cost of the previous year, after excluding therefrom the capex nature O&M and amount of O&M capitalized, if any, and pay & allowances & post-retirement benefits, shall be considered as reference.
- 8.38. If the actual O&M cost for the previous year, as referred above is not available at the time of projecting next year's O&M cost, the allowed cost for the previous year shall be considered as reference to be indexed as per the provided mechanism. Once the audited accounts for the previous year are available, the already projected O&M cost shall be reworked based on lower of allowed cost or actual O&M cost of the previous year. Any adjustment in this regard, if required, shall be made part of PYA. In addition, the allowed O&M cost shall also be adjusted based on mechanism provided in the instant determination. The Petitioner is also directed to disclose its O&M costs in terms of distribution and supply functions separately in its audited accounts.

PPMC Fee

- 8.39. Here it is pertinent to mention that some DISCOs during the hearing requested to allow cost on account of Management Fee of Power Planning and Monitoring Company (the "PPMC"). DISCOs in support of their request referred to the SRO 1358-I (2025) dated 29.07.2025, issued by the Ministry of Energy (PD), pursuant to the Federal Cabinet decision dated 27.10.2021, the National Electricity Policy, 2021, the National Electricity Plan (2023-2027), whereby it has been designated as a "designated entity" for the implementation of the priority areas of the NE Plan, and strategic roadmap as per the NE



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policy. The SRO further mandates the company to charge a fee from DISCOs, for the services rendered, as may be approved by the BoD of PPMC from time to time. The BoD of PPMC may, on annual basis, approve the annual budget and allocation of fees to DISCOs.

8.40. It has also been submitted that clause 34(f) of the IMF Country Report clearly acknowledges PPMC's role in supporting policy, regulatory and tariff affairs, sector reforms, privatization, CD management and integrated power and energy planning.

8.41. The Authority noted that the National Electricity Plan allows the designated entity to charge a regulatory fee, which shall be allowed by the Regulator. The Authority also noted that previously the Authority discontinued the PEPCO fee in the absence of appropriate structure in place. The Authority also takes cognizance of the SRO dated 29.07.2025, issued by the Ministry of Energy (PD), pursuant to the Cabinet decision, as well as other justifications submitted by the DISCOs regarding the declaration of PPMC as a "designated entity" and its role in supporting policy, regulatory, and tariff matters, sector reforms, privatization, CD management, and integrated power and energy planning.

8.42. However, the Authority is of the view that it would be in a better position to adjudicate the matter, once the DISCOs provide details of the actual costs incurred and the functions/ services performed as designated entity for DISCOs and others, duly substantiated with documentary evidence and justifications.

8.43. Accordingly, the Authority has decided to pend upfront allowing such cost on account of PPMC at this stage and may consider the same as part of the PYA, subject to the Petitioner furnishing the above details, with proper justification and supporting documentary evidence, along with fulfillment of the process prescribed in the SRO No. 1358(I)/2025.

8.44. On the submissions of the Petitioner, to allow certain costs as uncontrollable, the Authority noted that as per the approved tariff methodology, Power Purchase Price is the only uncontrollable cost which is allowed a pass-through item. However, considering the fact that XWDISCOs employees are hired on Government pay scales, thus, any salary and pension increase, announced by the Federal Government in Fiscal Budget is also applicable on such employees/ pensioners of XWDISCOs. Therefore, salaries & wages cost and pension expenses to the extent of such employees can be considered as un-controllable cost for XWDISCOs as long as they remain in public sector.

9. Whether the requested/projected amount under heads of Other Income, Depreciations and RORB based on WACC of 12.39% is justified?

Depreciation

9.1. Regarding Depreciation the Petitioner submitted that it is an important component in recovering the costs associated with capital investments. The projected depreciation has been calculated by applying the applicable depreciation rates to the Gross Fixed Assets in Operation, including the proposed investments for the next five years as per Business Plan. The Depreciation and RoRB will be considered revised in accordance with the approval of the Authority for the submitted Business Plan for FY 2025-26 to 2029-30. It is further added that in case of Private Sector Participation in GEPCO, a reopener will be allowed by the Authority for revision of investment / tariff within a year following the private sector participation as the instant investment plan / tariff has been prepared without the





involvement of the would-be investors/ managers. The Investment Plan already submitted to the Authority for approval is as follows:

Description		2025-26	2026-27	2027-28	2028-29	2029-30	Total (Rs. (Million)
Infrastructure Renewal/ Expansion	STG	12,097	7,045	12,044	6,956	5,369	43,511
	ELR	4,974	5,499	2,928	3,692	3,799	20,891
	DOP	355	348	238	347	587	1,875
Digitization and Automation	SCADA	1,360	1,496	1,720	247	271	5,093
	APMS	1,817	3,773	3,999	-	-	9,588
	AMR/AMI	3,171	-	-	-	-	3,171
	ERP	50	30	30	30	170	18,652
	GIS Enterprise/ Mapping	70	60	-	-	-	130
	IBS and Allied Equipment	50	50	50	50	50	250
Operational Support	Software, Studies, Licences	50	50	50	50	50	250
	Transport	800	850	600	800	500	3,550
	Civil Works	650	564	530	460	450	2,654
Safety and Control	ABC Cable	-	115	127	139	153	535
	Safety Hazard Removal & Earthing	1,230	1,662	1,828	2,011	2,212	8,944
GEPCO Financing		26,672	21,541	24,144	14,783	13,472	100,612
Others (Consumer Contribution/Deposit Works)		7,725	8,497	9,347	10,281	11,310	47,160
Grand Total		34,397	30,038	33,491	25,064	24,781	147,772

9.2. Accordingly, the requested depreciation by the Petitioner for the next five years are as follows:

Rs. Mln					
Description	2025-26	2026-27	2027-28	2028-29	2029-30
Total Depreciation	4,792	5,563	6,490	7,355	8,290
Allocated to Distribution Business	4,696	5,452	6,361	7,208	8,124
Allocated to Power Supply Business	96	111	130	147	166

9.3. As per the Petitioner, the depreciation expense has been allocated, with 2% assigned to the Power Supply Business and 98% to the Distribution Business. The depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

DEP (Rev) = DEP (Ref) X GFAIO (Rev) / GFAIO (Ref)

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

9.4. The Petitioner also submitted that for FY 2025-26, requested depreciation may be considered as reference cost for future adjustment / indexation. In addition, the allowed depreciation for previous year will be trued up based on actual investment (maximum cap to the extent of allowed investment) carried out during that year.

9.5. Regarding allowed investment for FY 2025-26 and FY 2026-27, since the Distribution Investment Plan (DIP) of the Petitioner is under regulatory proceedings, the Authority has decided to allow the following provisional Investments under head of own financing, which shall be subject to adjustments pursuant to the final decision of the Authority in matter of DIP of the Petitioner.



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Rs. Mln

Provisional Capex	GEPCO
FY 2025-26	10,366
FY 2026-27	13,752

- 9.6. The Authority decided that the above approved Investments are provisionally allowed for purpose of tariff rebasing and does not include the cost for AMI, APMS, scanning meters, Data Centers, etc., the investment in this smart metering area can only be started once DIP is approved, wherein the detailed project wise scope and cost approvals shall be decided in the final decision of DIP of GEPCO.
- 9.7. Regarding the T&D Losses Target, the Authority has decided to provisionally approve the following loss target, considering the third-party study conducted by M/S PPI and M/S Power Aim and the previous target allowed to GEPCO;

Provisional T&D Loss	GEPCO
FY 2025-26	8.85%
FY 2026-27	8.85%

- 9.8. The Petitioner is also directed to carry out a fresh study of its T&D loss study through an independent third-party, as per the approved ToRs, which shall be communicated to the Petitioner separately by NEPRA. The independent third-party T&D loss study must be submitted by the Petitioner within nine (09) months of issuance of this decision.
- 9.9. The T&D loss study submitted by an independent third-party shall be considered by the Authority and may, if deemed appropriate, be used for the review of T&D loss targets for the applicable period at the time of the next tariff rebasing for DISCOs (January 2027) or during the mid-term review (December 2027) of DIP, as the case may be.
- 9.10. Not used
- 9.11. Not used
- 9.12. After taking into account the new investments as mentioned above, the Gross Fixed Assets in Operation for the FY 2025-26 have been re-worked. Accordingly, the depreciation charge for the FY 2025-26 has been assessed as Rs.4,724 million calculated on actual depreciation rates for each category of Assets as per the Company policy, which will be considered as reference cost for working out future depreciation expenses for the remaining tariff control period, to be adjusted as per the mechanism provided in the instant determination.





- 9.13. After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2024-25, the Authority has projected amortization of deferred credit to the tune of Rs.2,103 million for the FY 2025-26. Accordingly, the consumers would bear net depreciation of Rs.2,621 million.
- 9.14. The actual depreciation reflected in the Audited accounts of the Petitioner for the FY 2024-25, do not provide bifurcation of depreciation cost in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of depreciation cost in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the depreciation cost for the FY 2025-26 pertaining to the distribution function works out as Rs.4,629 million.

Return on Regulatory Asset Base (RoRB)

- 9.15. Regarding RORB the Petitioner made the following submissions:
 - ✓ The Petitioner submitted that as per the NEPRA Determination of Consumer-end-Tariff (Methodology & Process) Guidelines, 2015, the Authority considers a minimum equity ratio of 20% in case of negative equity, while any equity exceeding 30% is treated as debt. The equity and debt ratios are standardized at 30% and 70%, respectively.

The WACC is calculated using the following formula:

$$WACC = [K_e \times (E/V)] + [K_d \times (D/V)]$$

Where:

- K_e = Return on Equity (RoE)
- K_d = Cost of Debt

- ✓ Regarding Return on equity the Petitioner submitted that NEPRA employs the Capital Asset Pricing Model (CAPM) for determining the Return on Equity (RoE) component of the Weighted Average Cost of Capital (WACC). The Plain Vanilla WACC approach is used, treating the tax shield as zero, with any taxes paid considered as pass-through costs. CAPM is widely recognized and applied by regulatory agencies worldwide to estimate the cost of capital for regulated utilities. Cost of Equity is calculated as follows:

$$K_e = RF + (RM - RF) \times \beta$$

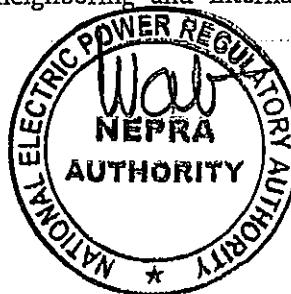
where

RF : Risk Free rate

RM : Market Return

B : Beta

- ✓ The expected return on any investment comprises the risk-free rate and a risk premium to compensate for the associated risk. The risk premium is the difference between the market rate of return and the risk-free rate, with the return on a stock market index typically serving as the benchmark for the market rate of return. NEPRA, in its determinations for other XWDISCOs such as LESCO, FESCO, and IESCO, analyzed the KSE-100 Index returns along with data from neighboring and international markets to derive an





appropriate market rate of return. For assessing beta, NEPRA reviewed prior studies, the range of betas used by international regulators, and its own benchmarks. Based on this evaluation, NEPRA applied a beta value of 1.10 and determined the Return on Equity (RoE) component as 14.47% for LESCO, FESCO, and IESCO.

- ✓ In alignment with these determinations and considering the same parameters, GEPSCO respectfully requests that the RoE component may also be set at 14.47%.

Cost of Debt:

- ✓ The cost of debt reflects the interest rate at which GEPSCO can borrow funds from the debt market or commercial banks. NEPRA estimates the cost of debt using the formula: Three months KIBOR + 2.00% spread
- ✓ The Petitioner submitted that it has calculated its cost of debt at 12.39% (by taking KIBOR @ 10% July 2025 & 9% January 26), aligning with its financial cost projections. The KIBOR used for the FY 2027 onward is 9% resulting WACC into 12.04%.

Return on Rate Base:

	Description	FY 2023-24 Audited	FY 2024-25 Determined	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected
A	Gross Fixed Assets in Operation - Opening Bal	92,384	106,966	111,489	133,631	154,546	180,251	204,023
B	Addition in Fixed Assets	14,602	4,503	22,142	20,915	26,705	23,772	25,577
C	Gross Fixed Assets in Operation - Closing Bal	106,986	111,489	133,631	154,546	180,251	204,023	229,601
D	Less: Accumulated Depreciation	34,339	38,444	43,236	48,799	55,290	62,645	70,935
E	Net Fixed Assets in Operation	72,647	73,045	90,395	105,747	124,961	141,378	158,666
F	Add: Capital Work in Progress - Closing Bal	19,776	23,583	35,837	44,861	52,747	54,039	53,243
G	Investment in Fixed Assets	92,423	96,627	126,232	150,707	177,708	195,417	211,909
H	Less: Deferred Credits	34,197	36,947	44,671	53,168	62,515	72,797	84,106
I	Regulatory Assets Base	58,226	59,681	81,561	97,539	116,193	122,620	127,802
J	Average Regulatory Assets Base	50,535	58,953	70,621	89,550	106,366	118,907	125,211
Rate of Return		21.14%	17.06%	12.33%	12.04%	12.04%	12.04%	12.04%
Return on Rate Base		10,683	10,057	8,750	10,783	12,808	14,318	15,077

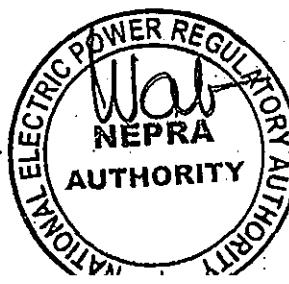
- ✓ Regarding RORB, the Petitioner during hearing revised its submissions and requested a WACC of 13.79% instead of earlier requested WACC of 12.39% due to change in KIBOR. The Petitioner requested that revised WACC is based on the average of KIBOR of 01 July 2025 & 1 January 2025 (works out to be 13.79%) and accordingly RORB is calculated on original DIIP. Earlier, WACC of 12.39% was based on provisional KIBOR of 01 July 2025. The RORB has been allocated, with 2% assigned to the Power Supply Business and 98% to the Distribution Business.

Description	2025-26	2026-27	2027-28	2028-29	2029-30	Rs. Mln
Total Return on Rate Base	8,750	10,783	12,808	14,318	15,077	
Allocated to Distribution	8,575	10,567	12,551	14,031	14,775	
Allocated to Power Supply	175	216	256	286	302	

- ✓ As per the NEPRA Determination of Consumer-end-Tariff (Methodology & Process) Guidelines, 2015, the reference RoRB would be adjusted annually based on the amount of RAB worked out for the respective year after considering the amount of investment allowed for that year as per the following mechanism;

RORB (Rev) = RORB (Ref) X RAB (Rev) / RAB(Ref)

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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

- ✓ FY 2025-26, requested RORB may be considered as reference cost for future adjustment / indexation. In addition, the allowed RORB for previous year will be trued up based on actual investment (maximum cap to the extent of allowed investment) carried out during that year.
- ✓ Additionally, GEPSCO emphasized that interest payments are obligatory cash flow liabilities, unlike discretionary dividend payments. Considering that any default in such payments could adversely affect GEPSCO's financial position, it is requested the Authority to cover the risk of floating KIBOR. Accordingly, proposed that fluctuations in the reference KIBOR be adjusted biannually.

9.16. The Authority observed that as per Section 31(3) of the amended NEPRA Act, the following general guidelines shall be applicable to the Authority in the determination, modification or revision of rates, charges and terms and conditions for provision of electric power services;

"(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;

(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;"

9.17. In line with the aforementioned guidelines, the Authority allows DISCOs, a Weighted Average Cost of Capital (WACC) to account for the return on equity and cost of debt. Similarly, for recovery of principal portion of debt, the Authority includes a depreciation charge in the revenue requirement of DISCOs.

9.18. Consequent to the aforementioned discussion, the WACC works out as per formula given below;

Cost of Equity:

$$Ke = R_f + (R_m - R_f) \times \beta$$

Where;

R_f is the risk free Rate

R_m is the Market Return

β is Beta

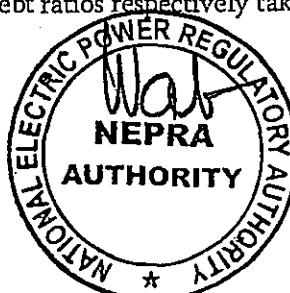
The cost of debt:

$$K_d = KIBOR + Spread$$

9.19. Accordingly, the WACC as per the given formula works out as under;

$$WACC = ((Ke \times (E / V)) + (K_d \times (D / V)))$$

Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;



9.20. The Authority uses the Capital Asset Pricing Model (CAPM) for calculation of Return of Equity (RoE) component of the WACC, being the most widely accepted model, which is applied by regulatory agencies all over the world to estimate the cost of capital for regulated utilities. Further, as per the Tariff methodology, in case of negative equity the Authority would consider a minimum of 20% equity and any equity in excess of 30% would be considered as debt.

9.21. The expected return on any investment is the sum of the risk-free rate and an extra return to compensate for the risk. This extra return or 'risk premium' is the difference between market rate of return and risk-free rate. Generally, the return on stock market index is taken as a measure of market rate of return. To have an appropriate measure of the market rate of return, analyzed KSE-100 Index return, over a period of 10 years i.e. FY 2016 to FY 2025. Further, return of different neighboring markets and other international markets were also analyzed.

9.22. For risk free rate, the yield of 05 years PIB is considered. The weighted average yield of accepted bids for 5 years PIB as of 17.07.2025 remained at 11.4916%. Regarding assessment of beta, the Authority has considered the earlier studies in the matter, range of betas used by international Regulators, and accordingly decided to use the beta of 1.10, while assessing the RoE component.

9.23. By taking into account the aforementioned factors, the RoE of the Petitioner works out differently, however, keeping in view the request of the Petitioner and the Authority's earlier decisions in the matter of other XWDISCOs and K-Electric, the Authority has decided to allow RoE component of 14.47%, PKR based.

9.24. Regarding the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has taken cost of debt as 3 month's KIBOR + 1.50% spread, as maximum cap. Consequently, the cost of debt has been worked out as 12.64% i.e. 3 Months KIBOR of 11.14% as of July 02, 2025 plus a spread of 1.50% (*150 basis points*).

9.25. In view thereof, the WACC for the FY 2025-26 has been worked out as under;

Cost of Equity;

Ke = 14.47%

The cost of debt is;

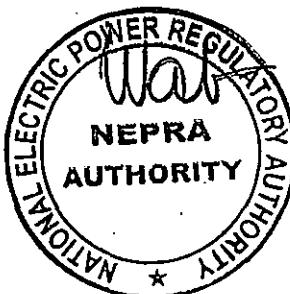
Kd = 12.64%

$$\text{WACC} = (Ke \times (E / V) + (Kd \times (D / V)))$$

Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;

$$\text{WACC} = ((14.47\% \times 30\%) + (12.64\% \times 70\%)) = 13.19\%$$

9.26. Based on above and using WACC of 13.19% on RAB by including allowed investment for the FY 2025-26, the RoRB of the Petitioner for the FY 2025-26 has been worked out as under;





GEPCO		
Description	FY 2024-25	FY 2025-26
Fixed Assets O/B	106,986	137,611
Addition	30,625	11,292
Fixed Assets C/B	137,611	148,903
Depreciation	38,436	43,160
Net Fixed Assets	99,174	105,743
Capital WIP C/B	5,520	15,799
Fixed Assets Inc. WIP	104,694	121,542
Less: Deferred Credits	41,390	47,203
Total	63,304	74,340
 RAB	 68,822	
 WACC	 13.19%	
 RORB	 9,077	

9.27. The total amount of RoRB as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, the RORB for the FY 2025-26 pertaining to the Distribution function works out as Rs.8,895 million.

9.28. The reference RoRB would 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 given in the instant determination.

9.29. In addition, the allowed RAB for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments than allowed (other than consumer financed investments), 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.

9.30. Here it is also pertinent to mention that the amount of receipts against deposit works has been adjusted while working out the cost of working capital, therefore, no adjustment on this account has been made from the RAB. In view thereof, any interest earned on such deposits shall not be adjusted as part of other income. The Petitioner therefore shall ensure a separate disclosure of such income in its audited accounts. In case of failure to disclose such income separately, the entire interest income shall be adjusted as part of other income.

9.31. 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 as also requested by the Petitioner itself. In addition, the Authority has also decided to adjust savings, if any, resulting from cheaper financing by the Petitioner. If the Petitioner manages to negotiate a loan below 1.50% spread, the entire





savings would be passed onto the consumers annually, through PYA. In case of more than one loan, the saving with respect to the spread would be worked out based on individual loans. In case, the spread is greater than the allowed cap of 1.50%, additional cost would be borne by the Petitioner itself. Similarly, if the Petitioner's total actual cost of debt remains lower than the cost allowed for the year, the entire savings would also be passed onto the consumers annually, through PYA.

Other Income

9.32. Other Income for GEPICO includes revenues from sources such as mark-up on bank deposits, amortization of deferred credit, sale of scrap etc. Based on the audited figure for FY 2023-24 of Rs. 4,478 million, a 10% annual increase is projected in the tariff petition, reflecting historical trends and future projections. Any deviation in actual Other Income will be trued up annually. The proposed Other Income figures are as follows:

Description	2025-26	2026-27	2027-28	2028-29	2029-30	Rs. Mln
Total Other Income	5,418	5,960	6,556	7,212	7,933	
Allocated to Distribution	5,418	5,960	6,556	7,212	7,933	
Allocated to Power Supply	3,793	4,172	4,589	5,048	5,553	

9.33. However, during hearing the Petitioner revised its request regarding other income and requested total other income of Rs.4,967 million for both functions. As per the Petitioner, 70% of Other Income is allocated to the Power Supply Business, and 30% to the Distribution Business. As per the NEPRA Consumer-end-Tariff Guidelines (2015), Other Income will be indexed annually using the following prescribed formula:

$$OI(Rev) = OI(I) - OI(0)$$

Where:

OI(Rev) = Revised Other Income for the Current Year

OI(I) = Actual Other Income as per latest Financial Statements.

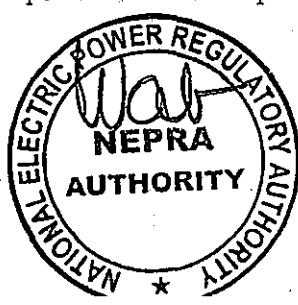
OI(0) = Actual / Assessed Other Income used in the previous year.

9.34. Other income is considered to be a negative cost which may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment charges, profit on bank deposits, sale of scrap, income from non-utility operations, commission on PTV fees and miscellaneous income.

9.35. Since the other income would be trued up every year as per the mechanism provided in the instant determination, therefore, for the FY 2025-26, the Authority has decided to allow an amount of Rs.4,967 million based on audited accounts of the Petitioner for FY 2024-25, including the amount of amortization of deferred credit but exclusive of the amount of late payment charges (LPS), for both of its Distribution and Supply functions.

9.36. The Authority in consistency with its earlier decision, on the issue, has not included the amount of LPS while assessing the other income for the FY 2025-26. Here it is pertinent to mention that the LPS recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only, and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of Late Payment charge recovered from consumers shall be made part of other income and deducted from revenue requirement in the subsequent year.

9.37. The total amount of Other Income as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself.



Accordingly, Other Income for the FY 2025-26 pertaining to the Distribution function works out as Rs.1,490 million.

9.38. The reference Other Income determined for the FY 2025-26 would be adjusted annually as per the adjustment mechanism prescribed in the instant determination.

10. What will be adjustment mechanism for future indexation of different components of revenue requirement during the MYT? Whether there should any efficiency factor (X Factor)?

10.1. Regarding adjustment mechanism of different components, the Petitioner submitted as under;

Indexation of O & M Expenses:

O &M (Rev) = Revised O&M Expense for the Current Year
O &M (Ref) = Reference O&M Expense for the Reference Year
 Δ CPI = Change in Consumer Price Index published by Pakistan Bureau of Statistics
X = Efficiency factor to be set at zero

Depreciation

DEP (Rev) = DEP (Ref) X GFAIO(Rev) / GFAIO (Ref)
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

RoRB

RORB(Rev) = RORB (Ref) X 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

Other Income

OI(Rev) = OI(I) - OI(I)

Where:

OI(Rev) = Revised Other Income for the Current Year
OI(I) = Actual Other Income as per latest Financial Statements.
OI(0) = Actual/Assessed Other Income used in the previous year.

10.2. The Authority, while assessing the O&M costs of the Petitioner for the FY 2025-26, has taken into account the audited accounts of the Petitioner for the FY 2024-25 and the amount requested by the Petitioner, subject to adjustment during the MYT control period, as per the mechanism mentioned below. Therefore, risk / benefit of any future cost fluctuations, lies with the Petitioner along with an opportunity for optimizing overall costs

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under these head. The treatment is in line with the very spirit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

10.3. Regarding adjustment of O&M costs with efficiency factor X, the Authority in line with its earlier decisions in the matter of MYTs, has decided to keep the efficiency factor as 30% of increase in NCPI 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, in order to provide the Petitioner with an opportunity to improve its operational performance, before sharing such gains with the consumers. The O&M part of Distribution Margin shall be indexed with NCPI subject to adjustment for efficiency gains (X factor).

Indexation of O&M cost components

10.4. Salaries & Wages and Post-retirement Benefits: Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Salaries & Wages and benefits, would be actualized, based on the audited accounts of the Petitioner for the relevant year for its existing employees, as long as they remain in public sector. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

Adjustment Mechanism- Salaries, Wages & Other Benefits
Revised Salaries, Wages & Other Benefits Expenses = Ref. Salaries, Wages & Other Benefits x [1+(GoP Increase or CPI)]
The allowed Salaries, Wages & Other Benefits may be considered as reference cost for future adjustment.
The Authority may consider to allow GoP increase till the time the DISCOs remain in public sector, otherwise CPI indexation may allowed if DISCOs get privatized.
The allowed amount shall be actualized based on Audited accounts for the relevant year , considering the same as uncontrollable cost on part of XWDISCOs.

10.5. Post-retirement benefits would be allowed based on the actuarial valuation report for the year for which assessment is being made or as per the latest available audited financial statements. It would be mandatory for the Petitioner to deposit the whole amount of allowed post-retirement benefits into the separate Fund and route all its pension payments through the Fund. If the Petitioner fails to transfer the whole amount of post-retirement benefits into the Fund, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed.

10.6. Transportation/Vehicle Running expense portion of O&M cost

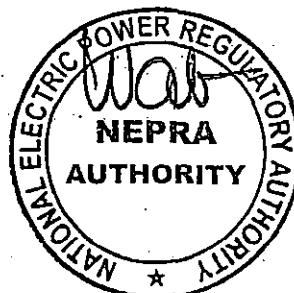
10.7. The reference costs would be adjusted every Year with Transport index of NCPI. The Adjustment mechanism would be as under;

Vehicle running/Transportation expenses (Rev) =

(Vehicle running/Transportation expenses (Ref.) x [1 + (Transport index of NCPI)])

10.8. Remaining O&M costs will be indexed every year according to the following formula:

The reference costs would be adjusted every Year with NCPI-X factor. The X factor would be applicable from the 3rd year of the MYT control period. The Adjustment mechanism would be as under;





$$O \& M(\text{Rev}) = O \& M (\text{Ref.}) \times [1 + (\text{NCPI-X})]$$

Where

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

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

ΔNCPI = Change in NCPI published by Pakistan Bureau of Statistics for the month of December for the respective year. For O&M expenses, other than vehicle running expenses, NCPI-General shall be used, whereas for Vehicle Running expense, NCPI-Transport shall be used. Reference NCPI-General and NCPI-Transport of December 2024 for the purpose of future adjustment/ indexation shall be 4.07% and - 0.18% respectively.

X = Efficiency factor i.e. 30% of NCPI relevant for indexation purpose

RORB

10.9. The reference RoRB would 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 following mechanism;

Adjustment Mechanism - RoRB	
RORB(Rev)	$= RORB(\text{Ref.}) \times RAB(\text{Rev}) / RAB(\text{Ref})$
The allowed RORB may be considered as reference cost for future adjustment.	
In addition the allowed RORB for previous year will be trued up based on actual investment (maximum cap to the extent of allowed investment) carried out during that year. Further KIBOR fluctuation on bi-annual basis also subject to adjustment. Further Spread of 1.50% is allowed as maximum cap, in case DISCOs manage to obtain financing on spread less than 1.5% the same shall be adjusted as part of PYA.	

10.10. In addition, the Petitioner shall be required to disclose the amount of IDC capitalized during the year and adjust its RAB for the year after excluding therefrom the impact of IDC capitalized during the year.

10.11. In addition, the allowed RAB for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments than allowed (other than consumer financed investments), 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.

10.12. 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 adjust savings, if any, resulting from cheaper financing by the Petitioner. If the Petitioner manages to negotiate a loan below 1.50% spread, the entire savings would be passed onto the consumers annually, through PYA. In case of more than one loan, the saving with respect to the



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spread would be worked out based on individual loans. In case, the spread is greater than the allowed cap of 1.50%, additional cost would be borne by the Petitioner itself. Similarly, if the Petitioner's total actual cost of debt remains lower than the cost allowed for the year, the entire savings would also be passed onto the consumers annually, through PYA.

Depreciation Expenses

10.13. The reference Depreciation charges would be adjusted every Year as per the following formula;

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

GFAIO (Ref)

Where: DEP (Rev) = Revised Depreciation Expense for the Current Year

DEP (Ref) = Reference Depreciation Expense for the Reference Year

GFAIO (Rev) = Revised Gross Fixed Assets in Operation for the Current Year

GFAIO (Ref) = Reference Gross Fixed Assets in Operation for the Reference Year

10.14. In addition, the allowed Depreciation for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments (excluding consumer financed 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.

Other Income

10.15. Other Income shall be adjusted annually as per the following mechanism during the MYT control period to calculate future Other Income.

Adjustment Mechanism - Other Income (OI)	
OI(Rev)	$= \text{OI}(\text{Allowed Previous year}) + [\text{OI}(\text{allowed for previous year}) - \text{OI}(\text{Actual previous year})]$
The allowed Other income may be considered as reference cost for future adjustment. In addition the allowed Other Income for previous year will be trued up based on actual Other Income during that year	

Working Capital

10.16. The Authority during proceedings directed the Petitioner to provide it working capital calculation and has considered the submissions of the Petitioner. In order to access the working capital requirement of the Petitioner, the Authority obtained details of number of days available with the Petitioner to pay in terms of energy procured from National Grid. Based on the information provided by CPPA-G and in line with the mechanism adopted for KE, the working capital requirement of the Petitioner for its distribution function has been assessed as under;





Distribution working Capital	Credit Period Days	Factor	NEPRA
Stores and Spares (3% of GFA)	3%	3%	4,467
Trade debt (30 days of Revenue Receivable)	30	0.08	3,251
Total Current Assets			7,718
Current Liabilities	2/3	66.67%	5,145
Working Capital Requirement			2,573
Less Receipt Against Deposit Work			10,234
Net Working Capital			(7,661)
Cost of debt local			12.00%
Working Capital Cost			(919)

10.17. As mentioned in the table above, the Petitioner's working capital requirement for the distribution function has been assessed as Rs.2,573 million. The Authority considers that receipts against deposit works, being related with distribution network business, are also required to be accounted for as part of working capital calculations. By including the amount of receipt against deposit works available with the Petitioner, as per the data provided by the Petitioner, its net cost of working capital for the distribution function works out as negative Rs.919 million based on 3 months KIBOR i.e. 11% +1% spread as maximum cap subject to downward adjustment in case the actual spread remains lower. The same is allowed to Petitioner for the CY 2026, and is subject to adjustment, as per the mechanism provided below, once the audited accounts of Petitioner for the FY 2025-26 are available.

Working capital (Distribution)

Formula for Future Adjustment

Revised cost of working capital = Working capital requirement as per given formula x Cost of debt on allowed parameters

-Working capital requirement shall be calculated based on assessed revenue requirement under each head for relevant year.

- Cost of Debt shall 3 Months KIBOR + 1% spread as maximum cap, subject to downward adjustment at the end of each financial year.

Actualization of Previous year based on allowed revenue as PYA

Current Assets

- Lower of 30 days receivables based on allowed revenue (including the impact of allowed adjustments), but excluding Working Capital cost OR Actual average Receivables for the Financial Year (excluding opening receivables).
- Stores & Spares - Lower of 3% of Avg. GFA (opening + closing)/2 or Actual average Stores & Spares, GFA based on based on Audited account to the extent of allowed Investment.
- Lower of allowed Cash & bank balance or Actual Cash & Bank Balances (Excluding cash/bank balance not meant for O&M expenses)





Current liabilities

- 2/3rd of aforementioned current assets (Receivables + Stores & spares + Cash)
- Receipt against deposit work figure will be actualized based Audited Financial statement initially and finally based on third party evaluation.
- Any other amount retained by the Petitioner
- For the purpose of 3 - Month KIBOR, the actual weighted average KIBOR of finance cost incurred by the Petitioner shall be considered. Similarly, for the purpose of spread, actual weighted average spread incurred by the Petitioner shall be considered. In case actual weighted average spread is lower than 1% cap, the same shall be adjusted downward only. No upward adjustment of spread is allowed.

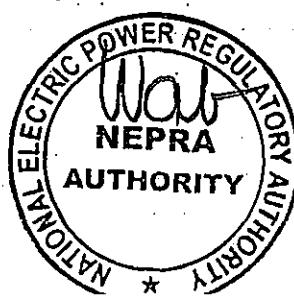
Here it is also pertinent to mention that since the amount of receipts against deposit works has been adjusted while working out the cost of working capital, therefore, any interest earned on such deposits shall not be adjusted as part of other income. The Petitioner therefore shall ensure a separate disclosure of such income in its audited accounts. In case of failure to disclose such income separately, the entire interest income shall be adjusted as part of other income.

11. Whether there will be any claw back mechanism or not?

- 11.1. Although DISCOs made their submissions on this issue, however, the Authority noted that DISCOs were not able to fully comprehend the issue.
- 11.2. The Authority understands that sharing mechanism for any savings by the utility has already been provided under each head separately e.g. Q&M costs, T&D losses, cost of debt etc. therefore, no such mechanism is separately required. However, still if there is any additional return by the Petitioner, which could not be comprehended at this stage, the same would be shared between DISCO and consumers equally.

12. Upfront Indexation/adjustment for the period July 2026 to December 2026

- 12.1. The Ministry of Energy (MoE) vide letter dated 18.08.2025, submitted that NEPRA determines the consumer-end tariff for XWDISCOs and K-Electric in accordance with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "Act"), read with Rule 17 of the Rules. The uniform rebased tariff, once determined, is notified by the Federal Government under Section 31(7) of the Act. The latest rebasing was notified on July 1, 2025. In accordance with the Rules read with Part 5 of the NEPRA Determination of Consumer-end Tariff (Methodology & Process) Guidelines, 2015, the Distribution Companies (DISCOs) are required to initiate the tariff determination process by submitting their minimum filing requirements by January 31st of each year. The submission is followed by Authority's internal meetings, public hearing, tariff determination and notification by the Government. Keeping in view the recent annual tariff determinations, the rebasing is notified by the Government in the month of July, each year with effect from 1st July.
- 12.2. The MoE further mentioned that as an unfortunate coincidence, the consumers face high Fuel Charges Adjustments (FCAs) as well as the annual tariff rebasing, simultaneously in the summer months. This increase in tariff coupled with higher consumption leads to significant hike in the consumer electricity bills of summer months which in turn results





in unaffordability, public dissatisfaction and nationwide protests in the country. The issue can be streamlined if the timing of annual rebasing is shifted from summer to winter months where the electricity consumption is lower and any tariff increase can be absorbed in consumer bills. This would result in relatively stable and sustainable electricity prices throughout the year. The National Electricity Plan Strategic Directive 8 also stipulates that the Regulator shall also revisit the "Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015" to enable alignment of schedule of regulatory proceedings for planning activities and rate case & tariff determinations.

- 12.3. The MoE submitted that the Cabinet has approved that policy guidelines may be issued to NEPRA to revise the annual tariff determination process timelines by amending the relevant legal and regulatory framework in a way that the rebasing is notified with effect from 1st January, each year, after completion of all regulatory proceedings. In this regard, it is highlighted that NEPRA has already determined Power Purchase Price (PPP) references up to June 2026. Projections for the remaining six months will be shared subsequently.
- 12.4. In light of above and in exercise of powers under Section 31 of the Act, the Federal Government hereby issues the following policy guidelines for implementation by NEPRA;
"NEPRA shall revise the annual tariff determination process timelines by amending the relevant legal and regulatory framework (guidelines, rules and procedures) to ensure that annual rebasing is notified with effect from January 1st of each year, after completion of all regulatory proceedings."
- 12.5. GEPSCO also vide letter dated 17.10.2025, submitted that the MoE vide letter dated 16.10.2025, has conveyed that the Federal Government has approved the revision of the annual tariff determination schedule, making it effective from 1st January each year. The Authority has already determined the Power Purchase Price (PPP) references up to June 2026; accordingly, it is submitted that the references for the remaining period up to December 2026 may also be determined, in line with the above-mentioned directives.
- 12.6. GEPSCO further stated that it has already submitted its Multi-Year Tariff (MYT) Petition for FY 2025-26 to FY 2029-30 for determination and the decision of the Authority is awaited. Meanwhile, an interim tariff for FY 2025-26 has been determined by the Authority in response to PESCO's request dated 29.05.2025.
- 12.7. GEPSCO accordingly requested that the Authority to determine the consumer-end tariff for the period from July 1, 2026 to December 31, 2026 in accordance with the revised annual rebasing timeline effective January 1, 2026, to ensure smooth and timely transition to the revised rebasing schedule.
- 12.8. The matter was discussed during the hearing, and the Petitioner requested the following costs on account of interim indexation for the 06 months period from Jul. 26 to Dec. 26;



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Description	GEPSCO
Salaries, Wages & Other Benefits	9,413
Post Retirement Benefits	5,906
Other O & M Costs	3,136
Depreciation	2,636
Return on Rate Base	5,356
Turn Over Tax	
Gross Distribution Margin	26,447
Less: Other Income	(2,732)
Net Distribution Margin	23,715

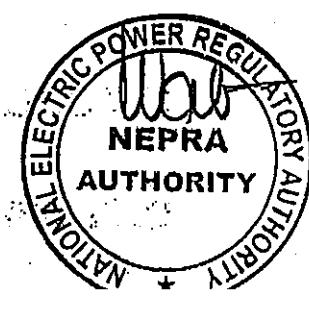
12.9. The Authority has considered the guidelines issued by the Federal Government regarding tariff rebasing to be made effective from 1st January, instead of July each year. The Authority is cognizant of the fact that rebasing of tariff effective July, if upward, coupled with high consumption, leads to increase in overall electricity bills during summer months; thus, adversely impacting DISCOs performance in terms of recoveries and losses. However, even with re-basing in January, the overall billing impact for the consumers in summer months would remain same, had the rebasing been made effective from July. Nonetheless, in light of NE Plan, SD 8 and the instant policy guidelines, the Authority has completed the consultation process for revision in "Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015", and the same are now in the process of notification.

12.10. Further, in light of the instant policy guidelines, the Authority 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 determined provisional revenue requirement of GEPSCO for the period from July 1, 2026 to December 31, 2026 as under:

July to
December
2026
FY 2026-27

Description	Unit	FY 2026-27
Pay & Allowances	[Mln. Rs.]	8,925
Post Retirement Benefits	[Mln. Rs.]	6,587
Repair & Maintainance	[Mln. Rs.]	1,470
Traveling allowance	[Mln. Rs.]	266
Vehicle maintenance	[Mln. Rs.]	547
Other expenses	[Mln. Rs.]	753
O&M Cost.	[Mln. Rs.]	18,547
Depreciation	[Mln. Rs.]	2,485
RORB	[Mln. Rs.]	5,787
O.Income	[Mln. Rs.]	(2,484)
Margin	[Mln. Rs.]	23,715

12.11. For the purpose of rebasing for the period from Jan. to Dec. 2026, the amount recovered by the Petitioner, to the extent of distribution and supply margin along-with PYA, from Jul. to Dec. 25, based on interim tariff allowed for the FY 2025-26, has been adjusted from the revised assessed tariff for the FY 2025-26. The recovered amount has been calculated





by applying the Rs./kWh rate as per the interim tariff (to the extent of Distribution & Supply Margin and PYA), with the projected unit sales from July to December 2025.

- 12.12. The adjusted revenue requirement so worked out for the period from Jan. to Jun. 26 has been clubbed together with the provisional revenue requirement determined for the period from Jul. to Dec. 2026, to work out the overall revenue requirement of the Petitioner for the period from January 2026 to December 2026. The Schedule of Tariff (SoT) of the Petitioner has been designed accordingly.
- 12.13. Any under over recovery of the determined revenue requirement for the FY 2025-26, based on the allowed regulatory targets in terms of T&D losses, recovery etc., and provisional revenue requirement being allowed for the six months period i.e. from Jul. to Dec.26, would be adjusted subsequently, while determining the final revenue requirement of the Petitioner for the FY 2026-27.

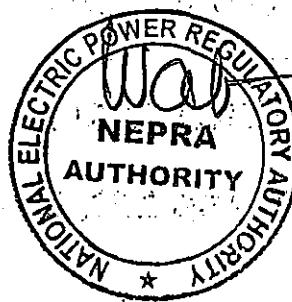
13. Order

- 13.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the allowed revenue requirement of the Petitioner, for the FY 2025-26 along-with upfront indexation/adjustment from July to December 2026 and Tarif table of CY 2026 (January 2026 to December 2026), to the extent of its distribution function is summarized as under;

Description	Unit	D6P		DOP	
		Revised Allowed FY 2025-26	Allowed CY 2026	Revised Allowed FY 2025-26	Allowed CY 2026
Units Received	[MkWh]		12,063		
Units Sold	[MkWh]		10,995		
Units Lost	[MkWh]		1,068		
Allowed T&D Losses	[%]		8.85%		
Pay & Allowances	[Mln. Rs.]	12,836	12,982		
Post Retirement Benefits	[Mln. Rs.]	8,982	8,404		
Repair & Maintenance	[Mln. Rs.]	2,714	3,489		
Traveling allowance	[Mln. Rs.]	376	335		
Vehicle maintenance	[Mln. Rs.]	979	1,198		
Other expenses	[Mln. Rs.]	1,276	1,027		
O&M Cost	[Mln. Rs.]	27,163	27,435		
Depreciation	[Mln. Rs.]	4,629	5,233		
RORB	[Mln. Rs.]	8,895	9,999		
O. Income	[Mln. Rs.]	(1,490)	(1,370)		
Margin	[Mln. Rs.]	39,197	41,298		
Prior Year Adjustment	[Mln. Rs.]				
Working Capital	[Mln. Rs.]		(919)		
Revenue Requirement	[Mln. Rs.]	39,197	40,378		
Average Tariff	[Rs./kWh]		3.67		

- 13.2. The above assessment has been carried out based on the data/information provided by the Petitioner, which the Authority believes is correct and factually accurate. In case of any deviation / misrepresentation observed at a later stage, the Petitioner shall be held responsible for the consequences stipulated under the NEPRA Act and rules and

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regulations made thereunder. Any consequential adjustment if required will be made accordingly.

13.3. The Petitioner is directed to follow the below time lines for submission of its future indexation/adjustment during the MYT control period;

Description	ADJUSTMENTS/ INDEXATION	TIME LINES
Salaries, Wages & Benefits		
Post-retirement Benefit	Annually as per the mechanism given in the decision	Request to be submitted by Petitioner in end of July of every year, so that adjustment / indexation for the next year is determined in timely manner.
Other operating expenses		
Depreciation		
Return on Regulatory Asset Base		
Other Income		
Prior Year Adjustment	Annually as per the mechanism given in the decision	
KIBOR	Bi-Annually, as per the decision	
Return on Equity (ROE)	No adjustment allowed over Reference ROE	
Spread	As per the mechanism in the decision	

13.4. For determination of use of system charges based on the aforementioned revenue requirement the Petitioner is directed to file its use of system charges petitions in line with applicable documents.

13.5. The Petitioner is responsible to provide distribution service within its service territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority and make its system available for operation by any other licensee, consistent with applicable instructions established by the system operator.

13.6. The Petitioner is directed to ensure separate disclosure of each item in its audited financial statements as mentioned in the determination.

13.7. The Petitioner is also directed to ensure breakup of its Operating cost in terms of Distribution and Supply function separately in its audited financial statements.

13.8. The Petitioner shall follow the performance standards laid down by the Authority for distribution and transmission of electric power, including safety, health and environmental protection instructions issued by the Authority or any Governmental agency of the Federal Government or the Provincial Government;

13.9. The Petitioner shall ensure that it develops, maintains and publicly makes available, its investment program for satisfying its service obligations and acquiring and selling its assets.

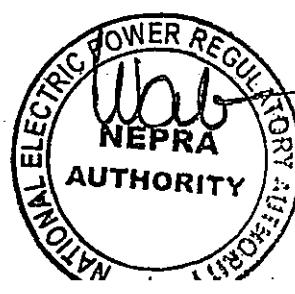
13.10. The Petitioner shall disconnect the provision of electric power to a consumer for default in payment of power charges or to a consumer who is involved in theft of electric power on the request of Licensee.

13.11. 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.

14. Summary of Direction

14.1. The Authority hereby directs the Petitioner to;

- Provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund each year.
- Provide the amount of IDC capitalized with its subsequent adjustment request and reflect the same in its Audited Financial Statements each year.



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- iii. Ensure that by the time it files its next tariff petition/ adjustment request, MDI for all consumers at all levels is properly recorded.
- iv. Provide a certification from its Auditors that Repair and Maintenance expenditure does not include any CAPEX nature item.
- 15. The Determination of the Authority along-with order part, 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.
- 16. The instant determination of the Authority along-with order part, 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

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

