Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-632/TESCO-Distribution/2025/ 318-25 January 07, 2026

SUBJECT: **DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY TRIBAL AREAS ELECTRICITY SUPPLY COMPANY LIMITED (TESCO) 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 36 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 and Power Department, Government of Khyber Pakhtunkhwa, First Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Managing Director, National Grid Company (NGC) of Pakistan, 414 WAPDA House, Shaharah-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, Tribal Areas Electric Supply Company Limited (TESCO), Room No. 213, 1st Floor, WAPDA House, Shami Road, Sakhi Chashma, Peshawar
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-632/TESCO/MYT- Distribution/2025

DETERMINATION OF DISTRIBUTION OF POWER TARIFF PETITION

FOR

TRIBAL AREAS ELECTRICITY SUPPLY COMPANY LIMITED (TESCO)

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
CY	Calander Year (Jan. to Dec.)
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

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MVA	Mega Volt Amp
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
TESCO	TRIBAL AREAS Electricity Supply 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 TRIBAL AREAS ELECTRICITY SUPPLY COMPANY LIMITED (TESCO) FOR DETERMINATION OF DISTRIBUTION TARIFF UNDER MYT REGIME FOR THE FY 2025-26 TO FY 2029-30

CASE NO. NEPRA/TRF-632/TESCO/MYT- Distribution/2025

PETITIONER

Tribal Areas Electricity Supply Company Limited (TESCO), WAPDA House, Shami Road Peshawar.

INTERVENER
Nil

COMMENTATOR
Nil

REPRESENTATION

TESCO was represented by its Chief Executive Officer along-with his technical and financial teams.

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1. **Background**

1.1. The Authority awarded a Multi-Year Tariff (MYT) to Tribal Areas Electricity Supply Company (TESCO), for a period of five years starting from 1st July 2021 till 30th June 2025. Upon expiry of its MYT on 30.06.2025, TESCO (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. TESCO 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, and were based on the requested numbers of Investment and T&D losses. TESCO 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 TESCO 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 costs for its Distribution of power function for the five years control period;

Distribution of Power	Unit	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Margin						
Salaries and benefits	Rs. Mln	1,354	1,576	1,819	2,099	2,423
Retirement Benefit	Rs. Mln	519	597	686	789	908
Repair and Maintenance	Rs. Mln	240	279	279	309	296
Travelling expenses	Rs. Mln	44	49	54	60	67
Vehicle expenses	Rs. Mln	67	75	83	92	102
Other expense	Rs. Mln	81	88	100	110	121
Wheeling Charges	Rs. Mln	1,035	1,139	1,252	1,378	1,515
Total O&M Costs	**Rs. Mln**	**3,340**	**3,803**	**4,273**	**4,837**	**5,432**
Depreciation	Rs. Mln	837	671	762	838	939
Return on Rate Base	Rs. Mln	1,604	1,726	1,802	1,849	1,847
Gross Distribution Margin	**Rs. Mln**	**5,781**	**6,200**	**6,837**	**7,524**	**8,218**
Less: Other Income	Rs. Mln	(736)	(782)	(845)	(911)	(960)
Net Distribution Margin	**Rs. Mln**	**5,045**	**5,418**	**5,992**	**6,613**	**7,258**
Projected Sales	GWh	1,352	1,368	1,388	1,410	1,433
Requested Tariff	**Rs./kWh**	**3.73**	**3.96**	**4.32**	**4.69**	**5.06**

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 03, 2025, for which notice of admission / hearing along-with the title and brief description of the petition was published in the newspapers on 24.10.2025, 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 projected energy purchases and sales are justified?

ii. Whether the requested/projected O&M cost (including new hiring) is justified and what are the basis for such projections?

iii. Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable costs?

iv. Whether the requested/projected amount under heads of Other Income, Deprecations and RORB based on WACC of 17.41% is justified?

v. 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)?

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

vii. 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, submitted that consumption pattern for the forecasted period has been developed based on the PMS Report for FY 2023-24 of TESCO. TESCO anticipates that consumer growth will continue in line with historical trends, and it is projected that TESCO's consumers will grow at an average rate of 1.8% annual for the forecasted period 2024-25 to 2033-34. While determining the Power Purchase Cost, the projected power purchase cost of CPPA-G has been adopted as the base reference as given below;

Description	Units	2024-25	2024-25	2025-26
		NEPRA	Actual	Projected
Units Purchased	[MkWh]	1499	1451	1479
Units Lost	[MkWh]	133	124	127
Units Lost	[%age]	8.89%	8.60%	8.60%
Units Sold	[MkWh]	1366	1327	1352

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Description	Units	2024-25	2025-26
		Actual	Projected
Energy Charge	[Mln Rs]	15,879	16,682
Capacity Charge	[Mln Rs]	36,166	40,339
Transmission Charge	[Mln Rs]	3,666	3,909
Total Power Purchase Cost	**[Mln Rs]**	**55,711**	**60,930**
Units Purchased	**GWh**	**1451**	**1,352**
Power Purchase Per Unit	**Rs./kWh**	**38.39**	**45.07**

5.2. 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. <u>Whether the requested MYT for a control period of five years is justified?</u>

6.1. The Petitioner submitted that the petition has been filed in accordance with the 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 year 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 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 year 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. <u>Whether the requested/projected O&M cost (including new hiring) is justified and what are the basis for such projections?</u>

8. <u>Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable costs?</u>

8.1. The Petitioner submitted that its Operations and Maintenance (O&M) expenses include Salaries and Wages, Repair and Maintenance, Travelling, Vehicle Running, Management Fee, Computer Services, Damages and Injuries, Rent and Rates, Bad Debts, and other miscellaneous expenses. All expenditures related to Revenue Offices are fully charged to the Supply of Power component. Expenses incurred at the Head Office are allocated based on the level of services provided, and 80% of Computer Center expenses are apportioned to the Supply component using the number of employees as the cost driver.

8.2. The projection of O&M expenses for the control period from FY 2025–26 to FY 2029–30 has been prepared using the audited financial accounts of FY 2023–24 and the first three quarters of actual expenses for FY 2024–25 as the baseline. Salaries have been projected

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based on an expected 17.5% annual increase, which aligns with government policy, comprising an average 12.5% budgetary increase announced by the Federal Government and an additional 5% annual increment. Pension costs have been projected with a 15% annual increase, while Repair & Maintenance and all other operating expenses have been escalated based on the historical 10-year average Consumer Price Index (CPI) inflation, which averages out to 10.81%.

8.3. A summary of the projected O&M expenses for the Distribution component over the control period is provided in the table below:

Mln. Rs.

Operation & Maintenance					
Description	2025-26	2026-27	2027-28	2028-29	2029-30
Employees Cost					
Salaries, Wages & Benefits	1,354	1,576	1,819	2,099	2,423
Retirement Benefits	519	597	686	789	908
Total Employees Cost	1,873	2,172	2,505	2,888	3,330
Repair & Maintenance	240	279	279	309	296
Travelling	44	49	54	60	67
Transportation	67	75	83	92	102
Other Expenses	40	45	50	55	61
Management fee / Bod Fee	16	18	20	22	24
Consultancy, audit & legal fee	4	4	5	5	6
Computer services	4	4	5	5	6
Damages and Injuries	8	9	10	11	12
Rent, rates and taxes	4	4	5	5	6
Other miscellaneous expenses	4	4	5	5	6
Wheeling charges	1,035	1,139	1,252	1,378	1,515
Total O&M	**3,340**	**3,803**	**4,273**	**4,837**	**5,432**

8.4. The Petitioner provided the following head wise justification for the requested amounts;

<u>Salaries & Wages & Pension:</u>

- ✓ Employment costs, including salaries, wages, and employee retirement benefits, constitute a major portion of TESCO's Operations and Maintenance (O&M) expenses. In the Annual Budget for FY 2024–25, the Government of Pakistan announced a significant increase in public sector compensation, including a 20% ad hoc allowance for officers, 25% for officials, and a 15% increase in pensions.
- ✓ In addition to these budgetary measures, the impact of the annual increment cycle further contributes to the increase in employment costs. Furthermore, TESCO anticipates new hiring during the control period to meet growing operational needs, network expansion, and compliance obligations. Also, TESCO has unbundled its welfare fund from WAPDA so the relevant expenses in respect of marriage grant, monthly grant and scholarships will be paid out of TESCO's own resources.
- ✓ Considering these factors collectively, an average increase of 17.5% in employment-related costs has been projected and requested, ensuring that TESCO can continue to

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attract, retain, and adequately compensate its workforce in line with government policies and operational demands.

Travelling Expenses

- ✓ Due to the aging infrastructure and the increased requirement for major system overhauls, TESCO has had to deploy additional manpower to remote and far-flung areas for extended periods. In parallel, to enhance the capacity and skillset of its workforce, a range of training programs and technical courses have been conducted, resulting in increased travel and accommodation needs for staff.
- ✓ In addition, the Federal Government has revised the rates for Daily Allowance, Travelling Allowance, and Mileage Allowance, leading to an overall 30% increase in travel-related costs. This revision has had a significant impact on TESCO's expenditure under the Travelling Allowance head.
- ✓ For the purpose of projecting Travelling Expenses during the control period starting from FY 2025–26 to FY 2029–30, TESCO has applied a historical Consumer Price Index (CPI)-based increase of 10.81%, reflecting the 10-year average inflation trend. This approach ensures a realistic and inflation-adjusted forecast of travel-related costs aligned with national economic conditions.
- ✓ Accordingly, the requested increase in Travelling Expenses is fully justified and forms an essential part of TESCO's O&M cost projections for the control period.

Vehicle Maintenance and POL Costs:

- ✓ TESCO operates across an extensive area of approximately 27,219 square kilometers, necessitating the maintenance of a substantial fleet to ensure reliable service delivery. As of the latest data, TESCO manages a fleet of 112 operational vehicles. To enhance operational efficiency and meet the growing demands of its service area, TESCO has recently procured additional vehicles, including 8 bucket-mounted trucks, 27 porters, and 21 pickup vehicles.
- ✓ The cost of petroleum products has seen a significant rise over the years. Notably, the average petrol price during FY 2019–20 was Rs. 117.50 per litre. As of April 2025, the petrol price stands at Rs. 254.63 per litre, reflecting an increase of approximately 116.6% over the period.
- ✓ In projecting vehicle maintenance and POL (Petrol, Oil, and Lubricants) expenses for the control period starting FY 2025–26, TESCO has applied a historical Consumer Price Index (CPI)-based inflation rate of 10.81%, which represents the average inflation trend over the past ten years. This adjustment accounts for the rising costs associated with vehicle operation and maintenance, including fuel, spare parts, and service charges.
- ✓ Considering these factors, TESCO requests approval for the adjusted vehicle maintenance and POL costs to ensure the continued reliability and efficiency of its fleet operations throughout the control period.

Other Expenses

- ✓ The "Other Expenses" head includes all essential costs that are not covered under previously discussed categories. Major components of these expenses include Injuries and Damages, Consultancy Fees, ERP Charges, Safety Consultant Fees, Legal Fees, Board

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of Directors Fees, Rent, Advertising Charges, Telephone and Communication Services, Computer Services, and utilities such as Power, Light, and Water, among others.

✓ To project these costs for the control period from FY 2025–26 to FY 2029–30, TESCO has applied a historical Consumer Price Index (CPI)-based inflation rate of 10.81%, which reflects the average general inflation trend over the past decade. This approach provides a balanced and economically sound basis for forecasting future costs without overstating inflationary impacts.

✓ Accordingly, TESCO requests approval for the indexed increase in "Other Expenses" to ensure continuity of critical administrative and operational functions throughout the control period.

<u>Repair & Maintenance Expenses</u>

✓ In the MYT determination for the period FY 2020–21 to FY 2024–25, the share of Repair and Maintenance (R&M) expenses in TESCO's base reference tariff was kept on the lower side. This was largely due to the fact that much of the distribution system's maintenance was financed through grants provided by the Government of Khyber Pakhtunkhwa (GoKP). However, due to the prevailing financial constraints at the GoKP level, TESCO is now compelled to bear the full burden of these costs from its own resources—expenses which justifiably form part of the distribution margin.

✓ TESCO's jurisdiction covers a geographically vast and scattered region extending from Bajaur Tribal District to South Waziristan. The company currently operates a significant and aging infrastructure, including 20 grid stations, 346 11kV feeders, 872 km of 132kV and 66kV transmission lines, 6,324 km of HT lines, and 19,298 distribution transformers. A considerable portion of this network is in dilapidated condition, attributed both to aging and to the prolonged consequences of the war on terror—necessitating regular and intensive maintenance.

✓ In addition, law and order challenges, coupled with the limited writ of the state in certain areas, have resulted in repeated acts of sabotage, particularly targeting transmission towers. TESCO's infrastructure has also suffered damage from flooding, theft, and vandalism, leading to unplanned repair needs. Routine maintenance is further required for grid station equipment, protection systems, and residential colonies, all of which are vital to maintaining operational stability.

✓ Moreover, the overloading of the distribution system, worsened by non-metered supply, poses significant safety hazards and remains a barrier to reliable electricity delivery. Compounding these technical challenges are rising inflation, material cost escalations, and macroeconomic instability, which have placed substantial pressure on TESCO's cash flows and led to unavoidable cost overruns in system maintenance.

✓ Additional cost drivers include the repair of high-voltage transmission lines, the growth in 11kV feeders, and system improvement activities, such as earthing upgrades, construction of cable trenches, installation of protection walls, and other unpredictable maintenance requirements that arise from operational realities in challenging terrain.

✓ For the purpose of projecting R&M expenses during the control period from FY 2025–26 to FY 2029–30, TESCO has applied a historical Consumer Price Index (CPI) based inflation rate of 10.81%, which reflects the average inflation trend over the last ten

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years. This inflation-adjusted forecast ensures that the company can maintain its operational infrastructure efficiently and respond promptly to maintenance needs, thereby supporting service quality and regulatory compliance.

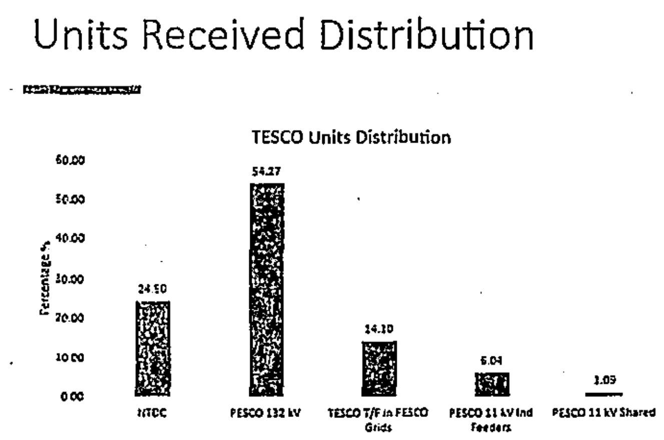
Wheeling Charges

- ✓ The Petitioner also requested wheeling charges and stated that the Authority in its Tariff determination of Supply Tariff for FY 2019-20 of TESCO dated 14.12.2020 approved the wheeling charges (Use of System Charges) as under:

Wheeling Charges
The Petitioner in its instant petition has requested an amount of Rs.2,550 million on account of wheeling charges. However, no further working/ supportive evidence and justification has been provided by the Petitioner. The Petitioner is using both 11kV and 132 kV transmission lines of PESCO, consequently the Wheeling charges payable to PESCO are calculated according to the use of system charges given in the tariff determination of PESCO for the FY 2024-25.

Description	*For 132 kV Only*	*For 11 kV only*	*For Both 132 kV & 11 kV*
Asset Allocation	*23.65%*	*43.65%*	*67.30%*
Level of Losses	*2.44%*	*11.82%*	*13.97%*
UoSC Rs. /kWh	*0.87*	*1.92*	*2.9*

- ✓ However, PESCO is rising wheeling charges based on Rs 2.90/kWh at all units received by TESCO during FY 2024-25 and the determined tariff for previous years. TESCO is receiving power from NTDC, WAPDA at 132 kV only, while from PESCO at 132 kV & 11 kV feeders. The Units received by TESCO at different voltage levels are shown below;



- ✓ Based on the above %, the Units received and subsequent rate raised by PESCO & actual calculated by TESCO are hereby given:

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Wheeling Charges For FY 2022-23				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	403.512	2,012.205	-
PESCO 132 kV	53.06%	912.632		266.9
PESCO Ind Feeders	20.59%	354.148		98.90
PESCO 11 kV Shared	2.89%	49.708		40.13
Total	100.00%	1720.00	2012.205	405.97

Wheeling Charges Projection For FY 2023-24				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	358.938	3,901.50	-
PESCO 132 kV	53.06%	811.818		517.533975
PESCO Ind Feeders	20.59%	315.027		200.8297125
PESCO 11 kV Shared	2.89%	44.217		77.7998115
Total	100.00%	1530.00	3901.50	796.167

Wheeling Charges Projection For FY 2024-25				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	424.391	4,612.95	-
PESCO 132 kV	53.06%	959.855		611.9078175
PESCO Ind Feeders	20.59%	372.473		237.4516013
PESCO 11 kV Shared	2.89%	52.280		91.98683595
Total	100.00%	1809.00	4612.95	941.353

- ✓ TESCO also stated that it has submitted its clarification on the non-utilization of the funds allocated to the Authority vide letter dated 04.06.2024 and requested to allow wheeling charges for the controlled periods of FY 2025-26 to 2029-30.
- ✓ The Petitioner during the hearing reiterated its submissions by stating that basis for projected O&M costs are the actual expenditure incurred by TESCO during FY 2024-25. The annual increases have been considered as per the actual /provisional audited expense of base year of FY 2024-25 and historical audited expenses of FY 2022-23, FY 2023-24. The Petitioner submitted its updated request as under;

Mln. Rs.

Description	2024-25	2024-25	2025-26
	At Submission Time	Updated FS	Projected
Operation & Maintenance			
Salaries, Wages & Benefits	1,152	1,006	1,354
Retirement Benefits	451	459	519
Total Employees Cost	1,603	1,465	1,873
Repair & Maintenance	170	255	268
Travelling	40	32	44
Transportation	61	51	67
Other Expenses	36	22	40
Management fee / Bod Fee	15	43	16
Consultancy, audit & legal fee	4	2	4
Computer services	4	11	4
Damages and Injuries	7	10	8
Rent, rates and taxes	4	3	4
Other miscellaneous expenses	4	5	4
Wheeling charges	941	4,479	1,035
Total O&M	2,888	6,378	3,367

8.5. On the issue of controllable and uncontrollable factors, the Petitioner's submitted that Petrol, Oil & Lubricants (POL) and travelling allowance (TA) may be considered as

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controllable expenses, whereas Operations Expenses, Salaries, Wages, and Pensions and Repair & Maintenance (R&M) may be classified as uncontrollable expenses.

8.6. 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 licensees 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;"*

8.7. 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.

8.8. 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.

8.9. 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.

8.10. 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

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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.

8.11. In view thereof, the head wise assessment of the Petitioner under each of the requested costs is as discussed hereunder.

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

9.1. 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.

9.2. 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.

9.3. The actual total cost as provided by the Petitioner for the FY 2024-25, under Salaries & Wages (excluding postretirement benefits, discussed separately) is Rs.1,258 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.

9.4. Accordingly, the cost of Salaries & Wages (excluding postretirement benefits; discussed separately), for both the Distribution and Supply Functions works out as Rs.1,445 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.

9.5. 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.1,160 million.

9.6. The assessed Salaries & Wages costs for the FY 2025-26 i.e. Rs.1,160 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.

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9.7. 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.

10. New Hiring / Additional Recruitment

10.1. 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 Authority understands that any allowing cost upfront either on account of new hiring or outsourcing, 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 services actually outsourced 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.

11. Post-Retirement Benefits

11.1. The Authority noted that head of post-retirement benefit includes employees' pension, free electricity and medical facility. The Authority understands that employees of XWDSICSOs 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.

11.2. It is also pertinent to mention here 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 Petitioner's routine operations, thus reducing the Distribution Margin and eventually consumer-end tariff in longer run.

11.3. Here it is pertinent to mention that the Authority in the previous MYT of TESCO, keeping in view it's operational performance, in terms of T&D losses and recovery, considered that allowing provision for post-retirement benefits instead of actual payments, would not be in the interest of the consumers as any additional amount over & above the actual payments, would be eaten-up by the inefficiencies of the Petitioner and the Petitioner would not be able to deposit the excess amount in the Fund. Hence, the Petitioner was allowed actual payments only, however, if the Petitioner still manages to deposit any

POWER REGULATORY AUTHORITY NEPRA AUTHORITY NATIONAL ELECTRIC additional amount in the Fund, the Authority may consider to allow the same as PYA in the subsequent adjustment request.

11.4. In view of the aforementioned and keeping in view the request of the Petitioner, the Authority has decided to allow post-retirement benefits for the FY 2025-26, keeping in view the actual payments as per the Audited/ provisional accounts of the Petitioner for the FY 2024-25, and the request of the Petitioner for the FY 2025-26. Accordingly, the cost of post-retirement benefits being allowed to the Petitioners for the FY 2025-26, works out as Rs.649 million, for both its distribution and Supply functions.

11.5. 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 works out as Rs.492 million.

11.6. Considering the fact that the Petitioner is obligated to pay to its pensioners, the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Authority has decided to actualize the post-retirement benefits cost of the Petitioner for the relevant year, based on its audited accounts. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request.

12. <u>Repair & Maintenance Costs</u>

12.1. Regarding Repair and maintenance expenses, the Petitioner mentioned that its jurisdiction covers a geographically vast and scattered region extending from Bajaur Tribal District to South Waziristan. The company currently operates a significant and aging infrastructure, and a considerable portion of this network is in dilapidated condition. In addition, law and order challenges, coupled with the limited writ of the state in certain areas, have resulted in repeated acts of sabotage, particularly targeting transmission towers. Moreover, overloading of system, worsened by non-metered supply, poses significant safety hazards and remains a barrier to reliable electricity delivery. Compounding these technical challenges are rising inflation, material cost escalations, and macroeconomic instability, which have placed substantial pressure on TESCO's cash flows and led to unavoidable cost overruns in system maintenance. Additional cost drivers include the repair of high-voltage transmission lines, the growth in 11kV feeders, and system improvement activities, such as earthing upgrades, construction of cable trenches, installation of protection walls, and other unpredictable maintenance requirements that arise from operational realities in challenging terrain.

12.2. The Authority has carefully examined the Petitioner's request. No doubt 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 significant 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. The Authority also 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 O&M

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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.

12.3. In view of the foregoing and keeping in view the current approved tariff methodology, the Authority has decided to allow an amount of Rs.267 million under R&M head, for the FY 2025-26, after incorporating the inflationary impact on the R&M cost as per the accounts of the Petitioner for the FY 2024-25 for both the Distribution and Supply functions.

12.4. 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.239 million.

12.5. The assessed repair and maintenance cost for the FY 2025-26 i.e. Rs.239 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.

12.6. 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.

13. <u>Other O&M Expenses</u>

13.1. Other O&M expenses include Travelling costs, Vehicle Maintenance and other expenses i.e. Rent, Rates & Taxes, Power, Light and Water, Communication, Bill Collection Charges, Office supplies, Director Fees, Auditor Remuneration, Professional Fees, Outside Service Employed, Management Fees, NEPRA License Fees, Advertisement & Publicity, Subscriptions & Periodicals, Representation & Entertainment, Insurance, Bank Charges, and other miscellaneous expense.

13.2. The Petitioner projected its Other O&M costs including Travelling, Vehicle Maintenance and other expenses, as under during the MYT control period for its distribution function;

Mln. Rs.

Description	2024-25	2024-25	2025-26
	At Submission Time	Updated FS	Projected
Travelling	40	32	44
Transportation	61	51	67
Other Expenses	36	22	40
Management fee / Bod Fee	15	43	16
Consultancy, audit & legal fee	4	2	4
Computer services	4	11	4
Damages and Injuries	7	10	8
Rent, rates and taxes	4	3	4
Other miscellaneous expenses	4	5	4
Total O&M	175	179	191

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13.3. 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. Accordingly, for assessment of Other O&M costs for the FY 2025-26, the Authority, keeping in view the cost as per the accounts of the Petitioner for the FY 2024-25, has decided to allow an amount of Rs.210 million to TESCO for the FY 2025-26. The said amount of Rs.210 million is being allowed for both the Distribution and Supply of Power function for the FY 2025-26.

13.4. 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.

13.5. 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.

13.6. 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.102 million.

13.7. 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.

13.8. 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 account for the previous year is 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.

13.9. <u>Wheeling Charges</u>

On the issue of wheeling charges, the Authority noted that similar submissions were made by TESCO in its annual adjustment/ indexation request for the FY 2024-25. The Authority vide decision dated 14.06.2024, had directed TESCO to clear the payment of outstanding amounts to PESCO for the already allowed amount on account of wheeling charges and settle the issue with PESCO through help of MoE (PD) and CPPA -G. Thus, no further cost is allowed till clearance of the already allowed amounts. TESCO is again directed to comply with the directions of the Authority, otherwise the already allowed amount of

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wheeling charges less any amount already paid to PESCO, would be deducted as part of PYA in the next tariff indexation/adjustment request.

PPMC Fee

13.10. 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 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.

13.11. 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.

13.12. 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.

13.13. 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.

13.14. 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.

13.15. 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.

14. Whether the requested/projected amount under heads of Other Income, Deprecations and RORB based on WACC of 17.41% is justified?

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15. Depreciation

15.1. The Petitioner has requested an amount of Rs.837 million on account of Depreciation and submitted that projected depreciation expense has been calculated based on the value of existing fixed assets, along with anticipated additions during each year of the control period. Depreciation is applied in accordance with standard utility accounting practices using the straight-line method over the useful life of the assets. The applicable depreciation rates for various asset categories are as follows:

- Buildings and Civil Works: 2%
- Plant and Machinery: 3.5%
- Office Equipment and Vehicles: 10%
- Other Assets: 10%

15.2. The Authority noted that as per the Methodology, depreciation expense for the test year, which in the instant case is FY 2025-26, will be determined by applying depreciation charge on the Gross Fixed Assets in Operation, including new investment and will be considered reference for the tariff control period.

15.3. 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.

Rs. Mln

Provisional Capex	TESCO
FY 2025-26	1,783
FY 2026-27	1,591

15.4. 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 the Petitioner.

15.5. Regarding the T&D Losses Target, the Authority has decided to provisionally approve the following loss target:

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Provisional T&D Loss	TESCO
FY 2025-26	8.89%
FY 2026-27	8.89%

15.6. The Petitioner is directed to carry out its T&D loss study through an independent third party, as per the approved terms of references (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. In case, the T&D loss studies are not submitted within the allowed time period, the following T&D Loss target shall become applicable for FY 2025-26 and FY 2026-27, and all relevant tariff adjustment shall be reworked on such revised targets. The financial impact of such revision shall be made part of PYA of subsequent tariff rebasing.

RevisedT&D Loss Target (Failure to submit study)	TESCO
FY 2025-26	7.70%
FY 2026-27	7.70%

15.7. The submitted T&D loss study by an independent third-party shall be considered by the Authority for revision / firm up of T&D loss Targets for the applicable period in the next rebasing of the tariff for DISCOs (January 2027) or mid-term (December 2027) review of DIP of the Petitioner, as the case may be.

15.8. Not used

15.9. Not used

15.10. 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.692 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.

15.11. 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.651 million for the FY 2025-26. Accordingly, the consumers would bear net depreciation of Rs.41 million.

15.12. 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.682 million.

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16. RoRB

16.1. The Petitioner submitted that in accordance with the Rules, TESCO has calculated the Regulatory Asset Base (RAB) for the financial years 2025–26 to 2029–30 by summing the projected net fixed assets and the closing balance of work-in-progress (CWIP), and then deducting the projected deferred credits.

16.2. To determine the Average Regulatory Asset Base for each year, the RAB values at the beginning and end of the year are averaged. The Return on Rate Base (RORB) is then calculated by applying the Weighted Average Cost of Capital (WACC) to this average RAB. This approach ensures that TESCO's return is commensurate with its investment risk profile and capital structure, promoting continued investment in the power sector.

16.3. To estimate the Return on Equity (RoE), TESCO has applied the Capital Asset Pricing Model (CAPM), a widely recognized model used by regulatory agencies across the world to determine the cost of equity for regulated utilities. Under this model, the following inputs have been used:

- Risk-Free Rate (RFR): 0.554%, derived from the 5-year PIB return
- Market Return:11.92%, based on long-term average performance of KSE-100 index
- Beta: 1.1, indicating the volatility of TESCO relative to the market

16.4. Based on the above parameters, the estimated RoE for FY 2025–26 has been calculated as 16.92%. For the Cost of Debt, TESCO has considered the 6-month KIBOR rate as of April 28, 2025, which stood at 12.01%, and added a spread of 7% to reflect risk and borrowing conditions, resulting in a total Cost of Debt of 19.01%. Accordingly, the WACC has been worked out as under;

WACC= ((Ke x (E/V) + (Kd x (D/V))
WACC = [13.11%*30%] + [19.01%*70%] = 17.41%

16.5. TESCO has projected 17.41%, 15.91%, 14.41%, 12.91%, 11.41% WACC for FY 2025-26 to 2029-30 respectively while incorporating same methodology.

16.6. 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;

16.7. 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.

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16.8. 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;

Kd = KIBOR + Spread

16.9. Accordingly, the WACC as per the given formula works pout as under;

WACC= ((Ke x (E / V) + (Kd x (D / V))
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;

16.10. 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.

16.11. 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, the Authority 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.

16.12. For risk free rate, the yield of 05 year 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.

16.13. 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.

16.14. Regardingthe 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).*

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16.15. 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%

WACC= ((Ke x (E / V) + (Kd x (D / V))
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;
WACC = ((14.47% x 30%) + (12.64% x 70%)) = 13.19%

16.16. 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;

	TESCO	
Description	FY 2024-25	FY 2025-26
Fixed Assets O/B	17,676	19,818
Addition	2,142	2,343
Fixed Assets C/B	19,818	22,161
Depreciation	6,075	6,766
Net Fixed Assets	13,744	15,395
Capital WIP C/B	10,881	11,917
Fixed Assets Inc. WIP	24,625	27,312
	-	-
Less: Deferred Credits	15,512	13,515
Total	9,114	13,797
RAB		11,455
WACC		13.19%
RORB		1,511

16.17. 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 entire amount of RORB for the FY 2025-26 has been allocated to the distribution function, which works out as Rs.1,481 million.

16.18. 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.

16.19. 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 the 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.

16.20. 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

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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.

16.21. 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 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.

<u>Other Income</u>

16.22. The Petitioner has submitted that main sources of other income include Interest Income, Sale of Scrap, Amortization of Deferred Credit, and income from non-utility operations. Rental & Service Income etc. Accordingly, the Petitioner has projected an amount of Rs.736 for the FY 2025-26, for its distribution and supply functions.

16.23. 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.

16.24. 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.736 million as requested by the Petitioner, 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.

16.25. 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.

16.26. 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, the amount of Other Income for the FY 2025-26 i.e. Rs.552 million has been allocated to the Distribution function.

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

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9 Math.

17. 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)?

18. Adjustment Mechanism

18.1. Regarding adjustment mechanism of different components, the Petitioner during the hearing submitted as under;

- ✓ **Salaries, Wages, and Pensions:** To be adjusted annually in line with Federal Government salary and pension revisions announced in the national budget.
- ✓ **Other O&M Components:** To be indexed annually with CPI based on inflation published by the Pakistan Bureau of Statistics (PBS). There is no efficiency factor or consider is as 1.

18.2. The Authority, while assessing the O&M costs of the Petitioner for the FY 2025-26, has taken into account the 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 under these head. The treatment is in line with the very sprit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

18.3. 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).

18.4. Indexation of O&M cost components

18.5. 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.

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18.6. **Considering the fact that the Petitioner is obligated to pay to its pensioners,** the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Post-retirement Benefits would be actualized based on the audited accounts of the Petitioner for the relevant year. 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 - Actual Post-retirement Benefits payment	
Revised Post-Retirement Benefits	= Ref. Pots-retirement Benefits x [1+(GoP Increase or CPI)]
The allowed Post-Retirement Benefit 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.	

18.7. <u>Transportation/Vehicle Running expense portion of O&M cost</u>

18.8. 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)])

18.9. <u>Remaining O&M costs will be indexed</u> 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(Rev) = O & M (Ref.) x {1 + (NCPI-X)]

Where

O &M (Rev) = Revised O&M Expense for the Current Year

O &M (Ref) = Reference O&M Expense for the Reference Year

Δ NCPI = 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 thepurpose of future adjustment/ indexation shall be 4.07% and - 0.18% respectively.

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

19. <u>RORB</u>

19.1. 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;

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Adjustment Mechanism - RoRB	
RORB(Rev)	=RORB(Ref) x RAB(Rev) / RAB(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 one 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.	

19.2. In addition, the Petitioner 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.

19.3. 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 the 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.

19.4. 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 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.

20. <u>Depreciation Expenses</u>

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

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

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

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

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

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

20.2. 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

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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.

21. Other Income

21.1. 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)	=OI(Allowed Previous year) + {OI(allowed for previous year) – OI(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

21.2. The Authority during proceedings directed the Petitioner to provide it working capital calculation and has considered the submissions of the Petitioner and 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	TESCO
Stores and Spares (3% of GFA)	3%	3%	665
Trade debt (30 days of Revenue Receivable)	30	0.08	320
Total Current Assets			985
Current Liabilities	2/3	66.67%	656
Working Capital Requirement			328
Less Receipt Against Deposit Work			7,696
Net Working Capital			(7,368)
Cost of debt local			12.00%
Working Capital Cost			(884)

21.3. As mentioned in the table above, the Petitioner's working capital requirement for the Distribution function has been assessed as Rs.328 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.884 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

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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.

<u>Actualization of Previous year based on allowed revenue as PYA</u>

<u>Current Assets</u>

- 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)

<u>Current liabilities</u>

- 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.

21.4. 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.

22. <u>Whether there will be any claw back mechanism or not?</u>

22.1. Although DISCOs made their submissions on this issue, however, the Authority noted that DISCOs were not able to fully comprehend the issue.

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22.2. The Authority understands that sharing mechanism for any savings by the utility has already been provided under each head separately e.g. O&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.

23. <u>Upfront Indexation/adjustment for the period July 2026 to December 2026</u>

23.1. The Ministry of Energy (MoE (PD)) 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 NEPRA (Tariff Standards and Procedure) Rules, 1998. 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 NEPRA (Tariff Standards and Procedure) Rules, 1998 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.

23.2. The MoE (PD) 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.

23.3. The MoE (PD) 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.

23.4. 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

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annual rebasing is notified with effect from January 1st of each year, after completion of all regulatory proceedings."

23.5. TESCO also vide letter dated 22.10.2025 submitted that the MoE (PD) 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.

23.6. TESCO 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. TESCO 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.

23.7. 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;

Description	Interim Indexation (Jul. to Dec. 2026)
Salaries, Wages & Other Benefits	985
Post Retirement Benefits	373
Other O & M Costs	288
Depreciation	340
Return on Rate Base	880
Gross Distribution Margin	**2865**
Less: Other Income	-391
Net Distribution Margin	2474

23.8. 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.

23.9. 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

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determined provisional revenue requirement of TESCO for the period from July 1, 2026 to December 31, 2026 as under:

Description	Unit	July to December 2026 FY 2026-27
Pay & Allowances		765
Post Retirement Benefits		357
Repair & Maintainance		142
Traveling allowance		22
Vehicle maintenance		35
Other expenses		54
O&M Cost	[Mln. Rs.]	1,375
Depriciation		389
RORB		932
O.Income		(368)
Margin	[Mln. Rs.]	2,327

23.10. 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.

23.11. 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.

23.12. 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.

24. Order

24.1. 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, and CY 2026 (January 26 to December 26) including upfront Indexation/adjustment for the period July 2026 to December 2026, to the extent of distribution function is summarized as under;

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Description	Unit	Revised Allowed FY 2025-26 DOP	Allowed CY 2026 DOP
Units Received	[MkWh]		1,554
Units Sold	[MkWh]		1,416
Units Lost	[MkWh]		138
Units Lost	[%]		**8.89%**
Pay & Allowances		1,160	1,088
Post Retirement Benefits		492	529
Repair & Maintainance		239	350
Traveling allowance		30	33
Vehicle maintenance		41	51
Other expenses		31	33
O&M Cost	[Mln. Rs.]	**1,993**	**2,084**
Depriciation		682	700
RORB		1,481	2,453
O.Income		(552)	(546)
Margin	[Mln. Rs.]	3,603	4,691
Prior Year Adjustment (PYA)	[Mln. Rs.]		-
Working Capital	[Mln. Rs.]		(884)
Revenue Requirement	[Mln. Rs.]	**3,603**	**3,807**
Average Tariff	[Rs./kWh]		**2.69**

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

24.3. 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	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.
Post-retirement Benefit		
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	

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24.4. 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.

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

24.6. 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.

24.7. 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.

24.8. 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;

24.9. 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..

24.10. 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.

24.11. 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.

25. <u>Summary of Direction</u>

25.1. The Authority hereby directs the Petitioner to;

i. Provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund each year.

ii. Provide the amount of IDC capitalized with its subsequent adjustment request and reflect the same in its Audited Financial Statements each year.

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. to provide a certification from its Auditors that Repair and Maintenance expenditure does not include any CAPEX nature item.

26. 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.

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27. 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

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