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National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-495/SEPCO-2019/46475-46477
December 24, 2020

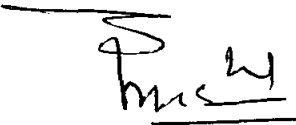
Subject: Determination of the Authority in the matter of Petition filed by Sukkur Electric Power Company Ltd. (SEPCO) for Determination of its Distribution Tariff for the FY 2018-19 & FY 2019-20 [Case # NEPRA/TRF-495/SEPCO-2019]

Dear Sir,

Please find enclosed herewith subject Determination of the Authority (50 Pages) in Case No. NEPRA/TRF-495/SEPCO-2019.

2. The Determination is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

Enclosure: As above


24 12 20

(Syed Safer Hussain)

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



**National Electric Power Regulatory Authority
(NEPRA)**

PETITION NO: NEPRA/TRF-495/SEPCO-2019

**DETERMINATION OF DISTRIBUTION TARIFF PETITION
FOR
SUKKUR ELECTRIC POWER COMPANY LIMITED (SEPCO)
FOR THE FY 2018-19 & FY 2019-20
UNDER
NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998**

Islamabad
24
December , 2020

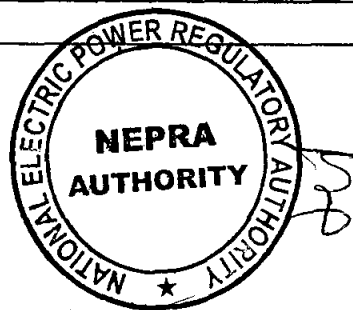


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Abbreviations

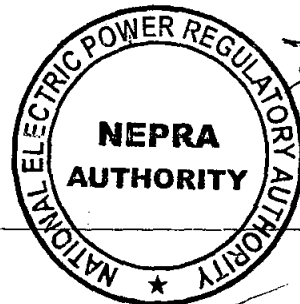
CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
ADB	Asian Development Bank
AMI	Advance Metering Infrastructure
AMR	Automatic Meter Reading
BoD	Board of Director
BTS	Base Transceiver Station
CAPM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



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NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric 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





**DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY SUKKUR
ELECTRIC POWER COMPANY LIMITED (SEPCO) FOR DETERMINATION OF ITS
DISTRIBUTION TARIFF FOR THE FY 2018-19 AND FY 2019-20**

CASE NO. NEPRA/TRF-495/SEPCO-2019

PETITIONER

Sukkur Electric Power Company Limited (SEPCO), Thermal Power Station, Old Sukkur, Sukkur.

INTERVENER

M/s CM Pak Limited (ZONG)

COMMENTATOR

NIL.

REPRESENTATION

- i. Chief Executive Officer
- ii. Chief Financial Officer
- iii. Chief Commercial Officer
- iv. Chief Technical
- v. Deputy Manager CP&C

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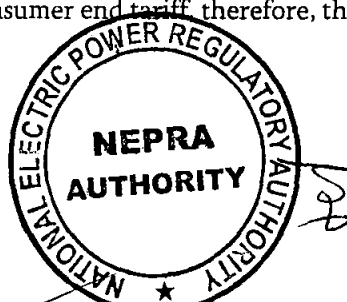
1. Background

- 1.1. The amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, which was published in the official Gazette on 30th April 2018 (the "Amendment Act"), resulting in restructuring of the energy sector.
- 1.2. As per the amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.
- 1.3. Section 23E of the Act, provides NEPRA with the powers to grant Electric Power Supply License for the supply of electric power. Section 23E(1), however, provides that the holder of a distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so. Section 23E, further states that the eligibility criteria for grant of license to supply electric power to be prescribed by the Federal Government, and shall include, provision with respect to a supplier of the last resort, as the case may be.
- 1.4. In view thereof, Sukkur Electric Power Company Limited (SEPCO), hereinafter called "the Petitioner", being a Distribution as well as deemed Supplier filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff for the FY 2018-19 & FY 2019-20 in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules").
- 1.5. The Petitioner in its petition, inter alia, has requested for a distribution cost of Rs.11,939 million & Rs.18,381 million for the FY 2018-19 & FY 2019-20 respectively i.e. Rs.4.29/kWh & Rs.5.45/kWh based on projected sales of 2,781 GWh & 3,373 GWh as detailed below;

Description	Unit	FY 2018-19	FY 2019-20
Units Received	GWh	4,412	5,190
Units Lost	GWh	1,631	1,817
T&D Losses	%	36.97%	35.02%
Units Delivered	GWh	2,781	3,373
O&M	Mln Rs.	8,255	9,298
Depreciation	Mln Rs.	1,304	1,452
Return on Regulatory Asset Base (RoRB)	Mln Rs.	1,604	3,188
Other Income	Mln Rs.	(889)	(988)
Provision for Bad Debts	Mln Rs.	1,664	1,486
Prior Period Adjustment	Mln Rs.		3,944
Total Revenue Requirement	Mln Rs.	11,939	18,381
Distribution Margin	Rs./kWh	4.29	5.45
Investment	Mln Rs.	2,433	4,688

2. Proceedings

- 2.1. In terms of rule 4 of the Tariff standard and Procedure Rules, 1998 (hereinafter referred to as "Rules"), the petition was admitted by the Authority on December 20, 2019. Since the impact of any such adjustments has to be made part of the consumer end tariff therefore, the Authority, in

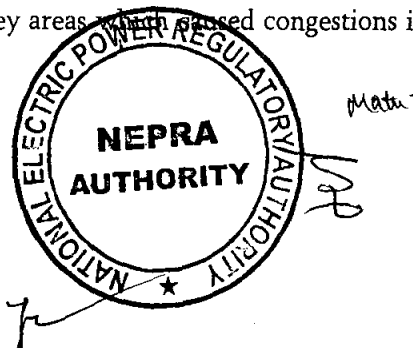


order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.

- 2.2. Hearing in the matter was initially scheduled on February 11, 2020, for which notice of admission / hearing along-with the title and brief description of the petition was published in newspapers on January 22, 2020 and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties. However, during the hearing, the Authority, owing to non-presence of CEO SEPCO, decided to adjourn the hearing. The hearing was later on rescheduled for June 02, 2020 for which advertisement was published in the newspaper on May 22, 2020, and also uploaded on NEPRA website; individual notices were also issued to stakeholders/interested parties.

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 Petitioner has complied with the direction of the Authority given in its earlier determination?
 - ii. Whether the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments are justified?
 - iii. As provided in NEPRA Amendment Act, 2018, SEPCO as Distribution Licensee shall be deemed to hold Supply License also for a period of 5-years. In this regard, SEPCO is required to explain its organizational restructuring in respect of segregation of responsibilities for Distribution Business and Sale Business?
 - iv. As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection / reconnection services (on demand of Supplier) are with Distribution Licensee whereas procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, SEPCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?
 - v. Whether the projected demand is reasonable?
 - vi. Whether the projected Net Distribution Margin (excluding RoRB) is justified? The petitioner is required to provide Grid wise plan of its proposed O&M.
 - vii. Whether the request of petitioner for future adjustment of Sukuk Loan and its Rent, merit consideration?
 - viii. Whether the projected Return on Regulatory Asset base (RORB) is justified?
 - ix. Whether the distribution margin should be recovered on Rs./kW or Rs./kWh basis?
 - x. Whether the requested T&D loss target is reasonable? What are parameters for bifurcation of the requested losses in terms of Technical losses & Administrative losses?
 - xi. Whether the Petitioner's request regarding efficiency factor X merits consideration?
 - xii. Whether SEPCO is currently facing network congestions? If yes, SEPCO is required to submit detailed analysis by identifying the grey areas with congestions in its

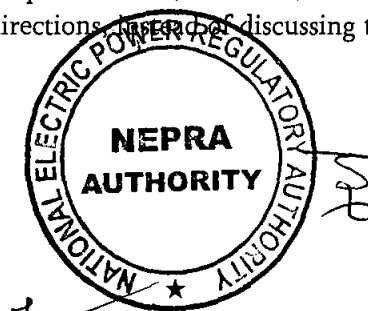


transmission and distribution system. SEPCO is also required to submit load shedding policy in high loss areas.

- xiii. Whether the requested investment without submission of five Year IGTDP as required is justified? Petitioner must provide the project wise detailed report along with rationale against the requested investment.
- xiv. Whether the ToU meters installed on Residential & General Services connections have the capability to record MDI?
- xv. Whether the concerns raised by the intervener/ commentator if any are justified?
- xvi. 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 thereof, IR has been filed by M/s CM Pak Limited (ZONG). A brief of the concerns raised by M/s CM Pak is as under;
- 4.2. The intervener highlighted issues being faced in terms of provision of electricity, coupled with over billing, deteriorating system and non-cooperative mechanism being adopted with respect to discharge of liabilities by the Petitioner. It was also submitted that provision of electricity connections despite paid demand notes ranges from 100-400 days, whereas, as per the rule 4 of NEPRA Performance Standards (Distribution) Rules, 2005, the time period prescribed for new connections is within 30 to 55 days. The Intervener accordingly requested the Authority to issue directions to the Petitioner for provision of electricity connection in accordance with law and decide the pending over billing complaints/issues within a specified time in accordance with law.
- 4.3. The Authority observed that the issues highlighted by the Intervener were primarily complaints in nature, therefore, directed the Petitioner, during the hearing, to ensure provision of pending connections without further delay. The Authority also directed the Petitioner to establish a corporate desk to facilitate its corporate clients in terms of provision of electricity and to address the issues of overbilling, if any, on priority basis. The Petitioner did not submit any details with respect to the pending connections as of June 2019. The Authority while analyzing the DISCOs performance statistics report published by PEPCO noted that total applications pending for new connections in respect of the Petitioner were 2,547, which include 2,169 domestic, 280 commercial, 15 Agriculture, 80 industrial and 3 others applications. The Authority directs the Petitioner to provide electricity connections to all these pending applications without further delay and submit a quarterly progress report in this regard.
- 4.4. During the hearing held on June 02, 2020, the Petitioner was represented by its Chief Executive Officer along-with its technical and financial teams; On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;
- 5. Whether the Petitioner has complied with the direction of the Authority given in its earlier determination?
 - 5.1. The Authority gave certain directions to the Petitioner in its tariff determination for the FY 2017-18. The Authority understands that periodic monitoring of the directions given by the Authority is absolutely necessary in order to analyze the Petitioner's performance, therefore, the Authority has decided to have a half yearly review of the given directions. Instead of discussing the same



only during the tariff proceedings. However, the directions which are directly relevant to the tariff determination of the Petitioner are discussed hereunder;

6. **To spend at least 20% of the village electrification funds for improvement / up gradation of the grid and not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.**

6.1. The Authority in the Petitioner's determination for the FY 2015-16 observed that the impact of all the investments may get diluted, if the Petitioner carry out village electrification imprudently as imprudent village electrification may result in overloading and increasing the T&D losses.

6.2. In the past, the village electrification was restricted to poles, lines and distribution transformers only. Its impact on the existing grid or strengthening of the grid due to the additional load in the form of village electrification was totally ignored. In view thereof, the Authority directed the Petitioner to spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner was further directed not to undertake any village electrification which would result in overloading of its system and the village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.

6.3. PEPCO vide letter dated July 01, 2020, directed all the DISCOs to deduct 20% from the SAP funds. This action caused hue and cry amongst the different stakeholders and a meeting of Cabinet was convened on July 07, 2020, wherein it was decided that the practice of deducting 20% from SAP funds should be discontinued.

6.4. The same decision was communicated to NEPRA, which was subsequently discussed with the honorable Federal Minister of Energy with respect to its implications to the Sector. The Federal Minister assured that wherever grid augmentation is involved, the Ministry of Energy (Power Division) will ensure these funds to DISCOs to beef up the grid facilities.

6.5. The Authority keeping in view the decision of Cabinet dated July 07, 2020 and subsequent assurance by the Honorable Federal Minister of Energy, hereby directs the Petitioner to stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy.

7. **To restrain from unlawful utilization of receipts against deposit works and security deposits, and to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.**

7.1. The Authority during the tariff determination of the Petitioner for the FY 2015-16 and onward, noted that the Petitioner had insufficient cash balance against its pending liability of receipt against deposit works and consumer security deposits, which indicated that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide details in this regard. The Authority observed that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers. Also, the amount collected under the head of receipt against deposit works has to be spent for the purpose for which it has been collected. The utilization of the money collected against deposit works and security deposits other than the works for which it has been received is illegal and unlawful. In view thereof, the Petitioner was directed to provide rational / justification for improper utilization of the money because the consumers have to face unnecessary delay for their applied connections.

- 7.2. For the FY 2018-19, has again observed that the Petitioner as per its provisional accounts has insufficient cash balance as on 30th June 2020, against its pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else for which no details have been provided.
- 7.3. Accordingly, the Authority has decided, to include the amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2018-19, after excluding therefrom the cash/ bank balances and the amount of stores & Spares available with the Petitioner as on June 30, 2019.
- 7.4. In view thereof, the Authority has decided to take up this matter separately with the Petitioner through M&E/Legal Department, however, at the same again directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law may be initiated against the Petitioner. The Petitioner is again directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

8. Create separate post-retirement benefits Fund.

- 8.1. The matter has been discussed in the ensuing paragraphs while deliberating the issue of Distribution Margin requested by the Petitioner.

9. To maintain a proper record of its assets by way of tagging each asset for its proper tracking and to provide explanation on the concerns raised by the Authority in terms of its R&M cost.

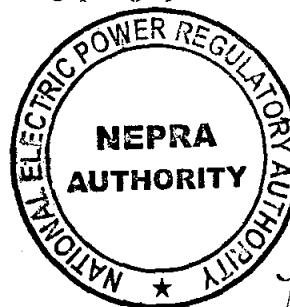
- 9.1. The Authority in the previous tariff determinations of the Petitioner pertaining to the FY 2015-16, FY 2016-17 and FY 2017-18, observed that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense and accordingly, directed the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking. In addition, the Petitioner was also directed to provide an explanation on the concerns raised by the Authority in terms of capitalization of costs which were being expensed out as R&M by the Petitioner. The Petitioner during the proceeding of FY 2016-17 & FY 2017-18 submitted that it is considering to acquire services of consultancy firm for proper accounting and tagging of its assets and that further development on this account will be apprised to the Authority. During hearing of the instant tariff petition, the Petitioner only submitted that compliance of the Authority's directions has already been made, however, no supporting evidence /updates on the hiring of the consultancy firm has been provided.

- 9.2. In view thereof, the Authority has decided to take up this matter separately with the Petitioner through M&E/Legal Department, however, at the same again directs the Petitioner to ensure proper tagging of its assets so that costs incurred are properly classified as per their nature and also to provide explanation on the concerns raised by the Authority in terms of its R&M costs.

10. Provide project wise detail of investment incurred for the FY 2014-15 to FY 2017-18, in order to assess the effectiveness of the investments carried out by the Petitioner.

11. Submit project wise detailed report and its cost/benefit analysis report for the investments made during the last five years and technical/financial savings achieved.

- 11.1. The matter has been discussed in the ensuing paragraphs while deliberating the issue of Investments requested by the Petitioner.

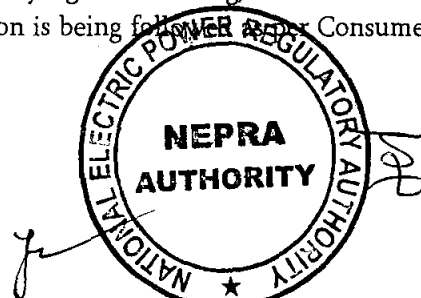




12. Whether the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments are justified?
13. As per NEPRA Amendment Act, 2018, obligations of procurement of assets including meters (for satisfying its services) and disconnection / reconnection services (on demand of Supplier) are with Distribution Licensee whereas procedure for metering, billing, collection of approved charges and recovery of arrears are the obligations of Supply Licensee. In this scenario, SEPCO is required to state the mode and manner being developed and followed for appropriate coordination between Distribution Licensee and Supply Licensee?
14. As per Amendment Act, 2018, responsibilities of DISCO and Supplier have been bifurcated. SEPCO is required to submit overall organogram which broadly describe its role/functions as DISCO and Supplier.
15. As provided in NEPRA Amendment Act, 2018, SEPCO as Distribution Licensee shall be deemed to hold Supply License also for a period of 5-years. In this regard, SEPCO is required to explain its organizational restructuring in respect of segregation of responsibilities for Distribution Business and Sale Business?
- 15.1. As explained in earlier paragraphs, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended through NEPRA Act, 2018, whereby 'sale' of electric power has been removed from the scope of Distribution Licenses and transferred to 'Supply Licensee'.
- 15.2. In light of the aforementioned provisions of the Act, the Petitioner was required to bifurcate its costs in terms of Distribution and Supply Function and provide basis thereof.
- 15.3. The Petitioner submitted the following table based on which the supply & distribution segments are bifurcated on the basis of functions, job description and activities resulting in cost and revenue to SEPCO;

SUPPLY OF POWER	DISTRIBUTION OF POWER
<ul style="list-style-type: none"> • CHIEF COMMERCIAL, • 01 MANAGER (COMMERCIAL) • 01 MANAGER (S&I) Manager (TMCM) & MANAGER (M&T) • DY MANAGERS (COMMERCIAL) • REVENUE OFFICERS 	<ul style="list-style-type: none"> • CE TECHNICAL , CE (DEV) PMU, CE OPERATION, • 03 X OPERATION CIRCLES, • 16 OPERATION DIVISIONS, • 62 OPERATION SUBDIVISIONS • PD GSC , 1 X GSO CIRCLE, • PD (Construction)
<ul style="list-style-type: none"> • 100% EXPENSES ARE ALLOCATED 	<ul style="list-style-type: none"> • 100% EXPENSES ARE ALLOCATED
<ul style="list-style-type: none"> • SALARIES AND OTHER EXPENSES OF HEAD QUARTER, ALLOCATED ON THE BASIS OF SERVICES PROVIDED. 	<ul style="list-style-type: none"> • SALARIES AND OTHER EXPENSES OF HEAD QUARTER, ALLOCATED ON THE BASIS OF SERVICES PROVIDED.
<ul style="list-style-type: none"> • 85% OF EXPENSES OF COMPUTER CENTER 	<ul style="list-style-type: none"> • 15% OF EXPENSES OF COMPUTER CENTER

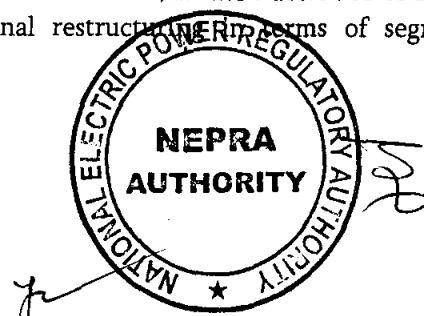
- 15.4. Regarding organizational restructuring in respect of segregation of responsibilities for Distribution Business and Sale Business, Petitioner during the hearing did not provide explanation. The Petitioner only submitted that the tariff petitions are filed separately as provided in NEPRA Amendment Act, 2018, SEPCO has initiated to restructure its Organizational restructuring in respect of segregation of responsibilities for Distribution and Supply Business.
- 15.5. The Petitioner further submitted that the procurement of assets including meters are being procured as per approved specification (for satisfying its servicing) and the Procedure for Metering, Billing, Disconnection and Reconnection is being followed by Consumer Services





Manual dully approved by NEPRA. Further the Petitioner submitted that the Consumer Service Manual is being uploaded on SEPCO website & displayed in all field offices for favor of Information of respective consumers.

- 15.6. The Petitioner during the hearing regarding coordination between two segments submitted that
- i. Superintending Engineer (SE) of operation circle is responsible for all activities of both businesses.
 - ii. Deputy Commercial Manager (DCM) of operation circle is responsible for metering, billing and collection of his circle.
 - iii. Executive Engineers of Operation Division are responsible for operation and maintenance of the feeders, distribution transformers and LT lines, sub services to consumers. He will also manage requirement of meters, disconnection and reconnection on the request of Supply of Electricity Business. Sub Division will provide services to Distribution of Electricity and Supply Services on proportionate basis of 60% and 40%.
 - iv. Revenue Officer is responsible for implementing in conjunction with the Executive Engineer, the commercial policies laid down from time by the Company. They are reporting to DCM.
 - v. Procurement of meters are being process centrally through Manager Material Management on request of S.Es and issue the meters to Executive Engineer on their demand.
 - vi. All the financial transactions between two businesses will be adjusted through inter office transaction (IOT) advises.
 - vii. Every Revenue Office & Executive Engineer Office are separate accounting units.
 - viii. Divisional Accounts Officer (D.A.O) is responsible to keep the record of all financial transactions.
- 15.7. In addition to the above the Petitioner submitted that the following steps are being adopted to provide batter services to undertake a detail study to Bottlenecks of the connection process.
- i) Roll out full online application system.
 - ii) Make processes, guidelines and fees more transparent.
 - iii) Introduce cost calculator.
 - iv) Improve transparency of information index by ensuring SEPCO notifies its customers of a change in tariff ahead of billing cycle.
 - v) Online payment option should be made available.
- 15.8. The Authority understands that as per the Amended Act, the Distribution Licensee is responsible to provide distribution service within its territory on a non-discriminatory basis and develop, maintain and publicly make available, with the prior approval of the Authority, an investment program, meaning thereby, that installation/investment, operation, maintenance and controlling of distribution networks, form part of the Distribution License and activities like metering, billing and collection form part of the Supply License.
- 15.9. The Authority believes that after amendments in NEPRA Act, all the Public Sector Distribution companies are required to make organizational restructuring in terms of segregation of



responsibilities of the Distribution and Sale functions and in order to ensure appropriate coordination between both functions. Hence, keeping in view the fact that it is operational issue and DISCOs are owned by the Federal Government, it would be more appropriate that a centralized restructuring plan at the level of Federal Government is prepared to be implemented by all the public sector DISCOs in order to have a uniformity and consistency in the structure.

16. Whether the projected demand is reasonable?

16.1. The Petitioner has requested sales of 2,781 GWh & 3,373 GWh for the FY 2019 & FY 2020 respectively. Further the Petitioner provided the following quarter wise tables;

Description	FY 2018-19						Growth Rate %age
	Unit	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total	
Units Purchase	Mkwh	1,580.49	873.96	632.56	1,324.63	4,412	0.94
Units Sold	Mkwh	906.49	625.56	450.67	797.98	2,781	1.00
T&D Losses	%age	42.65%	28.42%	28.75%	39.76%	36.97%	0.30

Description	FY 2019-20						Growth Rate %age
	Unit	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total	
Units Purchase	Mkwh	1,796	960	919	1,615	5,190	1.18
Units Sold	Mkwh	1,087	742	535	999	3,373	1.21
T&D Losses	%age	38.91%	22.66%	41.83%	34.10%	35.02%	0.02-

16.2. The Petitioner in its Petition in this regard has submitted that Unit Sales for FY 2018-19 is actual & FY 2019-20 is projected keeping in view the availability of electricity in the system and reduction in T&D Losses by (0.2) % from the last year actual losses i.e. 36.97%.

16.3. The Authority observed that the issue being relevant to Supply of Power Function has been deliberated in detail under Supply Tariff Petition of SEPCO for the FY 2019-20.

17. Whether the projected Net Distribution Margin (excluding RoRB) is justified? The petitioner is required to provide Grid wise plan of its proposed O&M.

17.1. The Petitioner in its petition has requested a net Distribution margin exclusive of RoRB of Rs.10,344 million & Rs. 11,248 million for its distribution function for the FY 2018-19 & FY 2019-20 respectively as detailed hereunder;

Description	FY 2018-19 (Rs. in M)	FY 2019-20 (Rs. in M)
O&M (Million Rs.)	8,255	9,298
Depreciation	1,304	1,452
Provision for bad debts	1,664	1,486
Other Income	(889)	(988)
Distribution Margin Cost	10,334	11,248
Sales Volume (MKWh)	2,781	3,373
Average Distribution Margin Rs./KWh	3.72	3.33
Prior year Adjustment Rs./KWh		1.17
Net Average Sale tariff Rs./KWh		5.45

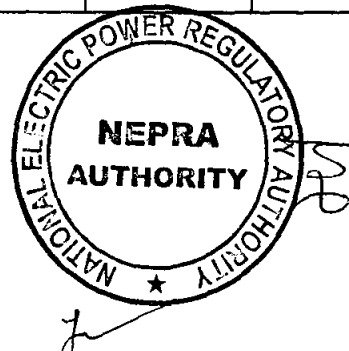


- 17.2. For projections or assessment of OPEX costs, two commonly used approaches are Ex-Ante and the Ex-Post approach. In a regime where the allowed OPEX is determined Ex-Ante, there will inevitably be deviations between the allowed and actual expenses, in the form of efficiency savings or losses. Thus, resulting in two broad options, one that the utility bears all savings or losses, i.e. no action is taken by the Regulator. Secondly, the utility shares the savings or losses with consumers. The former approach 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.
- 17.3. The widely used approach is that no adjustments to allowed Revenues or OPEX allowances are made hence providing an incentive to the utility to improve its operations. However, considering the fact that FY 2018-19 already elapsed, the Authority considers it appropriate to use Ex-Post facto approach while determining O&M costs of the Petitioner for the FY 2018-19.
- 17.4. The Petitioner regarding O&M cost has stated that based on inflation adjustments to SEPCO's operating expenses from the latest available provisional / Un-Audited data FY 2018-19 and 13% increase in Salaries & Allowances in the FY 2019-20. The O&M per unit has been projected at around Rs2.76/KWh.
- 17.5. During hearing of the instant tariff petition, the Petitioner revised its figure for O&M under different heads however, no change has been made in total requested figure under distribution function. The Petitioner provided the following break-up of O&M;

Description	2018-19 Distribution of Power		2019-20 Distribution of Power	
	During Hearing	In Petition	During Hearing	In Petition
Salaries & Benefits	4,350	4,350	4,754	4,721
Post-Retirement Benefits	2,729	2,729	3,024	3,057
Traveling Costs	332	332	322	322
Vehicle Maintenance	129	129	154	154
Repair & Maintenance	524	479	507	475
Other Expenses	191	236	537	569
Total	8,255	8,255	9,298	9,298

- 17.6. During hearing of the instant tariff petition, the Petitioner further provided the following revised requested amounts in terms of Distribution and Supply of power;

Description	2018-19			2019-20 Requested		
	Distribution of Power	Sale of Power	Total	Distribution of Power	Sale of Power	Total
Salaries & Benefits	4,350	403	4,753	4,754	443	5,197





Post-Retirement Benefits	2,729	29	2,758	3,024	32	3,056
Traveling Costs	332	16	348	322	17	339
Vehicle Maintenance	129	0.38	129	154	0.42	154
Repair & Maintenance	524		524	507		507
Other Expenses	191	7	198	537	8	545
Total	8,255	454	8,710	9,298	500	9,798

18. **Salaries Wages & Other Benefits excluding Postretirement benefits**

18.1. The Petitioner as per the breakup provided during the hearing, requested Rs.4,350 million & Rs.4,754 million for the FY 2018-19 & FY 2019-20 respectively.

18.2. The Petitioner regarding the pay and allowances in its petition has stated that it includes salaries of regular and contract employees, wages of daily wages, which includes all benefits such as house rent and acquisitions allowances, medical allowances and facilities, free electricity and pension contribution. Considering the impact of increase in salaries annual increment etc. by the Government as per the finance bill.

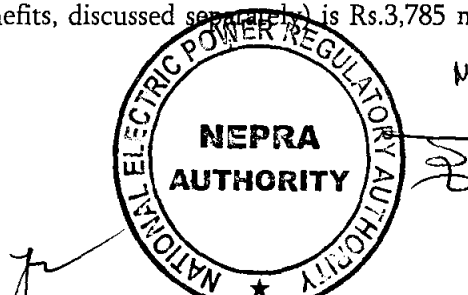
18.3. In addition the Petitioner submitted that the Company is intending to appoint the 51 Nos. employees against essential vacant posts that has been allowed by the PEPCO vide letter No.11768/GMHR/PEPCO/dated 30-11-2018. The Petition provided the following details in this regards;

Sr. No.	Designation	BPS	No of Posts	Monthly Salary per Employee	Per Month Salary Cost	Salary for the Year
1	Junior Engineer / SDO	17	34	64,475	2,192,150	26,305,800
2	Assistant Manager (CS) / Revenue Officer	17	12	64,475	773,700	9,284,400
3	Bill Distributor	7	5	21025	105,125	1,261,500
	Total		51	149,975	3,070,975	36,851,700

18.4. The Petitioner during the hearing regarding Salaries & Benefits for the FY 2019-20 has submitted that 9% increase is due to annual increment and adhoc relief allowed by the Government.

18.5. Considering the fact that the FY 2018-19 and FY 2019-20, for which the costs are being assessed, have already lapsed, therefore, the Authority has decided to consider the actual costs incurred by the Petitioner in this regard. It is also pertinent to mention that being a public sector company, the Petitioner is obligated to allow the increases announced by the Federal Government through Budget to its employees including the postretirement benefits.

18.6. For the FY 2018-19 the actual cost reflected in the provisional accounts of the Petitioner for Salaries & Wages (excluding postretirement benefits, discussed separately) is Rs.3,785 million.



Here it is pertinent to mention that the Petitioner, despite the Authority's clear directions, has still not provided the replacement hiring certificate. Therefore, the replacement hiring cost of Rs.97 million has been adjusted from the allowed cost of Salaries & Wages. Thus, the net amount, after deducting the replacement hiring cost of Rs.97 million, works out as Rs.3,687 million, which is hereby allowed to the Petitioner, under the head of salaries, wages & other benefits (excluding postretirement benefits, discussed separately) for the FY 2018-19 for both the Distribution and Supply of Power functions.

- 18.7. The Petitioner is also directed to provide certificate of replacement hiring from its Auditors as has been directed by the Authority in the previous tariff determinations. Once the requisite certificate is provided by the Petitioner, the Authority may consider allowing the cost of replacement hiring.
- 18.8. Regarding, the FY 2019-20, till finalization of the instant tariff determination, the financial statements of the Petitioner for the FY 2019-20 were not made available. Therefore, for assessment of Salaries & Wages costs for the FY 2019-20, the Authority has decided to incorporate the increases announced by the Government on Salaries and Wages in the Budget of FY 2019-20, on the amount allowed to the Petitioner under this head for the FY 2018-19. Accordingly, the Petitioner is allowed an amount of Rs.4,007 million for the Salaries & Wages costs (excluding postretirement benefits, discussed separately & cost of replacement hiring) for the FY 2019-20 for both the Distribution and Supply Functions. Here it is important to highlight that for the FY 2019-20, the amount of replacement hiring when worked out based on the increases allowed by the Government, t works out as Rs.106 million, which is deducted while assessing the Salaries & Wages expenses of the Petitioner for the FY 2019-20.
- 18.9. The accounts of the Petitioner for the FY 2018-19 do not provide any bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions. Therefore, the Authority, has allocated the total cost of Salaries, Wages and other benefits proportionately to the Distribution and Supply Functions, based on the figures of Salaries, Wages and other benefits requested in the Distribution and Supply Petitions for both the FY 2018-19 and FY 2019-20. Accordingly, the cost of Salaries, Wages and other benefits (excluding postretirement benefits and replacement hiring cost) for the FY 2018-19 and FY 2019-20 pertaining to the distribution function works out as Rs.3,375 million and Rs.3,665 million respectively.
- 18.10. For the proposed recruitment to be carried out, the Authority understands that allowing cost of additional hiring, upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. Therefore, the Authority may consider such costs once the actual recruitment is carried out and the Petitioner provides details of the actual cost incurred duly substantiated with the quantified benefits accrued.

19. **Post-Retirement Benefits**

- 19.1. The Authority considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post-retirement benefits, directed the Petitioner to create a separate fund in this regard. Subsequently, this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records its liability more prudently since the funds would be transferred into a separate legal entity. In addition to that these independent funds would generate their own profits, if kept



- separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff.
- 19.2. During the tariff proceeding of the FY 2016-17 and FY 2017-18, the Petitioner submitted that Trust Deed & Trustee has been approved by the BoD of SEPCO in its 17th Meeting held on 25.02.15 and the Trust deed documents have been submitted to FBR for exemption. The Trust deed has been registered with the Sub-Registrar office Sukkur on dated 04.08.16. The Petitioner also submitted that an initial amount Rs.100 Million for post-retirement benefit Fund has been arranged and the matter is under the BoD approval.
- 19.3. The Authority upon which seriously noted that despite lapse of more than six year, the Petitioner had failed to finalize legal formalities for opening of a separate post retirement fund and directed the Petitioner to create the separate post-retirement benefits Fund before 30th September 2018.
- 19.4. During the hearing of the instant tariff petition the Petitioner has submitted that it has complied with the decision of the Authority, however, the Petitioner has not substantiated it with any evidence or provided any update in the matter regarding deposit of funds in the post retirement benefit account.
- 19.5. As per the breakup provided by the Petitioner during the Hearing the Petitioner has requested Rs.2,729 million & Rs.3,024 million for the FY 2018-19 & FY 2019-20 respectively. Further, during hearing, the Petitioner stated that justification for increase in Pension is increased announced by the Government and increase in the Nos. of Pensioners
- 19.6. The Authority, understands that payment of postretirement benefits to the retired employees is a compulsory obligation of the Petitioner which can be best fulfilled through a separate postretirement Fund having sufficient funds. However, failure of the Petitioner to deposit the amount of already collected provision of postretirement benefits into the Fund, would not absolve the Petitioner from its responsibility in this regard.
- 19.7. In view thereof, and considering the fact that FY 2018-19 has already lapsed, the Authority has decided to allow only actual payments made by the Petitioner on account of Post-retirement benefits made during the year as per the accounts provided by the Petitioner. The actual payments reflected in the accounts of the Petitioner is Rs.1,496 million. Accordingly, the same amount is being allowed to the Petitioner for the FY 2018-19 for the postretirement benefits for both the Distribution and Supply Functions, including the impact of payments for the Ex- WAPDA employees retired before 1998.
- 19.8. Regarding, the FY 2019-20, till finalization of the instant determination, the financial statements of the Petitioner for the FY 2019-20 were not made available. Therefore, for assessment Postretirement benefits for the FY 2019-20, the Authority has decided to incorporate the increases announced by the Government on Post retirement benefits in the Budget of FY 2019-20, on the amount allowed to the Petitioner under this head for the FY 2018-19. Accordingly, the Petitioner is allowed an amount of Rs.1,646 million for the Post retirement benefits for the FY 2019-20 for both the Distribution and Supply Functions, including the impact of payments for the Ex-WAPDA employees retired before 1998.
- 19.9. For the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself has been considered. Based on the said criteria, the Petitioner is allowed an amount of Rs.1,481 million & Rs.1,629 million for the FY 2018-19 & FY 2019-20 respectively on account of postretirement benefits for the Distribution Function.





19.10. The Petitioner is directed to provide evidence of creation of post retirement fund and to transfer the already collected provision on account of Post-Retirement benefits into the Fund and also provide break-up of the said postretirement benefits indicating the provision amount pertaining to the prior period and the current portion.

20. Repair & Maintenance Expenses

20.1. In the breakup provided by the petitioner during the hearing, the Petitioner has requested Rs.524 million & Rs.507 million under the head of Repair & Maintenance Expenses for the FY 2018-19 & FY 2019-20 for the Distribution Function. Here it is pertinent to mention that the Petitioner has requested the entire amount of R&M under its Distribution Function.

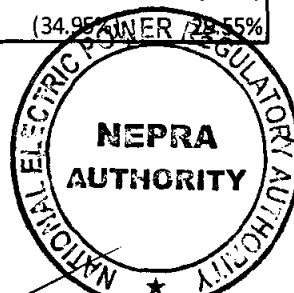
20.2. The Petitioner in the petition has stated that it pertain to the maintenance of 132 & 66 Grid Stations and allied transmission lines, 11KV distribution lines and maintenance of transformers. Further, to justify its request, the Petitioner has submitted that the distribution system of SEPCO is spread in far flung areas which require regular and constant maintenance. Due to over loaded system the maintenance cost is high. The Petitioner to further justify its request during the hearing submitted that 3% decrease in FY 2019-20 from FY 2018-19 is due to control over the R&M expenditure.

20.3. The Petitioner during the hearing also provided the following in terms of breakup of requested amounts;

Repair & Maintenance	FY 2018-19 (Provisional)	FY 2019-20 (Requested)	System Improvements and Benefits Achieved in respect of Each Project		Financial Impact
	Mln Rs.	Mln Rs.	Base Line Conditions	Improved Conditions	
R&M Grid/Stn. TL	110	50	Tripping /Overloading	Reliability in supply	Reduction of loss /saving in units
R&M Distribution Material	359	418	Tripping /Overloading	Reliability in supply	Reduction of loss /saving in units
R&M General	5	5	Tripping /Overloading	Reliability in supply	Reduction of loss /saving in units
R&M Civil	50	34			
Total	524	507			

20.4. Considering the fact that FY 2018-19 has already lapsed, the Authority decided to analyze the actual expenditure incurred by the Petitioner for repair & Maintenance during the year. As per the accounts provided by the Petitioner, its actual expenditure under Repair & Maintenance is Rs.752 million for its entire system whereas, the Petitioner has requested a total amount of Rs.524 million. A historical trend of the Petitioner's actual R&M expenses during the last five years is as under;

Description	Rs. in Mln			
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
R & M Cost	929.327	891.885	580.151	751.595
% Increase/Decrease		(4.03%)	(34.95%)	(25.55%)



- 20.5. One of the reasons for reduction in cost till FY 2017-18 could be the direction of the Authority given to the Petitioner in its tariff determinations for FY 2015-16 & FY 2017-18, wherein the Petitioner was directed to capitalize expenditures i.e. Replacement of Transformers/ Meters, instead of expensing out the same. The Petitioner probably have started reporting its actual R&M costs and to capitalize costs relating to replacement of Transformers/ Meters in line with the Authority's directions.
- 20.6. However, the Petitioner's repair & maintenance has substantially increased in FY 2018-19 i.e. around 30%, for which no justification has been submitted by the Petitioner. Here it is pertinent to mention that as the Petitioner's actual expenditure is for the entire network, the Authority while comparing the requested amount of Rs.524 million has considered the same for both the functions. Since, the Petitioner itself has requested Rs.524 million, thus, asking for a reduction of around 10% from its actual expenditure for the FY 2017-18, therefore, the Authority keeping in view the submissions of the Petitioner and comparison with other DISCOs has decided to allow the amount as requested by the Petitioner i.e. Rs.524 million for the FY 2018-19 for both the Distribution and Supply of Power Functions.
- 20.7. For the FY 2019-20, the Petitioner has requested a reduction of around 3% in its R&M expenses, as compared to the requested cost of the FY 2018-19. The Petitioner has stated that the proposed reduction is due to control over the expenditure. The Authority considering the request of the Petitioner for a lower amount as compared to last year allowed expenses, has decided to allow the same i.e. Rs.507 million for the FY 2019-20 for its entire system.
- 20.8. For the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted, whereby the petitioner allocated entire R&M amount to its distribution business. Based on the said criteria, the Petitioner is allowed the entire amount of Rs.524 million for FY 2018-19 and Rs.507 million for FY 2019-20 under head of repair & maintenance expenses in its Distribution Function.
- 20.9. The Authority observed that the Petitioner is being directed since FY 2015-16, to maintain a proper record of its assets by way of tagging each asset for its proper tracking. In addition, the Petitioner was also directed to provide an explanation on the concerns raised by the Authority in terms of its R&M cost, however, no such explanation has been received from the Petitioner. The petitioner is therefore once gain directed to maintain a proper record of its assets by way of tagging each asset for its proper tracking and also to provide explanation on the concerns raised by the Authority in terms of its R&M cost in the tariff determination for the FY 2015-16.

21. Travelling Expenses

- 21.1. The Petitioner has requested Rs.332 million & Rs.322 million for the FY 2018-19 & FY 2019-20 respectively for its Distribution function. The Petitioner regarding Traveling expenses has submitted that it mostly related with the operation staff as the distribution system of SEPCO is deteriorated, which requires regular maintenance resulting increase in travelling allowance. The Petitioner during the hearing submitted that the same has been reduced in the FY 2019-20 by 3% due to control over expenditure.
- 21.2. The Authority, considering the fact that FY 2018-19 has already lapsed, decided to analyze the actual expenditure incurred by the Petitioner under the head "Travelling". As per the accounts submitted by the Petitioner for the FY 2018-19, its expenditure under travelling for the FY 2018-19 is Rs.293 million. A comparison of the same with the actual amount of the Petitioner for the

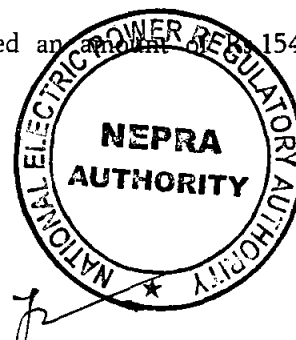


FY 2017-18, showed that its actual Travelling cost for the FY 2018-19 has increased by around 5.46% which is reasonable increase. In view thereof, and comparison with other XWDISCOs, the Authority, considers the cost of Rs.293 million incurred for Travelling for the FY 2018-19 as reasonable and hence the same is allowed to the Petitioner for the FY 2018-19 for both the Distribution and Supply Functions.

- 21.3. For the FY 2019-20, the Petitioner has requested Rs.339 million (for both function i.e. Rs.322 million for Distribution and Rs.17 million for Supply of Power) an increase of around 16% over its actual cost incurred during the FY 2018-19. However, no cogent justification/rationale has been provided in support of the requested amount. The Authority, therefore, keeping in view the Petitioner's previous trend, inflation and comparison with other DISCOs has decided to allow an amount of Rs.320 million for the travelling expenses for both the Distribution and Supply Functions for the FY 2019-20, after incorporating the impact of inflation i.e. 9.11% over the actual cost incurred for the FY 2018-19.
- 21.4. The accounts submitted by the Petitioner do not provide any bifurcation of the Travelling cost in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.280 million & Rs.304 million as travelling costs for the FY 2018-19 & FY 2019-20 respectively for its Distribution Function.

22. Vehicle/Transportation Expenses

- 22.1. The Petitioner has requested an amount of Rs.129 million & Rs.154 million under Transportation expenses for the FY 2018-19 & FY 2019-20 respectively for its Distribution Function. The Petitioner regarding Vehicle expenses submitted that it includes repair and maintenance of vehicles, POL and annual renewal of Registration fees. The Petitioner in order to justify the requested amount submitted that the utility vehicles are very old and have almost utilized their age. Due to old and deteriorated distribution network of SEPCO which is spread in scattered areas and highly overloaded, expenditures in this head are increasing day by day. The Petitioner during the hearing to justify its request for the FY 2019-20, submitted that the 19% increase is due to increase prices of POL.
- 22.2. The Authority, considering the fact that FY 2018-19 & FY 2019-20 has already lapsed, decided to analyze the actual expenditure incurred by the Petitioner under the head "Travelling". As per the provisional accounts submitted by Petitioner for the FY 2018-19, its actual expenditure under Vehicle for the FY 2018-19 is Rs.147 million.
- 22.3. A comparison of the same with the actual cost of the Petitioner for the FY 2017-18 i.e. Rs.111 million, showed that actual total Transportation cost for the FY 2018-19, both for the Distribution and Supply functions, increased by around 32% as compared to the actual expenses of the FY 2017-18. However, the Petitioner has itself requested an amount of Rs.129 million for the FY 2018-19 for the Transportation expenses, which when compared with the cost allowed for the FY 2017-18 i.e. Rs.118 million, primarily includes impact of inflation. In view thereof, comparison with other XWDISCOs, and keeping in view the trend of inflation /fuel prices, and Petitioner's service area, the Authority considers the amount of Rs.129 million as reasonable and hence the same is allowed to the Petitioner for the FY 2018-19 as Transportation expenses both for the Distribution and Supply of Power Function.
- 22.4. For the FY 2019-20, the Petitioner has requested an amount of Rs.154 million for the



transportation expenses, projecting an increase of around 19%, as compared to requested figure for the FY 2018-19. The Petitioner submitted that the increase has been projected keeping in view the increasing trend in POL prices. The Authority keeping in view the Petitioner's previous trend, inflation, increase in fuel prices and comparison with other DISCOs considers the request of the Petitioner as reasons able and hence allows the amount of Rs.154 million for the Transportation expenses both for the Distribution and Supply of Power Functions for the FY 2019-20.

22.5. The accounts submitted by the Petitioner do not provide any bifurcation of the Transportation cost in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.129 million & Rs.154 as Transportation costs for the FY 2018-19 & FY 2019-20 for its Distribution Function.

23. Other Miscellaneous Expenses

23.1. As per the bifurcation provided by the Petitioner during hearing of the instant petition, the Petitioner has requested Rs.191 million & Rs.537 million under Other Miscellaneous Expenditures for the FY 2018-19 & FY 2019-20 respectively for its distribution function.

23.2. The Petitioner regarding other miscellaneous expenses submitted that it includes repair of furniture and office equipment, stationery and Photostat charges, postage and telecommunications, Management fee to PEPCO, NEPRA license and petitions fee, insurance charges etc., which are important for the operations.

23.3. The Authority, considering the fact that FY 2018-19 & FY 2019-20 has already lapsed, decided to analyze the actual expenditure incurred by the Petitioner under the head "Other Miscellaneous Expenses". As per the accounts submitted by Petitioner for the FY 2018-19, its actual expenditure under Other Miscellaneous Expense for the FY 2018-19 is Rs.219 million.

23.4. The Authority, during analysis, noted that the Petitioner has included an amount of Rs.53.856 million on account of Management and Consultation fees being paid to PEPCO.

23.5. Regarding PEPCO fees, the Authority observed that each DISCO is an independent entity having its own board of Directors, thus, allowing any cost on the pretext of PEPCO Management fee is not logical. Further, the then Ministry of Water & Power, itself in the Peshawar High Court submitted that PEPCO shall be dissolved after June 2011. In view thereof, the cost of PEPCO fee has not been allowed to the Petitioner.

23.6. Accordingly, based on the above discussion, and after taking into account the aforementioned disallowed amount from the actual expenses of the Petitioner for the FY 2018-19, the Petitioner costs of total Other Expenses works out as Rs.165 million for the FY 2018-19 for both functions i.e. Distribution & Supply, which is hereby allowed.

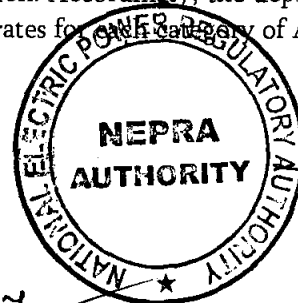
23.7. For the FY 2019-20, the Petitioner has projected an increase of around 303% in its Other expenses, as compared to actual cost for the FY 2018-19, after adjustment for the PEPCO fee. While justifying its request, the Petitioner submitted that it is due to inclusion of provision for ERP cost & Assets verification. The Petitioner in the petition submitted that it has initiated ERP System in the company. The tender was invited for the ERP System as well as Consultant for ERP implementation. M/s Abacus has been selected for ERP / SAP & M/s CROWE have been approved for Consultant by BOD SEPCO for award of the contracts respectively. Letter of Intent has been issued to the qualified bidders. The cost of the contract of the both contracts have been claimed

in the Distribution Margin in O&M heads.

- 23.8. Regarding cost of ERP system, the Authority is of the view that being capital expenditure, the same needs to be considered under the investment program. Therefore, the Petitioner is directed to submit its ERP cost requirement as part of its Investment program.
- 23.9. For the remaining amounts, since the Petitioner has not provided any bifurcation of the requested amount in terms of ERP cost and other miscellaneous expenses, the Authority has decided to allow the inflationary impact over the cost allowed for the FY 2018-19, after deduction of PEPCO charges. Accordingly, the Petitioner is allowed an amount of Rs.180 million for the FY 2019-20, as Other Misc. expenses for both its Distribution and Supply Functions.
- 23.10. The provisional accounts submitted by the Petitioner do not provide any bifurcation of the Other Expenses in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.159 million & Rs.177 million as Other Expenses for the FY 2018-19 & FY 2019-20 for its Distribution Function. The Petitioner is also directed to provide details of PEPCO Management Fees, if any, claimed previously so that same could be adjusted in the subsequent tariff determinations.

24. Depreciation

- 24.1. The Petitioner has requested an amount of Rs.1,304 million & Rs.1,452 under Depreciation Charges for the FY 2018-19 & FY 2019-20 for its Distribution Function. The Petitioner in the Petition regarding depreciation of assets submitted that it is provided in accordance with the accounting policy of the Company.
- 24.2. The Authority, considering the fact that FY 2018-19 & FY 2019-20 has already lapsed, decided to analyze the actual expenditure incurred by the Petitioner under the head "Depreciation". As per the provisional accounts submitted by Petitioner for the FY 2018-19, its actual expenditure under depreciation for the FY 2018-19 is Rs.1,211 million calculated on actual depreciation rates for each category of Assets, as per the Company's policy, based on historical costs of the assets for both of its distribution and supply function. The Authority has decided to allow the actual amount to the Petitioner i.e. Rs.1,211 million for the FY 2018-19 for both Supply and Distribution Function.
- 24.3. The provisional accounts submitted by the Petitioner do not provide any bifurcation of the depreciation charges in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its costs in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.1,200 million on account of depreciation as part of its Distribution function for the FY 2018-19. After carefully examining the relevant details and information pertaining to the deferred credit and amortization, the Authority has assessed amortization of deferred credit to the tune of Rs.519 million for the FY 2018-19, thus, consumers would bear net depreciation of Rs.692 million.
- 24.4. In order to make fair assessment of the Petitioner's depreciation charges for the FY 2019-20, the Authority has taken into account the amount of investments allowed to the Petitioner for the instant year. After taking into account new investments, the Gross Fixed Assets in Operation for the FY 2019-20 have been worked out Rs.39,462 million. Accordingly, the depreciation charge for the FY 2019-20, calculated on actual depreciation rates for each category of Assets as per the



Company's policy, has been assessed as Rs.1,344 million for both of its distribution and supply function. Based on the same criteria as adopted by the Petitioner to bifurcate its costs in terms of Distribution and Supply of Power Functions, the Authority has assessed an amount of Rs.1,333 million on account of depreciation charges for the Distribution Function of the Petitioner for the FY 2019-20. After carefully examining the relevant details and information pertaining to the deferred credit and amortization, the Authority has assessed amortization of deferred credit to the tune of Rs.587 million for the FY 2019-20, thus, consumers would bear net depreciation of Rs.757 million.

25. Other Income

25.1. The Petitioner has requested Rs.899 million & Rs.988 million as Other Income for the FY 2018-19 & FY 2019-20 respectively for its distribution function.

25.2. The Authority, considering the fact that FY 2018-19 has already lapsed, decided to consider the actual other income of the Petitioner for the FY 2018-19, which as per the provisional accounts submitted by the Petitioner is around Rs.827 million, including the amount of amortization of deferred credit but exclusive of the amount of late payment charges. 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 2018-19. The Petitioner is accordingly allowed other Income of Rs.827 million both for the Distribution and Supply Functions for the FY 2018-19, which does not include late payment charges but inclusive of amortization of deferred credit.

25.3. The Audited accounts submitted by the Petitioner do not provide any bifurcation of the Other Income in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of the cost in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate its Other Income in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed an amount of Rs.555 million as Other Income for the FY 2018-19 for its Distribution Function.

25.4. For the FY 2019-20, the Petitioner has projected Rs.988 million as Other Income for its distribution function.

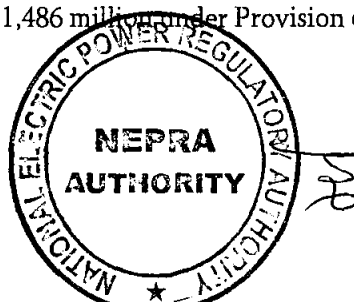
25.5. The Authority has decided to consider the amount of Other Income as proposed by the Petitioner for the FY 2019-20, considering it be inclusive of amount of amortization of deferred credit but exclusive of the amount of late payment charges. In view thereof, the Authority has assessed Rs.988 million as Other Income which does not include late payment charge but includes amortization of deferred credit.

25.6. 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.

25.7. In view thereof, the Authority, again directs the Petitioner to provide the required details of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20, in its next tariff petition.

26. Provision for Bad Debts

26.1. The Petitioner has requested Rs.1,664 million & Rs.1,486 million under Provision of Bad Debt for



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the FY 2018-19 & FY 2019-20 respectively. The Petitioner regarding Provision of Bad Debt has stated that the socio-economic condition of the consumers of SEPCO's area of service is very poor. The capability of payment utility bills is weak. The Petitioner further submitted that the overall recovery position of consumer end-tariff of SEPCO is as under;

Period	Billing [Rs. In M]	Collection [Rs. In M]	%age of Collection
FY 2018-19	47,570	30,887	65%
FY 2017-18	41,478	24,798	60%
Inc/Dec:	6,092	6,089	5%

26.2. Further, the Petitioner provided age wise consumers receivables as on 30th June, 2019 as under:-

	Rs. Mln		
	Actual	Provisional	
Aging of Accounts Receivables as on 30 th June	for ending 30th June, 2018	for ending 30th June, 2019	for ending 30th June, 2020
Outstanding for current year	3,751	4,276	3,663
Outstanding for more than 1 year	5,475	5,905	5,524
Outstanding for more than 2 years	4,028	3,955	4,887
Outstanding for more than 3 years	4,364	4,817	5,213
Outstanding for more than 4 years	4,151	4,447	4,335
Outstanding for more than 5 years	70,653	83,542	81,821
Total Receivables as on June 30	92,423	106,943	105,443

26.3. Here it is pertinent to mention that the Authority in its Redetermination decision dated September 18, 2017, pertaining to tariff petitions of DISCOs for the FY 2015-16, allowed an amount of Rs.2,009 million to the Petitioner as Write-Offs on provisional basis subject to fulfilment of the given criteria. The Authority also decided that in case the Petitioner fails to actually write off the allowed amounts, as per the given criteria, and required evidence is not provided, the provisionally allowed amount shall be adjusted back subsequently. The tariff for the FY 2015-16 was notified by the Federal Government w.e.f. March 22, 2018, therefore, DISCOs were required to complete the process of Write-Offs till March 21, 2019.

26.4. The Petitioner neither in its Petition nor during the hearing provided any details in terms of actual write offs against the amount allowed on provisional basis as per the specified criteria. The Authority in view of the non-completion of the required process/ criteria, has decided to adjust back the amount of write-offs of Rs.1,775 million actually recovered by the Petitioner against the allowed amount of Rs.2,009 million through PYA.

26.5. Now, the Petitioner has again requested an amount of Rs.1,664 million & Rs.1,486 million under Provision of Bad Debt for the FY 2018-19 & FY 2019-20 respectively, whereas, the actual write offs appearing in the provisional accounts of the Petitioner for the FY 2018-19 are around Rs.8 million.

26.6. In view of the above discussion and the fact that the Petitioner has failed to write-offs the provisionally allowed amount, the instant request of the Petitioner for allow provision for bad

debts does not merit consideration and hence disallowed.

27. Prior Year Adjustment

27.1. The Petitioner has requested Rs. 1.17/kWh as prior year adjustment for the FY 2019-20. As per the Form 20 attached with the determination it works out as Rs. 3,944 million. The Petitioner has not provided any information or justification in this regard. The Authority understands that Prior Year Adjustment is to be charged from the consumer as a separate line item, therefore it is more relevant to the Supply of Power tariff. Accordingly, the issue has been discussed in detail in the Supply of Power tariff determination of SEPCO.

28. Whether the request of petitioner for future adjustment of Sukuk Loan and its Rent, merit consideration?

28.1. The Petitioner on the issue has submitted that the Ministry of Energy (Power Division), Government of Pakistan is arranging SUKUK loan 1 & 2 of Rs. 200 billion each, through PHPL from a consortium of Meezan Bank, however, its share to SEPCO is not yet allocated. The same as and when will be allocated to SEPCO, the amount of loan Plus Rent will be claimed through adjustment separately.

28.2. Regarding PHPL loans, the Authority has already adjudicated the matter while deciding the tariff petitions of DISCOs for the FY 2012-13. The Authority observed that the Petitioner has not submitted any new rationale or evidence for consideration of the Authority, therefore, the Authority maintains its earlier decision in this regard; hence the request of the Petitioner is disallowed.

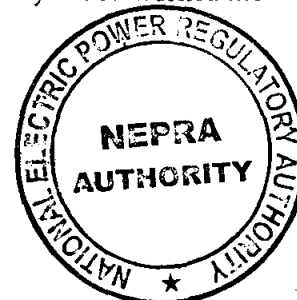
29. Whether the projected Return on Regulatory Asset base (RORB) for the FY 2018-19 is justified?

29.1. The Petitioner has requested Rs.1,604 & Rs.3,188 for the FY 2018-19 & FY 2019-20 respectively and provided the following workings regarding the requested amount;

Sr. #	Description	Unit	FY 2018-19	FY 2019-20
			Provisional	Projected
A	Gross Fixed Assets in Operation - Opening Bal	[Mln Rs]	34,808	37,720
B	Addition in Fixed Assets	[Mln Rs]	2,913	4,297
C	Gross Fixed Assets in Operation - Closing Bal	[Mln Rs]	37,720	42,017
D	Less: Accumulated Depreciation	[Mln Rs]	15,950	17,400
E	Net Fixed Assets in Operation	[Mln Rs]	21,770	24,617
F	Add: Capital Work In Progress - Closing Bal	[Mln Rs]	3,979	6,011
G	Investment in Fixed Assets	[Mln Rs]	25,749	30,629
H	Less: Deferred Credits	[Mln Rs]	10,784	12,119
I	Regulatory Assets Base	[Mln Rs]	14,965	18,510
J	Average Regulatory Assets Base	[Mln Rs]	14,766	17,164
	Rate of Return	[%age]	11.83%	21.59%
	Return on Rate Base	[Mln Rs]	1,604	3,188

29.2. The Petitioner however did not provide any details in terms of workings of Rate of Return used in its calculations i.e. 11.83% & 21.59% for the FY 2018-19 & FY 2019-20.

- 29.3. The Authority noted that Section 31(3) of the amended NEPRA Act prescribes that;
- (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;
- 29.4. The Authority allows Return to DISCOs based on WACC as no separate financial charges are allowed. For calculation of Return of Equity (RoE) component of the WACC, the Authority uses the Capital Asset Pricing Model (CAPM), being the most widely accepted model, applied by Regulatory agencies all over the world to estimate the cost of capital for regulated utilities. Since the Authority uses Plain Vanilla WACC, hence the impact of tax shield is taken as zero, and in case any tax is actually paid by the Petitioner, it is treated as pass through.
- 29.5. As per the 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.
- 29.6. For assessment of the RoE component for the FY 2018-19, weighted average yield on 05 Years Pakistan Investment Bond (PIB) as of June 13, 2018 has been considered as risk free rate which is 8.4795%. 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.
- 29.7. To have an appropriate measure of the market rate of return, analyzed KSE-100 Index return, over a period of 8 years, which remained at around 15%. We have also considered Analysts' consensus/ research houses estimates in this regard. The risk premium used by different leading brokerage houses of the country ranges between 6% – 7%. The rate of return on KSE-100 index remained at around 15%, which also, translates into risk premium of around 6.521% (with risk free rate of 8.4795%, Weighted Average Yield of 5-Year PIB as of June 13, 2018). Therefore, keeping in view the aforementioned, Market Risk Premium of 6.521% is considered as reasonable for calculation of cost of equity component.
- 29.8. The Authority, keeping in view the earlier studies in the matter, range of betas used by international Regulators, and request of the Petitioner, has decided to maintain a beta of 1.10 while assessing the RoE component of the Petitioner.
- 29.9. As regard the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has analyzed the financial statements of the DISCOs. The Authority noted that majority of loans obtained by XWDISCOs are relent loans, therefore, keeping in view the NEPRA (Benchmarks for Tariff Determination), Guidelines, 2018, and the loans obtained by K-Electric, the Authority considers cost of debt as 3 month's KIBOR + 2.00% spread as reasonable. Consequently, the cost of debt has been worked out as 8.93% i.e. 3 Months KIBOR of 6.93% as of 3rd July 2018 plus a spread of 2.00% (200 basis points).
- 29.10. Consequent to the aforementioned discussion, the Authority has re-worked the WACC as below;



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Cost of Equity;
$Ke = R_F + (R_M - R_F) \times \beta$
$= 8.4795\% + (15\% - 8.4795\% = 6.521\% \times 1.1) = 15.65\%$
Cost of Debt;
$Kd = 8.93\%$

29.11. Accordingly, the WACC has been worked out as under;

WACC;
$WACC = ((Ke \times (E / V)) + (Kd \times (D / V)))$
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;
$WACC = ((15.65\% \times 30\%) + (8.93\% \times 70\%)) = 10.95\%$

29.12. Thus, using rate of return of 10.95%, the Authority has assessed Rs. 1,141 million as return on rate base for supply & distribution of power function as per the following calculations:

Description	FY 2017-18	FY 2018-19
Fixed Assets O/B	32,932	34,900
Addition	1,968	700
Fixed Assets C/B	34,900	35,600
Depreciation	14,607	15,818
Net Fixed Assets	20,293	19,781
Capital WIP C/B	2,932	3,873
Fixed Assets inc. WIP	23,225	23,654
Less: Deferred Credits	12,368	13,674
Total	10,857	9,980
RAB		10,419
WACC		10.95%
RORB		1,141

29.13. The provisional accounts submitted by the Petitioner do not provide any bifurcation of the assets in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of RoRB in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself to bifurcate RoRB in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed Rs.1,105 million as part of its RoRB for Distribution function for the FY 2018-19.

29.14. For assessment of the RoE component for the FY 2019-20, weighted average yield on 05 Years Pakistan Investment Bond (PIB) as of June 27, 2019 has been considered as risk free rate which is 13.7687%. 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.

29.15. To have an appropriate measure of the market rate of return, the return of KSE-100 Index, over a period of 8 years, has been analyzed which remained at around 15%, which translates into risk premium of around 1.23% (with risk free rate of 13.7687%, Weighted Average Yield of 5-Year PIB as of June 27, 2019). Therefore, keeping in view the aforementioned, Market Risk Premium of 1.23% is considered as reasonable for calculation of RoE component.

29.16. The Authority, keeping in view the earlier studies in the matter, range of betas used by international Regulators, and request of the Petitioner, has decided to maintain a beta of 1.10 while assessing the RoE component of the Petitioner.

29.17. As regard the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has analyzed the financial statements of the DISCOs. The Authority noted that majority of loans obtained by XWDISCOs are relent loans, therefore, keeping in view the NEPRA (Benchmarks for Tariff Determination), Guidelines, 2018, and the loans obtained by K-Electric, the Authority considers cost of debt as 3 month's KIBOR + 2.00% spread as reasonable. Consequently, the cost of debt has been worked out as 14.97% i.e. 3 Months KIBOR of 12.97% as of 25th July 2019 plus a spread of 2.00% (200 basis points).

29.18. Consequent to the aforementioned discussion, the Authority has re-worked the WACC as below;

Cost of Equity;
$Ke = R_F + (R_M - R_F) \times \beta$
$(13.7687\% + (15\% - 13.7687\% = 1.23\% \times 1.1) = 15.12\%$
Cost of Debt;
$Kd = 14.97\%$

29.19. Accordingly, the WACC has been worked out as under;

WACC;
$WACC = ((Ke \times (E / V) + (Kd \times (D / V)))$
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;
$WACC = ((15.12\% \times 30\%) + (14.97\% \times 70\%)) = 15.02\%$

29.20. Thus, using rate of return of 15.02%, the Authority has assessed Rs. 1,793 million as return on rate base for supply & distribution of power function as per the following calculations:

Description	FY 2019-20
Fixed Assets O/B	35,600
Addition	3,862
Fixed Assets C/B	39,462
Depreciation	17,163
Net Fixed Assets	22,299
Capital WIP C/B	4,011
Fixed Assets Inc. WIP	26,310
Less: Deferred Credits	13,087
Total	13,223
RAB	11,602
WACC	15.02%
RORB	1,742



29.21. The provisional accounts submitted by the Petitioner do not provide any bifurcation of the assets in terms of Distribution and Supply Functions, therefore, for the purpose of bifurcation of RoRB in terms of Distribution and Supply Functions, the same criteria as adopted by the Petitioner itself

to bifurcate RoRB in Distribution and Supply functions has been adopted. Based on the said criteria, the Petitioner is allowed Rs.1,708 million as part of its RoRB for Distribution function for the FY 2018-19.

29.22. The Authority during the tariff determination of the Petitioner for the FY 2015-16, noted that the Petitioner has insufficient cash balance as on 30th June 2015 against its pending liability of receipt against deposit works and consumer security deposits, which indicated that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide details in this regard. The Authority is of the view that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers. Also, the amount collected under the head of receipt against deposit works has to be spent for the purpose for which it has been collected. The utilization of the money collected against deposit works and security deposits other than the works for which it has been received is illegal and unlawful. In view thereof, the Petitioner in the tariff determination for the FY 2015-16, FY 2016-17 and FY 2017-18 was directed to provide rational / justification for improper utilization of the money because the consumers have to suffer unnecessary delay on this account.

29.23. Similarly for the FY 2018-19, the Authority has again observed that the Petitioner had insufficient cash balance as on 30th June 2019, against its pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else for which no details have been provided. Thus, it would be unfair and unjust with the consumers to suffer due to the unlawful act of the Petitioner.

29.24. Accordingly, the Authority has decided, to include the amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2018-19 and FY 2019-20, after excluding therefrom the cash/ bank balances and the amount of stores & Spares available with the Petitioner as on June 30, 2019.

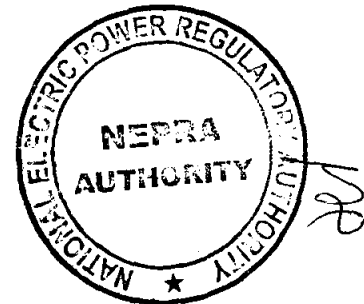
29.25. The Authority again directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law may be initiated against the Petitioner. The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

30. **Whether the requested investment without submission of five Year IGTD as required is justified? Petitioner must provide the project wise detailed report along with rationale against the requested investment.**

30.1. The petitioner in its instant tariff petitions, requested Rs.2,433 million for the FY 2018-19 and Rs.4,688 million for the FY 2019-20. The break-up of investments requested by the Petitioner is as under:

(Rs. in million)

Description	2018-19	2019-20
	Estimated	Projected
DOP	2,019	2,600
ELR	38	936





STG	376	1,152
Total	2,630	4,688

30.2. The petitioner for the requested investment of Rs. 2,433 million for the FY 2018-19 and Rs.4,688 million for the FY 2019-20 also submitted the following financing arrangements:

(Rs. in million)

Description	2018-19	2019-20
	Estimated	Projected
PSDP / Own Resources	2,433	4,688
Total	2,433	4,688

30.3. However, during hearing of the instant Petition, the Petitioner revised its investment requirement for the FY 2018-19 to Rs.2,630 million instead of Rs.2,433 million requested in the Petition.

30.4. The petitioner further in its tariff petitions for FY 2018-19 & FY 2019-20 submitted objectives and scope of works for STG, ELR and DOP projects as under:

Secondary Transmission line and Grid station (STG):

30.5. The STG development plan prepared by SEPCO for system expansion and up-gradation of 132/66 KV system. PC-I of this project has been approved by ECNEC. This plan is based on historical load data and load forecast. New lines, re-conducting of existing lines, grids extension and augmentation has been justified with load flow studies.

Objectives of STG project:

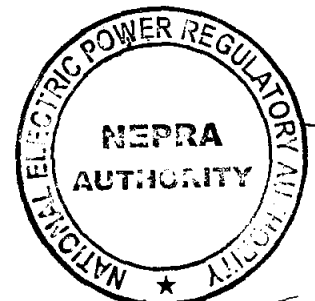
30.6. The objectives of this project are to give relief to the existing overloaded system to meet future expansion in SEPCO area.

SCOPE OF WORK FOR FY 2019-20	Cost FY 2019-20 (Million Rs.)		
	Local	ECC	Local
Transmission Line = 85KM	1,436	-	1,436
Augmentation for 66KV to 132KV conversation	964	-	964
Rehabilitation	200	-	200
Total	2,600	-	2,600

Energy Loss Reduction (ELR) project:

30.7. The objectives of the distribution projects are as under;

- ✓ Energy loss reduction
- ✓ Improvement of quality of supply
- ✓ Improvement in reliability
- ✓ Improvement in safety
- ✓ Release of generation, transmission and distribution capacity
- ✓ Improve customer service and reduce complaints



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- ✓ Reduce cost and operation standards
- ✓ Improve life equipment

30.8. Scope of Work for FY 2019-20

- ✓ Construction of 160KM of new 11KV lines
- ✓ Re-construction of 183 Km HT lines
- ✓ Construction of 51.30 Km LT lines
- ✓ Re-Construction of 55.40 Km LT lines
- ✓ Addition of 166 Nos. Distribution Transformers of various capacities

Distribution of Power (DOP) project:

30.9. The objectives of this Distribution of Power Expansion Project are to improve the:

- ✓ Reliability of the system
- ✓ Stability of power supply
- ✓ Overloaded system
- ✓ Quality and safety of the system

30.10. Scope of Work for FY 2019-20

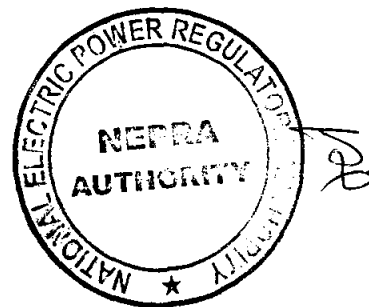
- ✓ Providing 15,000 new electricity connections to the perspective customers
- ✓ Construction of 111 Km of 11 KV lines
- ✓ Construction of 78 Km LT lines
- ✓ Addition of 262 Nos. Distribution Transformers of various capacities

30.11. The Authority observed that the Petitioner was allowed an investment of Rs. 977 million and Rs. 3,400 million for the FY 2016-17 and FY 2017-18 respectively. The investment for the FY 2016-17 was allowed keeping in view the actual cost incurred by the Petitioner as the determination was issued after completion of FY 2016-17. For the FY 2017-18, the Petitioner has been able to utilize around 90% of the allowed investment i.e. Rs. 3,062 million against allowed amount of Rs. 3,400 million.

30.12. The Petitioner in the tariff determination for FY 2017-18 was also directed to provide:

- i. Cost/benefit analysis of investments made during last 5 years & technical/financial savings achieved.
- ii. Project wise detailed report for the investments allowed for the FY 2016-17 & 2017-18.

30.13. The Petitioner provided the following details of works in this regard;



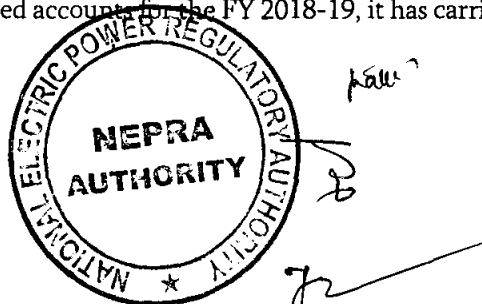
Investment	Actual		System Improvements and Benefits Achieved in respect of Each Project		Financial Impact Rs. In M
	FY 2016-17	FY 2017-18	Base Line Conditions	Improved Conditions	
STG	Rs. in Mln	Rs. in Mln			
New Grids	111	549	Eliminate overloading, low voltage issues, meet load demand and Up-gradation of the system	1) over come the system constraints/Overloading. 2) increase revenue of SEPCO. 3) provide load shedding free power supply to the inhabitants of SEPCO areas.	622MVA and 156 KM T/Line added in SEPCO system due to which capacity increased and voltage improved at different areas.
Conversion of Grids (66 kV to 132 kV)	102	469			
Augmentation of Grids	140	507			
Extension of Power T/Fs and Line Bays	78	93			
New Transmission Lines	549	590			
2nd Circuit Stringing of Existing Transmission Lines	18	41			
Reconductoring/Up-gradation of Existing Transmission Lines	0	0			
Capacitor Installation Projects to Improve Power Factor	0.06	1			
Others	10	27			
Total	998	2,277			
DOP	172	248	Eliminate overloading, low voltage issues, meet load demand and Up-gradation of the system	3.8 MVA and 247 KM Dist/Line added	3.8 MVA System Capacity enhanced
				Voltage improved upto 15% at different areas.	System reliability increased
				Distribution losses reduced by 0.23 % System upgraded.	
ELR	255	537	Eliminate overloading, low voltage issues, meet load demand and Up-gradation of the system	11.8 MVA and 813 KM Dist/Line added	11.8 MVA System Capacity enhanced
				Voltage improved upto 15 - 18% at different areas	Saving of the projects is 215.197 Mkwth which is Rs. 2350 Million
				Distribution losses reduced by 0.45 % System upgraded	

30.14. However, no details with respect to Cost/benefit analysis of investments made during last 05 years & technical/financial savings achieved has been provided by the Petitioner either during the hearing or afterwards. The Authority has taken a serious notice of non-compliance of its direction in true letter & spirit by the Petitioner, which is serious violation of licensing terms that may lead to initiation of proceedings against the licensee under the relevant rules, and again directs the Petitioner to provide the required information.

30.15. Although, the Petitioner has failed to comply with the directions of the Authority in terms of providing cost benefit analysis of the investments carried out during the previous years, yet the importance of investments cannot be ignored in order to provide safe and reliable electricity to the consumers. Therefore, the Authority has carried out its own analysis / assessment of the Petitioner's Investment requirement for the FY 2018-19.

30.16. The Authority observed that the Petitioner did not file the required IGTD, as required under the Consumer End Tariff Methodology 2015, for approval of the Authority prior to filing of the instant tariff petition. Moreover, details of cost/benefit analysis, and scope of work, in order to justify the required investment for the FY 2018-19, has also not been submitted by the Petitioner.

30.17. Notwithstanding the above, the Authority, understands the significance of the investments, in order to cater for the future demands, minimize network constraints / overloading, improve performance standard indices and reduction in T&D losses. The Authority observed that since the period i.e. FY 2018-19, for which the Investment is being requested has already lapsed, therefore it would be more appropriate to consider the actual investments made by the Petitioner during the FY 2018-19. As per the Petitioner's initialed accounts for the FY 2018-19, it has carried



out an investment of Rs.3,466 million (*including deposit works*) during the FY 2018-19, which is hereby allowed to the Petitioner. The Petitioner is directed to provide project wise report for the investments carried out for the FY 2018-19 and for previous years i.e. FY 2016-17 & FY 2017-18 along-with its cost/benefit analysis and technical/financial savings achieved by March 31, 2021.

30.18. For the FY 2019-20, the Petitioner requested an investment of Rs. 4,688 million and also provided the breakup for the requested investment and its financing arrangement as under;

Description	Investment (Rs. Million)	Source of Funding
DOP	2,600	PSDP / Own Resources
ELR	936	
STG	1,152	
Total	4,688	

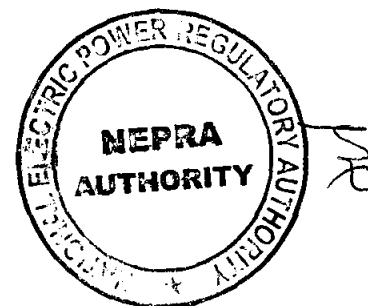
30.19. The Authority noted that the petitioner has not provided detailed plans as per required investment formats. Therefore, in order to assess the above investment requirements of the Petitioner, the Authority relied upon the historical pattern of the investments allowed by NEPRA vis a vis actual utilization by Petitioner. The comparison of investment requested, allowed and actual expenditure incurred from FY 2013-14 to FY 2018-19 is given hereunder:

Rs. In Mln						
Investment	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Requested	1,515	3,622	4,322	977	4,071	2,630
Allowed	1,515	2,497	1,671	977	3,400	3,466
Actual	2,497	2,106	1,671	977	3,062	3,466
Excess/(Less)	982	(391)	0	0	(338)	0
%age	164.82	84.34	100.00	100.00	90.06	100.00

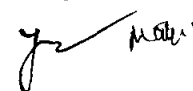
30.20. From the above table, the Authority observed that the Petitioner has been able to utilize utilized 164.82% in the FY 2013-14, 84.34% in the FY 2014-15 and 90% in the FY 2017-18 of the allowed investment. Whereas, in the FY 2015-16, FY 2016-17 and FY 2018-19, SEPCO utilized 100% of the allowed investment. The Authority also observed that SEPCO has spent the maximum of Rs. 3,466 million in FY 2018-19 over the last six (06) years.

30.21. The Authority noted the following network additions in the SEPCO's territory due to execution of aforementioned planned investments over last six (06) years:

Sr.#	Up-to June	2014	2015	2016	2017	2018	2019
1	No. of Grid Stations (132kV, 66kV & 33kV)	61	66	67	68	68	68
2	Transmission Line Length (km) (132kV, 66kV & 33kV)	2653	2658	2750	2868	2870	2870
3	No. of 11kV feeders	413	433	453	462	490	531
4	Length of 11kV Lines (km)	24192	24192	24192	24449	25140	25400



30.22. It is noted from the above, that transmission and distribution networks of SEPCO have expanded gradually during last 6 years by making a planned investment. The Authority, being aware of the



importance of investments for ensuring reliable, safe and smooth supply of electricity, also noted the following performance standards from the FY 2014-15 to FY 2018-19:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
SAIFI (nos.)	227.96	216.71	601.37	568.59	516.37
SAIDI (minutes)	2141.36	1879.37	12,799.12	12,292.57	10,973.67
Fatal Accidents	34	17	20	17	12
Actual T&D Losses (%)	48.27	42.35	37.9	36.67	36.97
New Connection Profile (%)*	13.8	1.23	1.27	4.3	13.2
Average Daily Load Shedding (hours)	1	1	2.25	2.25	2.25

* Indicates percentage of consumers who were not connected within due time frame.

30.23. From the above, the Authority observed that the Petitioner's previous investments did not have a tangible impact in reducing T&D losses in past two years (36.67% in FY 2017-18 and 36.97% in FY 2018-19) and also observes that new connection profile has worsened (4.30% consumers were not connected in FY 2017-18 whereas 13.20 % consumers were not connected in FY 2018-19). The Authority, however, noted the following improvements in SEPCO's performance indices:

- a. SAIFI has improved (568.59 in FY 2017-18 and 516.37 in FY 2018-19).
- b. SAIDI has improved (12,292.57 in FY 2017-18 and 10,973.67 in FY 2018-19).
- c. Reduction in Number of Fatal Accidents (17 in FY 2017-18 and 12 in FY 2018-19)
- d. Avg. daily load shedding improved from 3.25 hrs in FY 2017-18 to 1.55 hrs in FY 2018-19.

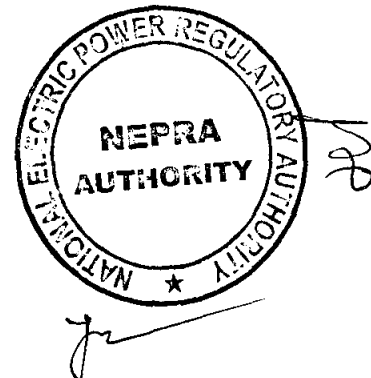
30.24. Keeping in view the above analysis, maximum investment utilization capability of SEPCO (Rs. 3,466 million in FY 2018-19) and the significance of the investments required to cater for future demand, minimize network constraints / overloading, improve performance standard indices and reduce T&D losses, the Authority has decided to allow an investment of Rs.4,000 million to the Petitioner for the FY 2019-20.

30.25. The Authority also noted that the Petitioner has failed to comply with the provision of detailed cost/benefit analysis report for the investments made during the last five years and technical/financial savings achieved. The Authority has taken a serious notice of non-compliance of its direction in true letter & spirit by the Petitioner, which is serious violation of licensing terms that may lead to initiation of proceedings against the licensee under the relevant rules, and again directs the Petitioner to provide the required information.

30.26. Further, as per provisions of the NEPRA Act, the Petitioner is responsible to make such plans which are required to meet future demand and also to relieve the network overloading. Therefore, the Petitioner is directed to prepare such schemes to cater for future demand and for removal of system overloading/constraints. A detailed report shall be submitted by SEPCO as part of its 5-years IGTD for approval of the Authority before filing of next tariff petition as per requirement under NEPRA Guidelines for determination of Consumer End tariff (Methodology and Process) 2015.

31. **Whether the requested T&D loss target is reasonable? What are parameters for bifurcation of the requested losses in terms of Technical losses & Administrative losses?**

31.1. The Petitioner in its instant tariff petition requested for T&D losses of 36.97% for the FY 2018-19 with the following break-up:



FY 2018-19		
Technical	Administrative	Total
19.33%	17.64%	36.97%

31.2. The Petitioner also provided the following segregation of its Technical T&D losses;

Description	FY 2018-19
Transmission Losses at 132kV (%)	2.11
11kV Network Losses (%)	13.37
LT Line Losses (%)	3.85
Total Technical Losses (%)	19.33
Units Received (GWh)	4411.64
Units Sold (GWh)	2780.70
Units Lost (GWh)	1630.94
Technical Losses (%)	19.33
Administrative Losses (%)	17.64

31.3. The Petitioner during the course of the hearing dated February 11th, 2020 stated that:

Keeping in view geographical position, Customer Statistics being a Domestic/ Rural based DISCO as well as noncooperation of local administration / Police Department, it is too difficult to control upon theft resulting abnormal administrative losses. Further, the high level of technical losses is on account of lengthy 66 KV line, overloading of transmission line & power transformers, Lengthy 11 KV Feeders & overloading of distribution transformers. Besides old & eroded conductor, resulting 19.33% technical losses as per study carried out from 3rd party M/s PPI (Power Planner International).

31.4. SEPCO during the proceedings of the hearing also presented the following technical losses and losses due to theft of electricity as per assessment of the third party consultant:

Transmission Losses	11kV Distribution Losses	LT Line Losses	LT Cable Losses	Total Technical Losses (%)	Losses due to Theft (%)
4.53	11.463	2.946	0.391	19.33	17.67

Transmission Losses:

31.5. The Authority noted that SEPCO submitted its third party transmission loss study conducted by M/s PPI during the proceedings of the Re-Determination for FY 2015-16. Based on results of the said study, the Petitioner requested 4.53% transmission losses. It is also noted that the Third Party Loss study was conducted in FY 2013-14 on the basis of SEPCO's transmission assets (132kV, 66kV and 33kV) statistics pertaining to FY 2012-13 which are tabulated as under:

Sr. #	Description	As on 30th June, 2013
1	Grid Stations	61 Nos.
2	Transmission line length	2640 kms.

31.6. The Authority, while evaluating the Transmission loss study, observed that third party consultant mentioned in the final report that:

"The data of actual line current flows, bus voltages and power transformer load currents for entire 132kV and 66kV system of SEPCO was gathered for the conditions of peak and off-peak hours of each month of 2012-13. Thus data for 24- snapshots of the year 2012-13 was captured and processed to be used as input to the Study. Thus the annual energy loss come out as 4.53%.

31.7. It is also observed that in the said study the third party consultant, keeping in view the higher transmission losses of 4.53% for SEPCO, recommended the following:

"For SEPCO, the installation of switched shunt capacitor banks at 11kV levels to bring the power factor of distribution network as high as possible is very important as during peak conditions the low voltage on the network causes heavier loading on the lines in order to meet the load demand, thus causing high losses. In addition, to relieve the heavily loaded transmission lines and power transformers by installing more lines and transformers or re-conducting heavily loaded lines using 132kV Rail Conductor to bring the loading reasonably below the limit to operate the system comfortably and with lower losses."

31.8. In view of the above, the Authority understands that SEPCO faced transmission network congestion / constraints and overloading situation in FY 2012-13 and when PPI conducted the said transmission losses study on the basis of transmission data pertaining to FY 2012-13, the transmission losses of 4.53% have been assessed by the third party consultant. The Authority also understands that the higher transmission losses of 4.53% were reflective of the above mentioned critical conditions. Therefore the Authority has no reservations on the results of the transmission losses study conducted by PPI at that time.

31.9. For the purpose of instant tariff petition, SEPCO requested transmission losses of 2.11% for FY 2018-19. In this regard, the Authority notes that SEPCO claimed lower transmission losses as compared to the results of third party study due to the following additions in its transmission networks (132kV and 66kV) as recommended earlier by the third party consultant in last 6 years:

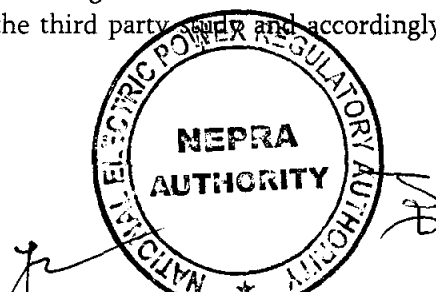
Sr. #	Description	2014	2015	2016	2017	2018	2019
1	No. of Grid Stations	61	66	67	68	68	68
2	MVA Capacity	-	2227	2233	2350	2756	2794
3	Transmission line length	2653	2658	2750	2868	2870	2870

31.10. Foregoing in view, the Authority accepts the request of the Petitioner for claiming lower transmission losses and accordingly allows transmission losses of 2.11% for FY 2018-19 for SEPCO.

Distribution Losses:

31.11. It is noted that the petitioner requested 17.22% distribution losses for FY 2018-19, which include 13.37% losses in 11kV networks and 3.85% LT line losses. The Authority, while considering the above requested distribution losses by the Petitioner, noted that the distribution losses of 17.22% as claimed in instant tariff petition are higher than the results (14.80%) of the third party distribution loss study conducted by M/s PPI (which has already been accepted by the Authority during the proceedings of Re-Determination for FY 2015-16).

31.12. Since the requested distribution losses are on higher side therefore the Authority decides to maintain the distribution loss results of the third party and accordingly allows 14.80%



2020

distribution losses for SEPCO for FY 2018-19. The allowed margin of distribution losses of 14.80% include the following segregation:

- a) 11 kV Feeder Losses including Distribution Transformers Losses = 11.463 % (based on third party study)
- b) LT Line Losses including Service Cable Losses = 3.337 % (based on third party study)

Margin for Law and Order:

31.13. It is noted that SEPCO, vide its instant tariff petition, requested administrative losses of 17.64% for the FY 2018-19. It is also noted that SEPCO, during the proceedings of the hearing, claimed a loss of 17.67% due to theft of electricity.

31.14. Here it is important to mention that the Authority has never considered request of the XWDISCOs for allowing administrative losses, however, a margin for law & order has been allowed to various DISCOs including the Petitioner which was allowed a margin for law & order of 13% for the FY 2017-18.

31.15. For the purpose of instant tariff petition, the Authority observed that the overall law and order situation in the country has now improved including the areas under SEPCO's service territory, therefore, such a high margin for losses on account of law and order cannot be justified.

31.16. In view thereof, the Authority has decided to revise the law and order margin for SEPCO and other DISCOs due to improved law and order situation. Accordingly, the margin for law and order for the Petitioner for the FY 2018-19 has been revised to 2.50%, which should be completely eliminated in the future years.

31.17. The Petitioner is also directed to submit a detailed plan for bringing down its technical losses to lower levels in the coming years.

Allowed Level of Losses:

31.18. In view of the above, the Petitioner's allowed T&D Losses for the FY 2018-19 works out as under;

Transmission Losses	11 kV Network Losses	LT Line Losses	Margin for Law & Order	Total Allowed T&D Losses
2.11%	11.463%	3.337%	2.50%	19.41%

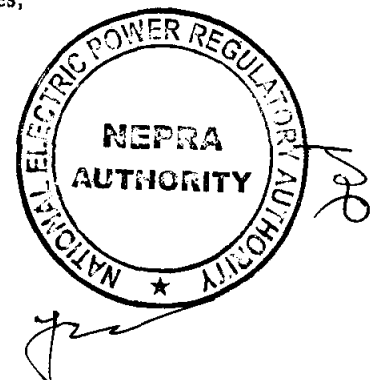
31.19. Regarding the FY 2019-20, the Petitioner requested T&D losses of 35.02% with the following break-up:

FY 2019-20		
Technical	Administrative	Total
19.33%	15.69%	35.02%

31.20. The petitioner also provided the following segregation of its technical losses;

Description	FY 2019-20
Transmission Losses at 132kV (%)	1.91
11kV Network Losses (%)	13.77
LT Line Losses (%)	3.65

Author?



Total Technical Losses (%)	19.33
Units Received (GWh)	5190.13
Units Sold (GWh)	3372.73
Units Lost (GWh)	1817.40
Technical Losses (%)	19.33
Administrative Losses (%)	15.69

31.21. The Petitioner during the course of the hearing dated February 11th, 2020 stated that:

Keeping in view geographical position, Customer Statistics being a Domestic/ Rural based DISCO as well as noncooperation of local administration / Police Department, it is too difficult to control upon theft resulting abnormal administrative losses. Further, the high level of technical losses is on account of lengthy 66 KV line, overloading of transmission line & power transformers, Lengthy 11 KV Feeders & overloading of distribution transformers. Besides old & eroded conductor, resulting 19.33% technical losses as per study carried out from 3rd party M/s PPI (Power Planner International).

31.22. SEPCO during the proceedings of the hearing also presented the following technical losses and losses due to theft of electricity as per assessment of the third party consultant:

Transmission Losses	11kV Distribution Losses	LT Line Losses	LT Cable Losses	Total Technical Losses (%)	Losses due to Theft (%)
4.53	11.463	2.946	0.391	19.33	17.67

Transmission Losses:

31.23. The Authority noted that SEPCO submitted its third party transmission loss study conducted by M/s PPI during the proceedings of the Re-Determination for FY 2015-16. Based on results of the said study, the Petitioner requested 4.53% transmission losses. It is also noted that the Third Party Loss study was conducted in FY 2013-14 on the basis of SEPCO's transmission assets (132kV, 66kV and 33kV) statistics pertaining to FY 2012-13 which are tabulated as under:

Sr. #	Description	As on 30th June, 2013
1	Grid Stations	61 Nos.
2	Transmission line length	2640 kms.

31.24. The Authority, while evaluating the Transmission loss study, observed that third party consultant mentioned in the final report that:

"The data of actual line current flows, bus voltages and power transformer load currents for entire 132kV and 66kV system of SEPCO was gathered for the conditions of peak and off-peak hours of each month of 2012-13. Thus data for 24- snapshots of the year 2012-13 was captured and processed to be used as input to the Study. Thus the annual energy loss come out as 4.53%.

31.25. It is also observed that in the said study the third party consultant, keeping in view the higher transmission losses of 4.53% for SEPCO, recommended the following:

"For SEPCO, the installation of switched shunt capacitor banks at 11kV levels to bring the power factor of distribution network as high as possible is very important as during peak conditions the low voltage on the network causes heavier loading on the lines in order to meet the load demand, thus causing high losses. In addition, to relieve the heavily loaded transmission lines and power transformers by installing more lines and transformers or re-conducting heavily loaded lines using 132kV Rail Conductor to bring the loading reasonably below the limit to operate the system comfortably and with lower losses."

31.26. In view of the above, the Authority understands that SEPCO faced transmission network congestion / constraints and overloading situation in FY 2012-13 and when PPI conducted the said transmission losses study on the basis of transmission data pertaining to FY 2012-13, the transmission losses of 4.53% have been assessed by the third party consultant. The Authority also understands that the higher transmission losses of 4.53% were reflective of the above mentioned critical conditions. Therefore the Authority has no reservations on the results of the transmission losses study conducted by PPI at that time.

31.27. For the purpose of instant tariff petition, SEPCO requested transmission losses of 1.91% for FY 2019-20. In this regard, the Authority notes that SEPCO claimed lower transmission losses as compared to the results of third party study due to the following additions in its transmission networks (132kV and 66kV) as recommended earlier by the third party consultant in last 6 years:

Sr. #	Description	2014	2015	2016	2017	2018	2019
1	No. of Grid Stations	61	66	67	68	68	68
2	MVA Capacity	-	2227	2233	2350	2756	2794
3	Transmission line length	2653	2658	2750	2868	2870	2870

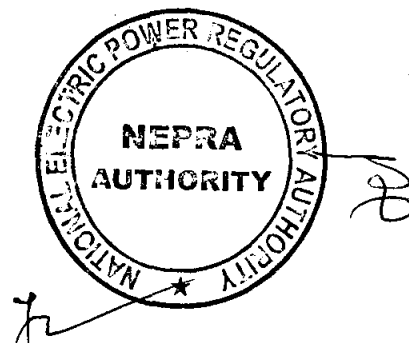
31.28. Foregoing in view, the Authority accepts the request of the Petitioner for claiming lower transmission losses and accordingly allows transmission losses of 1.91% for the FY 2019-20 for SEPCO.

Distribution Losses:

31.29. It is noted that the petitioner requested 17.42% distribution losses for the FY 2019-20, which include 13.77% losses in 11kV networks and 3.65% LT line losses. The Authority, while considering the above requested distribution losses by the Petitioner, noted that the distribution losses of 17.42% as claimed in instant tariff petition are higher than the results (14.80%) of the third party distribution loss study conducted by M/s PPI (which has already been accepted by the Authority during the proceedings of Re-Determination for FY 2015-16).

31.30. Since the requested distribution losses are on higher side therefore the Authority decides to maintain the distribution loss results of the third party study and accordingly allows 14.80% distribution losses for SEPCO for FY 2018-19. The allowed margin of distribution losses of 14.80% include the following segregation:

- c) 11 kV Feeder Losses including Distribution Transformers Losses = 11.463 % (based on third party study)
- d) LT Line Losses including Service Cable Losses = 3.337 % (based on third party study)



Margin for Law and Order:

- 31.31. It is noted that SEPCO, vide its instant tariff petition, requested administrative losses of 15.69% for the FY 2019-20. It is also noted that SEPCO, during the proceedings of the hearing, claimed a loss of 17.67% due to theft of electricity.
- 31.32. Here it is important to mention that the Authority has never considered request of the XWDISCOs for allowing administrative losses, however, a margin for law & order has been allowed to various DISCOs including the Petitioner which was allowed a margin for law & order of 13% for the FY 2017-18.
- 31.33. For the purpose of instant tariff petition, the Authority observed that the overall law and order situation in the country has now improved including the areas under SEPCO's service territory, therefore, such a high margin for losses on account of law and order cannot be justified.
- 31.34. In view thereof, the Authority has decided to revise the law and order margin for SEPCO and other DISCOs due to improved law and order situation. Accordingly, the margin for law and order for the Petitioner for the FY 2019-20 has been revised to 1.40%, which should be completely eliminated in the future years.
- 31.35. The Petitioner is also directed to submit a detailed plan for bringing down its technical losses to lower levels in the coming years.

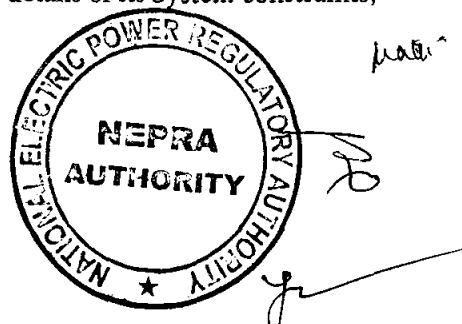
Allowed Level of Losses:

- 31.36. In view of the above, the Petitioner's allowed T&D Losses for the FY 2019-20 works out as under;

Transmission Losses	11 kV Network Losses	LT Line Losses	Margin for Law & Order	Total Allowed T&D Losses
1.91%	11.463%	3.337%	1.40%	18.11%

Directions with respect to T&D losses

- 31.37. Considering T&D losses being of critical importance, the Authority directs the Petitioner to target high loss feeders to bring the overall losses down. A detailed plan be prepared and submitted to the Authority for monitoring the progress of SEPCO in this respect. The Petitioner is also directed to carry out detailed analysis about hard and soft areas relative to its claims in earlier studies.
- 31.38. The Authority considers that the Petitioner can minimize its technical losses through prudent planning and engineering design practices, therefore, is directed to implement such activities and submit its plans in this regard to the Authority.
- 31.39. The Petitioner is also directed to take remedial measures for achievement of performance standards as laid down in NEPRA Performance Standards (Distribution) Rules, 2005, for which a detailed plan be prepared, mentioning steps to be taken by the Petitioner, and submitted to the Authority accordingly.
32. **Whether SEPCO is currently facing network congestions? If yes, SEPCO is required to submit detailed analysis by identifying the grey areas which caused congestions in its transmission and distribution system. SEPCO is also required to submit load shedding policy in high loss areas.**
- 32.1. The Petitioner on the issue submitted the following details of its System constraints;

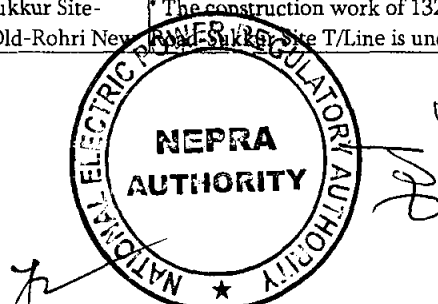




SYSTEM CONSTRAINTS						
Description		Total nos. Installed	Total number of constraints (25.08.2016)	Completed / removed	Balance	No. Of system constraints new identified
STG	Power transformers	131	63	61	02	03
	Transmission lines	99	06	02	04	10
HT		532	44	44	-	30
LT & DIST: T/F		37859	2429	2429	-	512
TOTAL			2542	2536	06	555

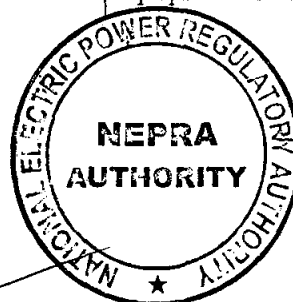
32.2. The Petitioner further submitted the following constraints at 132 & 66KV Network including newly identified by NTDC (as on 04.02.2020);

Sr. No.	Grid Station	Problems	Problem existing since	Action Required	REMARKS/Progress
1	132KV Liberty-Guddu Left Kashmore CCT	Overloading De-Rated Capacity = 400 A	Observed during load flow study during 2016	132KV Rohri New-Liberty Circuit & 132KV Liberty-Guddu Circuit may be proposed for Erection in order to avoid overloading as well as for efficient dispersal of Liberty & JDW-III Power Plants.	<p>1) 132KV LIBERTY-DAHARKI-TPS GUDDU T/LINE</p> <ul style="list-style-type: none"> The construction work of 132KV Liberty-Daharki-TPS Guddu T/Line is under progress, where the following progress achieved. Total Locations: 304-Nos Concreted = 174-Nos Erected = 110-Nos. Target date 30.06.2020 subject to timely resolving of R.O.W problems.
2	132KV Liberty-Daharki-Guddu CCT	Max Load Recorded = 440 A			
3	132KV Ghotki (132KV JDW-Ghotki CCT)	Overloading De-Rated Capacity = 400 A Max Load Recorded = 430 A	Observed during 2018		<p>2) 132KV LIBERTY-NEW ROHRI T/LINE</p> <ul style="list-style-type: none"> The above T/Line is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of PC-1.
4	132KV Shikarpur Old (132KV Shikarpur Old-Arain Road CCT)	Overloading De-Rated Capacity = 350 A Max Load Recorded = 370 A	Observed during load flow study during 2016	Additional new 132KV Shikarpur New-Arain Road-Sukkur Site-Rohri Old-Rohri New CCT may please be constructed by SEPCO authority in order to avoid overloading and for effective load shifting between 500KV Shikarpur New & 220KV Rohri New CDP points	<p>132KV SHIKARPUR (LODRA)-ARAIN ROAD T/LINE</p> <ul style="list-style-type: none"> The construction work of 132KV Shikarpur (Lodra)-Arain Road T/Line is under progress, where the following progress achieved Total Locations: 199-Nos Concreted = 180-Nos Erected = 145-Nos. Target date 30.06.2020 subject to timely resolving of R.O.W problems.
5	132/66KV Rohri Old (132KV Rohri	Overloading De-Rated Capacity = 300 A	Observed during load flow study during 2016	Additional new 132KV Shikarpur New-Arain Road-Sukkur Site-Rohri Old-Rohri New	<p>1) 132KV ARAIN ROAD-SUKKUR SITE T/LINE</p> <ul style="list-style-type: none"> The construction work of 132KV Arain Road-Sukkur Site T/Line is under progress.



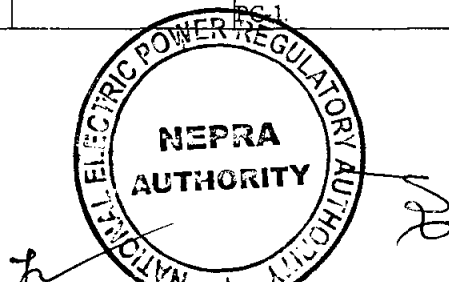


	Old-Sukkur Site CCT)	Max Load Recorded = 350 A		CCT may please be constructed by SEPCO authority in order to avoid overloading and for effective load shifting between 500KV Shikarpur New & 220KV Rohri New CDP points	where the following progress achieved. Total Locations: 67-Nos * Concreted = 57-Nos * Erected = 54-Nos. * Target date 30.06.2020 subject to timely resolving of R.O.W problems. 2) 132KV SUKKUR SITE-NEW ROHRI T/LINE * The survey work carried out and profile approved by the C.E (Design) NTDC Lahore. * The foundation design is awaited from C.E (Design) NTDC Lahore.
6		Low Voltage at 66KV Nara-I & Nara-II	Observed during load flow studdy during 2016		66KV NARA-I & NARA-II T/LINE * The conversion work of 66KV Nara-I into 132KV has been completed, only awaited for Transmission Line. The Transmission Line is under progress, where the following progress achieved. Total Locations: 151-Nos * Concreted = 138-Nos * Erected = 115-Nos. * Target date 30.06.2020 subject to timely resolving of R.O.W problems. * 40MVA, 132/66KV Power Transformer has been installed at Nara-I Grid Station for supply to Nara-II G/S.
7	132/66KV Jacobabad Old	132/66KV, 40MVA P/T T-1	Low Voltage problem at connected SEPCO/ QESCO Grid Stations	Up-gradation into 132KV/ Installation of Static Capacitor Bank, VAR Compensator for voltage regulation within limits.	24MVAR, 132KV Capacitor Bank has already installed at Jacobabad Old, which is operational.
8	132/66KV Larkana	132/66KV, 40MVA P/T T-1	Low Voltage problem at connected SEPCO/ QESCO Grid Stations	Up-gradation into 132KV/ Installation of Static Capacitor Bank, VAR Compensator for voltage regulation within limits.	* 24MVAR, 132KV Capacitor Bank has already installed at Larkana, which is operational.
9	132/66KV Shahdad Kot				* Civil work completed at 132KV G/S Shahdadkot Material i.e special 132KV Circuit Breaker & Relay panel required, which is not available with SEPCO.
10	132KV Kashmore- Kandhkot- Jacobabad- Humayoun	Overloading De-Rated Capacity = 300 A Max Load Recorded = 350 A	Observed since 2018	2nd 132KV Kashmore- Kandhkot Jacobabad- Humayoun upto Shikarpur New Circuit may be proposed for erection by In/Out arrangement at 132KV	* The subject proposal i.e 132KV Kashmore-Kandhkot- Humayoun- Jacobabad T/Line has not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.





		Overloading De-Rated Capacity = 400 A Max Load Recorded = 480 A		Kandhkot-Jacobabad Grid Station in order to avoid overloading for further stable voltage to remote 66KV QESCO Grid Station to be fed	
11	132KV Dadu Old (132KV Dadu Old-Dadu New CCT)	Overloading De-Rated Capacity = 400 A Max Load Recorded = 450 A	Observed during load flow study during 2016	2nd 132KV Dadu New-Larkana Circuit may be propped for erection by In/Out arrangement at 132KV K.N.Shah, Mehar & Larkana Site Grid Station	<p>1) 132KV LARKANA-MEHAR-DADU T/LINE</p> <ul style="list-style-type: none"> * The construction work of 132KV Larkana-Mehar-Dadu T/Line is under progress, where the following progress achieved LOT-I * 231-Nos Towers out of 249 Nos concreted. * 227-Nos Towers erected out 249-Nos. * 48.84 KM Stringing completed out of 65 KM LOT-II * 232-Nos Towers out of 244 Nos concreted. * 226-Nos Towers erected out 244-Nos. * 22 KM Stringing completed out of 63 KM <p>2) 132KV DADU OLD-DADU NEW T/LINE</p> <ul style="list-style-type: none"> * The construction work of 132KV Dadu Old-Dadu New T/Line is under progress, where the following progress achieved * 10-Nos Towers out of 17-Nos concreted. * Target date 30.06.2020 subject to timely resolving of R.O.W problems.
12	132KV Miro Khan-Ratodero CCT	Mentioned 132KV Circuit is Isolator controlled. Supply of MOK needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	<ul style="list-style-type: none"> * 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.
13	132KV Shahdaktot- Miro Khan CCT	Mentioned 132KV Circuit is Isolator controlled. Supply of SDK needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	<ul style="list-style-type: none"> * 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of EPCO will be approached for obtaining its admn approval and preparation of New PC-1.
14	132KV Wahi Pandhi-Pat Suleiman (Johi) CCT	Mentioned 132KV Circuit is Isolator controlled. Supply of WPD needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	<ul style="list-style-type: none"> * 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.

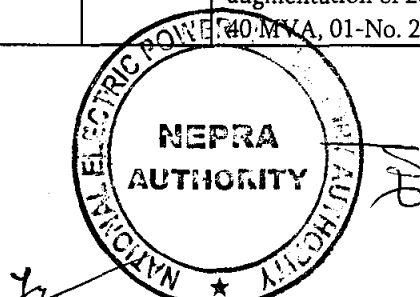




15	132KV Jacobabad City-Humayoun CCT T-OFF Jacobabad Old	Mentioned 132KV Circuit is Isolator controlled. Supply of JCB needs to be cut off during switching operation. Furthermore the T-OFF arrangement poses threat to system stability	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting. Furthermore the T-OFF arrangement may please be replaced with a proper IN/OUT connection.	* 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.
16	132KV Thull-Kandhkot CCT	Mentioned 132KV Circuit is Isolator controlled. Supply of THUL needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	* 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.
17	132KV Shikarpur Old-Kandhkot CCT T-OFF PARCO & Karampur	The T-OFF arrangement poses threat to system stability	Observed during 2018-19	The T-OFF arrangement may please be replaced with a proper IN/OUT connection	* 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.
18	132KV Kot Diji-Khairpur CCT (Controlling through KDI-101)	Mentioned 132KV Circuit is Isolator controlled. Supply of KDI needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	* 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.
19	132KV Par Suleiman-Dadu New CCT (Controlling through PTS-101)	Mentioned 132KV Circuit is Isolator controlled. Supply of PTS needs to be cut off during switching operation	Observed during 2018-19	Circuit Breaker needs to installed, to avoid the unnecessary interruption during load shifting	* 132KV Iso Bay will be converted into 132KV Line Bay. * The proposal is not included in approved PC-1 of SEPCO, however the BOD of SEPCO will be approached for obtaining its admn approval and preparation of New PC-1.

32.3. The Petitioner further provided the following detail of constraints under progress in respect of Grid Stations;

S#	Name of work	Scope of work	%age completion	Completion date	Total Cost (In Million)	Remarks
01	66KV NARA-I	(Conversion from 66 KV to 132 KV)	90%	30.04.2020	95	Ready for energization only awaited for Completion of T/Line.
02	66KV KAMBER	(Conversion from 66 KV to 132 KV)	90%	15.04.2020	30	* 01-No.20/26 MVA, 132/11.5 Power Transformer has been installed and ready for energization. * For 2 nd .20/26 MVA Power Transformer, after the augmentation of 20/26MVA with 40 MVA, 01-No. 20/26MVA turned

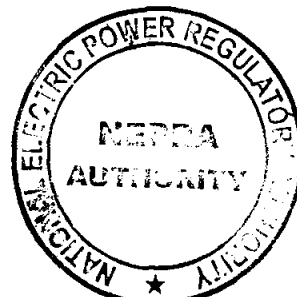




						spare power transformer from 132KV Larkana City will be utilized at there. * Ready for energization only awaited for completion of T/Line.
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32.4. The Petitioner also submitted the following detail of constraints under progress in respect of Transmission Line;

S#	Name of work	Scope of work	%age completion	Completion date	Total Cost (In Million)	Remarks
01	132kv NARA-I (CONVERSION)	32.600 KM (SDT) Total Loc:151	35%	30.05.2020	320	* The work is under progress. * Facing R.O.W issues at different locations.
02	66KV KAMBER (CONVERSION)	30 KM (SDT) Total Loc:107	60%	30.04.2020	90	* Still the R.O.W issue are pending at different locations and efforts made for timely resolving of R.O.W. * Work is under progress.
03	132KV IN & OUT T/LINE LODRA – LARKANA AT 132KV G/S RATODERO	6.7-km (D/C) Total Loc:25	80%	15.04.2020	35	* The work is stopped due to R.O.W problem. * The district administration has been approached for resolving the R.O.W issues.
04	132kv DADU OLD-DADU NEW	3.9-km (SDT) Total Loc:17	35%	30.03.2020	24	* The work is stopped due to R.O.W problem. * The district administration has been approached for resolving the R.O.W issues.
05	132kv SUKKUR SITE-ARAIN ROAD	15-km (SDT) Total Loc: 67	56%	28.02.2020	201	ROW issues at different locations by Sindh Small Industry Govt: of Sindh & different local landlords. The efforts is being made for the resolving of ROW issues. The further erection work is held up due to R.O.W.



06 (a)	132kV LIBERTY- DAHARKI SECTION	10-km (D/C) Total Loc: 34	35%	30.06.2020	99	The foundation design has been changed by the C.E (Design) NTDC Lahore at different locations. The BOD accorded the revised admn approval on 13.05.2019. The tender of excess work floated, opened on 01.07.2019 & work awarded to contractor. R.O.W issues at different locations, efforts made for resolving the ROW issues, however the work is under progress.
06 (b)	132kV DAHARKI-TFS GUDDU SECTION	55-km (D/C) Total Loc: 276	35%	30.06.2020	488	The foundation design has been changed by the C.E (Design) NTDC Lahore at different locations. The BOD accorded the revised admn approval on 13.05.2019. The tender of excess work floated, opened on 01.07.2019 & work awarded to contractors. R.O.W issues at different locations, efforts made for resolving the ROW issues, however the work is under progress.

32.5. The Authority observed that the claims of the Petitioner in terms of works being carried out for removal of congestion/ constraints in the network requires detailed analyses and scrutiny, therefore, the Authority has decided to analyze the submissions of the Petitioner during half yearly review of the directions given to the Petitioner.

33. Whether the distribution margin should be recovered on Rs./kW or Rs./kWh basis?

33.1. The Petitioner on the issue has submitted that the Distribution Margin will be recovered on Rs./kWh based on existing mechanism.

33.2. For allocation of distribution network costs, different approaches are being used worldwide, however, there is no universally accepted methodology for allocating grid costs, and a variety of criteria have been adopted for this end. The most prominent classification is the distinction between capacity tariffs and volumetric tariffs or Hybrid Models, combining both Capacity and Volumetric tariffs. Capacity tariffs depend on the peak load as grid costs are mainly capacity driven, therefore, consumers with high peak loads pay the highest network costs, as the line or feeder is dimensioned to cope with the maximum power in kW or MW it is expected to carry at a certain point in time, not by the volume (kWh or MWh), it is expected to transmit over a certain time period. On the other hand, volumetric tariffs are charged for each kWh of electricity consumed from the grid and are easier to implement with conventional meters. Volumetric tariffs can be;

- ✓ proportionate: consumers pay per kWh, independent of volume level;
 - ✓ progressive: the tariff per kWh increases with an increasing consumption level;
 - ✓ regressive: the tariff per kWh decreases with an increasing consumption level; and,
 - ✓ time-of-use: different tariffs in line with the available grid capacity (peak /off-peak).
- 33.3. The idea behind following any specific methodology for the cost recovery is that the DISCO, responsible for maintaining, developing and operating the distribution network, must be able to recuperate its prudently incurred costs. It must be reminded that DISCO is a natural monopoly, meaning that it is cheaper to have one company building and operating the distribution network rather to have multiple companies, duplicating the necessary lines and competing for consumers to connect to their network.
- 33.4. In view thereof, the Authority for the sake of simplicity, ease of understanding, and the fact that the majority of the meters installed at consumer end level do not have the capability to record the peak load of consumers and also keeping in view the request of the Petitioner to allow a Rs./kWh rate, has decided to adopt the Rs./kWh approach for recovery of the allowed revenue requirement of the Petitioner from its consumers.
- 33.5. Here it is also pertinent to mention that the Petitioner is allowed a revenue cap target, whereby, it is hedged against any volume risk, as they make allowed revenues independent of the number of users served and energy delivered. Thus, in case of any over/ under recovery of the allowed revenues based on the allowed benchmarks of T&D losses and recovery, would be adjusted in the subsequent tariff settings of the Petitioners.

34. **Whether the Petitioner's request regarding efficiency factor X merits consideration?**

- 34.1. Petitioner in its petition submitted that formula calculates SEPCO's distribution margin based on projected unit sales, operating expenses, depreciation, investment and return on investment (cost of capital). Generation and transmission costs are treated as pass-through. The formula determines revenues for the period of the tariff control period. Revisions may be made to revenues within that period if actual inflation is different from forecast. The profits or losses that arise from changes in efficiency or demand would, however, be retained by SEPCO for the duration of the revenue control period. At the end of the period, the formula would be reapplied to determine the distribution margin for each quarter period in the subsequent period of control. Operating expenditures will be subject to an efficiency requirement so that SEPCO will be required to ensure that its increase in costs is below the rate of inflation by an efficiency factor (X) to be determined by NEPRA.
- 34.2. The Petitioner during the hearing submitted that it is making efforts to improve the system through technology considering the efficiency factor.
- 34.3. The Authority observed that Power Purchase Price is a pass through cost for XWDISCOs, therefore, the same is adjusted quarterly keeping in view the cost billed to each DISCO by CPPA-G. The Authority also observed that XWDISCOs have a revenue capped tariff, meaning thereby that any assessment made on account of Distribution Margin by the Authority for a specific tariff period, would be treated as fixed revenue and would not be impacted by any increase or decrease in Unit sales (kWh) by the respective DISCO, based on the Authority's allowed benchmarks of T&D losses and Recoveries etc. Any over / under recovery in this regard owing to variation in sales (kWh) or delay in notification of tariff would be adjusted subsequently through Prior Period Adjustments based on the Authority's allowed benchmarks of T&D losses and Recoveries etc.

Thus providing XWDISCOs with the incentive to reduce / minimize their O&M costs by bringing efficiency into their operations and any gains so achieved would be retained by the DISCOs, and vice versa.

35. Whether the ToU meters installed on Residential & General Services connections have the capability to record MDI?

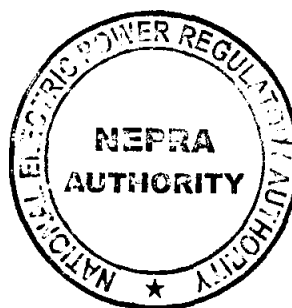
- 35.1. The Petitioner during the hearing submitted TOU / TOD Meters installed on residential & General Services Connections are capable to record MDI.
- 35.2. The Authority observed that currently no fixed charges are being levied on Domestic consumers and General Service Category, i.e. such consumers only pay variable charge @ Rs./kWh, based on the amount of actual energy consumed during the month.
- 35.3. Considering the increase in capacity charges coupled with demand exiting the system due to net metering etc., the Authority is cognizant that there is a need to levy certain fixed charges for those domestic and general services consumers who have installed net metering facility, however, as the issue requires further deliberation, therefore, the Authority has decided not to levy any fixed charges on such consumers.

36. Wheeling Issues

- 36.1. The Authority approved National Electric Power Regulatory Authority (Wheeling of Electric Power) Regulations, 2016 (the Regulations) vide SRO dated June 13, 2016, in order to facilitate wheeling of power in the country. However, different stakeholders voiced their concerns on the Regulations in terms of treatment of T&D losses during wheeling, imposition of Cross subsidies, treatment of Stranded costs if any, applicability of Use of System charges of NTDC, Hybrid BPCs, and Banked Energy etc.
- 36.2. The Authority accordingly made two additional issues of Cross Subsidy charge and Stranded cost under the instant petition, for which advertisement was published in the leading newspapers on September 9th, 2020 and hearing in this regard was held on 17th September, 2020. Here it is also pertinent to mention that to get an international view on these issues, the Authority has also engaged an international consultant through USAID.
- 36.3. The Authority considering the impact of the above issues on the power sector, considers that the matter requires further deliberations, and has therefore decided to issue a separate additional decision on the aforementioned proceedings.
- 36.4. Thus, the Use of System Charge (UoSC) determined by the Authority in the instant decision, as mentioned under the Order part, may be revised accordingly, if required in light of the decision of the Authority on the wheeling issues, which will be issued separately.

37. Order

- 37.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the revenue requirement of the Petitioner, for the FY 2018-19 and FY 2019-20, to the extent of its distribution function is summarized as under;



Description	Unit	FY-19	FY-20
Pay & Allowances		3,464	3,762
Replacement Hiring		(89)	(97)
Post Retirement Benefits		1,481	1,629
Repair & Maintenance		524	507
Traveling allowance		280	304
Vehicle maintenance		129	154
Other expenses		159	177
O&M Cost	[Min. Rs.]	5,947	6,436
Depreciation		1,200	1,333
RORB		1,105	1,708
O.Income		(555)	(988)
Margin		7,697	8,489
Average Tariff	[Rs./kWh]	2.23	2.42

- 37.2. Sukkur Electric Power Company Limited (SEPCO), being a distribution licensee, is allowed to charge its consumers, the following "Use of system charge" (UOSC) for the FY 2018-19;

Description	For 132 kV Only	For 11 kV Only	For both 132 & 11 kV
Asset Allocation	18%	67%	85%
Level of Losses	2.11%	11.78%	13.64%
UoSC Rs./kWh	0.35	1.50	1.90

- 37.3. Sukkur Electric Power Company Limited (SEPCO), being a distribution licensee, is allowed to charge its consumers, the following "Use of system charge" (UOSC) for the FY 2019-20;

Description	For 132 kV Only	For 11 kV Only	For both 132 & 11 kV
Asset Allocation	18%	67%	85%
Level of Losses	1.91%	11.76%	13.44%
UoSC Rs./kWh	0.40	1.72	2.18

- 37.4. Use of System Charge (UoSC), as mentioned above, may be revised accordingly, if required in light of the decision of the Authority on the wheeling issues, which will be issued separately.
- 37.5. 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,
- 37.6. To make its system available for operation by any other licensee, consistent with applicable instructions established by the system operator.
- 37.7. To 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 [or Provincial Government;
- 37.8. To develop, maintain and publicly make available, with the prior approval of the Authority, an

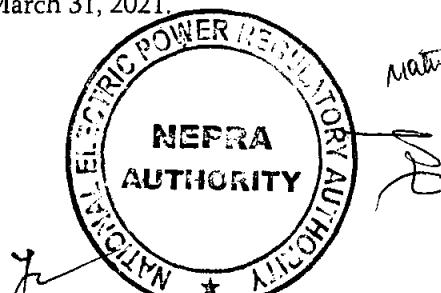
investment program for satisfying its service obligations and acquiring and selling its assets

- 37.9. To 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.
- 37.10. 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.

38. Summary of Direction

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

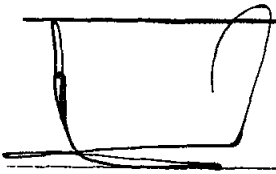
- i. File Multi Year Tariff Petition for a tariff control period of five year to avoid any delay in tariff determinations.
- ii. to immediately stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy and report be shared with the Authority by December 31, 2020.
- iii. to immediately ensure that consumer's deposits are not utilized for any other purpose and the same is reflected in the Audited accounts for the FY 2020-21 & onward.
- iv. to immediately restrain from unlawful utilization of receipts against deposit works and security deposits immediately, and the same is reflected in the Audited accounts for the FY 2020-21 & onward.
- v. to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance for the FY 2020-21 & onward.
- vi. to give clear disclosures in its Financial Statements with respect to the break-up of costs in terms of Distribution and Supply Businesses for the FY 2019-20 and onward.
- vii. to ensure proper tagging of assets so that costs incurred are properly classified as per their nature and report be submitted to the Authority by June 30, 2021.
- viii. to provide the required details of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20, by March 31, 2021.
- ix. to prepare schemes to cater for future demand and for removal of system overloading/constraints. A detailed report shall be submitted as part of its 5-years IGTDP for approval of the Authority before filing of next tariff petition as per requirement under NEPRA Guidelines for determination of Consumer End tariff (Methodology and Process) 2015.
- x. to immediately provide electricity connections to all the pending applications without further delay and submit a progress report in this regard by the end of each quarter.
- xi. to immediately establish a corporate desk to facilitate its corporate clients in terms of provision of electricity and to address the issues of overbilling, if any, on priority basis and submit report to the Authority by March 31, 2021.

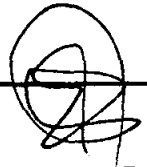


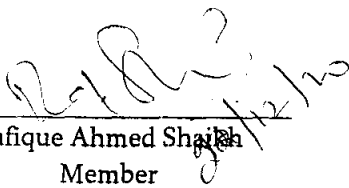


- xii. to target high loss feeders to bring the overall losses down. A detailed plan be prepared and submitted to the Authority by March 31, 2021, for monitoring the progress of SEPCO in this respect.
 - xiii. transfer the already collected provision on account of Post-Retirement benefits into the Fund and also provide break-up of the said postretirement benefits indicating the provision amount pertaining to the prior period and the current portion by June 30, 2021.
 - xiv. to provide project wise report for the investments carried out for the FY 2018-19 and for previous years i.e. FY 2016-17 & FY 2017-18 along-with its cost/benefit analysis and technical/financial savings achieved by March 31, 2021. Carry out detailed analysis about the hard and soft areas relative to claims in earlier studies.
 - xv. Take remedial measures for achievement of performance standards as laid down in NEPRA Performance Standards (Distribution) Rules, 2005.
- 38.2. The determination of the Authority is hereby intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

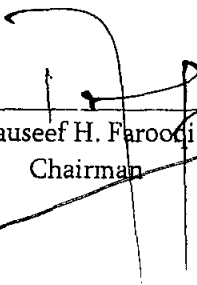

Engr. Bahadur Shah
Member


Rehmatullah Baloch
Member


Rafique Ahmed Shah
Member


Saif Ullah Chattha
Vice Chairman

22.12.2020


Tauseef H. Farooqi
Chairman

