



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad.  
Tel: +92-51-9206500, Fax: +92-51-2600026  
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

**Registrar**

No. NEPRA/R/ADG(Trf)/TRF-573 & TRF-574 /TESCO-2022/ 4711-17

April 01, 2024

Subject: **DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY TRIBAL AREAS ELECTRICITY SUPPLY COMPANY (TESCO) AGAINST DECISION OF THE AUTHORITY FOR ANNUAL ADJUSTMENT/INDEXATION OF TARIFF FOR THE FY 2023-24 & PRIOR YEAR ADJUSTMENTS UNDER MULTI-YEAR TARIFF REGIME [CASE # NEPRA/TRF-573 & TRF-574/TESCO-2022]**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 14 Pages) in the matter of motion for leave for review filed by Tribal Areas Electricity Supply Company (TESCO) against the Decision of the authority for Annual Adjustment/Indexation of Tariff for the FY 2023-24 & prior year Adjustments under Multi-Year tariff regime in Case No. NEPRA/TRF-573 & TRF-574 /TESCO-2022.

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

Enclosure: As above

(Engr. Mazhar Iqbal Ranjha)

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

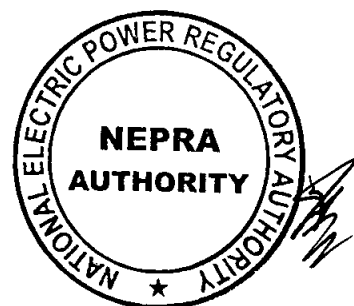
CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, 1<sup>st</sup> Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Chief Executive Officer, NTDC, 414 WAPDA House, Shaharah-e-Quaid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
6. Chief Executive Officer, Tribal Areas Electricity Supply Company Limited (TESCO), Room No. 213, 1<sup>st</sup> Floor, WAPDA House, Shami Road, Sakhi Chashma, Peshawar

**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY TRIBAL AREAS ELECTRICITY SUPPLY COMPANY (TESCO) AGAINST DECISION OF THE AUTHORITY FOR ANNUAL ADJUSTMENT / INDEXATION OF TARIFF FOR THE FY 2023-24 & PRIOR YEAR ADJUSTMENTS UNDER MULTIYEAR TARIFF REGIME**

1. The Authority determined TESCO's annual indexation/ adjustment for its distribution and supply functions for the FY 2023-24 vide decisions dated 14.07.2023. The tariff so determined was notified by the Federal Government vide SRO dated 26.07.2023. TESCO (*hereinafter also referred to as "the Petitioner"*), being aggrieved with the aforementioned decision of the Authority, filed motion for leave for review dated 31.07.2023, received in NEPRA on 02.08.2023.
2. TESCO, submitted that being aggrieved by decision of the Authority, where the requested power purchase cost, operational & maintenance costs for FY 2023-24, previous year adjustments (PYA) for FY 2020-21 and FY 2021-22, along with RoRB is partially allowed, it is filling leave for review under section 31(4) of the Act and rule 16(6) National Electric Power Regulator Authority (Tariff Standards and Procedures) Rules, 1998.
3. The Petitioner requested the following amounts in its MLR;

Description	Unit	Determined for FY 2023-24	Adjustment Request	Revised Request
Units Received	MkWh	2,470	- 668	1,802
Units Sold	MkWh	2,247	- 668	1,579
Units Lost	MkWh	223	-	223
Power Purchase				
Energy Charges	Rs. Mln	16,295	-	16,295
Capacity Charges	Rs. Mln	62,602	-	62,602
Transmission Charges & MoF	Rs. Mln	5,114	-	5,114
Power Purchase Price	Rs. Mln	84,011	-	84,011
Pay & Allowances	Rs. Mln	1,292	306	1,598
Post-Retirement Benefits	Rs. Mln	297	230	527
Repair & Maintenance	Rs. Mln	27	114	141
Travelling Allowance	Rs. Mln	28	20	48
Vehicle Maintenance	Rs. Mln	29	28	57
Other Expenses	Rs. Mln	75	79	154
Total O& M Costs	Rs. Mln	1,748	777	2,525
Depreciation	Rs. Mln	520	-	520
RORB	Rs. Mln	656	862	1,518
Wheeling Charges to PESCO		-	666	666
Other Income	Rs. Mln	- 277	-	- 277
PYA	Rs. Mln	- 510	1,782	1,272
Revenue Requirement	Rs. Mln	86,148	4,087	90,235



**Proceedings:**

4. The Motion for Leave for Review was admitted by the Authority. Since the impact of any cost to be allowed, impacts the consumer end tariff, therefore, the Authority decided to conduct a hearing in the matter, to provide a fair opportunity to the Petitioner to present its case. The

*matu. 2*

hearing was initially scheduled on 30.11.2023, at NEPRA Tower & through Zoom. Notices of hearing were issued to the relevant stakeholders. Subsequently, the hearing was rescheduled for 27.11.2023. During hearing, the Petitioner was represented by its Chief Executive Officer along-with its Technical and Financial Team.

5. The Petitioner raised the following issues in its MLR;

- ✓ Revised Projections of sales and purchases
- ✓ Pay & Allowances
- ✓ Post Retirement Benefit
- ✓ Repair & Maintenance
- ✓ Travelling Allowance
- ✓ Vehicle Maintenance
- ✓ Other Expenses
- ✓ RORB
- ✓ Wheeling Charges to PESCO
- ✓ PYA

6. The Petitioner's submission on various issues raised in the MLR is as under;

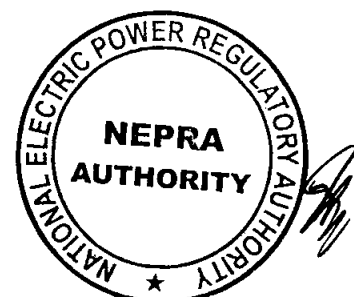
7. Revised projection of sales and purchases

7.1. The Petitioner requested to consider revised figures for energy units to be billed to the end consumers in light of recent developments. The Petitioner submitted that during the FY 2022-23, it has billed a total of 1,564 MkWh against the target units of 2,143 MkWh. This reduction in number of units billed to consumers is due to following major reasons;

- ✓ Firstly, the supply of electricity to domestic consumers of TESCO during FY 2022-23, has been reduced from 6 hours per day to 3 hours per day, due to budgetary constraint limits of Pick-Up FATA Subsidy of Federal Government.
- ✓ In addition, the power purchase cost of per unit kWh has increased over the FY 2021-22.
- ✓ Furthermore, the domestic consumers in the jurisdiction of TESCO have installed off-grid solar panels, thus meeting their energy needs from solar panels installed locally.
- ✓ For FY 2023-24 the Federal Government has allowed Rs.25 billion subsidies for Pick-up FATA Subsidy, which will decrease the number of units to be billed by TESCO to its consumers during FY 2023-24.

7.2. It was further submitted that according to the revised projections, based on the actual evidence, TESCO is projecting to bill 1,579 MkWh units to its consumers, as compared to the earlier projection of 2,247 MkWh for FY 2023-24. The Petitioner accordingly requested to consider the following revised figures for power purchase cost, while working out the tariff adjustment/indexation of TESCO.

hale - J



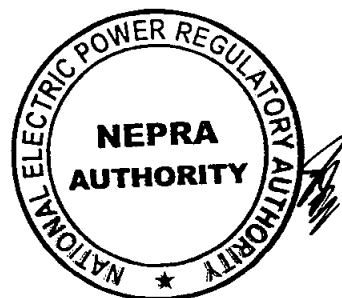
Description Revised Figures for FY 2023-24	Units in MkWh
Units Purchased	1,802
Allowed T&D losses by NEPRA	223
Units Sold	1,579

- 7.3. The Authority has carefully reviewed the submissions of the Petitioner and perused the record. Regarding revision in projected purchases and consequently projected sales for the FY 2023-24, the Authority observed that while setting up power purchase price references for the FY 2023-24 and allowing adjustment/ indexation to TESCO for the FY 2023-24, the projections given by TESCO were considered, whereby it projected purchases of around 2,488 GWhs for the FY 2023-24 as given hereunder;

Description	FY 2023-24
Units Purchases (GWh)	2,488
Units Sales (GWh)	2,260
Assessed T&D Losses	9.21%
Consumer Growth	0.04%
Average Monthly MDI (MW)	695
Energy Charge (Rs/kWh)	15.69
Capacity Charge (Rs/kW/Month)	4,186
UoSC (Rs/kW/Month)	483
MoF (Rs/KW/Month)	2.289

- 7.4. Accordingly, the Authority while projecting the power purchase price references for the FY 2023-24, projected TESCOs energy purchases for the FY 2023-24 as 2,470 GWhs. The said decision i.e. setting up of PPP references for the FY 2023-24, issued by the Authority dated 14.07.2023 has since been notified vide SRO dated 25.07.2023, effective 01.07.2023. Therefore, the request of the petitioner to revise the earlier projected energy numbers, when the decision in the matter has already been notified and is being charged from the consumers is neither practical nor justified. Here it is also pertinent to mention that quarterly adjustment for the 1<sup>st</sup> quarter of FY 2023-24 has already been allowed based on such projected PPP references and is being recovered from the consumers from January to March 2024. Further, approval of 2<sup>nd</sup> Quarterly adjustment of FY 2023-24 is also at advanced stage. It is to be noted that tariff of XWDISCOs is set on a revenue capped model, whereby PPP is a pass through item and any shortfall in recovery of the allowed revenue requirement, including the Distribution Margin, owing to lower sales based on the Authority allowed bench marks of T&D losses and 100% Recovery ratio, is adjusted as part of PYA in the next tariff determination.

man 2



7.5. In view of the above discussion, the Authority does not see any rationale to modify its earlier decision in the matter, thus request of the Petitioner is declined.

**8. Pay & Allowances**

8.1. On the issue of Pay & Allowances, the Petitioner submitted that it is currently working with 1,057 human strength against its approved strength of 2452, which roughly comes out to be 43% of working human resources. The majority of hiring requested by TESCO is for ALM, who serve as the backbone of any distribution company and will become the future human assets of the company. In addition, every section of TESCO is facing shortage in the human resource department, where the already employed employees are overworked and overburden. By allowing new hiring, it would lead to overall system improvement, increase in resolving consumer complaints, there will be increase in the effectiveness and efficiency of work because the already aging workforce will be assisted by a young, energetic and professional qualified personnel. TESCO would also like to add that has remained within the allowed T&D losses target set by NEPRA.

8.2. In the light of above, the Petitioner requested to allow the amount of Rs. 10.97 million withheld as part of PYA and Rs.295 million for the hiring to be made during FY 2023-24. Thus, a total of Rs. 305.97 million has been requested in addition to the already amount for salaries & wages for new hiring.

8.3. The Authority, regarding cost of new hiring, in the MYT determination of the Petitioner dated 02.06.2022, decided as under;

**"Additional Recruitment"**

*"The Authority observed that Salaries & Wages cost for the FY 2019-20, as per the audited accounts of the Petitioner, have been considered as base cost, therefore, impact of any new recruitment already made till FY 2019-20 has been accounted for. For any future recruitment to be carried out in FY 2020-21 and onward, the Authority understands that allowing cost of additional hiring, upfront would be unfair with the consumers, without considering/analyzing the benefits of such recruitment. The Authority understands that it will be in a better position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. In view thereof, the Authority has decided to consider the financial impact of any additional hiring during the midterm review, which will be carried out after expiry of 3<sup>rd</sup> year of the MYT control period, whereby the Petitioner would provide complete detail/ justification of the recruitment made along-with benefits achieved. The mid-term review would be carried out, in case the Petitioner remains in the public sector."*

8.4. Subsequently, the Authority while deciding the adjustment / indexation request of the Petitioner for the FY 2023-24, vide decision dated 14.07.2023 decided as under;

*Here it is pertinent to mention that TESCO has also claimed cost of new hiring made during the FY 2021-22 and FY 2022-23, however, as per the scope of MYT, TESCO was required to file a mid-term review for approval of new hiring cost by justifying the same through its prospective benefits. TESCO till date has not filed any such request, and accordingly, the*



mu. 9

4/14

impact of new hiring amounting to Rs.10.97 million, other than MIRAD, has been adjusted from Salaries & wages cost provided by the Petitioner for the FY 2022-23. Similarly, the request of the Petitioner to allow new hiring cost of around Rs.295 million for the FY 2023-24, is also not being acceded to, as the Petitioner has not filed the Midterm review for approval of new hiring cost along-with its prospective benefits.

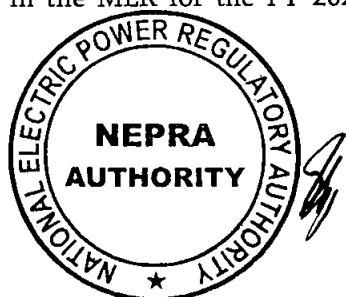
- 8.5. The Authority has considered the submissions of the Petitioner and noted that no recruitment has been made yet against the requested amount of Rs.295 million by the Petitioner, as it has been prayed in the MLR that NEPRA is requested to allow Rs.295 million for the hiring to be made during FY 2023-24. In view thereof, the Authority has decided to only allow the amount of Rs.10.97 million on account of hiring already made by the Petitioner as per the below detail, provided by the Petitioner.

Hiring Already Made by TESCO						
S.No.	Nomenclature of the Posts	BPS	No of post	Date of Joining	FY 2021-22 Millions	FY 2022-23
1	Dy. Director I/A	18	1	Apr-22	0.311	1.54
2	Dy. Director Legal	18	1	Oct-21	0.715	2.19
3	SDO	17	9	Jan-23	0	5.42
4	Assistant Director (Admn)	17	1	Jan-23	0	0.6
5	Assistant Director (MIS /IT)	17	2	Jan-23	0	1.2
6	Total		14		1.02	10.97

- 8.6. Regarding the remaining amount of Rs.295 million, for which hiring is yet to be completed, the Authority has decided not to accept the request of the Petitioner to allow this cost upfront.

9. Post-Retirement Benefits

- 9.1. Regarding Post Retirement benefits, the Petitioner submitted that the Authority at para 7.34, has allowed Rs.296 million for FY 2023-24 as post-retirement benefits based on the reference determined in the MYT after incorporating the increase announced by Federal Government. The numbers considered by NEPRA during the petition of MYT were based on the actual payments made to the pensioners. The Petitioner also submitted that number of pensioners has increased during the preceding years, because of increase in numbers of retired officials of TESCO. Secondly majority of TESCOs pensioners draw pension from the offices of PESCO. During the FY 2020-21 and the FY 2021-22, PESCO submitted its pension demands to TESCO, which has increased the total actual expenditure in the head of post-retirement benefits. As per the financial accounts of TESCO, the actual expenditure incurred in FY 2021-22 is Rs.477.762 million.
- 9.2. In light of above, the Petitioner has requested to allow the amount of Rs.527 million as the operational expenses under the head of post-retirement benefits, as not allowing this cost would result in shortfall in payment to the pensioners.
- 9.3. The Authority observed that it had allowed pension benefits of Rs.297 million to the Petitioner for the FY 2023-24, whereas, the Pensioner has now requested an amount of Rs.527 million in the MLR for the FY 2023-24. The primary reason quoted by the Petitioner is



Neam J

increase in number of Pensioners during the preceding years. The MYT determination of the Petitioner provides that allowed amount of post-retirement benefits would also be adjusted every year with the Pension increases as announced by the GoP for the respective year, till the time the Petitioner remains in the public sector. The Authority also observed that for the FY 2020-21, the first year of MYT, the Petitioner was allowed an amount of Rs.207 million, based on the amount requested by the Petitioner. The same as per the adjustment mechanism is adjusted every year with the increases announced by the GoP for the respective year. The Petitioner has now submitted that its number of pensioners have also increased during the preceding years. To verify the same, the Petitioner was directed to provide details regarding number of Pensioners over the years. The data provided by the Petitioner is as under;

TESCO										
	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23	
BPS	No. of Pensioners	Pension Expenditure	No. of Pensioners	Pension Expenditure	No. of Pensioners	Pension Expenditure	No. of Pensioners	Pension Expenditure	No. of Pensioners	Pension Expenditure
1										
2	76	16,668,878	81	16,521,674	89	21,435,651	94	35,339,277	96	35,339,277
3										
4	44	11,189,831	46	10,944,061	49	12,944,061	53	20,944,061	54	20,944,061
5										
6	49	14,695,721	51	12,991,853	52	15,991,853	53	22,991,853	56	22,991,853
7	68	21,631,544	70	18,302,802	73	22,302,802	74	34,045,317	77	34,045,317
8	51	18,742,406	54	15,115,807	62	21,115,807	70	40,115,807	71	40,115,807
9										
10										
11	101	55,531,884	112	33,516,379	121	50,527,445	126	75,993,409	132	73,993,409
12										
13										
14										
15	32	18,453,458	49	18,109,932	69	38,109,932	82	97,860,450	91	97,860,450
16	38	29,730,254	38	15,310,325	38	30,310,325	40	41,630,491	40	36,630,491
17	25	20,658,743	26	11,854,677	27	21,854,677	28	30,854,677	30	30,854,677
18	8	13,549,986	8	9,325,821	8	11,325,821	9	15,325,821	9	11,325,821
19	7	13,381,932	7	10,572,924	7	14,572,924	7	16,622,472	7	13,622,472
20	5	11,023,545	6	9,865,744	6	12,865,744	7	17,324,719	8	16,107,792
	504	245,258,181	548	182,431,999	601	273,357,043	643	449,048,354	671	433,831,427

9.4. As per the information provided by the Petitioner, its number of pensioners have increased by 22% from FY 2019-20 to FY 2022-23. Thus, pension cost of TESCO has increased on both counts i.e. budgetary increases announced by the GoP from time to time, and increase in number of pensioners.

9.5. The Authority has also carried out an analysis of the amounts allowed to the Petitioner vis a vis its actual costs for the period from FY 2020-21 till FY 2022-23, under both Pay & Allowances and Pension benefits, which is as under;

Math 9



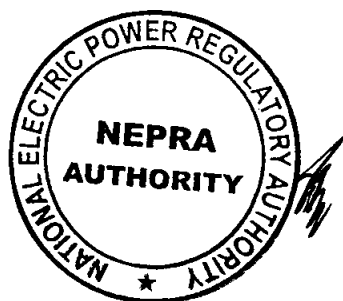
Salaries, wages & Other Benefits ( Including Pension expenses)		
Year	Actual/ Provisional	Allowed
FY 2020-21	1,120	982
FY 2021-22	1,350	1,177
FY 2022-23- Provs.	1,255	1,304
FY 2023-24 -Prject	1,659	1,588
	5,384	5,051

9.6. From the above table, it is noted that the Petitioner has been allowed a total amount of Rs.5,051 million, against its actual/projected expenditure till FY 2023-24, for both the Pay & allowances and pension benefits, whereas its actual / projected expenditure for the period is around Rs.5,384 million. In view thereof, and the fact that the Petitioner is obligated to make pension payments as the employees are hired on the Government scales, the Authority has decided to accept the request of the Petitioner to allow total post-retirement benefits of Rs.527 million for the FY 2023-24, as against the already allowed amount of Rs.297 million. Thus, the Petitioner is allowed an additional amount of Rs.230 million on account of post-retirement benefits for the FY 2023-24. However, in case the actual expenditure of the Petitioner till the FY 2023-24 under both head i.e. Salaries, wages & Other benefits and Post-Retirement benefit remains lower than the allowed costs, the same would be adjusted as part of PYA in the subsequent tariff adjustment/indexation.

#### 10. Other O&M Expenses

- 10.1. The Petitioner on the issue of Other O&M expenses has submitted that the Authority at para 11.1 of MYT adjustment/indexation decision allowed Rs.29 million for FY 2023-24, against the reference cost determined in the MYT of TESCO, which has been worked out based on the NCPI of December 2022 of 24.47% reduced by the efficiency factor.
- 10.2. The Petitioner stated that as compared to general NCPI of December 2022, the Authority may consider NCPI of fuel of December 2022 i.e. 49.45%, because the prices of fuel have increased considerably more as compared to overall general inflation level. By not allowing the actual inflation in fuel prices, and only considering the general inflation, the vehicle expenses allowed are considerably less as compared to the actual inflation. Further there has been increase in the number of vehicles in the pool of TESCO. 5 bucket mounted vehicles, 27 porters, and 21 pick-up vehicles have been procured by TESCO in order to meet its operations during FY 2020-21 and FY 2021-22. The procurement of these new vehicles has increased the vehicles maintenance and fuel costs of TESCO. In addition, a dedicated section of MIRAD, has been created in TESCO, which is fully operational and functional. The Authority in the para-No. 10.24, as reproduced below, allowed the necessary infrastructure for MIRAD.

*"The Authority observed that detailed design and implementation plan of the Competitive Trading Bilateral Contract Market (CTBCM) has been approved on November 12, 2020 to make a competitive wholesale electricity market functional in near future. Pursuant thereto, DISCOs have created a Market Implementation & Regulatory Affairs Department (MIRAD).*



*Math 9*



*The department would be a dedicated central interface between DISCOs and the competitive electricity market equipped with staff having specialized knowledge and competency and supported by necessary infrastructure, inter-alia, to administer the market operations including bilateral contracts portfolio management, short and medium-term demand forecasting, transmission planning, and overseeing legal and regulatory affairs.*

- 10.3. In view of the above, the Petitioner requested to allow amount of Rs.57 million for operational expenses under the head of O&M expenses.

11. Traveling Allowance

- 11.1. The Petitioner regarding traveling expenses submitted that Authority at para 11.1 of MYT adjustment/indexation decision has allowed Rs.28 million costs for the FY 2023-24 against the reference cost determined in the MYT of TESCO. This has been worked out based on the NCPI of December 2022 of 24.47% reduced by the efficiency factor.

- 11.2. The Petitioner stated that its travelling expense has increased during preceding years as it has hired 14 new officers during FY 2021-22, and 21 officers & 505 officials are expected to be hired during FY 2023-24. This additional human resource will increase the travelling cost of TESCO. Further, the jurisdiction of TESCO is spread over 27,219 SqKMs and staff has to travel to remote areas during performance of their duties. Moreover, MIRAD team takes parts in annual Transmission System Expansion Plan (TSEP), Power Acquisition Program (PAP), Power Market Survey (PMS), and other activities organized by different entities of the power sector, which has led to increase in travelling expenses of TESCO. In addition, a dedicated section of MIRAD, has been created in TESCO, which is fully operational and functional.

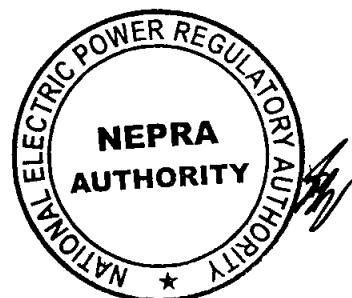
- 11.3. The Petitioner accordingly has requested to allow an amount of Rs.48 million for travelling allowance.

12. Repair & Maintenance (R&M):

- 12.1. The petitioner submitted that the Authority at para 11.1 of MYT adjustment/indexation decision has allowed Rs.27 million costs for FY 2023-24 against the reference cost determined in the MYT of TESCO. This has been worked out based on the NCPI of December 2022 of 24.47% reduced by the efficiency factor.

- 12.2. The Petitioner submitted that it has total assets of Rs.18.543 billion and actual expenditure incurred during FY 2021-22 under the head of repair & maintenance was Rs. 100.40 million. This increase has incurred due to aging infrastructure of TESCO, which needs to be constantly maintained. Further the distribution equipment of TESCO was heavily damaged during the flash floods that occurred during FY 2021-22. Moreover, there has been increased in the cost of material along with the necessary ancillary services due to rising inflation. By allowing only 27 million, which comes out to 0.001% of the total assets. 27 million is considerably less amount for TESCO to maintain its assets of Rs.18.543 billion.

*Mali G*



- 12.3. In addition, a dedicated section of MIRAD, has been created in TESCO, which is fully operational and functional. In light of above, the Petitioner requested to allow the amount of Rs.141 million for operational expenses under the head of repair and maintenance.
13. The Authority has considered the submissions of the Petitioner made in the MLR and during the hearing. The Authority observed that in the MYT determination of TESCO dated 02.06.2023, in the matter of adjustment of O&M costs decided as under;

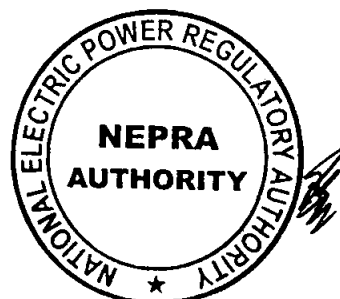
52. **O&M Costs**

- 52.1. Regarding other O&M cost, the reference cost would be adjusted every Year with CPI-X factor. However, the X factor would be applicable from the 3<sup>rd</sup> year of the MYT control period. The Adjustment mechanism would be as under;

Adjustment Mechanism - Operation & Maintenance Exp.	
Operation & Maintenance Exp.	= Ref. O&M cost x [1+(CPI - X factor)]

- 13.1. Thus, at the very outset, the request of the Petitioner to allow higher inflationary increase for transportation and allow additional costs for other heads, are out of scope of the MYT adjustment/ indexation mechanism. It has also been observed that the Petitioner, although, has claimed that its expenditure under R&M has increased during FY 2021-22, which as per its audited accounts are around Rs.103 million, however, for the FY 2019-20 and FY 2020-21 the same are reported as Rs.17 million and Rs.37 million respectively. The cost reported by the Petitioner for the FY 2019-20 was used as reference for future indexation during the tariff control period. The spirit of MYT is to bring efficiency in the operations of the Petitioner, therefore it shall ensure reduction in its costs through more efficient and less costly operations, as compared to increases allowed in the Tariff, the benefits of such improvement will be retained by the Petitioner, during the tariff control period.
- 13.2. The Authority on the Petitioner submission to index POL prices, at a rate higher than average CPI, noted that the allowed O&M expenses include number of different costs heads. All these cost heads do not directly correspond with changes in overall NCPI, as there are some heads like communication, bill collection charges, rents, rates & taxes etc., which do not increase with the same proportion of overall NCPI, however, at the same time there are certain heads, which increase at a rate higher than overall NCPI.
- 13.3. For ready reference the % change of 24.47% in NCPI of Dec. 2022 over Dec. 2021 along-with % change in individual groups, comprising of the overall NCPI basket has been reproduced hereunder;

*Math - 2*



# **I. National Consumer Price Index (N-CPI)**

The National Consumer Price Index for December 2022 is increased to 0.49% over November 2022 and increased to 24.47% over corresponding month of the last year i.e. December 2021.

**Table 1: Consumer Price Index (National) by Group of Commodities and Services (Base 2015-16)**

No	Group	Group Weight (%)	Indices			% Change Dec 2022 Over		Impact (in % points) Dec 2022 Over	
			Dec 22	Nov22	Dec 21	Nov 22	Dec 21	Nov 22	Dec 21
	<b>General</b>	<b>100.00</b>	<b>198.88</b>	<b>198.88</b>	<b>188.18</b>	<b>0.49</b>	<b>24.47</b>	<b>0.48</b>	<b>24.47</b>
1.	Food & Non-alcoholic Bev.	34.58	220.82	221.14	162.96	-0.14	35.50	-0.06	12.85
	Non-perishable Food Items	29.60	219.82	214.82	165.90	2.38	32.49	0.77	10.09
	Perishable Food Items	4.99	226.12	258.67	145.01	-12.58	55.03	-0.83	2.56
2.	Alcoholic Bev. & Tobacco	1.02	199.49	198.46	146.48	0.52	36.19	0.01	0.34
3.	Clothing & Footwear	8.60	183.62	182.32	156.81	0.71	17.10	0.06	1.46
4.	Housing, Water, Electricity, Gas & Fuels	23.63	167.51	167.48	156.83	0.02	6.95	0.00	1.83
5.	Furnishing & Household Equipment Maintenance	4.10	196.45	191.84	152.01	2.40	29.23	0.10	1.15
6.	Health	2.79	189.63	186.02	161.46	1.94	17.45	0.05	0.50
7.	Transport	5.91	243.28	245.27	172.34	-0.81	41.16	-0.06	2.85
8.	Communication	2.21	111.96	111.89	110.11	0.06	1.68	0.00	0.03
9.	Recreation & Culture	1.59	185.02	166.90	133.60	10.03	38.49	0.15	0.52
10.	Education	3.79	163.80	163.45	147.76	0.27	10.92	0.01	0.39
11.	Restaurants & Hotels	6.92	190.03	196.51	156.27	1.29	27.37	0.09	1.87
12.	Miscellaneous	4.87	204.99	199.01	162.90	3.00	25.77	0.15	1.29

13.4. From the above table, it is clear that certain heads like electricity, communication, equipment maintenance etc., have not increased by the overall NCPI of 24.47%, instead have increased by 6.95%, 1.68% and 29.23% respectively.

13.5. In view thereof, the Authority decided to index the total allowed O&M cost with average CPI-X factor, instead of adjusting each individual head of O&M cost separately. Here it also needs to be understood that spirit of MYT is to bring efficiency in the operations of the Petitioner, by bridging the gap between different cost heads through effective management, of such costs. The Petitioner shall ensure reduction in O&M costs through more efficient and less costly operation & maintenance, as compared to increases allowed in the Tariff, the benefits of such improvement will be retained by the Petitioner, during the tariff control period.

13.6. It is also a fact that similar adjustment mechanism is applicable for other entities in the Power sector under the Multi Year Tariffs i.e. Generation, Transmission, Distribution and Supply functions. Any change in the adjustment mechanism of the Petitioner, to account for its request would open a Pandora's Box, resulting in multiple openers in the MYT, which is neither desired nor a prudent utility practice.

13.7. In light of above discussion, the Authority has decided not to accept the request of the Petitioner to allow any increase in the already allowed amounts or modify the adjustment/ indexation mechanism.

14. RORB

*Wali*

10/14



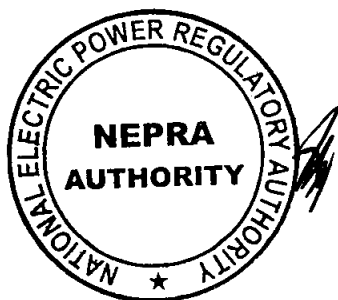
- 14.1. On the point of RoRB, the Petitioner submitted that the Authority at para 7.47 has allowed Rs.657 million costs for FY 2023-24 as RoRB for the distribution and supply business. This RoRB has been calculated based on RAB of Rs.3,101 million. The Petitioner mentioned that it has submitted an addendum to the indexation/ adjustment vide letter dated 08.06.2023 to the Authority to consider certain strategic projects from its own resources, along with purchase of two vehicles for MIRAD section. The Petitioner requested that while working out the RAB for FY 2023-24, TESCO would request the Authority to consider, the following working, which is as per the actual approved investment plan of NEPRA.

FY 2022-23 Projected Rs. Mln.	FY 2023-24 Projected Rs. Mln.
12345.77	15574.27
3228.50	3379.00
15574.27	18953.27
5044.00	5630.00
10530.27	13323.27
11805.20	12985.72
22335.47	26308.99
17025.86	17249.04
5309.61	9059.95
4214.93	7184.78
12.03%	21.14%
507.06	1518.86

- 14.2. In the light of above the Petitioner requested to allow the amount of Rs.1,518.86 million for RoRB on projected regulatory asset base for FY 2023-24.
- 14.3. The Authority has carefully reviewed the submissions of the Petitioner and observed that the Petitioner was allowed RoRB for the FY 2023-24 vide decision dated 14.07.2023, based on the Petitioner's investment plan and its financing plan, approved by the Authority for the MYT control period. The Petitioner has now requested to consider certain strategic projects from own resources, along with purchase of two vehicles for MIRAD section. If the same is approved by the Authority, the RoRB of the Petitioner would be adjusted in light of the revised approved investment plan.
- 14.4. Therefore for the purpose of instant MLR, the Authority has decided not to consider the request of the Petitioner to allow any further amount under the head of RoRB. Here it is also pertinent to mention that the allowed amount of RoRB is subject to true up, based on allowed amount of investments at the end of each year. Therefore, even if the Petitioner is able to make investment as per the approved investment plan, from own sources, RoRB for the same would be allowed as part of PYA, during RoRB true up.

15. Wheeling charges

- 15.1. The Petitioner on the issue of wheeling charges, submitted that the Authority in para number 7.64 of MYT adjustment/indexation decision has raised the following observation on wheeling charges.



11/14

*"The Authority had been allowing wheeling charges to the Petitioner in the past, however, the Petitioner did not provide any details of the amount actually billed by PESCO to the Petitioner on account of wheeling charges and the amount actually paid by the Petitioner to PESCO. Therefore, the Petitioner is directed to provide such details and also develop an understanding with PESCO regarding what should be the wheeling rate and submit the same for consideration of the Authority. In the meantime, the Authority has decided not to allow the wheeling charges to the Petitioner on provisional basis."*

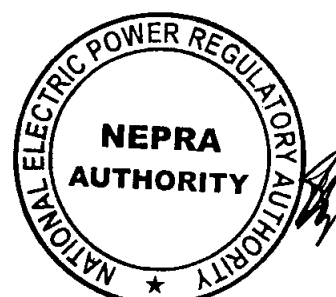
- 15.2. The Petitioner further stated that at the time of indexation/ adjustment petition, it submitted invoices charged by PESCO for FY 2020-21, FY 2021-22. Details of invoices on account of wheeling charges for the FY 2020-21, FY 2021-22, and FY 2022-23 along-with details of actual payments made to PESCO during the FY 2020-21, and FY 2022-22 are again being submitted.

Details of Payments Made to PESCO for Wheeling FY 2020-21 to FY 2021- 22		
S. No.	Month	Amount Rs.
1	Sep-21	50,000,000.00
2	Oct-21	50,000,000.00
3	Nov-21	43,250,000.00
4	Dec-21	47,750,000.00
5	Jan-22	47,750,000.00
6	Feb-22	46,000,000.00
7	Mar-22	46,000,000.00
8	Apr-22	46,000,000.00
9	May-22	46,000,000.00
Total Payments Mar		422,750,000.00

- 15.3. The Petitioner accordingly has requested to allow wheeling charges for FY 2020-21 Rs.595.09 million, and Rs.571.10 million FY 2021-22 as part of PYA and that for FY 2023-24 an amount of Rs.666 million.
- 15.4. The Authority observed that the Petitioner has been allowed wheeling charges for onward payment to PESCO on account of use of system charges since FY 2013-14 till FY 2019-20 as per the following detail;

Rs. Millions	
FY 2013-14	1,904
FY 2014-15	2,291
FY 2015-16	1,304
FY 2016-17	1,323
FY 2017-18	2,234
FY 2018-19	1,846
FY 2019-20	2,118
<hr/> 13,020 <hr/>	

Matt. 9



- 15.5. As per the above table, the Petitioner has been allowed an amount of around Rs.13 billion during the seven years period on account of wheeling charges. However, as per the information submitted by the Petitioner in the MLR, it has only paid an amount of Rs.422.75 million to PESCO on account of wheeling charges. The Authority in its decision dated 14.07.2023, while disallowing wheeling charges to TESCO for the FY 2023-24, clearly directed the Petitioner to provide details of amount actually billed by PESCO to the Petitioner on account of wheeling charges and the amount actually paid by the Petitioner to PESCO.
- 15.6. From the above, it is clear that TESCO has not even paid the already allowed amount of wheeling charges to PESCO. In view thereof, the Authority directs TESCO to clear the payment of outstanding amounts to PESCO for the already allowed amount on account of wheeling charges and settle the issue with PESCO through help of Ministry and CPPA-G. Thus no further cost is allowed till clearance of already allowed amount. If TESCO fails to comply with the directions of the Authority, the already allowed amount of wheeling charges less the amount already paid to PESCO, be deducted as part of PYA in the next tariff indexation/ adjustment request.

16. PYA

- 16.1. The Petitioner requested a total PYA of Rs.1,272.05 million as under,

**Repair & Maintenance:**

- ✓ The reference base determined by NEPRA under MYT for TESCO, is on the lower side. Considering the actual expenditure incurred by TESCO, due to unforeseen circumstances, which were beyond the control of TESCO and considerable rise in inflation, the Authority is requested to revise the base reference for R&M of TESCO and that R&M costs requested as part of PYA of Rs.97.6 million may be allowed to TESCO.

**Wheeling Charges:**

- ✓ The Authority is requested to allow wheeling charges of Rs.1,166.19 million as part of PYA.

**Financial Impact of New Hiring:**

- ✓ The Authority is requested to allow the financial impact of new hiring to the tune of Rs.8.26 million for FY 2021-22.

- 16.2. The issue raised by the Petitioner as part of PYA have already been discussed in previous paragraphs under relevant heads. However, for clarity purposes the same are again discussed below;

- ✓ Regarding financial impact of new hiring, the same has been discussed under the head of Pay & Allowances, whereby the Authority has allowed the impact of new hiring already made by the Petitioner.
- ✓ Regarding wheeling charges, as explained earlier, the Petitioner even did not pay the already allowed amount of Rs.13 billion to PESCO on account of wheeling charges. Therefore, the instant request of the Petitioner to allow any amount on account of



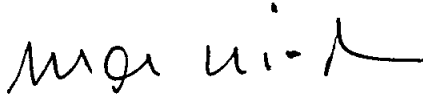
wheeling charges as part of PYA is not justified and hence declined. The Petitioner is directed to clear payment of outstanding amounts to PESCO for the already allowed amount on account of wheeling charges and settle the issue with PESCO through help of Ministry of Energy and CPPA-G. If TESCO fails to comply with the directions of the Authority, the already allowed amount of wheeling charges less the amount already paid to PESCO, be deducted as part of PYA in the next tariff indexation/ adjustment request.

- ✓ Regarding Repair & Maintenance charges, the matter has been discussed in detail in preceding paragraphs, wherein the Authority has decided not to accept the request of the Petitioner to allow any increase in the already allowed amounts or modify the adjustment/ indexation mechanism.
17. Based on the aforementioned discussions, the Petitioner is allowed an amount of Rs.240.97 million as detailed below. The amount so allowed would be made part of PYA in the Petitioner's next adjustment/indexation request for the FY 2024-25.

FY 2023-24	Rs. Million
Pay & allowance- new Hiring	10.97
Post-Retirement Benefit	230

18. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31(7) of the NEPRA Act.

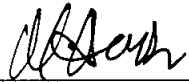
**AUTHORITY**



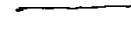
Mathar Niaz Rana (nsc)  
Member



Rafique Ahmed Shaikh  
Member



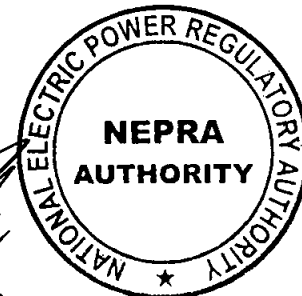
Engr. Maqsood Anwar Khan  
Member



Amina Ahmed  
Member



Waseem Mukhtar  
Chairman



01/04/24

14/14