Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-627/PESCO-Supply/2025/ 291-98 January 07, 2026

SUBJECT: DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO) FOR DETERMINATION OF SUPPLY TARIFF UNDER MYT REGIME FOR THE FY 2025-26 TO FY 2029-30

Please find enclosed herewith the subject Determination of the Authority alongwith Annexures (total 84 pages).

2. The Determination of the Authority alonghwith Annexures, is hereby intimated to the Federal Government for filing of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. The instant determination of the Authority along-with order part and Annexures, be also notified in terms of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, while notifying the uniform tariff application decision of the Authority.

Enclosure: As above

Wasim Anwar

(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, 1st Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Managing Director, National Grid Company (NGC) of Pakistan, 414 WAPDA House, Shaharah-e-auid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Ltd. (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
6. Chief Executive Officer, Peshawar Electric Supply Company (PESCO), WAPDA House, Shami Road, Sakhi Chashma, Peshawar
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad

National Electric Power Regulatory Authority
(NEPRA)

PETITION NO: NEPRA/ TRF-627/PESCO/MYT- Supply/2025

DETERMINATION OF SUPPLY TARIFF PETITION

FOR

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO)

FOR THE FY 2025-26 – FY 2029-30

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad
JANUARY 07, 2026

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Abbreviations

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

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MVA	Mega Volt Amp
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
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

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DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO) FOR DETERMINATION OF SUPPLY TARIFF UNDER MYT REGIME FOR THE FY 2025-26 TO FY 2029-30

CASE NO. NEPRA/TRF-627/PESCO/MYT-SUPPLY/2025

PETITIONER

Peshawar Electric Supply Company Limited (PESCO), WAPDA House Shami Road, Peshawar.

INTERVENER
Nil

COMMENTATOR
Nil

REPRESENTATION

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

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1. Background

1.1. The Authority awarded a Multi-Year Tariff (MYT) to Peshawar Electric Supply Company (PESCO), for a period of five years starting from 1st July 2021 till 30th June 2025. Upon expiry of its MYT on 30.06.2025, PESCO (hereinafter also called as "the Petitioner"), being a Distribution Licensee as well as Supplier of Last Resort, filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff under the MYT Regime for another period of five years i.e. from FY 2025-26 to FY 2029-30, in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules").

1.2. PESCO was required to file its new MYT petitions for the Distribution and Supply functions by January 2025, in line with the NEPRA Guidelines for determination of Consumer End tariff (Methodology and Process) 2015, after incorporating therein, the approved number of investments and target of T&D losses. However, the petitions were filed with considerable delay i.e. on 29.04.2025, and were based on the requested numbers of Investment and T&D losses. PESCO also requested for grant of interim tariff for the FY 2025-26, in order to allow for timely rebasing of consumer-end tariff effective July 1, 2025, as considerable time would be required to finalize the MYT petitions. The Authority acceded with the request of PESCO and granted an "Interim tariff", vide decision dated 23.06.2025 for FY 2025-26, subject to adjustment and/ or refund, based on the final determination of the Authority in the matter of MYT petitions of the Petitioner.

1.3. The Petitioner, inter alia, requested the following Supply cost for its Supply of power function for the five years control period;

Supply of Power	Unit	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Power Purchase Price	**Rs. Mln**	**302,679**	**306,586**	**314,229**	**322,554**	**332,205**
Energy Charges	Rs. Mln	128,551	124,597	128,511	133,262	138,865
Capacity Charges	Rs. Mln	157,346	164,617	168,121	171,500	175,294
Use of System Charges	Rs. Mln	16,726	17,314	17,538	17,732	17,986
Market Operator Fee	Rs. Mln	56	58	59	60	60
Distribution Business Cost	**Rs. Mln**	**34,658**	**40,729**	**46,232**	**51,733**	**56,824**
Supply Business Cost						
Salaries and benefits	Rs. Mln	11,101	12,188	13,442	14,849	16,488
Repair and Maintenance	Rs. Mln	69	76	83	91	101
Travelling expenses	Rs. Mln	118	129	142	156	172
Vehicle expenses	Rs. Mln	120	135	152	170	191
Other expense	Rs. Mln	1,558	1,713	1,885	2,073	2,280
Total O&M Costs	**Rs. Mln**	**12,966**	**14,241**	**15,704**	**17,339**	**19,232**
Depreciation	Rs. Mln	557	672	751	848	922
Return on Rate Base	Rs. Mln	2,463	3,161	3,689	4,072	4,252
Gross Margin	**Rs. Mln**	**15,986**	**18,074**	**20,144**	**22,259**	**24,406**
Less: Other Income	Rs. Mln	(1,962)	(2,019)	(2,043)	(2,023)	(1,947)
Net Margin	**Rs. Mln**	**14,024**	**16,055**	**18,101**	**20,236**	**22,459**
Prior Year Adjustment + Tax	Rs. Mln	32,767	3,588	3,802	4,075	4,263
Total Revenue Requirement	**Rs. Mln**	**384,128**	**366,958**	**382,364**	**398,598**	**415,751**
Projected Sales	GWh	9,321	9,656	9,981	10,331	10,728
Requested Tariff	**Rs./kWh**	**41.21**	**38.00**	**38.31**	**38.58**	**38.75**

2. Proceedings

2.1. In terms of Rule 4 of the Rules, the petition was admitted by the Authority. Since the impact of any such costs has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned parties and to meet the ends of natural justice, decided to conduct a hearing in the matter.

2.2. Hearing in the matter was scheduled on November 03, 2025, for which notice of admission / hearing along-with the title and brief description of the petition was published in the

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newspapers on 24.10.2025, 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 requested/projected Power Purchases Price (Energy & Cost) for the FY 2025-26 is justified?

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

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

iv. Whether the requested/projected amount under heads of Other Income, Deprecations, Tax and RORB based on WACC of 17.05% is justified?

v. Whether the requested PYA is justified?

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

vii. Whether there should be any fixed charges on Units exported by net metering users to the extent of Transmission and Distribution charges or otherwise?

viii. Whether the recovery target and provision for bad debt as provided in petition is justified?

ix. Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise? Whether there should any Fixed Charges on consumer's categories who are currently not paying any fixed charges?

x. Whether the Schedule of tariff be designed on cost-of-service basis or otherwise?

xi. Whether the request to allow recovery loss based on yearly recovery loss % targets, to be adjusted annually along-with the floor and cap mechanism is justified?

xii. Whether the request to allow working capital, Worker welfare fund and cost of open access & cross subsidy is justified?

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

xiv. Any other issue that may come up during or after the hearing?

4. Filing Of Objections/ Comments

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

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

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

5. <u>Whether the requested/projected Power Purchases Price (Energy & Cost) for the FY 2025-26 is justified?</u>

5.1. The Petitioner, during the hearing submitted that purchases (GWhs) have been projected to grow at 2% annually, starting from 11,951 GWhs in FY 2025-26 to 13,091GWhs in FY 2029-30. The Petitioner highlighted that its actual purchases for the FY 2024-25 remained at 11,013 GWhs. Regarding sales, the Petitioner projected sales of 9,321 GWhs for the FY 2025-26 to reach 10,728 GWhs by FY 2029-30 i.e. growth of 3%. The year wise purchases and sales along-with costs, as submitted by the Petitioner is as under;

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Purchases (GWhs)	11,951	12,226	12,481	12,761	13,091
Sales (GWhs)	9,321	9,656	9,981	10,331	10,728
Cost of PPP (Mln. Rs.)	302,678	306,586	314,229	322,554	332,205

Description	UoM	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Energy Charges	(Rs. Mln)	128,637	128,551	124,597	128,511	133,262	138,865
Capacity Charges	(Rs. Mln)	157,031	157,346	164,617	168,121	171,500	175,294
Use of System Charges	(Rs. Mln)	17,047	16,726	17,314	17,538	17,732	17,986
Market Operator Fee	(Rs. Mln)	60	56	58	59	60	60
Power Purchase Price (PPP)	(Rs./Kwh)	25.58	25.33	25.08	25.18	25.28	25.38

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

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

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

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

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and SoLR license, as modified from time to time, of the Petitioner would be applicable during the MYT control period.

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

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

8.1. The Petitioner's submitted that its Distribution Margin consists of the following factors:

- ✓ Operation & Maintenance Expenses
  - ▪ Operational Expenses:
    - Salary Wages & Other Benefits
    - Travelling Expenses
    - Vehicle Expenses
    - Other Expenses
  - ▪ Repairs & Maintenance Expenses
  - ▪ Other Income
- ✓ Depreciation Expense
- ✓ Return on Rate Base

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

<u>O&M Expenses</u>

- ✓ O&M expenses include Salaries & Wages, Repair & Maintenance, Travelling, Vehicle Running and Other Expenses. Based on the impact of increase in inflation, salaries and other allowances. The projections for FY 2024-25 to 2029-30 are as per detail below:

Rs. in Million

Supply & Distribution of Power Business (Existing)								
Description	Nepra Determ'ion	Prov.	Tariff Control Period					Avg. for Tariff Control Period
		Base Year	Test Year	Y2	Y3	Y4	Y5	
	2024-25	2024-25	2025-26 Proj.	2026-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.	
Salaries and Benefits	30,760	33,234	32,743	35,951	39,650	43,800	48,634	40,156
Repair and Maintenance	1,493	1,436	1,560	1,738	1,911	2,102	2,313	1,929
Traveling Expenses	444	373	410	451	496	546	600	501
Vehicle Expenses	320	455	511	574	644	723	812	653
Other Expenses	1,650	1,650	1,815	1,997	2,196	2,416	2,657	2,216
Grand-Total	34,687	37,148	37,059	40,710	44,898	49,587	55,015	45,454
%Increase/(Decrease)			0%	10%	10%	10%	11%	

Rs. in Million

Supply of Power Business								
Description	Nepra Determ'ion	Actual	Tariff Control Period					Avg. for Tariff Control Period
		Base Year	Test Year	Y2	Y3	Y4	Y5	
	2024-25	2024-25	2025-26 Proj.	2026-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.	
Salaries and Benefits	10,465	11,267	11,101	12,188	13,442	14,849	16,488	13,614
Repair and Maintenance	60	62	69	76	83	91	101	84
Traveling Expenses	129	107	118	129	142	156	172	143
Vehicle Expenses	77	107	120	135	152	170	191	154
Other Expenses	1,419	1,416	1,558	1,713	1,885	2,073	2,280	1,902
Grand-Total	12,149	12,959	12,965	14,241	15,704	17,340	19,232	15,896
%Increase/(Decrease)			0%	10%	10%	10%	11%	

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✓ Salaries & Wages including employee's retirement benefits is the major component of O&M expense. Since PESCO was incorporated as company in compliance with power sector reform policy of Government of Pakistan and the WAPDA employees working in Area Electricity Board Peshawar gradually become employees of the company in terms of the Man Power Transition Plan, therefore PESCO had to maintain the GOP pay scales and the terms of employment for the employees which were prevalent in WAPDA. The following additional increases are also made by GoP in its annual budget for FY 2024-25 along with various other impacts:

<u>Increase in Pay & Allowances announced for FY 2025-26:</u>

a) Expected increase in salaries (15%).

b) Impact of Additional recruitment.

c) Cost of new hiring is claimed as an additional item as PESCO is operating with only 42% of its total sanctioned strength in terms of staff and facing severe shortage of resources and if PESCO could not hire required staff the operations of the company would be unsustainable.

d) Employees Retirement Benefits have been based on the average of annual increase in the last three years audited figures.

e) Keeping in view the above increases, the Salaries and Wages are based on the Audited Financial Statement of PESCO for FY 2023-24 and Provisional figure for FY 2024-25 and projected for FY 2025-26 to 2029-30 are as under:

Rs. In Million

Description	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Audited	Prov.	Proj	Proj	Proj	Proj	Proj
Pay & Allowances	9,561	10,958	13,123	15,126	17,495	20,303	23,637
Pay & Allow: (Contract)	983	1,126	1,349	1,555	1,798	2,087	2,429
Pay & Allow: (Daily Wages)	11	13	16	18	21	24	28
Employee Benefits	348	399	477	550	636	738	860
Post-Retirement Benefits	14,292	16,816	13,792	14,539	15,262	15,798	16,354
Other Benefits	3,362	3,921	3,987	4,164	4,438	4,850	5,326
Total Salaries & Wages	28,557	33,234	32,743	35,951	39,650	43,800	48,634

✓ New hiring cost

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	Prov.	Proj.	Proj.	Proj.	Proj.
New Hiring (Nos)	1,020	1,015	1,015	1,014	1,012
Cost (Mln. Rs.)*	579	573	573	572	571

✓ PESCO also submitted comparison of its sanctioned strength and actual working strength is as under:

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Description	Sanctioned Strength	Working Strength	Shortfall	% Shortfall
Qualified Professional	558	391	167	30%
Staff	23,827	9,731	14,096	59%
Total	**24,385**	**10,122**	**14,263**	**58%**

Number of Employees	Existing	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
		Proj.	Proj.	Proj.	Proj.	Proj.
1. Qualified Professionals	391	494	494	494	494	494
Engineers	294	369	369	369	369	369
Others	97	125	125	125	125	125
2. Staff	9,731	11,155	12,170	13,185	14,199	15,211
Technical	5,941	6,766	7,455	8,144	8,833	9,522
Clerical	868	868	868	868	868	868
Non-Technical	2,922	3,521	3,847	4,173	4,498	4,821
3. Total (1+2)	10,122	11,649	12,664	13,679	14,693	15,705
4. Retirements	592	532	418	384	316	289
5. Net Total (3-4)	9,530	11,117	12,246	13,295	14,377	15,416

- ✓ Multi-year Tariff requirement has been laid down in the proposal and the rationale used is that the number of consumers in Jan 2024 and Jan 2025 were compared and the increase was worked out. The No of retirements in 2026 to 2030 have been subtracted and new hiring of qualified professionals and staff have been worked out accordingly.
- ✓ These are only projections based on rationale and may be reviewed in the light of ground realities for the purpose of change in number or categories of staff. Furthermore, recruitments in PESCO are mostly dependent on the NOC of Govt of Pakistan / Ministry of Energy (Power Division). However, the then PEPCO has devolved all the matters regarding HR affairs of DISCOs being processed by the then PEPCO to DISCOs vide letter dated 14-01-2021 conveying that respective BoDs should exercise the powers of the MD PEPCO which will bring an opportunity for the Company to proceed for HR requirements through its BoD against critical requirements as and when considered necessary or unavoidable.
- ✓ PESCO is currently working on strength of 10,122 employees approximately out of which 391 are officers of different grades. The shortage of the staff is the main cause of losses and system constraints being faced by PESCO at present.
- ✓ The backlog of the shortage / situation is that there have been repeated ban on recruitments imposed by the Govt of Pakistan. Whenever, the ban was lifted, only a restricted number of staff was allowed for employment and the Company has to suffer in terms of trained and qualified staff at all levels. No other means or source of employment was availed as such it only affected the performance in all sectors.
- ✓ There is a gap of at least five years in each recruitment which could not be made as per requirements / shortage / vacant posts rather only specific (constrained category is allowed by the Ministry of Power) was appointed. The recruitment process has been

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hampered by different forums and agencies in the name of investigation etc and the given opportunities could not be utilized.

- ✓ This factor has affected the performance overall of the Company and that of HR particularly because the aging staff could not work at optimal output and sometime meet with fatal / non-fatal accidents which is also embarrassment for the management.
- ✓ In this regard, a proposal year-wise initially for the year 2026 is projected including Grid System Operation staff which is required for GSO of newly commissioned grids waiting for minimum required staff. Moreover, such arrangement will continue till Dec 2030. The concerned authorities are requested for sympathetic consideration in this regard.
- ✓ To ensure an efficient, coordinated, economical distribution system and to build, maintain and operate the system more systematically, it will be employing a highly skilled and technically proficient team to manage all aspects of the distribution of power to ensure that all key commercial interests of all stakeholders are maintained, protected and prioritized.

<u>Adjustment mechanism:</u>

- ✓ The following adjustment mechanism is proposed:
  a. The base year FY 2024-25 does not reflect the true cost rather showing with employees of 10,122 with sanctioned posts of 24,385 and accordingly factor "N" is included to account for the new recruitments.
  b. Adjustment in Salary & Pension (including pension part of post-retirement benefit) may be linked with the Increase announced by GoP in Annual Budget on actual basis.
  c. 5% increase on account of Annual Increment may be allowed.
  d. The remaining allowances / benefits may be adjusted on the basis of CPI for controllable costs and on the basis of actual in case of uncontrollable costs.
  e. An additional variable "N" may be included to account for the New Hiring (excluding outsourcing of Services like Bill Distributor, Drivers etc.) against vacant positions and the same may be indexed as proposed above. The cost of new Recruitment is not included in the Salaries and Wages Cost and is covered through adjustment factor as variable "N" in the O&M adjustment mechanism.

<u>Repair & Maintenance expenses:</u>

- ✓ Repair and Maintenance expenses have been assumed at around 2% of the net Fixed Assets in operation. PESCO has to maintain its old and over loaded system in order to ensure un-interrupted power supply to the consumers. Moreover cost of material has also increased due to inflationary pressure. Therefore, Repair & Maintenance expenditure has been projected for Supply Function as Rs.1,580 Million for FY 2025-26,

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Rs.1,738 Million for FY 2026-27, Rs.1,911 Million for FY 2027-28, Rs.2,102 Million for FY 2028-29 & Rs. 2,313Million for FY 2029-30.

✓ Repair and Maintenance budget is required for the following:

i. Repair of Power Transformers damaged at Grid Stations and controlling Breakers, Isolators etc.

ii. Repairs and Maintenance of 5,153 KM Transmission Lines.

iii. Repair & Maintenance of 1,132 Nos 11KV feeders.

iv. Repair & Maintenance of 29,564 KMs HT Lines.

v. Repair & Maintenance of 46,260 KMs LT Lines.

vi. Repair & Maintenance of 109,175 Nos of Distribution Transformers

Repair & Maintenance Cost for Tariff Control Period

✓ The projected Repair & Maintenance for Supply of Power Business for FY 2025-26 to FY 2029- 30 is as under:

Rs. in Million

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Repair And Maintenance	50	60	62	69	76	83	91	101	84
%Increase/(Decrease)				10%	10%	10%	10%	10%	

Adjustment Mechanism:

✓ The following adjustment mechanism is proposed:

a. Adjustment in Repair & Maintenance may be linked with the percentage of Fixed Assets (i.e. 2% of the net Fixed Assets) in operation.

Travelling expenses:

✓ Travelling Expenses for Supply of Power have been projected as under:

Rs. in Million

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Travelling Expense	79	129	107	118	129	142	156	172	143
%Increase/(Decrease)				10%	10%	10%	10%	10%	

Adjustment mechanism:

✓ The following adjustment mechanism is proposed:

a. Adjustment in Travelling Expenses may be linked with the CPI.

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Vehicle running expenses:

- ✓ The Authority's determination of Vehicle Running expenses for FY 2024-25 at Rs.320 million, with only a marginal 20.8% increase from the determined amount of Rs.265 million for FY 2023-24, appears much lesser than the prevailing market prices. Previously, the Authority acknowledged the fact that the increased POL prices will impact recovery campaigns and consumers services, as the same is required for door to door surveillance and monitoring as well as providing services to the consumers efficiently. In the MYT Tariff Determinations, the Authority relied on the inflationary increase on General Category (CPI) instead of the Transport Category, despite a substantial 24.07% increase in transport prices in December 2021. Furthermore, data from the PSO website indicates a 39% increase in POL prices during FY 2021-22, a 67.8% increase during FY 2022-23 and a 13.18 % increase during FY 2023-24, consequently, the actual expenditure for FY 2024-25 is increased against the allocated amount.
- ✓ The Petitioner also provided analysis of the increase in POL prices for the last four years.
- ✓ Vehicle Running Expenses for supply of power function have been projected as under;

Vehicle Running Expenses for Tariff Control Period

Rs. in Million

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Vehicle Expense	52	77	107	120	135	152	170	191	154
%Increase/(Decrease)				12%	12%	12%	12%	12%	

Adjustment mechanism:

- ✓ The following adjustment mechanism is proposed:
  a. Adjustment in Vehicle Running Expenses may be linked with the CPI.

Operating expenses:

- ✓ Other Expenses include Rent, Rates and Taxes, Utility expenses, communications, office supplies, professional fees, auditor's remuneration, outsourced services, management fees, electricity bill collection expenses etc.
- ✓ Projected Other expenses for Supply of Power Business for FY 2025-26 to FY 2029-30 is as under:

Rs. in Million

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Other Expense	1,421	1,419	1,416	1,558	1,713	1,885	2,073	2,280	1,902
%Increase/(Decrease)				10%	10%	10%	10%	10%	

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Adjustment mechanism:

✓ Adjustment in Other Operating Expenses may be linked with the CPI.

8.3. On the issue of controllable and uncontrollable factors, the Petitioner's submitted that O&M expenses are one of the major unknowns for XWDISCOs in Pakistan due to many uncontrollable factors such as statutory implications arising out of increase in salaries (as announced by the Federal Government), increase in certain expenses due to growth in consumer base, this includes increase in maintenance expenses, meter reading expenses, whereas other expenses are directly linked to the rate of petroleum. The employees' cost includes costs related to salaries and benefits of all staff (administrative, operational and security). To ensure an efficient, coordinated, economical distribution system and to build, maintain and operate system more systematically, it will be employing a highly skilled and technically proficient team to manage all aspects of the distribution of power to ensure that all key commercial interests of all stakeholders are maintained, protected and prioritized. The O&M cost needs to be bifurcated into controllable and uncontrollable cost components and the 'Uncontrollable costs' are requested to be trued-up at the end of every year and the 'Controllable costs' should be indexed every year with CPI change less agreed efficiency factor, adjustable in last two years, to pass on the benefit of system efficiency to the consumers.

Controllable cost

8.4. The controllable O&M costs are projected by assuming an inflation rate of 10% to 11% for each year of the tariff control period excluding the base year. The controllable cost during control period will also increase annually due to new projects (as envisaged in DM) and accordingly this new addition in per unit base cost of controllable component may be allowed in the related year in which project is planned to be completed and indexed subsequently as part of controllable cost component.

Uncontrollable cost

8.5. With regards to uncontrollable cost different growth rates are projected for different cost streams based on management experience. Uncontrollable cost factors could be affected by growth in employee benefits, consumer growth rates and growth in regulatory fee etc. The uncontrollable cost will also increase annually due to new projects (as envisaged in DIIP) and accordingly projected cost includes impact of new projects.

8.6. The Petitioner provided following detail of its controllable and uncontrollable costs;

Controllable Costs	Uncontrollable Costs
Travelling Expenses	Pay and Allowances – Existing
Office Supplies & Store handling	Rent, Rate & Taxes
Vehicle Expenses	Injuries & Damages
Power, Light & Water	Collection Expenses
Communication & Postage	Legal Charges
Advertising & Publicity	Management Fee
Subscription & Periodicals	Audit Charges
Misc. Expenses	
Bank Charges	
Insurance Premium	

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8.7. The Petitioner during the hearing while reiterating its earlier submissions, presented the following justification and basis for projected O&M cost;

- Salaries & Other Benefits: Increased based on GoP notified increases:
  - ✓ FY 2025-26: 10% Ad-hoc Relief allowance & 30% DRA on Basic Pay of FY 2021-22
  - ✓ Cost of new hiring is claimed as an additional item (N Factor)
  - ✓ Cost of outsourcing may be allowed additionally, due to staff shortage (O Factor)
- Post Retirement Benefits: Increased using (1 + GoP Increase) considering recent pension reforms and average growth of the last three years.
- Repair & Maintenance, Traveling Expenses & Other Expenses : In line with (1 + NCPI) due to escalation in material & service costs and higher travel and lodging costs.
- Vehicle Expenses: Based on (1 + Change in Fuel Rates - PSO) reflecting fuel price variation linked with PSO rates.
- Inflation: CPI: Other O&M Cost is projected based on NCPI.
- X-Factor: Efficiency factor is estimated @ 0% - capped to the extent of the actual expenses *(30% is on a very higher side as NCPI is not a true reflection of DISCOs expenses)*

8.8. The Petitioner also, while referring to the recent decision of the Federal Government to not initiate any new hiring, requested the following cost on account of outsourcing of certain services like Bill Distributor, Drivers etc., during the MYT control period;

Outsourcing instead of new hiring

Description	FY 2026 Prov.	FY 2027 Proj.	FY 2028 Proj.	FY 2029 Proj.	FY 2030 Proj.
Outsourcing (Nos)	3,816	5,641	7,327	8,306	9,512
Cost (Mln. Rs.)	3,037	4,488	5,829	6,608	7,573

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

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

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

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

8.12. Considering the fact that the MYT has been filed for a period of five years i.e. from FY 2025-26 to FY 2029-30, and the cost for the FY 2025-26 i.e. test year, is being assessed as reference cost during the MYT control period, the Authority has decided to consider the costs as per the Audited/ provisional accounts of the Petitioner for the FY 2024-25 as base year.

8.13. The Authority considers that for projections or assessment of OPEX costs, the two commonly used approaches are the Ex-Ante approach and the Ex-Post approach. In a regime where the allowed OPEX is determined Ex-Ante, there will inevitably be deviations between the allowed and actual OPEX in the form of efficiency savings or losses. Thus, resulting in two broad options, one that the utility bears all savings or losses, i.e. no action is taken by the Regulator. The 2nd that the utility shares the savings or losses with consumers. The former provides the utility with a profit incentive to cut costs, but at the same time places the utility at greater financial risk in the face of losses. The latter somewhat dilutes efficiency incentives, but also limits the losses/gains for the utility and its customers. However, the widely used approach is that no adjustments to allowed Revenues or OPEX allowances are made in the next period to compensate for a deviation from allowed OPEX in the current period except for certain allowed adjustments in terms of CPI etc.

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

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

9.1. The Authority noted that head of Salaries, Wages and Other Benefits include employees Pay & Allowances and Post-retirement benefits and accounts for over 80% of the Petitioner's total O&M costs, excluding therefrom depreciation and RoRB. The Authority understands that employees of XWDISCOs are hired on Government pay scales, thus, any salary increase announced by the Federal Government in Fiscal Budget is also applicable on the employees of XWDISCOs. Therefore, salaries & wages cost of employees can be considered as un-controllable cost for XWDISCOs as long as they remain in public sector.

9.2. Considering the fact that the cost for the FY 2025-26 is being assessed, which would be used as reference during the MYT control period, the Authority has taken into consideration the costs as per the accounts of the Petitioner for the FY 2024-25, and information shared by the Petitioner subsequently in this regard. The Authority is of the view that since the previous MYT of the Petitioner has ended on 30.06.2025, therefore, it

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would be appropriate to account for the actual cost of the base year while projecting Salaries, Wages and Other benefits for the FY 2025-26, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.

9.3. The actual total cost as provided by the Petitioner for the FY 2024-25, under Salaries & Wages (excluding postretirement benefits, discussed separately) is Rs.12,469 million. The said amount has been considered as base cost and increases as approved by the Federal Government on Salaries and Wages in the Federal Budget for the FY 2025-26 i.e. ad-hoc relief allowance of 10% and DR allowance of 30%, along-with impact of annual increment i.e. 5% have been incorporated thereon.

9.4. Accordingly, the cost of Salaries & Wages (excluding postretirement benefits, discussed separately), for both the Distribution and Supply Functions works out as Rs.14,751 million. The same is hereby allowed to the Petitioner for the FY 2025-26 for both its distribution and Supply Functions as reference cost, to be adjusted in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

9.5. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of Salaries, Wages and other benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Thus, the cost of Salaries, Wages and other benefits (excluding postretirement benefits) for the FY 2025-26 pertaining to the Supply function works out as Rs.5,015 million.

9.6. The assessed Salaries & Wages costs for the FY 2025-26 i.e. Rs.5,015 million, shall be considered as the reference cost for future adjustment/ indexation of Salaries & Wages expenses, in the remaining tariff control period as per the mechanism given in the instant determination.

9.7. Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year for its existing employees. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

10. <u>Additional Recruitment and Outsourcing</u>

10.1. Regarding additional recruitment, the Authority observed that Salaries & Wages cost for the FY 2024-25, as per the accounts of the Petitioner, has been considered as base cost, therefore, impact of any new recruitment made till FY 2024-25 has already been accounted for. For future recruitment, the Petitioner during hearing requested to primarily allow cost on account of outsourcing of certain services, citing the GoP decision that does not allow for any further recruitments. The Authority understands that any allowing cost upfront either on account of new hiring or outsourcing, would be unfair with the consumers, without considering/ analyzing its benefits. The Authority understands that it will be in a better position to adjudicate on the issue, once the Petitioner provides details of actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Although, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year, however, that would only

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be to the extent of existing employees. Accordingly, the Petitioner is directed to provide detail of services actually outsourced during each year or new hiring if any, along-with its financial impact and benefits accrued, for consideration of the Authority, in its subsequent adjustment/ indexation request. This addresses the concern of the Petitioner regarding inclusion of an "N" or "O" factor.

11. <u>Post-Retirement Benefits</u>

11.1. Regarding post-retirement benefits, the Petitioner presented that its number of pensioners have increased by around 18% over the last four years i.e. from 15,518 in FY 2021-22 to 18,371 in FY 2024-25, and Pension expense has also increased to Rs.13,375 million in FY 2024-25, as compared to Rs.6,779 million in FY 2020-21. as detailed below;

Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Nos. of Pensioners	**15,518**	**16,220**	**17,688**	**18,371**
Increase in Nos.	1,334 -229	702 -229	1,468	683
% Increase (yoy)	9.40%	4.50%	9.10%	3.90%
Monthly Pension (Mln Rs.)	5,792	7,277	9,119	11,189
Commutation (Mln Rs.)	987	1,818	1,750	2,186
Total Pension (Mln Rs.)	**6,779**	**9,095**	**10,869**	**13,375**
Increase (Mln Rs.)		2,316	1,774	2,506

11.2. The Petitioner accordingly requested the following amounts under the head of post-retirement benefits during the MYT control period;

Description	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Pension	9,116	9,610	10,088	10,442	10,810
Other Benefits	2,635	2,753	2,934	3,206	3,520
Total	**11,751**	**12,363**	**13,022**	**13,648**	**14,330**

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

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

11.5. In compliance with the Authority's direction, the Petitioner created a separate Fund for its post-retirement benefits and has also reported balance of the Fund as under;

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Mln. Rs.

Pension Funds Balance	FY 2023-24	FY 2024-25	As of 31.10.2025
	425	1,609	2,745

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

11.7. The operational performance of PESCO over the last three years has remained stagnant in terms of recovery, however, for the FY 2024-25, the T&D losses have shown improvement of around 1%, but remained still well above the targets allowed by the Authority. A snapshot of PESCO's performance over the last three years is given below;

Description	2022-23	2023-24	2024-25
Losses			
Actual	37.54%	38.14%	37.15%
Allowed	20.24%	19.71%	19.26%
Recovery			
Actual	91.65%	91.91%	91.48%
Target	100.00%	100.00%	100.00%

11.8. In view of the aforementioned and keeping in view the request of the Petitioner, the Authority has decided to allow post-retirement benefits for the FY 2025-26, keeping in view the actual payments as per the Audited/ provisional accounts of the Petitioner for the FY 2024-25, *(which also includes costs associated with HAZECO)*, and the request of the Petitioner for the FY 2025-26. Accordingly, the cost of post-retirement benefits being allowed to the Petitioners for the FY 2025-26, works out as Rs.12,794 million, for both its distribution and Supply functions.

11.9. Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2025-26 pertaining to the Supply function works out as Rs.4,350 million.

11.10. Additionally, in light of earlier decision of the Authority, to allow the amount deposited in the Fund as PYA, the Authority has decided to allow an amount of Rs.2,745 million, deposited by the Petitioner in the Fund. If the Petitioner also manages to deposit any further amount in the Fund, the Authority may consider to allow the same as PYA in the subsequent adjustment request.

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

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

12.1. Regarding Repair and maintenance expenses, the Petitioner has assumed the same at around 2% of the net Fixed Assets in operation. The Petitioner while justifying its submissions stated that it has to maintain its old and over loaded system in order to ensure un-interrupted power supply to the consumers, moreover cost of material has also increased due to inflationary pressure. Accordingly, the Petitioner projected repair & maintenance costs as under for both its Distribution and Supply Functions;

Rs. in Million

Description	Nepra Determ'ion	ACTUAL	Tariff Control Period				
			Base Year	Y2	Y3	Y4	Y5
	2024-25	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
			Proj.	Proj.	Proj.	Proj.	Proj.
Repair and Maintenance	1,493	1,470	1,580	1,738	1,911	2,102	2,313

12.2. For the Supply function only, the Petitioner has requested the following amounts;

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Repair And Maintenance	50	60	62	69	76	83	91	101	84
%Increase/(Decrease)				10%	10%	10%	10%	10%	

12.3. The Petitioner provided the following justification in this regard;

- ✓ Repair of Power Transformers damaged at Grid Stations and controlling Breakers, Isolators etc.
- ✓ Repairs and Maintenance of 5,153 KM Transmission Lines.
- ✓ Repair & Maintenance of 1,132 Nos 11KV feeders.
- ✓ Repair & Maintenance of 29,564 KMs HT Lines.
- ✓ Repair & Maintenance of 46,260 KMs LT Lines.
- ✓ Repair & Maintenance of 109,175 Nos of Distribution Transformers.

12.4. The Petitioner for the adjustment of above costs proposed that this may be linked with the percentage of Fixed Assets (i.e. 2% of the net Fixed Assets) in operation.

12.5. The Authority has carefully examined the Petitioner's request of linking the R&M cost as a percentage of Net Fixed Assets (NFAs). The Authority, while going through the actual expenditure incurred by the Petitioner on account of R&M during the last three years as per its audited accounts, observed that the same works out as 0.88%, 1.05% and 1.20% of the NFAs for the FY 2022-23, FY 2023-24 and FY 2024-25 respectively. Moreover, the Petitioner has not provided any rationale or working to substantiate its request of setting R&M as 2% of NFAs except that it has to maintain old and over loaded system in order to ensure un-interrupted power supply to the consumers, and that cost of material has also increased due to inflationary pressure.

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12.6. No doubt that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, however, at the same time the Petitioner has also requested huge CAPEX for making additional investment in Fixed Assets, resulting in new, expensive and efficient equipment, leading to overall reduction in R&M cost and increasing the total Assets base. Thus, the Petitioner idea if adopted would result in undue benefit to the Petitioner in the long run. In addition to aforementioned discussion, the Petitioner's request of annual adjustment in this regard is against the very sprit of multiyear tariff regime. The Authority also is of the view that since the previous MYT of the Petitioner has ended on 30.06.2025, therefore, it would be appropriate to account for the actual cost of the base year while projecting O&M expenses and other Misc. expenses for the FY 2025-26, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.

12.7. In view of the foregoing and keeping in view the current approved tariff methodology, the Authority has decided to allow an amount of Rs.1,541 million under R&M head, for the FY 2025-26, after incorporating the inflationary impact on the R&M cost as per the audited accounts of the Petitioner for the FY 2024-25 for both the Distribution and Supply functions, after excluding therefrom the cost associated with HAZECO. The same is hereby allowed to the Petitioner for the FY 2025-26 for both its distribution and Supply Functions.

12.8. Since the Audited accounts of the Petitioner, do not provide bifurcation of the R&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of R&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of R&M for the FY 2025-26 pertaining to the Supply function works out as Rs.62 million.

12.9. The assessed repair and maintenance cost for the FY 2025-26 i.e. Rs.62 million, shall be considered as the reference cost for working out future repair and maintenance expenses, in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

12.10. The DISCOs are also directed to provide a certification from its Auditors that Repair and Maintenance expenditure does not include any CAPEX nature item. In case any CAPEX nature cost has been booked as R&M expenses, the same may be disclosed separately in the financial statements. The Authority may consider to revise the R&M assessment of the Petitioner, based on such disclosure/certification.

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

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

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

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Mln. Rs.

Description	Tariff Control Period				
	Y1	Y2	Y3	Y4	Y5
	2025-26	2026-27	2027-28	2028-29	2029-30
	Proj.	*Proj.*	*Proj.*	*Proj.*	*Proj.*
Traveling Expenses	410	451	496	546	600
Vehicle Expenses	511	574	644	723	812
Other Expenses	1,815	1,997	2,196	2,416	2,657
Grand-Total	2,736	3,021	3,336	3,684	4,069

13.3. For its Supply Function, the Petitioner has requested the following amounts;

Mln. Rs.

Description	Tariff Control Period				
	Y1	Y2	Y3	Y4	Y5
	2025-26	2026-27	2027-28	2028-29	2029-30
	Proj.	*Proj.*	*Proj.*	*Proj.*	*Proj.*
Traveling Expenses	118	129	142	156	172
Vehicle Expenses	120	135	152	170	191
Other Expenses	1,558	1,713	1,885	2,073	2,280
Grand-Total	1,796	1,977	2,179	2,399	2,643

13.4. The Petitioner submitted that Travelling Expenses have been projected keeping in view the new hiring and enhancement of rates by the Federal Government and requested that adjustment in Travelling Expenses may be linked with the CPI. Similarly, for Other expenses, the Petitioner also requested to link the same with CPI.

13.5. For Vehicles running expenses, the Petitioner stated that the Authority in its determination for FY 2024-25 allowed Vehicle Running expenses at Rs. 243 million, with only a marginal 20.8% increase from the determined amount of Rs. 201 million for FY 2023-24, which appears much lesser than the prevailing market prices. Previously, the Authority acknowledged the fact that the increased POL prices will impact recovery campaigns and consumers services, as the same is required for door to door surveillance and monitoring as well as providing services to the consumers efficiently. The Authority relied on the inflationary increase on General Category (CPI) instead of the Transport Category, despite a substantial 24.07% increase in transport prices in December 2021. Furthermore, data from the PSO website indicates a 39% increase in POL prices during FY 2021-22, a 67.8% increase during FY 2022-23 and a 13.18 % increase during FY 2023-24, consequently, the actual expenditure for FY 2024-25 is increased against the allocated amount. PESCO during the hearing submitted that it has a fleet of more than 785 vehicles, most of them have completed useful life of 10 years and need major over hauling. The financial position of the company doesn't allow to replace the old vehicles. The Distribution system of the company is spread all over Khyber Pukhtunkhwa. Moreover, the cost of POL and Spare parts is increasing due to inflation. The Petitioner accordingly requested that adjustment in Vehicle running expenses may be linked with change in CPI for transport, and presented the following changes in the prices of POL over the last 07 years;

Description	FY 2019-20	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
	Ave. Rs. / Ltr.	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*
Average Price of Petrol *(Annual / PKR)*	106.89	106.43	-0.40%	150.57	41.50%	247.8	64.60%	278.9	12.60%	255.3	-8.50%	266.1	4.20%
Average Price of Diesel *(Annual / PKR)*	117.5	108.98	-7.30%	149.36	37.10%	255.5	71.10%	286.1	12.00%	259.8	-9.20%	276.4	6.40%
Average POL Price *(Petrol + Diesel / PKR)*	112.2	107.7	-4.00%	149.97	39.20%	251.7	67.80%	282.5	12.30%	257.6	-8.80%	271.2	5.30%

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13.6. The Authority noted that as per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through NCPI-X formulae for the tariff control period. Here it is pertinent to mention that the Petitioner itself has requested that other O&M expenses, except vehicle running expenses, may be linked with CPI during the entire tariff control period. Accordingly, for assessment of Other O&M costs for the FY 2025-26, the Authority, keeping in view the cost as per the audited accounts of the Petitioner for the FY 2024-25, and excluding therefrom the cost associated with HAZECO, and incorporating therein inflationary impact, has decided to allow an amount of Rs.2,441 million to PESCO for the FY 2025-26. The said amount is being allowed for both the Distribution and Supply of Power function for the FY 2025-26.

13.7. By considering the figures as per financial statement, the Authority has incorporated all the costs including bill collection, building rent, NEPRA fee, insurance cost, rent, rates & taxes, and travelling, transportation etc.

13.8. The aforementioned assessment for the FY 2025-26 shall be considered as reference for working out future Other Operating Expenses for remaining tariff control period to be adjusted based on change in "NCPI-General", in line with the mechanism provided in the instant determination. However, the vehicle running expenses would be adjusted with "NCPI-Transport", in line with the mechanism provided in the instant determination.

13.9. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Other O&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of other O&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of other O&M expenses for the FY 2025-26 pertaining to the Supply function works out as Rs.1,726 million.

13.10. In case the Petitioner's actual O&M cost (excluding pay & Allowances & post-retirement benefits) for the relevant year as per its audited accounts is lower than the amount allowed for that year, any saving in this regard, shall be shared between consumers and the Petitioner in the ratio of 50:50. For future indexation of O&M cost during the MYT control period, the lower of allowed O&M cost or actual O&M cost of the previous year, after excluding therefrom the capex nature O&M and amount of O&M capitalized, if any, and pay & allowances & post-retirement benefits, shall be considered as reference.

13.11. If the actual O&M cost for the previous year, as referred above is not available at the time of projecting next year's O&M cost, the allowed cost for the previous year shall be considered as reference to be indexed as per the provided mechanism. Once the audited account for the previous year are available, the already projected O&M cost shall be reworked based on lower of allowed cost or actual O&M cost of the previous year. Any adjustment in this regard, if required, shall be made part of PYA. In addition, the allowed O&M cost shall also be adjusted based on mechanism provided in the instant determination. The Petitioner is also directed to disclose its O&M costs in terms of distribution and supply functions separately in its audited accounts.

<u>PPMC Fee</u>

13.12. Here it is pertinent to mention that some DISCOs during the hearing requested to allow cost on account of Management Fee of Power Planning and Monitoring Company (the "PPMC"). DISCOs in support of their request referred to the SRO 1358-I (2025) dated 29.07.2025, issued by the Ministry of Energy (PD), pursuant to the Federal Cabinet

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decision dated 27.10.2021, the National Electricity Policy, 2021, the National Electricity Plan (2023–2027), whereby it has been designated as a "designated entity" for the implementation of the priority areas of the NE Plan, and strategic roadmap as per the NE policy. The SRO further mandates the company to charge a fee from DISCOs, for the services rendered, as may be approved by the BoD of PPMC from time to time. The BoD of PPMC may, on annual basis, approve the annual budget and allocation of fees to DISCOs.

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

13.14. PESCO during hearing requested an amount of Rs.444.46 million, on account of PEPCO/ PPMC Management Fee as under;

Period	Amount *(Mln Rs.)*
Upto 2022-23	392.962
2023-24	35.49
2024-25	16.016
Total	**444.468**

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

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

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

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

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14. **<u>Whether the requested/projected amount under heads of Other Income, Deprecations and RORB based on WACC of 17.05% is justified?</u>**

15. <u>Depreciation</u>

15.1. The Petitioner has submitted that Depreciation is calculated on the basis of value of existing Assets plus the additions in assets during the FY 2025-26; actual depreciation for FY 2023-24 was Rs. 3,448 million. The assets are depreciated on straight line method as per utility practice i.e. land at 0 %, buildings and civil works at 2%, Plant and machinery at 3.5%, office equipment and mobile plant at 10% and other assets at 10%.

15.2. Based upon these assumptions, the figure for depreciation has been worked as under for the tariff control period for both the distribution and supply functions;

Distribution & Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Depreciation Expense	3,831	5,017	5,126	5,574	6,716	7,513	8,482	9,224	7,502
%Increase/(Decrease)				9%	20%	12%	13%	9%	

15.3. For Supply Function, depreciation has been projected as Rs.557 million for FY 2025-26, Rs.672 million for FY 2026-27, Rs.751 million for FY 2027-28, Rs.848 million for FY 2028-29 & Rs.922 million for FY 2029-30 as detailed below;

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Depreciation Expense	383	502	513	557	672	751	848	922	750
%Increase/(Decrease)				9%	20%	12%	13%	9%	

15.4. The Petitioner has proposed that adjustment in Depreciation Expenses may be linked with the Gross Fixed Assets in operation.

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

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

Rs. Mln

Provisional Capex	PESCO
FY 2025-26	11,435
FY 2026-27	11,681

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15.7. The Authority decided that the above approved Investments are provisionally allowed for purpose of tariff rebasing and does not include the cost for AMI, APMS, Scanning meters, Data Centers, etc., the investment in this smart metering area can only be started once DIP is approved, wherein the detailed project wise scope and cost approvals shall be decided in the final decision of DIP of PESCO.

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

Provisional T&D Loss	PESCO
FY 2025-26	19.26%
FY 2026-27	19.26%

15.9. The Petitioner is directed to carry out its T&D loss study through an independent third party, as per the approved terms of references (ToRs), which shall be communicated to the Petitioner separately by NEPRA. The independent third-party T&D loss study must be submitted by the Petitioner within nine (09) months of issuance of this decision. In case, the T&D loss studies are not submitted within the allowed time period, the following T&D Loss target shall become applicable for FY 2025-26 and FY 2026-27, and all relevant tariff adjustment shall be reworked on such revised targets. The financial impact of such revision shall be made part of PYA of subsequent tariff rebasing.

RevisedT&D Loss Target (Failure to submit study)	PESCO
FY 2025-26	8.90%
FY 2026-27	8.90%

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

15.11. Not used

15.12. Not used

15.13. After taking into account the new investments as mentioned above, the Gross Fixed Assets in Operation for the FY 2025-26 have been re-worked. Accordingly, the depreciation

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charge for the FY 2025-26 has been assessed as Rs.4,171 million calculated on actual depreciation rates for each category of Assets as per the Company policy, which will be considered as reference cost for working out future depreciation expenses for the remaining tariff control period, to be adjusted as per the mechanism provided in the instant determination.

15.14. After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2024-25, the Authority has projected amortization of deferred credit to the tune of Rs.3,161 million for the FY 2025-26. Accordingly, the consumers would bear net depreciation of Rs.1,010 million.

15.15. The actual depreciation reflected in the Audited accounts of the Petitioner for the FY 2024-25, do not provide bifurcation of depreciation cost in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of depreciation cost in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the depreciation cost for the FY 2025-26 pertaining to the Supply function works out as Rs.417 million.

16. <u>RoRB</u>

16.1. The Petitioner has submitted that NEPRA allowed WACC of 20.4% to PESCO for the FY 2024-25 in its tariff determination for FY 2024-25, against the requested WACC of 21.27%, hence, the same needs to be reconsidered in view of the MYT determination, wherein adjustments on account of variation in KIBOR is permissible on biannual basis. PESCO has calculated WACC of 17.05% based on the following calculations:

*Weighted Average Cost of Debt for FY 2024-25 include 3 month's Kibor plus 2% spread. By incorporating the above adjustment of ERC, the calculation of WACC and RORB will be as under: **WACC** = [14.47% * 30%] + [18.16% * 70%] = **17.05%**

16.2. PESCO stated that it has no other source of revenue except Tariff to pay off the principal, interest and exchange risk payable to EAD except for consumer end Tariff and if not allowed, it will in any way effect the consumers as the same will be passed in the form of deficit financing resulting in financial hardship to the consumers.

16.3. PESCO is of the opinion that return should be adequate enough to not only cover the cost of debt but also to cater for the exchange rate parity as well as reasonable return to the equity holders. PESCO therefore requested the Authority to allow RORB at 17.05% WACC, including debt as per following calculations and further projection is also being made for the tariff control period;

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Description	UoM	2025-26 Proj.	2026-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.
Net Fixed Assets in Operation	[Mln Rs]	103,072	120,673	137,660	152,902	164,389
Add: Capital Work in Progress - Closing Bal	[Mln Rs]	47,731	52,813	53,211	51,525	44,981
Less: Cap. WIP-Deposit Portion	[Mln Rs]	12,692	12,865	12,779	12,822	12,800
Investment in Fixed Assets	[Mln Rs]	138,110	160,621	178,093	191,605	196,571
Less: Deferred Credits	[Mln Rs]	54,356	58,925	63,342	67,431	71,279
Regulatory Assets Base	[Mln Rs]	83,754	101,696	114,751	124,174	125,291
Average Regulatory Assets Base	[Mln Rs]	72,253	92,725	108,223	119,463	124,733
Rate of Return	[%age]	17.05%	17.05%	17.05%	17.05%	17.05%
Return on Rate Base	[Mln Rs]	12,318	15,809	18,451	20,367	21,266

16.4. In view thereof, PESCO has requested the following RoRB for both its Distribution and Supply Business during the MYT control period;

Distribution & Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
RORB	10,390	15,145	9,603	12,318	15,809	18,451	20,367	21,266	17,642
%Increase/(Decrease)				28%	28%	17%	10%	4%	

16.5. For Supply Business, PESCO has requested the following RoRB during the MYT control period;

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
RORB	2,077	3,929	1,920	2,463	3,161	3,689	4,072	4,252	3,527
%Increase/(Decrease)				28%	28%	17%	10%	4%	

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

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

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

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

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

<u>Cost of Equity;</u>

$K_e = R_F + (R_M - R_F) \times \beta$

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Where;

R_F is the risk free Rate

R_M is the Market Return

β is Beta

<u>The cost of debt:</u>

Kd = KIBOR + Spread

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

WACC= ((Ke x (E / V) + (Kd x (D / V))

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

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

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

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

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

16.14. 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 taken cost of debt as 3 month's KIBOR + 1.50% spread, as maximum cap. Consequently, the cost of debt has been worked out as 12.64% i.e. 3 Months KIBOR of 11.14% as of July 02, 2025 plus a spread of 1.50% *(150 basis points)*.

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

Cost of Equity;

Ke = 14.47%

The cost of debt is;

Kd = 12.64%

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

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

	PESCO	
Description	FY 2024-25	FY 2025-26
Fixed Assets O/B	137,332	127,168
Addition	13,900	13,476
Fixed Assets C/B	151,232	140,644
Depreciation	52,679	43,715
Net Fixed Assets	98,553	96,930
Capital WIP C/B	22,895	22,631
Fixed Assets Inc. WIP	121,448	119,561
	70	
Less: Deferred Credits	52,924	57,088
Total	68,454	62,473
RAB		65,463
WACC		13.19%
RORB		8,634

16.17. The total amount of RoRB as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, the RORB for the FY 2025-26 pertaining to the Supply function works out as Rs.1,727 million.

16.18. The reference RoRB would be adjusted every Year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for that year as per the mechanism given in the instant determination.

16.19. In addition, the allowed RAB for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments than the allowed (other than consumer financed investments), the same would be the Petitioner's own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

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

16.21. The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may

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hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to adjust savings, if any, resulting from cheaper financing by the Petitioner. If the Petitioner manages to negotiate a loan below 1.50% spread, the entire savings would be passed onto the consumers annually, through PYA. In case of more than one loan, the saving with respect to the spread would be worked out based on individual loans. In case, the spread is greater than the allowed cap of 1.50%, additional cost would be borne by the Petitioner itself. Similarly, if the Petitioner's total actual cost of debt remains lower than the cost allowed for the year, the entire savings would also be passed onto the consumers annually, through PYA.

Other Income

16.22. The Petitioner has submitted that main sources of other income include Interest Income, Sale of Scrape, Amortization of Deferred Credit, Rental & Service Income etc., whereas the Wheeling Charges and Late Payment Surcharge have been excluded as per decision of NEPRA. Accordingly, the Petitioner has projected the following amounts as Other Income during the MYT control period for both its distribution and supply functions;

Distribution & Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Other Income	-5,523	-5,021	-5,021	-6,270	-6,451	-6,530	-6,466	-6,221	-6,388
%Increase/(Decrease)				25%	3%	1%	-1%	-4%	

16.23. The Petitioner has provided the following detail of other income pertaining to the Supply Function;

Supply of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
other Income	-1,728	-1,557	-1,571	-1,962	-2,019	-2,043	-2,023	-1,947	-1,999
%Increase/(Decrease)				25%	3%	1%	-1%	-4%	

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

16.25. Since the other income would be trued up every year as per the mechanism provided in the instant determination, therefore, for the FY 2025-26, the Authority has decided to allow an amount of Rs.6,270 million based on audited accounts of the Petitioner for FY 2024-25, including the amount of amortization of deferred credit but exclusive of the amount of late payment charges (LPS) and wheeling charges from TESCO for both of its Distribution and Supply functions. The Petitioner is further directed to provide year wise detail of wheeling charges charged to TESCO and the amount actually received from TESCO in this regard.

16.26. The Authority in consistency with its earlier decision, on the issue, has not included the amount of LPS while assessing the other income for the FY 2025-26. Here it is pertinent

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to mention that the LPS recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only, and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of Late Payment charge recovered from consumers shall be made part of other income and deducted from revenue requirement in the subsequent year.

16.27. The total amount of Other Income as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, Other Income for the FY 2025-26 pertaining to the Supply function works out as Rs.1,944 million.

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

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

<u>Adjustment Mechanism</u>

17.1. Regarding adjustment mechanism of different components, the Petitioner during the hearing presented as under;

DESCRIPTION	MYT ASSUMPTIONS	
Oper. & Maintenance		
Salaries & Other Benefits	Annually as per Approved Mechanism	(1 + GoP Increase) + N / O (Outsourcing)
Post Retr. Benefits		(1 + GoP Increase)
Other Operating Expenses		(1 + NCPI) *X Factor @ 0% capped to the actual expenses*
Depreciation (Actual Basis)		
Return on R/Asset Base (Actual Basis)		
Less Other Income		
KIBOR	Bi-Annually as per Decision	(3 Months KIBOR + 2.25%) *Rule 4(7) of NEPRA (Benchmarks for Tariff Determination) Guidelines, 2018*

17.2. The Petitioner submitted that O&M component of the Distribution Margin shall be indexed with NCPI-X factor, however, efficiency factor "X" has been proposed as zero '0', caped to actual expenses.

17.3. The Authority, while assessing the O&M costs of the Petitioner for the FY 2025-26, has taken into account the audited accounts of the Petitioner for the FY 2024-25 and the amount requested by the Petitioner, subject to adjustment during the MYT control period, as per the mechanism mentioned below. Therefore, risk / benefit of any future cost fluctuations, lies with the Petitioner along with an opportunity for optimizing overall costs under these head. The treatment is in line with the very sprit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

17.4. Regarding adjustment of O&M costs with efficiency factor X, the Authority in line with its earlier decisions in the matter of MYTs, has decided to keep the efficiency factor as 30% of increase in NCPI for the relevant year of the MYT control period. The Authority has further decided to implement the efficiency factor from the 3rd year of the control period, in order to provide the Petitioner with an opportunity to improve its operational

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performance, before sharing such gains with the consumers. The O&M part of Distribution Margin shall be indexed with NCPI subject to adjustment for efficiency gains (X factor).

17.5. Indexation of O&M cost components

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

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

17.7. Considering the fact that the Petitioner is obligated to pay to its pensioners, the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Post-retirement Benefits would be actualized based on the audited accounts of the Petitioner for the relevant year. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

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

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

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

Vehicle running/Transportation expenses (Rev) =

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

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

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

O &M(Rev) = O & M (Ref.) x {1 + (NCPI-X)]

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Where

O &M (Rev)	=	Revised O&M Expense for the Current Year
O &M (Ref)	=	Reference O&M Expense for the Reference Year
Δ NCPI	=	Change in NCPI published by Pakistan Bureau of Statistics for the month of December for the respective year. For O&M expenses, other than vehicle running expenses, NCPI-General shall be used, whereas for Vehicle Running expense, NCPI-Transport shall be used. Reference NCPI-General and NCPI-Transport of December 2024 for thepurpose of future adjustment/ indexation shall be 4.07% and - 0.18% respectively.
X	=	Efficiency factor i.e. 30% of NCPI relevant for indexation purpose

18. RORB

18.1. The reference RoRB would be adjusted every Year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for that year as per the following mechanism;

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

18.2. In addition, PESCO to disclose the amount of IDC capitalized during the year and adjust its RAB for the year after excluding therefrom the impact of IDC capitalized during the year.

18.3. In addition, the allowed RAB for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments than the allowed (other than consumer financed investments), the same would be the Petitioner's own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

18.4. The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to adjust savings, if any, resulting from cheaper financing by the Petitioner. If the Petitioner manages to negotiate a loan below 1.50% spread, the entire savings would be passed onto the consumers annually, through PYA. In case of more than one loan, the saving with respect to the spread would be worked out based on individual loans. In case, the spread is greater than the allowed cap of 1.50%, additional cost would be borne by the Petitioner itself. Similarly,

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if the Petitioner's total actual cost of debt remains lower than the cost allowed for the year, the entire savings would also be passed onto the consumers annually, through PYA.

19. Depreciation Expenses

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

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

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

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

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

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

19.2. In addition, the allowed Depreciation for previous year will be trued up downward, keeping in view the amount of investment allowed for the respective year, other than consumer financed investments. In case, the Petitioner ends up making higher investments (excluding consumer financed investments) than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the depreciation expenses, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority.

20. Other Income

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

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

21. Whether the requested PYA is justified?

22. The Petitioner has claimed the prior year adjustment pertaining to unrecovered distribution margin and prior year adjustment amounting to Rs.29,344 million as per the following calculations:

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FY 2025-26

Rs Mn

Description	PESCO
4th Qtr. FY 2022-23 (Oct, Mar-24)	
Allowed Amount	8,647
Qtr. Rs./kWh	1.651
Recovered	7,465
Under/(Over) Recovery	1,182
1st Qtr. FY 2023-24 (Jan, Mar-24)	
Allowed Amount	2,197
Qtr. Rs./kWh	0.5359
Recovered	1,911
Under/(Over) Recovery	286
2nd Qtr. FY 2023-24 (Apr, Jun-24)	
Allowed Amount	11,877
Qtr. Rs./kWh	3.55
Recovered	10,595
Under/(Over) Recovery	1,279
3rd Qtr. FY 2023-24 (Jun, Aug-24)	
Allowed Amount	14,095
Qtr. Rs./kWh	3.5790
Recovered	10,377
Under/(Over) Recovery	3,718
4th Qtr. FY 2023-24 (Sept, Nov-24)	
Allowed Amount	504
Qtr. Rs./kWh	0.1550
Recovered	276
Under/(Over) Recovery	228
1st Qtr. FY 2024-25 (Dec-24)	
Allowed Amount	1,000
Qtr. Rs./kWh	1.221
Recovered	672
Under/(Over) Recovery	328
Distribution Margin FY 2023-24	
Allowed	46,460
Rate Rs/kWh	3.77
Recovered	40,907
Under/(Over) Recovery	5,553
PYA 2022	
Allowed	4,476
Rate Rs/kWh	0.35
Sales till Jul, 11 2024	12,675
Recovered	3,890
Under/(Over) Recovery	586

	FY 2025-26
	Rs. Mln
Description	PESCO
MYT True Ups FY 2023-24	
Depreciation FY 2023-24	
Allowed	4,343
Actual	4,595
Under / (Over) Recovery	252
RORB FY 2023-24	
Allowed	14,292
Actual	15,996
Under / (Over) Recovery	1,704
Other Income FY 2023-24	
Allowed	(3,590)
Actual	(5,967)
Under / (Over) Recovery	(2,377)
Sales Mix variace	
FY 2022-23	5,100
FY 2023-24	4,706
Total	9,806
Pending Adjustments	
Impact of positive FCA regarding Lifeline Consumers	286
Turnover Tax	
FY 2023-24 (Jan-Jun 24)	3,234
FY 2024-25 (upto Mar-25)	3,277
Total	6,512
Total Prior Period Adjustment	29,344

22.1. The Authority has analyzed the PYA workings provided by the Petitioner and also obtained additional information in terms of category wise sales data from PITC. Based on the available information, Authority's decisions in terms of FCAs and Quarterly adjustments for the relevant period, mechanism provided in the MYT determination, and data provided by the Petitioner, the Authority has assessed the PYA of the Petitioner under various heads as under;

	Rs. Mln
Description	PESCO
QTR	3,141
D.M	10,034
PYA	835
Sales Mix	2,652
True Ups	-
2023-24	(12,225)
2024-25	(5,053)
Other Head	17,099
Total	**16,483**

22.2. The detailed head wise working of aforementioned PYA is attached as annexure-VI

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23. Whether the request to allow Working capital, Worker welfare fund and cost of open access & cross subsidy is justified?

23.1. The Petitioner subsequently vide letter dated 08.08.2025, in continuation of its Distribution and Supply Tariff Petitions, submitted certain additional points for consideration and incorporation in the final MYT determination of PESCO as under;

- ✓ Recovery Loss
- ✓ Cost of Working Capital
- ✓ Worker's Welfare Fund (WWF)
- ✓ Other Income
- ✓ T&D Loss targets
- ✓ Cost of Open Access and Cross Subsidy

23.2. The issue of T&D losses, being relevant with the DIP and assessment of T&D losses, would be discussed and deliberated in detail in the Investment Plan determination of the Petitioner.

23.3. On the issue of other income, the Petitioner additionally submitted as under;

✓ Liquidated Damages

PESCO recognizes the importance of maintaining strong incentives for efficient contract management. Therefore, it is proposed that LDs recovered from PESCO's contractors and suppliers should generally be retained by PESCO in cases where the Authority has not approved any cost overruns, time extensions etc., related to those specific works or projects. For example, if a contractor fails to complete a grid station upgrade within the agreed timeline and no extension has been approved by the Authority, the LD imposed on that contractor should be retained by PESCO.

✓ Interest income/ Return on Bank deposits

PESCO submits that the interest income earned on deposits and surplus funds should not be treated as part of its regulated revenue. This income arises from prudent financial management and effective cash optimization strategies, rather than from PESCO's core regulated activities of electricity distribution and supply. It reflects the company's efforts to manage liquidity and utilize idle funds efficiently, which is separate from the operational costs of providing electricity to consumers. Therefore, PESCO respectfully requests that it be allowed to retain the interest income on such deposits, as it does not form part of the revenue derived from regulated operations. Furthermore, PESCO is contractually obligated to maintain substantial balances in its Main Collection Account (MCA) under various financing and operational agreements. As no adjustment has been claimed in the working capital component on account of funds tied up in MCA arrangements, PESCO requests to retain the income generated from these accounts. In line with regulatory transparency requirements, PESCO will disclose the interest income from its MCA accounts separately in its audited financial statements.

Liabilities written Back/ Assets written off/ Scrap Sales:

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Financial outcomes resulting from its internal financial management decisions, such as asset write-offs and liability reversals, are purely commercial in nature and should not impact consumers. The Authority is requested to consider that assets written off are part of PESCO's own operational discretion, and any scrap sale proceeds should not be treated as other income up to the extent of the asset's historical cost. However, any amount realized from scrap sales exceeding the historical cost may be included as other income. Similarly, in cases where liabilities are written back and the related costs were already allowed in the tariff, the corresponding amount should be included in other income.

23.4. Regarding LDs from contractors, the Authority has decided to allow PESCO to retain LDs from its contractors/ suppliers, only in case the Authority does not allow any cost overruns/ time extensions etc., for the said works. However, LDs recovered from bilateral energy supply contracts, as per their approved PPAs, if any, shall be adjusted in tariff.

23.5. On the point of liabilities written Back/ Assets written off/ Scrap Sales, the Authority considers request of PESCO reasonable and has decided that assets written off would be PESCO's own commercial decisions, for which consumers should not be impacted. Accordingly, any scrap sale proceeds from such written-off assets shall not be included as part of other income to the extent of value written off on historical cost basis. However, if the amount of scrap sales exceeds the value written off on historical cost basis, the excess amount shall be included as part of other income. Similarly, for liabilities written-back, for which PESCO has already been allowed cost in the tariff, the same shall be included as part of other income.

23.6. For Interest income/ Return on Bank deposits, the Authority has decided that interest income on deposits and return on bank deposits to the extent of allowed RoRB and Depreciation, needs to be retained by PESCO. However, interest income on deposits and return on bank deposits, excluding interest income on amount allowed to PESCO for RoRB and Depreciation, shall be passed on to the consumers as part of other income. The Petitioner therefore shall ensure a separate disclosure of such income in its audited accounts. In case of failure to disclose such income separately, the entire interest income shall be adjusted as part of other income.

23.7. On the issue of open access and cross subsidy, PESCO submitted as under;

- ✓ For the purpose of tariff determination, the units served shall include energy supplied to both regulated and non-regulated (Open Access) consumers, along with any unit adjustments. It is worth mentioning that in line with Rule 5(2)(c) of the Eligibility Criteria Rules 2023 notified by the Government of Pakistan as well as Strategic Directive 88 of the NE Plan, Use of System Charges (UoSC) which include wheeling charges, open access costs, and cross subsidies should be recovered on a uniform basis across all consumers. This approach is consistent with the currently uniform applicable tariff policy and is subject to determination by the Authority. These charges shall be deducted at actuals while calculating the revenue requirement for regulated consumers under the Supply Business.

- ✓ Any bilateral contract between a Bulk Power Consumer (BPC) and a Competitive Supplier must ensure the grossing up of BPC demand to include allowed technical losses as determined by NEPRA for PESCO distribution network. Therefore, the total

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demand to be served by the Competitive Supplier for a BPC must factor in these allowed losses. Any imbalances (shortages or excess energy) shall be recovered or adjusted from BPCs or their respective Competitive Suppliers in line with applicable provisions of the regulatory framework.

- ✓ The Authority should incorporate the treatment of Hybrid Bulk Power Consumers (BPCs) within the scope of the upcoming Multi-Year Tariff (MYT) determination. In line with the principles outlined in NEPRA's Decision on Wheeling Cost dated January 11, 2021, it is proposed that Hybrid BPCs who retains PESCO as the deemed supplier while partially sourcing power through open access, be levied based on the higher of their sanctioned load or actual Maximum Demand Indicator (MDI), as outlined in the regulatory framework PESCO recommends that NEPRA provide clear guidance regarding the treatment of technical losses and other adjustments under such wheeling arrangements.
- ✓ Pehur Hydropower Plant (HPP), operating as a Competitive Supplier under the open access regime, supplies electricity to Hybrid Bulk Power Consumers (BPCs) connected to PESCO's distribution network. In this context, PESCO submits that any bilateral contract between Pehur HPP and these Hybrid BPCs must ensure that the consumers' demand is grossed up to include the allowed level of technical losses determined by NEPRA for PESCO's distribution system. This ensures that the total demand served by Pehur HPP accurately reflects the losses within the network. Any energy imbalances, whether shortages or surpluses should be recovered or adjusted from the respective Hybrid BPCs/ Pehur HPP in accordance with the applicable regulatory framework.
- ✓ Relevant tariff treatment be applied to Pehur HPP in accordance with NEPRA's guidelines, and respectfully requests the Authority to affirm this classification in the upcoming Multi-Year Tariff (MYT) determination. This is essential to ensure cost recovery for the capacity reserved by PESCO to serve such consumers on demand. Inclusion of this mechanism in the MYT will provide regulatory clarity, financial stability, and consistency in the treatment of open access consumers during the ongoing transition to a competitive electricity market.
- ✓ The Authority is requested to recognize that all charges recovered by PESCO on account of open access including use of system charges, open access costs, cross-subsidies, marginal pricing, or any other applicable cost shall be adjusted in the allowed revenue requirement of PESCO, as per the applicable framework determined by NEPRA.

23.8. On the point of the Petitioner that for the purpose of tariff determination, the units served shall include energy supplied to both regulated and non-regulated (Open Access) consumers, along with any unit adjustments, the Authority noted that tariff would be designed based on units supplied for the Regulated consumers only, however, any charges to be recovered by the Petitioner on account of open access, including use of system charges, open access costs, cross subsidy, marginal price, or any other cost, as per the applicable framework, would be adjusted in the allowed revenue requirement of the Petitioner.

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23.9. Regarding, point of the Petitioner that total demand to be served by the Competitive Supplier for a BPC must factor in the allowed losses, the same is required to be dealt with in accordance with the mechanism provided in the approved Market Code.

23.10. Regarding recovery of stranded cost on account of open access, the same are to be dealt with in accordance with the amended SD 87 of the NE Plan, which clearly states the frameworks / policy guidelines to be issued by the Federal Government, from time to time, stipulating the mechanism to deal with stranded costs on account of market liberalization and open access. It also states that in the event the framework / policy guidelines is not in field or the quantum of demand allowed for a particular period has been exhausted; or any person intends to avail open access without the competitive auction process stipulated in the frameworks / policy guidelines, then the Authority shall, on an application made by respective licensee or ISMO (as the case may be), determine other costs equal to the total generation capacity charges recovered from the equally placed bulk power consumers of the suppliers of last resort, either in a volumetric form (kWh) or through fixed charges. Such costs shall continue to be paid in the said manner till such time as may be reviewed by the Federal Government as per the procedure laid down in the applicable rules.

23.11. On the issue of Working Capital, PESCO submitted as under:

- ✓ Under the Multi-Year Tariff (MYT) framework, PESCO seeks a formal determination of the cost of working capital for its supply business for FY 2026. This request is being made in light of the essential financial resources required to sustain uninterrupted power procurement and supply operations. As a public sector entity, PESCO is obligated to maintain continuous energy supply to its consumers, which necessitates sufficient liquidity to meet operational obligations including payments to generation and transmission entities prior to the full recovery of costs from end-consumers. The nature of the electricity supply business inherently involves a significant time lag between the incurrence of costs and recovery through tariff mechanisms, thereby creating a genuine and unavoidable working capital requirement.
- ✓ NEPRA has acknowledged and allowed the cost of working capital to K-Electric (KE) as part of its supply business under the Multi-Year Tariff (MYT) regime. KE's claim was evaluated and approved on the basis of recognized operational lags, receivable build-ups, and the time delays in recovering various cost components such as Fuel Cost Adjustments (FCA), Quarterly Tariff Adjustments (QTA), and Annual Adjustments. NEPRA's determination in this regard, sets a clear regulatory precedent, reinforcing the fact that the working capital requirement is a legitimate and prudently incurred cost essential for the financial sustainability of power suppliers.
- ✓ Accordingly, PESCO submits that it faces similar, if not more pronounced, operational and financial challenges, particularly in the context of delayed recoveries, payment cycles of government and public sector consumers, and systemic lags/ delay in tariff pass-through timelines.

23.12. The Authority has considered the submissions of the Petitioner in terms of its obligation to maintain continuous energy supply to its consumers, and also reference made by the Petitioner to recent KE's MYT determinations for the period from FY 2023-24 to FY 2029-30. In order to access the working capital requirement of the Petitioner, the Authority obtained details of number of days available with the Petitioner to pay in terms of energy

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procured from National Grid. Based on the information provided by CPPA-G and in line with the mechanism adopted for KE, the working capital requirement of the Petitioner for its distribution function has been assessed as under;

Supply working Capital	Credit Period Days	Factor	PESCO
Current Assets			
Trade debt (days of Revenue Receivable)	25	0.07	21,619
Total Current Assets			21,619
Current Liabilities			
EPP From CPPA	41	0.11	9,585
CPP From CPPA	34	0.09	14,824
Transmission	30	0.08	1,621
Distribution	30	0.08	2,131
Total Liabilities			28,161
Net			(6,542)
Cost of debt local			12%
Working Capital Cost			(785)

23.13. As mentioned in the table above, PESCO's working capital requirement for the Supply function has been assessed as negative Rs.6,542 million and cost working capital requirement works out as negative Rs.785 million, based on 3 months KIBOR i.e. 11% +1% spread as maximum cap subject to downward adjustment in case the actual spread remains lower. The same is allowed to PESCO for the CY 2026, and is subject to adjustment, as per the mechanism provided below, once the audited accounts of PESCO for the FY 2025-26 are available.

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

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

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

Actualization of Previous year based on allowed revenue as PYA

- Current Assets
    - Lower of 25 days receivables based on allowed revenue (including the impact of allowed adjustments), OR Actual average Receivables for the Financial Year (excluding opening receivables).
- Current Liabilities
    - Payables pertaining to EPP & CPP based on average Number of days data to be provided by CPPA-G.
    - Transmission charges (30 days) & Distribution Charges (30 days) or based on contractual agreement, if any.

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- Actualization of the aforementioned heads shall be based on allowed costs after accounting for the impacts of allowed adjustments.

- All heads based on allowed days to be actualized after incorporating the impact of allowed adjustments, if any. While actualizing these heads impact of working capital cost be excluded.

    - Amount retained by the Petitioner on account of Net metering settlement

    - Any other amount retained by the Petitioner

3 Month KIBOR + 1% Spread as maximum cap subject to downward adjustment. For the purpose of 3 - Month KIBOR, the actual weighted average KIBOR of finance cost incurred by the Petitioner shall be considered, if any. Similarly, for the purpose of spread, actual weighted average spread incurred by the Petitioner shall be considered, if any. In case actual weighted average spread is lower than 1% cap, the same shall be adjusted downward only. No upward adjustment of spread is allowed.

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

23.15. On the point of the Petitioner that KE's working capital claim was evaluated and approved on the basis of recognized operational lags, receivable build-ups, and the time delays in recovering various cost components such as Fuel Cost Adjustments (FCA), Quarterly Tariff Adjustments (QTA), Annual Adjustments, and that PESCO faces similar, if not more pronounced, operational and financial challenges, the Authority noted that KE has not been allowed any cost in this context.

23.16. The Authority observed that regarding quarterly tariff adjustments, Section 31 (7)(ii) of the NEPRA Act provides as under:

"the Authority may, on a quarterly basis and not later than a period of fifteen days, make quarterly adjustments in the approved tariff...

23.17. Similarly, Section 31(7)(iv) of the NEPRA Act regarding monthly FCAs provides as under:

"the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette."

23.18. Both clause 31(7) (ii) and 31(7) (iv) are similar in nature. It is settled jurisprudence now that the above referred clauses are only directory in nature, whereby no consequential penalty is provided. The courts have recognized that the time consumed in mandatory procedural processes, including publication of notices, affording the right of audience to consumers, scrutiny and due diligence of data, coupled with the procedural steps involved

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in filing and processing QTA and FCA petitions, inevitably exceeds the time frame stipulated under Section 31(7) of the Act.

23.19. Having said that the Authority endeavors to decide the Petitions/ adjustment requests etc., expeditiously after fulfillment of all legal requirements and directions of the superior courts. Hence, the request of the Petitioner to allow cost of working capital on account of operational lags, time delays in recovering various cost components such as Fuel Cost Adjustments (FCA), Quarterly Tariff Adjustments (QTA), Annual Adjustments is not allowed.

23.20. On the issue of Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF), PESCO submitted as under:

- ✓ Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) are statutory obligations under applicable federal laws and must be recognized as legitimate costs of doing business. These payments are not discretionary but are mandatory legal requirements imposed on companies under the relevant labor and tax legislation. As per Section 4(l) of the Workers Welfare Fund Ordinance, 1971 every Company shall pay 2% of its profit to Workers Welfare Fund. Extracts of Section 4 of the above-mentioned act is reproduced as under:

  "4. Mode of payment by, and recovery from, industrial establishments. (i) Every industrial establishment the total income of which in any year of account commencing on or after the date7 specified by the '(Federal Government).in the official Gazette in this behalf is not less than (five) lakh of rupees shall pay to the Fund in respect of that year a sum equal to two per cents, if its total income"

- ✓ As per chapter I(4)(i) of the Workers Welfare Fund Ordinance, 1971 "total income" is defined as follows:

  "(i) "Total Income" means:

  (i) where Return of Income is required to be filed under this Ordinance, the profit (before taxation or provision for taxation) as per accounts or the declared income as per the return of income, whichever is higher; and

  (ii) where return of Income is not required to be filed, the profit (before taxation or provision for taxation) as per accounts or four per cent of the receipt as per the statement filed under section 115 of the Ordinance, whichever is higher."]"

- ✓ It is important to note that in the case of Independent Power Producers (IPPs), such statutory levies are allowed as pass-through items under their respective Power Purchase Agreements (PPAs). Similarly, NEPRA in its MYT determination for K-Electric has acknowledged this principle and allowed WWF and WPPF as pass-through items, subject to the provision of verifiable documentation.

- ✓ Currently, these costs are not embedded within the allowed O&M cost under PESCO's tariff framework. As such, any payments made by PESCO on account of WWF or WPPF would be borne from the company's allowed return, thereby effectively reducing the Return on Equity (RoE) allowed by the Regulator. This treatment does not reflect the principle of cost recovery and may adversely impact the financial viability and investment attractiveness of the DISCO.

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✓ In line with this regulatory precedent, and consistent with the treatment extended to other market participants, PESCO submits that WWF amounting to Rs. 747 million for FY 2024 should also be allowed on an actual payment basis, subject to verification through supporting documents and treated as pass-through components of PYA, to be reflected in subsequent tariff adjustments.

23.21. Regarding WWF and WPPF, the Authority observed that the Petitioner is required to make payments on account of these heads under the law as mentioned here under;

<u>Workers Profit Participation Fund</u>

102. As per Section 3(1) of The Companies Profit (Worker' Participation) Act 1968 every Company shall pay 5% of its profit to Worker's Participation Fund. Extracts of Section 3 of the above mentioned act is reproduced below:

> [1][3. Establishment of fund.--
>
> (1) Every company to which the scheme applies shall--
>
> (a) establish a Workers' Participation Fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalized but not later than nine months after the close of that year; [2][* * *]
>
> [3][(b) Subject to adjustments, if any, pay every year to the Fund not later than nine months after the close of that year five percent of its profits during such year, [4][* * *]] and
>
> (c) furnish to the Federal Government and the Board, not later than nine months after the close of every year of account, its audited accounts for that year, duly signed by its auditors.]

103. As per section 2 of the Companies Profit Worker' Participation Act 1968 "Profits" are defined as follows:

> (d) "profits" in relation to a company means such of the "net profits" as defined in section 87-C of the Companies Act, 1913 (VII of 1913)*, as are attributable to its business, trade, undertakings or other operations in Pakistan,

104. Extract of section 87C of Companies Act 1913 are as follows:

> *87C. (1) Where any company appoints a managing agent after the commencement of the Indian Companies (Amendment) Act, 1936, the remuneration of the managing agent shall be a sum based on a fixed percentage of the net annual profits of the company, with provision for a minimum payment in the case of absence of or inadequacy of profits, together with an office allowance to be defined in the agreement of management.*
>
> *Remuneration of managing agent.*
>
> *(2) Any stipulation for remuneration additional to or in any other form than the remuneration specified in sub-section (1) shall not be binding on the company unless sanctioned by a special resolution of the company.*
>
> *(3) For the purposes of this section 'net profits' means the profits of the company calculated after allowing for all the usual working charges, interest on loans and advances, repairs and outgoings, depreciation, bounties or subsidies received from Government or from a public body, profits by way of premium on shares sold, profits on sale proceeds of forfeited shares, or profits from the sale of the whole or part of the undertaking of the company but without any deduction in respect of income-tax or super-tax, or any other tax or duty on income or revenue or for expenditure by way of interest on debentures or otherwise on capital account or on account of any sum which may be set aside in each year out of the profits for reserve or any other special fund.*

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Workers Welfare Fund

As per Section 4(1) of the Workers Welfare Fund Ordinance, 1971 every Company shall pay 2% of its profit to Worker's Welfare Fund. Extracts of Section 4 of the above mentioned act is reproduced below:

> 4. Mode of payment by, and recovery from, industrial establishments.-
>
> (1) Every industrial establishment, the total income of which in any year of account commencing on or after the date specified by the [Federal Government] in the Official Gazette in this behalf is not less than [(five)] lakh of rupees shall pay to the Fund in respect of that year a sum equal to two per cent [illegible] of its total income [illegible]

As per chapter 1(4)(i) of the Workers Welfare Fund Ordinance, 1971 "total income" is defined as follows:

> [4](i) "total income" means
>
> (i) where Return of income is required to be filed under the Ordinance, the profit (before taxation or provision for taxation) as per accounts or the declared income as per the return of income, whichever is higher; and
>
> (ii) where Return of income is not required to be filed, the profit (before taxation or provision for taxation) as per accounts or four per cent of the receipt as per the statement filed under section 115 of the Ordinance, whichever is higher.]

23.22. Since these costs have not been included as part of the allowed O&M cost of PESCO, therefore, in case PESCO pays any such amount, it would be paying the same from its allowed returns, thus, effectively reducing its allowed RoE. The Authority also noted that in the matter of IPPs and K-Electric, the WWF/WPPF payments are allowed as pass through items.

23.23. In view thereof, the Authority has decided to allow these costs as pass through, on actual payment basis, as part of annual PYA, subject to provision of verifiable documentary evidences, in the subsequent tariff adjustments. However, in case there is a policy decision not to allow WWF or WPPF as pass through costs in future owing to recent negotiations being carried out with power companies, the Authority may consider to review its decision for PESCO as well.

23.24. On the issue of Recovery Loss, PESCO submitted as under

- ✓ Recovery loss is a legitimate cost of Supply Business and needs to be considered to ensure cost reflective tariff in line with National Electricity Policy. Accordingly, Authority is requested that the benchmarks for FY 2025-26 to FY 2029-30 may be determined in light of the National Electricity Policy, 2021 and the same needs to be aligned with the Strategic Roadmap Agreement executed with the Ministry of Energy (Power Division), in order to attain a balanced and realistic approach based on field realities and to ensure cost reflective tariff.
- ✓ The National Electricity Policy, 2021 requires that target for losses and collections shall be revisited by the Regulator to align it with the current market realities as mentioned in the K-Electric decision dated 27-05-2025. The relevant paras 5.3.1 & 5.3.2 of the National Electricity Policy, 2021 is reproduced as under:

  The distribution segment is the interface of the entire sector with the consumers of electricity. The financial viability of the entire sector is premised on the efficient operations of the distribution system and timely recoveries from consumers. The existing operations have resulted in non-recovery of costs determined by the Regulator (in addition to operational costs over and above the revenue requirement

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determined by the Regulator), leading to accumulation of circular debt, thus, threatening the sustainability of the entire sector.

So as to ensure and put in place efficient tariff structures for sufficient liquidity in the power market, the target for losses and collections shall be revisited by the Regulator, in order to align the same with the current market realities. These targets shall be reflected in the determinations of the Regulator. Moreover, timely recovery of bad debt that is prudent shall be allowed by the Regulator with the *incorporation of facilitative provisions in the regulatory framework as per industry practices and procedures.*

- ✓ It is also essential to recognize that a recovery percentage of 100% is neither feasible nor sustainable in the prevailing socio-political and security environment. It is pertinent to mention here that in the K-Electric MYT determination dated 27.05.2025, the Authority has allowed Recovery Loss/ bad debt allowance to K-Electric.

- ✓ Moreover, as stated by NEPRA in its decision dated 27-05-2025 on K-Electric's Multi-Year Tariff (MYT) petition; at para 34.22 reproduced as under:

  International precedents also suggest that 100% billing recovery is generally not mandated. Instead, regulators allow for reasonable bad debt provisions and encourage utilities to improve collection efficiency' through performance targets and incentives. While high recovery rates are desirable, regulators balance this with the realities of consumer behavior, economic conditions, and operational challenges, allowing for flexibility in recovery targets."

- ✓ Maintaining 91.5% recovery in FY 2024-25 is a significant milestone, and the continued year-on-year improvement reflects a realistic and data-driven approach. In line with the above, PESCO in its interim tariff application for FY 2025-26 requested for a recovery benchmark of 92.28%, for FY 2025-26 as outlined in the Strategic Roadmap Agreement.

- ✓ Proposed Recovery targets as per Strategic Roadmap Agreement:

Description	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Recovery (%age)	92.28	93.45	94.64	95.81	96.2

- ✓ The category wise breakup of Recovery Loss %age is as under:

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 20230
Residentall, Commercial & Others	90.72%	92.12%	93.56%	95.00%	96.46%
Industry	100%	100%	100%	100%	100%
Overall Recovery ratio	92.28%	93.45%	94.64%	95.81%	96.20%
Recovery Loss	7.72%	6.55%	5.36%	4.19%	3.80%
Recovery Loss (Mln. Rs.)	21,135	18,800	16,302	13,659	12,976
Recovery Loss (Rs./kWh)	2.27	1.95	1.63	1.32	1.21

- ✓ The above recovery loss %ages have been projected based on the sales mix given below;

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 20230
Residentail, Commercial & Others	83%	83%	83%	83%	83%
Industry	17%	17%	17%	17%	17%
Total	100%	100%	100%	100%	100%

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- ✓ It is worth mentioning that NEPRA, in its decision dated 27-05-2025 regarding K-Electric's Multi-Year Tariff (MYT) petition, recognized the operational and market constraints by allowing recovery benchmarks below 100%. The Authority explicitly stated that:

  KE would be incurring losses *for* the first *02 years of MYT, if no recovery* loss *is allowed* to *KE. This may compromise the financial viability of the company, which is neither in the* interest *of the consumers nor power system as whole."*

- ✓ In this context, it is respectfully submitted that PESCO, operating in a vastly different and more challenging environment, deserves equal, if not greater, regulatory flexibility. Unlike K-Electric, which operates within a relatively compact and urbanized service territory, PESCO serves a geographically vast and socio-politically complex region, including high-loss and low-recovery areas such as Bannu, D.I. Khan, Lakki Marwat, and parts of Khyber and Waziristan (Ex-FATA), where adverse law and order conditions persist. In these areas, field operations are severely hampered by security constraints, resistance to meter installation, limited community cooperation, and threats to staff safety. These persistent operational realities have a direct impact on both technical losses and revenue recovery performance. Therefore, in line with the National Electricity Policy 2021 and the principle of regulatory consistency, PESCO requests that NEPRA revisit recovery benchmarks in a manner aligned with prevailing field realities and considering the nature of Supply business. This would enable operational sustainability and financial liquidity while acknowledging the distinctive ground realities faced by PESCO across its network.

- ✓ Furthermore, PESCO proposes the implementation of a floor and cap mechanism to manage the financial impact of recovery losses and gains, particularly in the face of uncontrollable or favorable macroeconomic factors. The floor represents the maximum level of recovery loss that PESCO should bear and is proposed to be equivalent to the recovery margin of 1.5% below the targeted recovery loss for the respective year. For instance, with a recovery target of 92.28% in FY 2025-26, the proposed floor would be 90.78% (i.e., a recovery loss of 9.22%). Any actual recovery loss beyond this floor would be treated as an unrecovered cost. Conversely, the cap sets the limit on the recovery gain PESCO may retain in case of improved recoveries due to favorable conditions. It is also proposed at 1.5% above the recovery target, meaning recoveries beyond 93.78% in FY 2025-26 would be subject to over-recovery adjustments. If actual recovery falls between the floor and cap, no adjustment would be required, and PESCO would bear the associated risk or benefit within this neutral zone.

- ✓ The Petitioner also in its Supply tariff Petition submitted that it is pursuing the recovery of arrears from its consumers but due to the worst law and order situation in Khyber PakhtunKhwa and non-payment culture particularly the attitude of consumers residing in areas adjacent to TESCO, the recovery campaign is affected. Administrative & Political obligations do not allow us to take severe action against the defaulters. Moreover, disconnection creates law and order situation in terms of road blockade, blast of transmission towers and attacks on PESCO staff, Grid Stations and offices.

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✓ Accordingly, provision for doubtful debts is made on the basis of ageing formula agreed with the Auditors and approved by BoD PESCO in its 75th meeting. Actual provision for FY 2022-23 was Rs. 10,558 million & Rs. 12,189 million for FY 2023-24.

Supply of Power Business								
Description	Audited	Base Year	Tariff Control Period					Avg. for Tariff Control Period
			Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
		Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Recovery %age	89%	88%	92%	92%	92%	93%	94%	93%
As Sales %age	4.9%	4.6%	5.2%	5.0%	4.8%	4.5%	4.4%	4.8%
Provision for Bad Debts	12,189	14,978	15,278	15,583	15,895	16,213	16,537	15,901
%Increase/(Decrease)			2%	2%	2%	2%	2%	

<u>RECOVERY PLAN</u>

✓ The Petitioner provided the following recovery plan;

1. Prompt billing
2. Recording Correct Meter Reading
3. Delivery of bills in time.
4. Reconciliation of billing disputes with Govt: agencies.
5. Timely debit of Audit Notes.
6. Prompt disconnection of running defaulter consumer
7. Installation of ABC cables on high loss feeders in order to control theft of energy & to make effective disconnection so that defaulter consumers may be compelled to make payment of arrears.
8. Out of court settlement of disputed cases.
9. Recovery through PESCO Police from defaulters.
10. Kuli Kachehri on weekly basis are being held on circle level to redress the genuine grievances of the consumers on the spot and to recover the outstanding dues from the defaulters.
11. Combing of feeders is being carried out through PESCO field formations in their respective areas aiming at removal of direct hooks, replacement of sluggish and defective meters, proper meterization and accurate billing through MMR system so as to eliminate theft of energy, bring the defaulter as well as un-registered consumers in billing network and to recover the legitimate arrears of PESCO.
12. Posting of Recovery Magistrate for recovery of outstanding arrears.
13. Recovery under Land Revenue Act, by Tehsildar Recovery Officer.

23.25. Subsequently, the Petitioner vide letter dated 04.12.2025, provide supporting analysis/ documents, with the request to revise its T&D losses and recovery targets. In terms of recovery targets, the Petitioner submitted to boost its recovery from 90% to 95.84% (increase by 5.8%) over the span of next 5 years.

23.26. The submissions of the Petitioner have been analyzed. The Petitioner has placed its reliance primarily on the provisions of the NE Policy and NE Plan and the Authority's determination in the matter of K-Electric's MYT determination dated 27.05.2025.

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23.27. Here it is pertinent to mention that previously XWDISCOs have not been allowed any recovery loss and tariff setting has been at 100% recovery assumptions. Write offs were allowed to certain XWDISCOs on provisional basis, subject to fulfillment of the laid down criteria, but since no XWDISCO was able to actually write-off any amount, the provisionally allowed amounts of write-offs were adjusted back.

23.28. The Authority although initially allowed recovery loss to K-Electric as mentioned by the Petitioner, however, subsequently in the matter of Motion for Leave for Review filed by various stakeholders including the MoE (PD) itself, and the CPPA-G, the Authority decided not to allow any upfront recovery loss and only a capped amount of write-offs was allowed to K-Electric, subject to fulfillment of the prescribed criteria.

23.29. For ready reference the grounds taken by the MoE (PD), and the CPPA-G in their MLRs in the matter of KE's MYT FY 2024-30 are reproduced below;

- ✓ Allowing of a recovery loss trajectory, effectively transfers the financial burden of DISCO inefficiencies onto paying consumers, thereby penalizing compliant customers while subsidizing non-payment. The MoE (PD) also submitted that this approach is inconsistent with the principle of prudent cost recovery enshrined in Section 31 of the NEPRA Act and the Tariff Rules.

- ✓ Clause 5.3.2 of the NE Policy envisages that "timely recovery of bad debt that is prudent shall be allowed by the Regulator with the incorporation of facilitative provisions in the regulatory framework as per industry practices and procedures." In this context, SD 31 of the NE Plan operationalizes Clause 5.3.2 of the NE Policy by laying out clear criteria for bad debt write-offs applicable across the sector. Clause 6.1.3 of the NE Policy reinforces that the NE Plan shall serve as the implementation tool for achieving policy goals.

- ✓ Consequently, the Authority is legally obligated under Sections 7(2)(ia), 14A(5), and 31(1) of the NEPRA Act to align tariff determinations with the NE Plan and apply its prescriptions uniformly to all DISCOs. If this practice of allowing recovery loss is extended sector-wide, the projected annual burden would rise to Rs.270 billion, potentially accumulating to Rs.1,500 billion over seven years. Such a development would jeopardize the financial sustainability of the power sector and run contrary to the goals of tariff rationalization and reform-based efficiency.

- ✓ The Act mandates the Authority to allow only prudently incurred costs and any in-efficiencies on the part of utility company cannot considered as prudent cost and should not be allowed.

- ✓ It is the duty of the Authority while discharging its function of determining and recommending tariff that: (a) the interests of the consumers and the companies engaged in providing electric power services is duly protected in accordance with the principles of transparency and impartiality; and (b) it shall be guided by the NE Policy, the NE Plan and the guidelines of the Federal Government.

- ✓ Recovery shortfall (if any) be met by way of application of principles of write-off, subject to fulfilment of specified criteria for such write-off of bad debts, in line with industry practices and procedures in other regulatory jurisdictions, which shall duly

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protect the interests of the consumers and companies engaged in providing electric power services and would be consistent with the NE Policy and the NE Plan.

23.30. The Authority while deciding the MLR of the MoE (PD) and CPPA-G in the matter of KE's MYT, also construed that since the MoE (PD) is actively pursuing privatization of other XWDISCOs, so the submissions made by the MoE (PD) in its Motions for not allowing any up-front recovery loss may be construed as a policy decision, meaning thereby that similar treatment will be offered to other DISCOs.

23.31. In view of the above discussion and the fact that allowing recovery loss allowance effectively transfers the financial burden of DISCO's inefficiencies onto the paying consumers or on the national exchequer through subsidies, the Authority has decided not to allow any upfront recovery loss to the Petitioner. Accordingly, PESCO's tariff is being determined on the basis of 100% recovery target. PESCO, however, will be allowed to claim write-offs, after fulfillment of the given criteria, as per the following limits, to be considered as maximum cap for the relevant year;

FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
3.00%	2.50%	2.00%	1.50%	1.00%

<u>Criteria for claiming actual write-offs</u>

a. Actual write-offs, if any, against private consumers only, pertaining to billing made during the current MYT period i.e. FY 2026-30, after fulfillment of the following criteria subject to maximum cap as provided above. The claim shall be verified by third party/auditor, based on the following criteria;

i. The claim shall be applicable for the default amount of a permanently disconnected consumer that may not be recovered through all efforts possible.

ii. The age of such non-recovery is over three (3) years.

iii. The amount of write off shall be claimed against connections given as per CSM and other applicable documents, duly supported by CNICs.

iv. Write-offs against receivables of any Government entity / PSC shall not be allowed.

v. Petitioner's BOD shall develop a write-off policy, in accordance with the aforementioned criteria and submit it to the Authority for its approval. The Authority, may while granting approval alter, modify or add to the write-off policy, in its sole discretion.

vi. Petitioner's BOD shall approve all write-off claims in accordance with the Authority's approved write-off policy. The Petitioner's BOD approved write-off shall be subject to independent third-party verification that the write-offs are as per the Authority's approved write-off policy. The terms of references (TORs) for third party / auditor verification of write-offs shall be prepared by Petitioner and shall be approved by the Authority. The Authority, may while granting approval alter, modify or add to the TORs, in its sole discretion.

b. Any write-off approved by the Petitioner's BOD, in accordance with the write-off policy approved by the Authority, and verified by the third-party independent auditor, in accordance with the approved TORs, after expiry of the MYT 2026-2030 shall be allowed by the Authority.

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23.32. On the point of the Petitioner that recovery benchmark targets need to be aligned with the Strategic Roadmap agreement, the Authority observed that the Strategic Roadmap is an agreement between the MoE (PD) and the DISCO to establish targets and implementation plans for the operational, commercial, financial and technical performance of the DISCO. The agreement clearly states reduction in aggregate technical and commercial losses through operational efficiency improvements, infrastructure upgrades, and advanced monitoring technologies. Similarly, bill recovery rates are to enhanced by implementing better collection systems and reducing electricity theft through improved monitoring and enforcement. The agreement also stipulates establishing structured plans for recovery of bad debts including targeted write-offs. Thus, the agreement in way, be construed as a binding document for allowing any recovery loss in the tariff.

<u>Supplemental Charges</u>

23.33. The Petitioner stated that NEPRA has allowed offsetting the Late Payment Charges (LPC) recovered from the consumers against the Late Payment Invoices of markup on delayed payments i.e. supplemental charges raised by CPPA-G since FY 2014-15 yet the same is not enough to pay off the supplemental charges completely.

23.34. The above reveals that PESCO has recovered Rs.20.916 billion as LPS from consumers from FY 2014-15 to FY 2024-25 (up-to Mar-25) against the actual Supplemental Charges of Rs.184.350 billion which is not enough to pay off the same. Moreover, with increasing T&D losses coupled with low recoveries, it stands as one of the major contributors to the circular debt. Coupled with the tax charged by FBR on electricity sold to AJ&K, along with GST charged by CPPA-G on electricity being sold to PATA, the situation becomes even more precarious, as it deprives the DISCO of much needed cash flow, which could be used in other development projects. It is pertinent to mention here that as on 31.03.2025, Tariff Differential and Other Subsidies amounting to Rs.32.113 billion stand as receivables from the Federal Government. On one hand, the non-payment/ late payment of subsidy adversely affects the cash flow position of PESCO, but also adding to the Supplemental Charges (Late Payment Charges) demanded by CPPA-G. So far, Rs. 209.981 billion (up to Mar-2025) have been charged because of Supplemental Charges by CPPA-G. The Authority is therefore requested to allow the same to PESCO.

23.35. CPPA-G is charging supplementary charges to PESCO on account of delayed payments to IPPs and the shortfall is as under:

<u>Rs.in Billions</u>

Year	Supplemental Charges	Late Payment Charges Billed to the Consumers	LPS Collection from the Consumers	Shortfall
2009-10	[illegible]	[illegible]		[illegible]
2010-11	[illegible]	[illegible]		[illegible]
2011-12	[illegible]	[illegible]		[illegible]
2012-13	[illegible]	[illegible]		[illegible]
2013-14	[illegible]	[illegible]		[illegible]
Sub Total	25.631	5.356	-	25.631
2014-15	[illegible]	[illegible]	[illegible]	[illegible]
2015-16	[illegible]	[illegible]	[illegible]	[illegible]
2016-17	[illegible]	[illegible]	[illegible]	[illegible]
2017-18	[illegible]	[illegible]	[illegible]	[illegible]
2018-19	[illegible]	[illegible]	[illegible]	[illegible]
2019-20	[illegible]	[illegible]	[illegible]	[illegible]
2020-21	[illegible]	[illegible]	[illegible]	[illegible]
2021-22	[illegible]	2.545	[illegible]	[illegible]
2022-23	[illegible]	[illegible]	[illegible]	[illegible]
2023-24	[illegible]	[illegible]	3.557	[illegible]
2024-25 (up to March-25)	[illegible]	[illegible]	[illegible]	[illegible]
Sub Total	184.350	33.876	20.916	163.434
Grand Total	209.981	39.232	20.916	189.065

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23.36. The Authority noted that in line with its earlier decision in the matter of LPS, it had allowed the Petitioner to retain LPS to the extent of supplemental charges billed by CPPA-G, as the supplemental charges billed by CPPA-G to PESCO were in excess of LPS recovered by PESCO. Thus, no further adjustment is required in the matter. Prima facie, the excess supplemental charges billed to the Petitioner are on account of non-payment of its obligations towards CPPA-G, owing to inefficiencies on account of under recoveries and high T&D losses. The Petitioner shall ensure that it meets the Regulatory targets in order to avoid attracting any such cost from CPPA-G.

Inadmissible Input Tax

23.37. The Petitioner on the issue stated that NEPRA guidelines for the Determination of Consumer end Tariff and Tariff Determination for FY 2017-18 allows for the claim of actual tax pertaining to relevant financial year. During FY 2023-24 & FY 2024-25 (upto Mar-25) due to change in sales tax regulations an amount of Rs. 4,586 million and Rs. 3,972 million respectively as Input Tax credit is not admissible under section 8(2) of Sales Tax Act, 1990 read with Rules 25 of Sales Tax Rules relating to exempt supplies and resulted in increase of Power Purchase Price as per applicable IFRS. The same may be allowed as per actual amount paid by PESCO.

23.38. PESCO has requested in its MYT and MLR petitions to allow the inadmissible input tax to PESCO, however, no decision has been taken has been taken in this regard. NEPRA guidelines for the Determination of Consumer End Tariff and Tariff Determination for FY 2017-18 allow for the claim of actual tax pertaining to relevant financial year. After the enactment of 25th Constitutional Amendments, the supply of electricity to erstwhile Tribal Areas (PATA) has been classified as Exempt Supplies under the Sales Tax Act, 1990 for the period 23rd July, 2018 up to 30th June, 2023. As per Section 8 of the Sales Tax Act, 1990 Input Tax Adjustment is not allowed on supplies classified as exempt. Resultantly, the input tax credit on such supplies is disallowed to PESCO and sales tax charged by CPPA-G on such supplies to erstwhile Tribal Areas (PATA) has to be borne by PESCO. Moreover, supplies made to AJK during FY 2024-25 has been exempted from Sales Tax vide Finance Act 2024, resultantly, tax credit is inadmissible on these supplies as well.

23.39. On the basis of declaration in the Sales Tax Returns, the detail of actual sales tax declared is as under:

FY	Sales Tax on Supplies to erstwhile Tribal Areas (PATA)
2018-19	3,315
2019-20	2,628
2020-21	2,298
2021-22	4,257
2022-23	4,780
2023-24	4,586
2024-25 (Jul 24 to Feb 25)	3,972
TOTAL	25,836

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23.40. The above taxes are not admissible under section 8(2) of Sales Tax Act, 1990 read with Rules 25 of Sales Tax Rules relating to exempt supplies and resulted in increase of Power Purchase Price as per applicable IFRS. The authority is again requested to allowed aforesaid amount to PESCO as per actual expenditure made by PESCO, since taxes are pass through items as clause 16(2) of the NEPRA Guidelines for determination of Consumer End Tariff (Methodology and Process) 2015.

23.41. Regarding non-admissibility of input Sales Tax, the Authority noted that the Petitioner may take-up this matter with FBR and relevant quarters of the Federal Government, as the matter does not pertain to NEPRA.

24. <u>Whether there should be any fixed charges on Units exported by net metering users to the extent of Transmission and Distribution charges or otherwise?</u>

24.1. PESCO submitted that net-metering consumers rely on the Grid both for backup supply during low or No Solar Generation and for Exporting Surplus Energy. In the absence of Fixed Charges on exports, these consumers avoid contributing to Grid Maintenance Costs, creating Cross-Subsidization where non-solar users bear higher fixed costs. Increasing penetration of net-metering reduces DISCO revenue, leading to inequity. Technical challenges such as voltage fluctuations and protection issues also require additional investment. Levying fixed charges on these consumers can contribute to fair and equitable cost recovery across the system. [4.4.1(d), 5.6.7 NE Plan 2023-27 (SD-14 and SD-90).

24.2. PESCO recommended to introduce fixed network usage charges based on sanctioned load or export capacity, transition to a gross metering framework to avoid cross-subsidies and restrict oversized DG installations exceeding sanctioned load.

24.3. The Authority noted that vide decision dated 23.06.2025, all DISCOs have been directed to undertake a comprehensive study as outlined below, to thoroughly examine the impact of ToU tariff timings and Distributed Solar integration on utilities operations.

- *Comprehensive study on the impact of existing time-of-use (ToU) tariff timings and proposed measures for aligning demand with evolving load patterns*
- *Comprehensive assessment of the financial and technical impacts of distributed solar photovoltaic (PV) integration on distribution utility operations and infrastructure*

24.4. DISCOs were also directed to jointly develop, through mutual consultation, a uniform Terms of Reference (ToR) to carry out the above studies and submit the same to NEPRA for approval. DISCOs have prepared and submitted the ToRs, which are currently under review.

24.5. Here it is also pertinent to highlight that the Authority has elicited public opinion on the NEPRA (Prosumer) Regulations, whereby, changes in both the methodology and rate for the units being exported are being proposed.

24.6. The Authority therefore considers it appropriate to review the quantum of fixed charges to be levied on Net Metering Consumers, once the aforementioned studies are completed, and also once the NEPRA (Prosumer) Regulations are notified / changes in the current methodology and rate of units exported are finalized. Therefore, for the purpose of instant determination, the Authority has decided not to make any changes in this regard.

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25. <u>Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanctioned Load or otherwise?</u>

26. <u>Whether there should any Fixed Charges on consumer's categories who are currently not paying any fixed charges?</u>

26.1. PESCO submitted that NE plan provides direction to progressively include the Fixed Charges in all categories (except Protected) [Priority Area 13 of NE Plan, SD-73 & 74 referred]. Fixed charges are Rs.500 to Rs.1,250 per kW & up to Rs. 5,000 per consumer as determined in July 2024. Charging is based on actual recorded Maximum Demand Indicator (MDI) or 25% of the sanctioned load, whichever is higher.

<u>SD-74 of the NE Plan:</u>

"Fixed charges shall be progressively incorporated in the tariffs of all consumer segments except consumers of protected category. Such fixed charges shall duly account for, inter alia, share of capacity cost in cost of service, market interventions, consumption behaviours and affordability of consumers. Itis aimed that byFY-2027, the fixed charges shall account for at least 20% of the fixed cost of the respective categories evaluated through a cost-of-service study."

26.2. PESCO recommended that fixed charges may be based on actual recorded MDI or 25% of the highest recorded in last 12 months, whichever is higher. PESCO also submitted imposition of per kW Fixed Charges for net-metering consumers to ensure fair Grid cost sharing and Distribution Line sharing.

26.3. The Authority noted that earlier fixed charges were being levied at around Rs.400-500/kW/month based on higher of 50% of sanctioned load or actual MDI for the month. The rate was subsequently enhanced to Rs.2,000/kW/month vide decisions dated 14.06.2024, however, the Federal Government vide its Motion for uniform tariff dated 03.07.2024, requested to revised the same downward as Rs.1,250/kW/month based on higher of 25% of the sanctioned load or actual MDI for the month. The Authority vide decision dated 11.07.2024, in the matter of uniform tariff Motion, considering the concerns raised by stakeholders, and prevailing economic challenges decided to restrict fixed charges at Rs.1,250/kW/month.

26.4. The prime objective of revision in fixed charges and corresponding reduction in variable charges is to incentivize consumers to increase their electricity consumption from national grid, thus, lowering their overall effective tariff.

26.5. Here it is also to be highlighted that the Authority has recently initiated the process of notifying the NEPRA (Prosumer) Regulations, whereby, changes in both the methodology and rate for the exported units are being proposed. These changes, once approved, may result in increased consumption from the Grid, consequently leading to higher recovery of fixed costs, as part of variable charges. In view thereof, for the purpose of instant

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determination, the Authority has decided to maintain the existing rate of fixed charges for the consumers who are currently being charged fixed charges at Rs./kW/month along-with the applicability mechanism.

26.6. Similarly, for consumers, who are currently being charged, fixed charges as Rs./Consumer/Month, the Authority has also decided to maintain the existing practice.

27. <u>Whether the schedule of tariff be designed on cost-of-service basis or otherwise?</u>

27.1. PESCO submitted that the NE Plan emphasizes cost-of-service based tariffs for transparent cost recovery and equitable design. Tariff design based on the Cost of Service (CoS) ensures transparency, financial sustainability, and equitable cost allocation among consumers. The current uniform tariff structure creates cross-subsidization where some categories subsidize others, distorting cost signals and discouraging efficiency. A CoS-based design aligns tariffs with actual cost causation while promoting efficient consumption.

27.2. PESCO also recommended that there should be a gradual transition to CoS-based tariff design to avoid consumer shock, segment consumers by voltage and usage pattern to reflect actual service costs, replace broad cross-subsidies with targeted subsidies funded by the Federal Government and conduct updated CoS studies for all DISCOs to establish credible cost benchmarks.

27.3. The submissions of all DISCOs regarding the applicability of a cost-of-service (CoS) based tariff structure have been analyzed. Multiple DISCOs like HESCO, GEPCO, QESCO, HAZECO, and PESCO explicitly referred to the NE Plan SD-82, 83 and 84, which call for transitioning toward CoS-based tariffs to promote transparency, financial sustainability, and equitable allocation of costs among consumer categories. DISCOs in general have supported CoS based tariff design, which would enhance transparency, and equitable cost allocation among consumers in terms of actual costs they impose on the system.

27.4. The Authority noted that NE Plan provides that tariffs for the residential consumers shall be progressively adjusted to align with the principle of cost-of-service, taking into account the following:

a. Subsidies to protected categories of residential consumers shall be disbursed directly pursuant to the detailed action plan to be developed under Strategic Directive 067;

b. Residential consumers (below cost recovery) shall be cross subsidized by:

   i. industrial & commercial consumers, pursuant to the Strategic Directive 084;

   ii. other residential consumers (above cost recovery).

27.5. SD 84 states that Cross-subsidy by the productive consumers, to subsidize residential and agricultural consumers, shall be progressively restricted to 20% of the respective cost of service of such consumers by FY-2026.

27.6. In light of the aforementioned provisions of NE Plan, the Authority, has decided to gradually reduce the quantum of cross subsidization by the Industrial consumers in order to make it cost reflective and major burden of cross subsidization is being shifted towards commercial and other residential consumers (above cost of service).

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

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

28.2. The Authority understands that sharing mechanism for any savings by the utility has already been provided under each head separately e.g. O&M costs, T&D losses, cost of debt etc. therefore, no such mechanism is separately required. However, still if there is any additional return by the Petitioner, which could not be comprehended at this stage, the same would be shared between DISCO and consumers equally.

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

29.1. The MoE (PD) vide letter dated 18.08.2025, submitted that NEPRA determines the consumer-end tariff for XWDISCOs and K-Electric in accordance with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the Act), read with Rule 17 of the NEPRA (Tariff Standards and Procedure) Rules, 1998. The uniform rebased tariff, once determined, is notified by the Federal Government under Section 31(7) of the Act. The latest rebasing was notified on July 1, 2025. In accordance with the Rules read with Part 5 of the NEPRA Determination of Consumer-end Tariff (Methodology & Process) Guidelines, 2015, the Distribution Companies (DISCOs) are required to initiate the tariff determination process by submitting their minimum filing requirements by January 31st of each year. The submission is followed by Authority's internal meetings, public hearing, tariff determination and notification by the Government. Keeping in view the recent annual tariff determinations, the rebasing is notified by the Government in the month of July, each year with effect from 1st July.

29.2. The MoE (PD) further mentioned that as an unfortunate coincidence, the consumers face high Fuel Charges Adjustments (FCAs) as well as the annual tariff rebasing, simultaneously in the summer months. This increase in tariff coupled with higher consumption leads to significant hike in the consumer electricity bills of summer months which in turn results in unaffordability, public dissatisfaction and nationwide protests in the country. The issue can be streamlined if the timing of annual rebasing is shifted from summer to winter months where the electricity consumption is lower and any tariff increase can be absorbed in consumer bills. This would result in relatively stable and sustainable electricity prices throughout the year. The National Electricity Plan Strategic Directive 8 also stipulates that the Regulator shall also revisit the "Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015" to enable alignment of schedule of regulatory proceedings for planning activities and rate case & tariff determinations.

29.3. The MoE (PD) submitted that the Cabinet has approved that policy guidelines may be issued to NEPRA to revise the annual tariff determination process timelines by amending the relevant legal and regulatory framework in a way that the rebasing is notified with effect from 1st January, each year, after completion of all regulatory proceedings. In this regard, it is highlighted that NEPRA has already determined Power Purchase Price (PPP) references up to June 2026. Projections for the remaining six months will be shared subsequently.

29.4. In light of above and in exercise of powers under Section 31 of the Act, the Federal Government issued the following policy guidelines for implementation by NEPRA;

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"NEPRA shall revise the annual tariff determination process timelines by amending the relevant legal and regulatory framework (guidelines, rules and procedures) to ensure that annual rebasing is notified with effect from January 1st of each year, after completion of all regulatory proceedings."

29.5. PESCO also vide letter dated 20.10.2025 submitted that the MoE (PD) vide letter dated 16.10.2025, has conveyed that the Federal Government has approved the revision of the annual tariff determination schedule, making it effective from 1st January each year. The Authority has already determined the Power Purchase Price (PPP) references up to June 2026, accordingly, it is submitted that the references for the remaining period up to December 2026 may also be determined, in line with the above-mentioned directives.

29.6. PESCO further stated that it has already submitted its Multi-Year Tariff (MYT) Petition for FY 2025-26 to FY 2029-30 for determination and the decision of the Authority is awaited. Meanwhile, an interim tariff for FY 2025-26 has been determined by the Authority in response to PESCO's request dated 29.05.2025.

29.7. PESCO accordingly requested that the Authority to determine the consumer-end tariff for the period from July 1, 2026 to December 31, 2026 in accordance with the revised annual rebasing timeline effective January 1, 2026, to ensure smooth and timely transition to the revised rebasing schedule.

29.8. The matter was discussed during the hearing, and the Petitioner requested the following costs on account of interim indexation for the 06 months period from Jul. 26 to Dec. 26;

Description	Jul. 26 to Dec. 26 Amount *(Mln. Rs.)*
O&M Cost	25,221
Depreciation	3,801
Return on Rate Base	8,948
Less: Other Income	(3,652)
Distribution Margin	**34,319**
Turnover Tax	2,031
Prior Period Adjustments	445
Revenue Requirement	**36,795**

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

29.10. Further, in light of the instant policy guidelines, the Authority has determined the revised Power Purchase Price (PPP) references for the period from January 2026 to December 2026 through a separate decision. Pursuant thereto and keeping in view the request of the Petitioner to also determine tariff for the period from July 1, 2026 to December 31, 2026,

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in accordance with the revised annual rebasing timelines, the Authority has also determined provisional revenue requirement of PESCO for the period from July 1, 2026 to December 31, 2026 as under:

Description	Unit	Allowed July to December 2026
Pay & Allowances	[Mln. Rs.]	7,783
Post Retirement Benefits	[Mln. Rs.]	7,037
Repair & Maintainance	[Mln. Rs.]	818
Traveling allowance	[Mln. Rs.]	159
Vehicle maintenance	[Mln. Rs.]	173
Other expenses	[Mln. Rs.]	963
O&M Cost	[Mln. Rs.]	16,933
Depriciation	[Mln. Rs.]	2,086
RORB	[Mln. Rs.]	4,628
O.Income	[Mln. Rs.]	(3,135)
Margin	[Mln. Rs.]	20,512

29.11. For the purpose of rebasing for the period from Jan. to Dec. 2026, the amount recovered by the Petitioner, to the extent of distribution and supply margin along-with PYA, from Jul. to Dec. 25, based on interim tariff allowed for the FY 2025-26, has been adjusted from the revised assessed tariff for the FY 2025-26. The recovered amount has been calculated by applying the Rs./kWh rate as per the interim tariff (to the extent of Distribution & Supply Margin and PYA), with the projected unit sales from July to December 2025.

29.12. The adjusted revenue requirement so worked out for the period from Jan. to Jun. 26 has been clubbed together with the provisional revenue requirement determined for the period from Jul. to Dec. 2026, to work out the overall revenue requirement of the Petitioner for the period from January 2026 to December 2026. The Schedule of Tariff (SoT) of the Petitioner has been designed accordingly.

29.13. Any under over recovery of the determined revenue requirement for the FY 2025-26, based on the allowed regulatory targets in terms of T&D losses, recovery etc., and provisional revenue requirement being allowed for the six months period i.e. from Jul. to Dec.26, would be adjusted subsequently, while determining the final revenue requirement of the Petitioner for the FY 2026-27.

30. <u>Order</u>

30.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the allowed revenue requirement of the Petitioner, for the FY 2025-26, JuCY 2026 (January 26 to December 26) including upfront Indexation/adjustment for the period July 2026 to December 2026, to the extent of Supply function is summarized as under;

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Description	Unit	Revised Allowed FY 2025-26 SOP	Allowed CY 2026 SOP
Units Received	[MkWh]		10,373
Units Sold	[MkWh]		8,375
Units Lost	[MkWh]		1,998
Units Lost	[%]		19.26%
Energy Charge			84,420
Capacity Charge			159,583
Transmission Charge & Market Operation Fee			19,718
Power Purchase Price	[Mln. Rs.]		263,722
Wire Business cost			22,606
Power Purchase Price with wire business cost	[Mln. Rs.]		286,328
Pay & Allowances	[Mln. Rs.]	5,015	4,716
Post Retirement Benefits	[Mln. Rs.]	4,350	4,775
Repair & Maintainance	[Mln. Rs.]	62	62
Traveling allowance	[Mln. Rs.]	87	63
Vehicle maintenance	[Mln. Rs.]	78	78
Other expenses	[Mln. Rs.]	1,561	1,614
O&M Cost	[Mln. Rs.]	11,184	11,306
Depriciation	[Mln. Rs.]	417	333
RORB	[Mln. Rs.]	1,727	1,416
O.Income	[Mln. Rs.]	(1,944)	(1,894)
Margin	[Mln. Rs.]	11,384	11,160
Prior Year Adjustment	[Mln. Rs.]	16,483	15,745
Working Capital	[Mln. Rs.]		(785)
Revenue Requirement	[Mln. Rs.]	27,867	312,448
Average Tariff	[Rs./kWh]		37.31

30.2. The above assessment has been carried out based on the data/information provided by the Petitioner, which the Authority believes is correct and based on facts. In case of any deviation / misrepresentation observed at a later stage, the Petitioner shall be held responsible for the consequences arising out, under NEPRA Act, Rules and Regulations made thereunder. Any consequential adjustment' if required will be made accordingly.

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

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Description	Pass Through	ADJUSTMENTS/ INDEXATION	TIME LINES
Power Purchase Price	Pass through	The Authority, keeping in view of any abnormal changes may review Power Purchase Price references along with any Quarterly adjustment	
Fuel Cost		Monthly, as per the approved mechanism. Impact of FCA on T&D losses would be adjusted on Quarterly basis.	Data to be provided by CPPA (G) by close of the month
Variable O&M		Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Capacity Charges		Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Transmission /UOSC & MOF Charges		Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Margin			
Salaries, Wages & Benefits		Annually as per the mechanism given in the decision	Request to be submitted by Petitioner in end of July of every year, so that adjustment / indexation for the next year is determined in timely manner.
Post-retirement Benefit			
Other operating expenses			
Depreciation			
Return on Regulatory Asset Base			
Other Income			
Prior Year Adjustment		Annually as per the mechanism given in the decision	
KIBOR		Bi-Annually, as per the decision	
Return on Equity (ROE)		No adjustment allowed over Reference ROE	
Spread		As per the mechanism in the decision	

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

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

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

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

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

30.9. The Petitioner shall ensure to develop, maintain and publicly make available, its investment program for satisfying its service obligations and acquiring and selling its assets.

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

30.11. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.

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

31.1. The Authority hereby directs the Petitioner;

i. To provide the reconciled date of sales mix for last 3 years with its reported revenue as per audited financial statements.

ii. To provide comprehensive reconciliation of PYA allowed under different heads for at

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least last 3 years with the revenue reported in audited accounts.

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

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

v. To get its data, regarding units billed to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture consumers, reconciled with PITC and submit such reconciliation to the Authority every year.

vi. To ensure that by the time it files its next tariff petition/ adjustment request, MDI for all consumers at all levels is properly recorded.

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

32. The Determination of the Authority along-with Annexures, is hereby intimated to the Federal Government for filing of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

33. The instant Determination of the Authority along-with order part and Annexures be also notified in terms of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, while notifying the uniform tariff application decision of the Authority.

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Where:

Fuel Price variation is the difference between actual and reference fuel cost component

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA (G) and for fuel cost of energy procured through bilateral contracts, in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination;

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.

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Annex-I-A

QUARTERLY ADJUSTMENT MECHANISM

Quarterly adjustment shall be the Actual variation in Power Purchase Price (PPP), excluding Fuel Cost Component, against the reference Power Purchase Price component and the impact of T&D losses on FCA, for the corresponding months and shall be determined according to the following formula;

Quarterly $PPP_{(Adj)}$= $PPP_{(Actual)}$ (excluding Fuel cost)-$PPP_{(Recovered)}$ (excluding Fuel cost)

Where;

$PPP_{(Actual)}$ is the actual cost, excluding Fuel cost, invoiced by CPPA-G to XWDISCOs and for energy procured through bilateral contracts, adjusted for any cost disallowed by the Authority.

$PPP_{(Recovered)}$ is the amount recovered based on reference rate in Rs./kWh, excluding fuel cost, as per the tariff determination that remained notified during the period.

Impact of T&D losses on FCA

= Monthly FCA $allowed_{(Rs./kWh)}$ x Actual units Purchase x % T&D losses

Where;

Monthly FCA allowed $_{(Rs./kWh)}$ is the FCA allowed by the Authority for the respective months of the concerned period.

T&D Loss % is percentage of T&D losses that remained notified during the period.

The sum of amounts so worked for each month of the Quarter shall be divided by the Projected units to be sold as determined by the Authority to work out Rs./kWh Quarterly adjustment.

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Peshawar Electric Supply Company (PESCO)
Estimated Sales Revenue on the Basis of New Tariff

	Description	Sales		Base Revenue			Base Tariff			PYA 2025		Total Tariff		
		GWh	% Mix	Fixed Charge	Variable Charge	Total	Fixed Charge	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Fixed Charge	Variable Charge
				Mln. Rs.	Mln. Rs.	Mln. Rs.	Rs./Con/M	Rs./kW/M	Rs./ kWh	Mln. Rs.	Rs./ kWh	Rs./Con/ M	Rs./kW/ M	Rs./ kWh
	Residential													
	For peak load requirement less than 5 kW													
Protected	Up to 50 Units - Life Line	57	0.68%	-	1,828	1,828	-	-	32.31	106	1.88	-	-	34.1
Protected	51-100 units - Life Line	62	0.74%	-	2,045	2,045	-	-	32.92	117	1.88	-	-	34.8
Protected	01-100 Units	1736	20.73%	-	61,702	61,702	-	-	35.53	3,264	1.88	-	-	37.4
Protected	101-200 Units	549	6.56%	-	19,443	19,443	-	-	35.40	1,033	1.88	-	-	37.2
Un-Protected	01-100 Units	353	4.21%	-	11,994	11,994	-	-	34.02	663	1.88	-	-	35.9
Un-Protected	101-200 Units	565	6.75%	-	19,692	19,692	-	-	34.83	1,063	1.88	-	-	36.7
Un-Protected	201-300 Units	638	7.62%	-	22,328	22,328	-	-	34.99	1,200	1.88	-	-	36.8
Un-Protected	301-400 Units	292	3.49%	71	10,455	10,526	200	-	35.79	549	1.88	200	-	37.6
Un-Protected	401-500 Units	163	1.95%	59	5,776	5,835	400	-	35.37	307	1.88	400	-	37.2
Un-Protected	501-600 Units	92	1.09%	37	3,219	3,257	600	-	35.17	172	1.88	600	-	37.0
Un-Protected	601-700Units	56	0.67%	27	1,963	1,990	800	-	35.04	105	1.88	800	-	36.9
Un-Protected	Above 700 Units	174	2.08%	74	6,082	6,156	1,000	-	34.91	327	1.88	1,000	-	36.7
	For peak load requirement exceeding 5 kW)													
	Time of Use (TOU) - Peak	48	0.58%	362	1,725	2,087	1,000	-	35.62	91	1.88	1,000	-	37.5
	Time of Use (TOU) - Off-Peak	183	2.18%	-	6,055	6,055	1,000	-	33.09	344	1.88	1,000	-	34.9
	Temporary Supply	0	0.00%	0	6	6	2,000	-	38.72	0	1.88	2,000	-	40.6
	Total Residential	4,969	59.33%	631	174,313	174,944				9,342				
	Commercial - A2													
	For peak load requirement less than 5 kW	291	3.47%	2,709	7,238	9,947	1,000	-	24.89	547	1.88	1,000	-	26.7
	For peak load requirement exceeding 5 kW						-	-						
	Regular	0	0.00%	0	2	2	-	1,250	25.58	0	1.88	-	1,250	27.4
	Time of Use (TOU) - Peak	100	1.19%	-	3,400	3,400	-	-	34.02	188	1.88	-	-	35.9
	Time of Use (TOU) - Off-Peak	412	4.92%	3,275	10,759	14,034	-	1,250	26.12	774	1.88	-	1,250	28.0
	Temporary Supply	2	0.03%	12	83	95	5,000	-	37.04	4	1.88	5,000	-	38.9
	Electric Vehicle Charging Station (EVCS)	0	0.00%	-	3	3	-	-	31.83	0	1.88	-	-	33.7
	Total Commercial	805	9.61%	5,996	21,486	27,482				1,514				
	General Services-A3	435	5.20%	374	13,587	13,961	1,000	-	31.22	818	1.88	1,000	-	33.1
	Industrial													
	B1	1	0.02%	1	60	60	1,000	-	41.62	3	1.88	1,000	-	43.5
	B1 Peak	6	0.07%	-	250	250	1,000	-	44.84	10	1.88	1,000	-	46.7
	B1 Off Peak	46	0.55%	84.18	1,806	1,890	1,000	-	39.40	86	1.88	1,000	-	41.2
	B2	0	0.00%	0	1	1	-	1,250	40.21	0	1.88	-	1,250	42.0
	B2 - TOU (Peak)	82	0.98%	-	3,661	3,661	-	-	44.65	154	1.88	-	-	46.5
	B2 - TOU (Off-peak)	546	6.51%	3,539	19,111	22,651	-	1,250	35.03	1,026	1.88	-	1,250	36.9
	B3 - TOU (Peak)	109	1.31%	-	4,886	4,886	-	-	44.70	205	1.88	-	-	46.5
	B3 - TOU (Off-peak)	634	7.57%	2,827	19,071	21,898	-	1,250	30.10	1,191	1.88	-	1,250	31.9
	B4 - TOU (Peak)	48	0.58%	-	2,165	2,165	-	-	44.70	91	1.88	-	-	46.5
	B4 - TOU (Off-peak)	363	4.34%	1,567	12,658	14,225	-	1,250	34.84	683	1.88	-	1,250	36.7
	Temporary Supply	2	0.02%	1	74	75	5,000	-	45.69	3	1.88	5,000	-	47.5
	Total Industrial	1,837	21.93%	8,019	63,743	71,762				3,453				
	Single Point Supply													
	C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%	0	0	0	2,000	-	32.93	0	1.88	2,000	-	34.8
	C1(b) Supply at 400 Volts-exceeding 5 kW	4	0.05%	15	79	95	-	1,250	19.42	8	1.88	-	1,250	21.3
	Time of Use (TOU) - Peak	8	0.10%	-	257	257	-	-	30.82	16	1.88	-	-	32.7
	Time of Use (TOU) - Off-Peak	38	0.45%	92	923	1,014	-	1,250	24.47	71	1.88	-	1,250	26.3
	C2 Supply at 11 kV	5	0.06%	15	96	111	-	1,250	20.12	9	1.88	-	1,250	22.0
	Time of Use (TOU) - Peak	39	0.46%	-	1,288	1,288	-	-	33.12	73	1.88	-	-	35.0
	Time of Use (TOU) - Off-Peak	169	2.02%	821	2,946	3,767	-	1,250	17.38	319	1.88	-	1,250	19.2
	C3 Supply above 11 kV	0	0.00%	1	4	5	-	1,250	28.21	0	1.88	-	1,250	30.0
	Time of Use (TOU) - Peak	2	0.03%	-	94	94	-	-	37.94	5	1.88	-	-	39.8
	Time of Use (TOU) - Off-Peak	11	0.13%	48	279	327	-	1,250	26.26	20	1.88	-	1,250	28.1
	Total Single Point Supply	276	3.30%	991	5,966	6,957				520				
	Agricultural Tube-wells - Tariff D													
	Scarp	0	0.00%	-	6	6	-	-	25.18	0	1.88	-	-	27.0
	Time of Use (TOU) - Peak	0	0.00%	-	5	5	-	-	22.17	0	1.88	-	-	24.0
	Time of Use (TOU) - Off Peak	1	0.01%	2	23	25	-	400	20.00	2	1.88	-	400	21.8
	Agricultual Tube-wells	7	0.08%	10	229	239	-	400	32.80	13	1.88	-	400	34.6
	Time of Use (TOU) - Peak	5	0.06%	-	174	174	-	-	36.59	9	1.88	-	-	38.4
	Time of Use (TOU) - Off-Peak	26	0.31%	60	680	740	-	400	26.55	48	1.88	-	400	28.4
	Total Agricultural	39	0.47%	72	1,117	1,189				73				
	Public Lighting - Tariff G	12	0.14%	18	348	366	2,000	-	29.73	22	1.88	2,000	-	31.6
	Residential Colonies	2	0.02%	0	41	42	2,000	-	25.07	3	1.88	2,000	-	26.9
		13	0.16%	18	389	407				25				
	Pre-paid Supply Tariff													
	Residential	-	-	-	-	-	1,000	-	40.62	-	1.88	1,000	-	42.5
	Commercial - A2	-	-	-	-	-	-	1,250	30.97	-	1.88	-	1,250	32.8
	General Services - A3	-	-	-	-	-	1,000	-	36.19	-	1.88	1,000	-	38.0
	Industrial	-	-	-	-	-	-	1,250	40.19	-	1.88	-	1,250	42.0
	Single Point Supply	-	-	-	-	-	-	1,250	25.10	-	1.88	-	1,250	26.9
	Agriculture Tube-wells - Tariff D	-	-	-	-	-	-	400	33.25	-	1.88	-	400	35.1
	Grand Total	8,375	100%	16,102	280,602	296,703				15,745				

Note: The PYA 2025 column shall cease to exist after One (01) year of notification of the instant decision.

Math. [signature]

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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SCHEDULE OF ELECTRICITY TARIFFS FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

	Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PYA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
			A	B	C		D		E=C+D	
	a)	For Sanctioned load less than 5 kW								
Protected	i	Up to 50 Units - Life Line	-			32.31		1.88		34.19
Protected	ii	51 - 100 Units - Life Line	-			32.32		1.88		34.20
Protected	iii	001 - 100 Units	-			35.53		1.88		37.41
Protected	iv	101 - 200 Units	-			35.40		1.88		37.28
Un-Protected	v	001 - 100 Units	-			34.02		1.88		35.90
Un-Protected	vi	101 - 200 Units	-			34.83		1.88		36.71
Un-Protected	iv	201 - 300 Units	-			34.99		1.88		36.87
Un-Protected	viii	301 - 400 Units	200			35.79		1.88		37.67
Un-Protected	ix	401 - 500 Units	400			35.37		1.88		37.25
Un-Protected	x	501 - 600 Units	600			35.17		1.88		37.05
Un-Protected	xi	601 - 700 Units	800			35.04		1.88		36.92
Un-Protected	vi	Above 700 Units	1,000			34.91		1.88		36.79
	b)	For Sanctioned load 5 kW & above			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
		Time Of Use	1,000		35.62	33.09	1.88	1.88	37.50	34.97
	c)	Pre-Paid Residential Supply Tariff	1,000			40.62		1.88		42.50

As per Authority's decision only protected residential consumers will be given the benefit of one previous slab.

As per Authority's decision, residential life line consumer will not be given any slab benefit.
Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed. For consumers where monthly Fixed charges are applicable, no minimum charges shall be applicable on such consumers, even if no energy consumed.

a) Single Phase Connections: Rs. 75/- per consumer per month
b) Three Phase Connections: Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PYA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
a)	For Sanctioned load less than 5 kW	1,000			24.89		1.88		26.77
b)	For Sanctioned load 5 kW & above		1,250		25.58		1.88		27.46
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	-	1,250	34.02	26.12	1.88	1.88	35.90	28.00
d)	Electric Vehicle Charging Station (EVCS)	-	-		31.83		1.88		33.71
e)	Pre-Paid Commercial Supply Tariff		1,250		30.97		1.88		32.85

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 25% of sanctioned Load or Actual MDI for the month which ever is higher.

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PYA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
a)	General Services	1,000	-		31.22		1.88		33.10
b)	Pre-Paid General Services Supply Tariff	1,000	-		36.19		1.88		38.07

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 25% of sanctioned Load or Actual MDI for the month which ever is higher.

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PYA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
B1	Upto 25 kW (at 400/230 Volts)	1,000	-		41.62		1.88		43.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	-	1,250		40.21		1.88		42.09
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW	1,000		44.84	39.40	1.88	1.88	46.72	41.28
B2(b)	exceeding 25-500 kW (at 400 Volts)	-	1,250	44.65	35.03	1.88	1.88	46.53	36.91
B3	For All Loads up to 5000 kW (at 11,33 kV)	-	1,250	44.70	30.10	1.88	1.88	46.58	31.98
B4	For All Loads (at 66,132 kV & above)	-	1,250	44.70	34.84	1.88	1.88	46.58	36.72
Pre-Paid Industrial Supply Tariff		-	1,250		40.19		1.88		42.07

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 25% of sanctioned Load or Actual MDI for the month which ever is higher.

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PYA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
C -1	For supply at 400/230 Volts								
a)	Sanctioned load less than 5 kW	2,000			32.93		1.88		34.81
b)	Sanctioned load 5 kW & up to 500 kW	-	1,250		19.42		1.88		21.30
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	-	1,250		20.12		1.88		22.00
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250		28.21		1.88		30.09
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	-	1,250	30.82	24.47	1.88	1.88	32.70	26.35
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	33.12	17.38	1.88	1.88	35.00	19.26
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	37.94	26.26	1.88	1.88	39.82	28.14
Pre-Paid Bulk Supply Tariff			1,250		25.10		1.88		26.98

Where Fixed Charges are applicable Rs./kW/Month, the charges shall be billed based on 25% of sanctioned Load or Actual MDI for the month which ever is higher.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)
D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		PTA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
D-1(a)	SCARP less than 5 kW	-	-		25.18		1.88		27.06
D-2 (a)	Agricultural Tube Wells	-	400		32.80		1.88		34.68
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	-	400	22.17	20.00	1.88	1.88	24.05	21.88
D-2 (b)	Agricultural 5 kW & above	-	400	36.59	26.55	1.88	1.88	38.47	28.43
Pre-Paid for Agri & Scarp		-	400		33.25		1.88		35.13

Under this tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.
Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	PTA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
E-1(i)	Residential Supply	2,000		38.72	1.88	40.60
E-1(ii)	Commercial Supply	5,000		37.04	1.88	38.92
E-2	Industrial Supply	5,000		45.69	1.88	47.57

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note: Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	PTA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
	Street Lighting	2,000		29.73	1.88	31.61

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	PTA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
	Residential Colonies attached to industrial premises	2,000.00		25.07	1.88	26.95

Note: The PTA 2025 column shall cease to exist after One (01) year of notification of the instant decision.

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PESCO

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	796	662	690	714	917	1,080	1,200	1,191	996	724	639	764	10,373

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7520
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3866
Capacity	18.3284	21.0717	23.1516	15.2153	11.3173	12.0104	10.9777	10.9754	14.2064	16.5018	20.9311	19.8188	15.3849
UoSC	1.9988	2.1031	2.5884	1.9389	1.6053	1.7660	1.5555	1.5095	1.9700	2.0705	2.1821	2.1799	1.9010
Total PPP in Rs. / kWh	31.1138	30.2053	34.0879	25.7759	21.8317	21.9292	20.0290	19.9728	24.0277	26.8669	29.6592	30.3363	25.4245

Fuel Cost Component	8,273	4,456	5,521	5,889	7,731	8,331	8,515	8,453	7,427	5,700	3,988	6,127	80,410
Variable O&M	311	196	243	265	438	474	484	462	390	308	193	245	4,010
Capacity	14,586	13,943	15,986	10,862	10,377	12,972	13,178	13,067	14,144	11,952	13,370	15,147	159,583
UoSC	1,591	1,392	1,787	1,384	1,472	1,907	1,867	1,797	1,961	1,500	1,394	1,666	19,718
Total PPP in Rs. Mln	24,761	19,987	23,537	18,401	20,017	23,684	24,044	23,779	23,922	19,459	18,945	23,185	263,722

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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TERMS AND CONDITIONS OF TARIFF
(FOR SUPPLY OF ELECTRIC POWER TO CONSUMERS BY LICENSEES)
PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means PESCO engaged in the business of distribution/supply of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 31 days or less reckoned from the date of last meter reading.

   If, for any reason, the scheduled reading period of a consumer exceeds the number of days in a calendar month, the total consumption should be prorated to match the number of days in that calendar month for determining the applicable slab rate and same be used for actual billing purpose.

2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.

3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.

4. "Billing Demand" means the 25% of the sanction load or Actual maximum demand recorded in a month, whichever is higher, except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.

   Provided that for the purpose of fixed charges sanctioned load means maximum demand recorded during preceding 60 months.

   Provided further that in case of new connections or consumers who have renewed/revised their sanctioned load, the fixed charges will be charged on 25% of the sanctioned load or actual maximum demand recorded in a month, whichever is higher. However, upon establishment of MDI in next six months, the adjustment of fixed charges will be made accordingly by the DISCO."

   Provided also that consumers having alternate/ dual source i.e. captive power, net metering etc. the existing mechanism of fixed charges shall remain the same i.e. the 25% of the sanctioned load or actual maximum demand recorded in a month, whichever is higher.

5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.

6. "Maximum Demand" where applicable, means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes' duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes' duration.

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7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.

8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh,.

9. Point of supply means metering point where electricity is delivered to the consumer.

10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

	* PEAK TIMING	OFF-PEAK TIMING
Dec to Feb (inclusive)	5 PM to 9 PM	Remaining 20 hours of the day
Mar to May (inclusive)	6 PM to 10 PM	-do-
June to Aug (inclusive)	7 PM to 11 PM	-do-
Sept to Nov (inclusive)	6 PM to 10 PM	-do-

* To be duly adjusted in case of day light time saving

11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load 5 kW and above supply shall be given at three-phase.

12. "Consumer" as defined in NEPRA Act.

13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).

14. NTDC means the National Transmission and Despatch Company.

15. CPPA(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).

16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act.

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.

2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Surcharge (LPS) of 5% may be levied for next three (03) days after the due date and thereafter 10% LPS may be charged on the amount billed excluding Govt. taxes and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.

3. The supply provided to the consumers shall not be available for resale.

4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

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PART-II

(Definitions and Conditions for supply of power specific to each consumer category)

A-1 RESIDENTIAL

Definition

"Life Line Consumer" means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

The lifeline consumers to include residential Non-Time of Use (Non-ToU) consumers having maximum of last twelve months and current month's consumption ≤100 units; two rates for ≤ 50 and ≤100 units will continue.

"Protected consumers" mean Non-ToU residential consumers consuming ≤ 200 kWh per month consistently for the past 6 months.

Residential Non-ToU consumers not falling under the protected category would be categorized under "Un-protected consumer category".

1. This Tariff is applicable for supply to;
   i) Residences,
   ii) Places of worship,
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-1(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- 1(b) Tariff by the Company.

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
   i) Shops/Flower Nurseries/Cold Storage
   ii) Hotels, Hostels and Restaurants,
   iii) Petrol Pumps and Service Stations,
   iv) Compressed Natural Gas filling stations,
   v) Private Hospitals/Clinics/Dispensaries,
   vi) Places of Entertainment, Cinemas, Theaters, Clubs;
   vii) Guest Houses/Rest Houses,
   viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
   ix) Electric Vehicle Charging Stations (EVCS)
2. Electric Vehicle Charging Stations shall be billed under A-2(d) tariff i.e. Rs./kWh for peak and off-peak hours. For the time being, the tariff design is with zero fixed

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charges, however, in future the Authority after considering the ground situation may design its tariff structure on two part basis i.e. fixed charges and variable charges.

3. The Electric Vehicle Charging Station shall provide "charging service" to Electric Vehicle shall provide charging service to Electric Vehicles as per the applicable tariff for EVCS category, plus margin, to be determined by the market forces itself. The EVCS shall be billed by DISCOS under A-2(d) tariff. However, monthly FCAs either positive or negative shall not be applicable on EVCS.
4. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
5. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
6. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff A-2(c).

A-3 GENERAL SERVICES

1. This tariff is applicable to;
   i. Approved religious and charitable institutions
   ii. Government and Semi-Government offices and Institutions
   iii. Government Hospitals and dispensaries
   iv. Educational institutions
   v. Water Supply schemes including water pumps and tube wells other than those meant for the irrigation or reclamation of Agriculture land.

Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices inside the premises and for normal working of the industry.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
   i) Poultry Farms
   ii) Fish Hatcheries, fish farms, fish nurseries & Breeding Farms and
   iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he

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undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

B -1 SUPPLY AT 400 VOLTS THREEPHASE AND/OR 230 VOLTS SINGLE PHASE

1. This tariff is applicable for supply to Industries having sanctioned load upto 25 kW.
2. Consumers having sanctioned load upto 25 kW shall be billed on single-part kWh rate.
3. Consumers under tariff B-1 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate. However, B-1 consumers having sanctioned load of less than 5 kW may opt for ToU meter
4. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff B1(b).

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5 MW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. While allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.
3. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.

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4. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the Eligibility Criteria laid down by the Authority read with Consumer Service Manual (CSM).

5. All B-3 Industrial Consumers shall be billed on the basis of T.O.U tariff given in the Schedule of Tariff.

B-4 SUPPLY AT 66 kV, 132 kV AND ABOVE

1. This tariff is applicable for supply to Industries for all loads of more than 5MW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5MW or below who opt to receive supply at 66 kV or 132 kV and above.

2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.

3. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the Eligibility Criteria laid down by the Authority read with CSM, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by Eligibility Criteria laid down by the Authority read with CSM.

4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C BULK SUPPLY

"Bulk Supply" for the purpose of this Tariff, means the supply given at one point for self-consumption to mix-load consumer not selling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days no notice will be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days the fixed charges shall be assessed on proportionate basis for actual number of days between the date of old reading and the new reading.

C-I SUPPLY AT 400/230 VOLTS

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1. This Tariff is applicable to a consumer having a metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff.

3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.

4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of more than 500 kW up to and including 5 MW.

2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 5MW upto 7.5MW whose connection is at least three (3) years old. While allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.

3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the Eligibility Criteria laid down by the Authority read with CSM.

4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.

5. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b).

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.

2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the Eligibility Criteria laid down by the Authority read with CSM, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other

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necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by Eligibility Criteria laid down by the Authority read with CSM.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

"Agricultural Supply" means the supply for Lift Irrigation Pumps and/or pumps installed on Tube-wells intended solely for irrigation or reclamation of agricultural land or forests, and include supply for lighting of the tube-well chamber.

Special Conditions of Supply

1. This tariff shall apply to:
   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.
4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.

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4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply excluding SCARP related installations.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 2(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-2(a) till that time.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, exhibitions, political gathering, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction of house/buildings/plazas of single phase loads. A temporary electric power supply connection for the construction shall be provided by Distribution company initially for a period of six months which is further extendable on three month basis up to completion of the specific job/project for which the temporary connection was obtained. However, there is no minimum time period for provision of temporary connection. The temporary connection for illumination, lighting, weddings, festivals, functions, exhibitions, political gatherings or national and religious ceremonies, civil or military functions etc., testing of industrial equipment or any other emergent requirement of temporary nature, can be provided for specific time period not exceeding two weeks. The sanctioning officer shall ensure that the temporary connection will be utilized for temporary purpose only.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.
2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the bonafide purposes mentioned under the respective definitions of "Industrial Supply", during the construction phase prior to the commercial operation of the Industrial concern.

SPECIAL CONDITIONS OF SUPPLY

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

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2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

"Year" means any period comprising twelve consecutive months.

1. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and

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equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps. The supply under this tariff shall also be applicable for lamps used in public playgrounds and public parks.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply" for the purpose of this Tariff, means the supply given by one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 Kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heated, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bonafide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

TARCTION

Supply under this tariff means supply of power in bulk to Railways for Railway Traction only.

ANNEX–VI

Annex-VI (Working of PYA

Description	Unit	PESCO
FY 2023-24 - Pur. & Sales		
July		
Purchases		1,738
T&D Losses		19.71%
Sales after Losses		1,396
Sales net of Incremental units		1,253
ISP Sales		40.96
FCA - Rs./kWh		1.47
FCA Impact - Rs. Mln		19.5
Life Line		13.3
Prep-EVCs		-
Protec.-upto 300 - Agri		342.1
Units		13.3
August		
Purchases		1,771
T&D Losses		19.71%
Sales after Losses		1,422
Sales net of Incremental units		1,348
ISP Sales		23.15
FCA - Rs./kWh		1.72
FCA Impact - Rs. Mln		22.3
Life Line		13.0
Prep-EVCs		
Protec.-upto 300 - Agri		363.0
Units		13.0
September		
Purchases		1,496
T&D Losses		19.71%
Sales after Losses		1,202
Sales net of Incremental units		1,156
ISP Sales		45.46
FCA - Rs./kWh		0.42
FCA Impact - Rs. Mln		5.5
Life Line		13.0
Prep-EVCs		-
Protec.-upto 300 - Agri		363.2
Units		13.0
October		
Purchases		959
T&D Losses		19.71%
Sales after Losses		770
Sales net of Incremental units		734
ISP Sales		35.89
FCA - Rs./kWh		3.14
FCA Impact - Rs. Mln		34.3
Life Line		10.9
Prep-EVCs		-
Protec.-upto 300 - Agri		339.2
Units		10.9
November		
Purchases		869
T&D Losses		19.71%
Sales after Losses		698
Sales net of Incremental units		698
ISP Sales		-
FCA - Rs./kWh		4.18
FCA Impact - Rs. Mln		40.3
Life Line		9.6
Prep-EVCs		-
Protec.-upto 300 - Agri		265.6
Units		9.6
December		
Purchases		998
T&D Losses		19.71%
Sales after Losses		802
Sales net of Incremental units		802
ISP Sales		-
FCA - Rs./kWh		4.61
FCA Impact - Rs. Mln		39.6
Life Line		8.6
Prep-EVCs		-
Protec.-upto 300 - Agri		233.4
Units		8.6
January		
Purchases		1,035
T&D Losses		19.71%
Sales after Losses		831
Sales net of Incremental units		831
ISP Sales		-
FCA - Rs./kWh		7.10
FCA Impact - Rs. Mln		59.7
Life Line		8.4
Prep-EVCs		-
Protec.-upto 300 - Agri		230.9
Units		8.4
February		
Purchases		926
T&D Losses		19.71%
Sales after Losses		743
Sales net of Incremental units		743
ISP Sales		-
FCA - Rs./kWh		4.97
FCA Impact - Rs. Mln		42.7
Life Line		8.6
Prep-EVCs		-
Protec.-upto 300 - Agri		233.0
Units		8.6

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Annex-VI

Annex-VI (Working of PYA

Description	Unit	PESCO

Description	March	April	May	June	July [illegible]	August	September	October	November
Purchases	917	838	1,207	1,418	1,631	1,492	1,301	949	839
T&D Losses	19.71%	19.71%	19.71%	19.71%	19.26%	19.26%	19.26%	19.26%	19.26%
Sales after Losses	737	673	969	1,139	1,303	1,205	1,050	766	677
Sales net of Incremental units	737	673	969	1,139	1,303	1,205	1,050	766	677
ISP Sales	-	-	-	-					-
FCA - Rs./kWh	2.91	3.41	3.37	2.58	0.35	0.83	1.21	1.08	0.71
FCA Impact - Rs. Mln	25.7	24.5	29.9	21.8	127.3	306.4	452.9	340.0	203.9
Life Line	8.8	8.4	8.9	9.2	9.9	9.7	10.1	10.7	10.1
Prep-EVCs	-	-	-	-	-	-	-	-	-
Protec.-upto 300 - Agri	226.3	240.8	395.2	144.3	358.0	360.2	356.3	340.5	276.6
Units	8.8	8.4	8.9	9.2	367.9	369.9	366.4	351.2	286.7

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Annex-VI

Annex-VI (Working of PYA

Description	Units	PESCO

December

Purchases	1,000
T&D Losses	19.26%
Sales after Losses	808
Sales net of Incremental units	793
ISP Sales	14.26
FCA - Rs./kWh	-1.17
FCA Impact - Rs. Mln	-245.4
Life Line	9.6
Prep-EVCs	-
Protec.-upto 300 - Agri	234.9
Units	244.5

January

Purchases	1,040
T&D Losses	19.26%
Sales after Losses	839
Sales net of Incremental units	823
ISP Sales	16.83
FCA - Rs./kWh	-2.05
FCA Impact - Rs. Mln	-503.5
Life Line	9.5
Prep-EVCs	-
Protec.-upto 300 - Agri	236.6
Units	246.1

February

Purchases	867
T&D Losses	19.26%
Sales after Losses	700
Sales net of Incremental units	686
ISP Sales	14.02
FCA - Rs./kWh	0.34
FCA Impact - Rs. Mln	-82.0
Life Line	9.2
Prep-EVCs	-
Protec.-upto 300 - Agri	229.3
Units	238.5

March

Purchases	907
T&D Losses	19.26%
Sales after Losses	732
Sales net of Incremental units	732
ISP Sales	-
FCA - Rs./kWh	-0.11
FCA Impact - Rs. Mln	-1.1
Life Line	10.1
Prep-EVCs	-
Protec.-upto 300 - Agri	228.0
Units	238.2

April

Purchases	947
T&D Losses	19.26%
Sales after Losses	765
Sales net of Incremental units	745
ISP Sales	-
FCA - Rs./kWh	1.08
FCA Impact - Rs. Mln	11.5
Life Line	10.7
Prep-EVCs	-
Protec.-upto 300 - Agri	262.2
Units	10.7

May

Purchases	1,211
T&D Losses	19.26%
Sales after Losses	977
Sales net of Incremental units	977
ISP Sales	-
FCA - Rs./kWh	-0.45
FCA Impact - Rs. Mln	-4.7
Life Line	10.7
Prep-EVCs	-
Protec.-upto 300 - Agri	309.1
Units	318.9

June

Purchases	1,418
T&D Losses	19.26%
Sales after Losses	1,145
Sales net of Incremental units	1,145
ISP Sales	-
FCA - Rs./kWh	-0.73
FCA Impact - Rs. Mln	-8.9
Life Line	12.2
Prep-EVCs	-
Protec.-upto 300 - Agri	354.8
Units	367.0

FY 2025-26

July

Purchases	1,196
T&D Losses	19.26%
Sales after Losses	966
Sales net of Incremental units	966
ISP Sales	-
FCA - Rs./kWh	-1.75
FCA Impact - Rs. Mln	-16.0
Life Line	9.1
Prep-EVCs	-
Protec.-upto 300 - Agri	288.1
Units	297.6

August

Purchases	1,184
T&D Losses	19.26%
Sales after Losses	956
Sales net of Incremental units	956
ISP Sales	-
FCA - Rs./kWh	0.13
FCA Impact - Rs. Mln	1.2
Life Line	9.4
Prep-EVCs	-
Protec.-upto 300 - Agri	294.9
Units	9.4

September

Purchases	1,054
T&D Losses	19.26%
Sales after Losses	851
Sales net of Incremental units	851
ISP Sales	-
FCA - Rs./kWh	-0.42
FCA Impact - Rs. Mln	-3.6
Life Line	8.9
Prep-EVCs	-
Protec.-upto 300 - Agri	291.1
Units	300.1

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Annex—VI

Annex-VI (Working of PYA)

[illegible] Description [illegible]	Units	[illegible]
October [illegible]		
Purchases		-
T&D Losses		-
Sales after Losses		-
Sales net of Incremental units		-
ISP Sales		-
FCA - Rs./kWh		-
FCA Impact - Rs. Mln		-
Life Line		9.6
Prep-EVCs		-
Protec. upto 300 + Agri		278.2
Units		9.6
4th Qtr. FY 2022-23 (Oct. 23 to Mar. 24)		
Allowed Amount		8,617
Qtr. Rs./kWh		1.66
Recovered		7,459
Under/(Over) Recovery		1,158
1st Qtr. FY 2023-24 (Jan. Mar. 24)		
Allowed Amount		2,197
Qtr. Rs./kWh		0.84
Recovered		1,910
Under/(Over) Recovery		287
2nd Qtr. FY 2023-24 (Apr. Jun. 24)		
Allowed Amount		11,877
Qtr. Rs./kWh		3.8461
Recovered		10,593
Under/(Over) Recovery		1,284
3rd Qtr. FY 2023-24 (Jun. Aug. 24)		
Allowed Amount		14,085
Qtr. Rs./kWh		3.58
Recovered		12,919
Under/(Over) Recovery		1,166
4th Qtr. FY 2023-24 (Sep. Nov. 24)		
Allowed Amount		504
Qtr. Rs./kWh		0.19
Recovered		456
Under/(Over) Recovery		48
1st Qtr. FY 2024-25 (Dec. 24)		
Allowed Amount		1,000
Qtr. Rs./kWh		1.22
Recovered		957
Under/(Over) Recovery		43
2nd Qtr. FY 2024-25 (Apr. Jun. 25)		
Allowed Amount		2,250
Qtr. Rs./kWh		0.70
Recovered		1,987
Under/(Over) Recovery		263
3rd Qtr. FY 2024-25 (May. July. 25)		
Allowed Amount		3,246
Qtr. Rs./kWh		0.87
Recovered		2,654
Under/(Over) Recovery		592
[illegible] Impact of Negative FCA [illegible]		
March 2024 to September 2025		
Positive FCA Impact to be allowed		13
Negative FCA Impact retained	Rs. Mln	34
Net Impact	Rs. Mln	22
FCA Impact - Adjusted as PYA	Rs. Mln	22
D.M FY 2023-24		
Allowed Amount	Rs. Mln	46,461
Rate. Rs./kWh	Rs./kWh	3.77
Recovered	Rs. Mln	42,274
Under/(Over) Recovery	Rs. Mln	4,187
D.M FY 2024-25		
Allowed Amount	Rs. Mln	49,827
Rate. Rs./kWh	Rs./kWh	4.03
Recovered	Rs. Mln	43,980
Under/(Over) Recovery	Rs. Mln	5,847
PYA 2023-24		
Allowed Amount	Rs. Mln	4,476
Rate. Rs./kWh	Rs./kWh	0.46
Recovered	Rs. Mln	4,042
Under/(Over) Recovery	Rs. Mln	434
PYA 2024-25		
Allowed Amount	Rs. Mln	3,156
Rate. Rs./kWh	Rs./kWh	0.26
Recovered	Rs. Mln	2,755
Under/(Over) Recovery	Rs. Mln	402
Other Cost related to PYA		
RORB FY 2022-23 True up	Rs. Mln	-
Depreciation FY 2022-23 True up	Rs. Mln	-
Other Income FY 2022-23 True up	Rs. Mln	-
Previous PYA difference	Rs. Mln	3,651
Minimum Tax	Rs. Mln	4,511
PM Assistance Package	Rs. Mln	-
MIR Adjustments - RORB FY 2020-21	Rs. Mln	
MIR Adjustments - RORB FY 2021-22	Rs. Mln	
Payroll Fraudulent Financial Reporting	Rs. Mln	
Negative FCA - Previous years 2018-2020 - 2021	Rs. Mln	209
IESC 3rd Qtr. Posting error	Rs. Mln	581
NEPRA Supplier License fee	Rs. Mln	
Minimum Tax - FY 2025	Rs. Mln	3,123
Post-retirement benefit	Rs. Mln	2,745
Pay & Allowances	Rs. Mln	
Depreciation True up	Rs. Mln	
Total		17,120
Sales Mix Var.		
FY 2022-23	Rs. Mln	17
FY 2023-24	Rs. Mln	2,635
FY 2024-25	Rs. Mln	
Excess LPS to be adjusted - FY 2024		
LPS Recovered from Consumers	Rs. Mln	6,366
Supplemental charges billed by CPPA	Rs. Mln	
Net	Rs. Mln	
Excess LPS to be adjusted - FY 2025		
LPS Recovered from Consumers	Rs. Mln	5,934
Supplemental charges billed by CPPA	Rs. Mln	
Net	Rs. Mln	
Total		-
Adjustment in PYA	Rs. Mln	-
[illegible] Total [illegible]	Rs. Mln	33,761

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ANNEX-VI

Annex-VI (Working of PYA

[illegible] Description [illegible]	Unit	PESCO
[illegible] MYT True Up [illegible]		PESCO
[illegible] FY 2023-24 [illegible]		
Provision for Post Retirement Benefit		
Allowed	Rs. Mln	31,296
Benefit Paid	Rs. Mln	33,401
Transferred to Account	Rs. Mln	425
Shortfall in deposit to be deducted/added	Rs. Mln	-
Provision for Post Retirement Benefit		
Allowed	Rs. Mln	
Benefit Paid/ Provision		
(Shortfall)/ Excess		
Pay & Allowances		
Allowed	Rs. Mln	121,509
Actual	Rs. Mln	113,655
Under/(Over) Recovery	Rs. Mln	7,854
Depreciation FY 2023-24		
Allowed	Rs. Mln	4,343
Actual	Rs. Mln	4,595
Under/(Over) Recovery	Rs. Mln	251
Depreciation FY 2024-25		
Allowed	Rs. Mln	5,017
Actual	Rs. Mln	4,962
Under/(Over) Recovery	Rs. Mln	54
RoRB (Investment + KIBOR) FY 2023-24		
Allowed	Rs. Mln	14,292
Actual	Rs. Mln	11,969
Under/(Over) Recovery	Rs. Mln	2,323
RoRB (Investment + KIBOR) FY 2024-25		
Allowed	Rs. Mln	15,145
Actual	Rs. Mln	11,185
Under/(Over) Recovery	Rs. Mln	3,960
Other Income FY 2023-24		
Allowed	Rs. Mln	3,590
Actual	Rs. Mln	5,910
Under/(Over) Recovery	Rs. Mln	2,320
Other Income FY 2024-25		
Allowed	Rs. Mln	5,021
Actual	Rs. Mln	6,059
Under/(Over) Recovery	Rs. Mln	1,038
Total MYT Rev.Up [illegible]	Rs. Mln	17,278
G.Total PYA FY 2024-25 [illegible]	Rs. Mln	16,483

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