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EXTRA ORDINARY, PART-I

National Electric Power Regulatory Authority

NOTIFICATION

Islamabad, the 23rd day of July, 2025

S.R.O. 1332 **(I)/2025.-** In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), NEPRA hereby notifies the Decision of the Authority dated June 05, 2025 in the matter of Write-Off Claims of K-Electric for **MYT 2017-2023** in Case No. NEPRA/TRF-362/K-Electric-2016.

2. While effecting the Decision, the concerned entities including Central Power Purchasing Agency Guarantee Limited (CPPAGL) and K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this Decision.

Wasim Anwar

(Wasim Anwar Bhinder)
Registrar

DECISION OF THE AUTHORITY IN THE MATTER OF WRITE-OFF CLAIMS OF K-ELECTRIC FOR MYT 2017– 2023

1. BACKGROUND

1.1 K-Electric Limited (herein referred to as K-Electric or KE or Company) filed its Integrated Multi Year Tariff petition ("I-MYT") on March 31, 2016, requesting determination of Multi-Year Tariff ("MYT") for a period of ten (10) years commencing from July 01, 2016 to June 30, 2026. The said petition was decided by the Authority, vide determination dated 20.03.2017 ("Determination"), allowing K-Electric a MYT for a period of seven (7) years from July 2016 to June 2023.

1.2 K-Electric, being aggrieved by the Determination, filed Motion for Leave for Review ("MLR"), which was accordingly decided by the Authority vide decision dated 09.10.2017 ("MLR Determination"). Subsequently, K-Electric, vide their letter dated Oct 12, 2017, requested the Ministry of Energy ("MOE"), Power Division ("PD"), to file a reconsideration request with NEPRA against the determined MYT. The reconsideration request was decided by the Authority vide decision dated 05.07.2018 ("Final Determination"). The MYT of K-Electric was notified by the Federal Government vide SRO dated 22.05.2019.

1.3 The Authority in the Determination, allowed actual write-offs to K-Electric as under *(para 25.13.19)*;

> "…..the Authority has decided to allow the Petitioner actual write offs of Rs.2,782 million (which works out to 1.78% of the Petitioner's assessed sales revenue for the base year) i.e. Rs.0.22/kWh as per the latest available information for the FY 2015-16, based on 12,865 GWh sold, for the purpose of base case assessment. Here it is pertinent to mention that while assessing 1.78% cap on Petitioner's total sale revenue for the year has been worked out by considering write off against the Private sale only, it does not include any write off against Government Entities and the same principal would continue while calculating profit claw back whereby any write off against Government entities will not be allowed. For the purpose of actual write offs in future the Petitioner shall complete the following procedures;
>
> i. The connection has to be permanently disconnected for more than 3 years and due process of law as per the Land Revenue Act has been followed.
>
> ii. The amount to be written off shall be duly approved by the Board of Directors (BOD) of the Petitioner.
>
> iii. The amount of write off shall be duly supported with the details pertaining to the name & address of the premises/consumers, CNIC etc."

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1.4 Subsequently, the Authority in the MLR Determination, modified the criteria for write-offs as under *(para 20.26);*

"The Authority has allowed write offs @ 1.69% of the assessed sales revenue for the each respective year during the tariff control period. In addition, an amount of Rs.48,594 million as provision for debts considered doubtful is also available with K-Electric as per its Audited Financial statements for the FY 2015-16. The following criteria with respect to write offs shall be observed.

i. The connection has to be permanently disconnected for more than 3 years and due process of law to recover the outstanding dues as arrears of Land Revenue has been followed. In case where ownership of a premises is disputed, K-Electric shall certify that it has made best efforts to recover the outstanding amount but the amount is not recoverable, than it will be considered for write offs.

ii. The amount to be written off shall be duly approved by the Board of Directors (BOD) of K-Electric.

iii. The amount of write off shall be duly supported with the details pertaining to the name & address of the premises/consumers, CNIC etc.

iv. The write offs will be considered by the Authority by ensuring the amount recommended for write offs has not been taken by K-Electric in any other way."

1.5 The Authority clarified that the aforementioned criteria was to be observed in all cases of write offs *(para 20.27 of determination dated 09.10.2017).*

1.6 The Authority afterwards vide Final Determination, reconsidered the write off criteria, as under *(para 26.26);*

i. The defaulter connection to be written off shall be disconnected.

ii. The amount of write off shall be approved by the KE BoD which shall certify that KE has made all best possible efforts to recover the amount being written off.

iii. KE Auditors shall verify that the amount is non-recoverable notwithstanding the efforts of the company.

iv. The terms of write off shall also be given in detail.

v. In case any amount written off is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff.

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1.7 Pursuant to the above, K-Electric filed its write-off claims for the FY 2016-17 to FY 2022-23 along-with its quarterly adjustment requests for the relevant quarters. KE vide letter dated 18th March 2025 also filed additional write off claims pertaining to the billing of MYT 2017-2023. A summary of the total write-off claims filed by K-Electric is provided hereunder:

Year	Initial Claim	Subsequent Recovery	Pending Claim	Additional Claims	Total Claims
	Rs. Million				
FY 2016-17	6,195	-	6,195	2,454	8,649
FY 2017-18	3,371	-	3,371	972	4,343
FY 2018-19	4,051	(1)	4,050	740	4,790
FY 2019-20	7,504	(12)	7,492	645	8,137
FY 2020-21	16,155	(115)	16,040	702	16,742
FY 2021-22	14,850	(361)	14,489	915	15,404
FY 2022-23	16,728	(463)	16,264	1,703	17,967
Total	68,855	(952)	67,902	8,131	76,033

1.8 K-Electric also provided supporting evidence to substantiate its claim which included details of the claimed write-offs along-with copies of Write off Policy, Management Procedures, Auditors verification procedure and Board Resolutions.

1.9 Category wise summary of write offs is provided hereunder:

Description	No of consumers	Write off Amount (Rs. Million)	Write off %
Residential	460,635	63,201	83.12%
Commercial	97,731	10,657	14.02%
Agricultural	775	643	0.85%
Bulk Supply	13	384	0.50%
General Services	1,141	352	0.46%
Industrial	1,320	798	1.05%
Total	561,615	76,033	100.00%

1.10 Range wise summary of write offs is provided hereunder:

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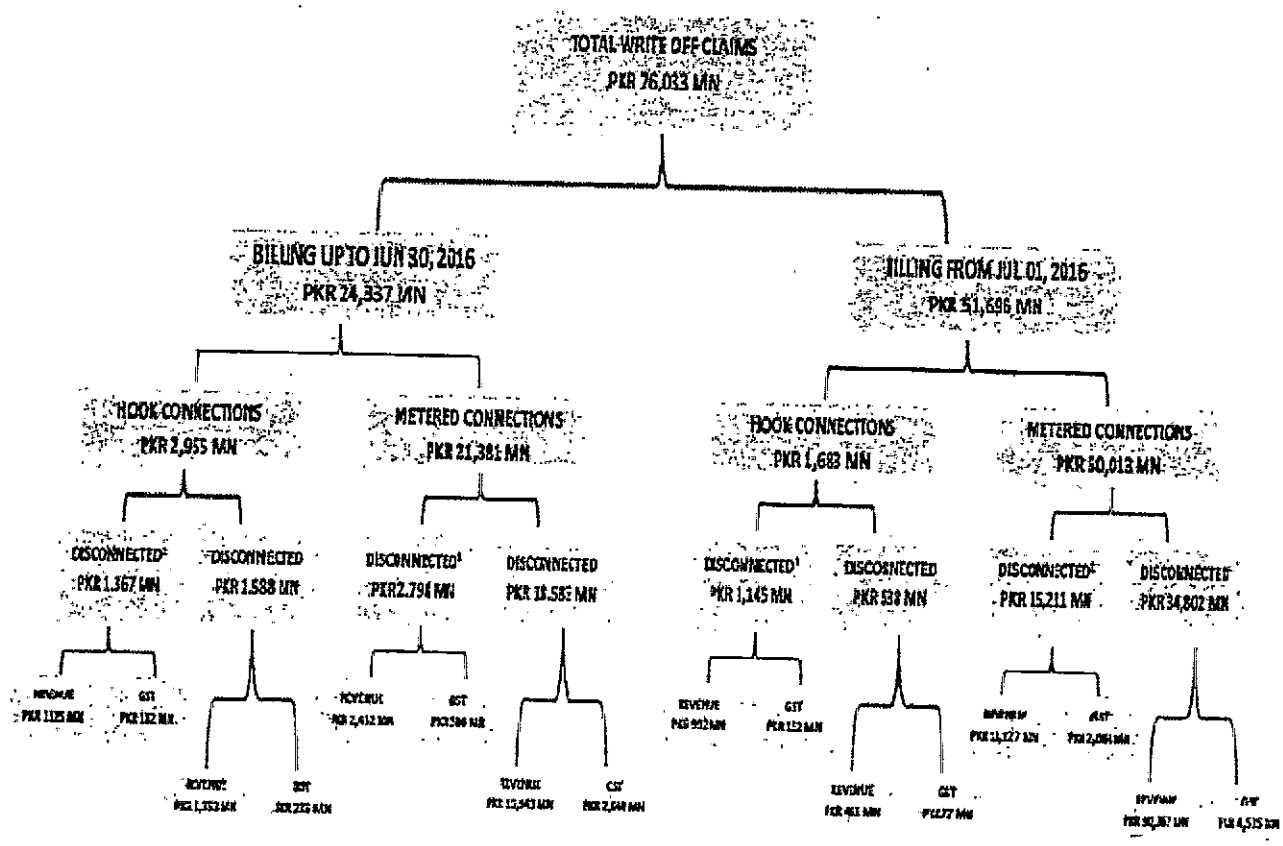
Dues Ranges	No. of Cases	Weightage %	Write off claim (Net of write back) Rs. Million	Weightage %	Cumulative Weightage %
Up to 100,000	376,383	67.02%	9,683	12.74%	12.74%
100,000 to 500,000	147,422	26.25%	34,566	45.46%	58.20%
500,000 to 1 million	31,156	5.55%	20,891	27.48%	85.67%
1 million to 2.5 million	6,237	1.11%	8,200	10.78%	96.46%
2.5 million to 5 million	307	0.05%	1,014	1.33%	97.79%
5 million to 10 million	74	0.01%	504	0.66%	98.45%
10 million above	36	0.01%	1,175	1.55%	100.00%
Total	561,615	100%	76,033	100.00%	100.00%

1.11 Billing wise summary of write offs is provided hereunder:



1. Initially disconnected but connected after settlement schemes / consumers agreeing to convert to metered connections as per the categories of write off claims verified by the Auditors. This include consumers in Payment Loyalty Reward Schemes, overdue trade debts on account of consumption through a single connection and settlement schemes and consumers agreeing to convert hook connections to metered connections.

1.12 IBC wise detail of requested write offs is provided hereunder:

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IBC	Write-off Amount (PKR Mn)
Liyar-II	8,413
Malir	5,217
North Karachi	4,831
Korangi	4,764
Orangi-I	4,455
New Karachi	4,040
Liaqatabad	4,011
Nazimabad	3,630
Baldia	3,323
Surjani-II	2,474
Gadap	2,453
Bahadurabad	2,445
Landhi	2,365
Liyar-I	2,344
N.Nazimabad	2,218
Jauhar-II	1,981
Jauhar-I	1,841
Shah Faisal	1,731
Bin Qasim	1,595
Garden	1,509
Orangi-II	1,467
SIMZ	1,187
Gulshan	1,171
Saddar	1,098
F. B. Area	1,025
KIMZ	1,024
Clifton	892
Uthal	872
Tipu Sultan	866
Defence	790
Total	**76,033**

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1.13 The matter was initially considered on December 12, 2019, wherein the Authority decided that claim of write-off requires further deliberation and analysis, therefore, the requested actual amount of write-offs for FY 2016-17 and FY 2017-18 along with the amount already built in the reference tariff was disallowed and quarterly adjustment decisions were issued excluding write offs on 31st December 2019. Later, the Authority decided that quarterly adjustments decisions of K-Electric be issued after deducting

the amount of write-offs already built in the tariff as per previous practice and the decision on the write-offs claims of K-Electric would be taken after further deliberations.

2. PUBLIC HEARING

2.1 The Authority decided to hold a public hearing in the matter on 21st November 2024 which was rescheduled to 28th November 2024 on the request of KE. The hearing was further rescheduled to 10th December 2024 due to some unavoidable circumstances. Accordingly notice of hearing was published in newspapers and individual notices were also issued to the relevant stakeholders. The KE write offs requests were also uploaded on the NEPRA website along with notice of hearing. To facilitate stakeholders, zoom participation was also arranged. Following issues were framed for the public hearing:

i. K-Electric was allowed to claim write off for the control period of MYT i.e. FY 2016-17 to FY 2022-23. Whether KE can claim write off for the period prior to FY 2016-17?

ii. K-Electric was allowed to deduct provision for doubtful debt from the profits in some years while calculating claw back resulting in lower amount of claw back. Can K Electric claim the same doubtful debt as write off again?

iii. K-Electric was allowed a varying margin of law and order during the control period with 5.2% in base case to cover losses of Hook connections. Can K-Electric claim non recovery of bills issued against Hook connections while hook connections were disallowed in earlier MYT?

iv. K-Electric was required to make all best possible efforts to recover the amount being written off. However, K-Electric has not done any legal proceeding for recovery of bills less than Rs. 10 million as per available framework. Is it justified legally?

v. NEPRA determined tariff does not account for duties and taxes on bills. However, K-Electric has claimed write off amount including taxes and duties of defaulting consumers. Can K-Electric clam amount of taxes and duties on the unpaid bill in the write off case?

vi. Can bills only few months old be claimed as under recoveries / write offs? What should be the duration?

vii. Is K-Electric required to provide CNIC no. of the consumers who have defaulted on payment of bills and being claimed in the write off?

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viii. Is K-Electric required to observe provision of consumer service manual in connection, disconnection and Re-connection / recoveries related to write off cases?

ix. Can K-Electric claim write off for the consumers who defaulted on payment and their connections were reconnected without recovery of outstanding bills?

x. Can KE claims non recovered bills which are for supply of electricity for more than two months as electricity is required to be disconnected after default of two months and equipment is required to be removed after 3 months?

xi. The terms of reference write off are not approved by NEPRA though the amount will be charged to the consumers or will be picked up by GoP as subsidy, Can K-Electric now and in future claim write offs based on terms approved by its board of directors and not vetted/approved by NEPRA and NEPRA shall add this in tariff automatically?

xii. Whether K-Electric be allowed benefit of a cost / under recoveries compensated earlier once again through write-off?

xiii. K-Electric in its write-off claims has included amounts relating to discount scheme being offered by K-Electric to its defaulting consumers, corrections of bills / detections bill etc. Can K-Electric claim the discounts offered or correction of bills/detection bills to consumers as write-offs?

xiv. Any other issue that arises during the proceedings with the approval of the Authority.

2.2 The hearing was held on 10th December 2024 at NEPRA Tower, Islamabad which was participated by representatives of KE, representatives from media, representative of Jamat-e-Islami, representatives of various trade and industrial associations, Mr. Arif Bilwani and Former Prime Minister Mr. Shahid Khaqan Abbassi

3. COMMENTS/INTERVENTION REQUESTS

3.1 In response to the notice of hearing, following stakeholders filed intervention requests and comments in the matter:

i. Arif Bilwani **(Intervener)**
ii. Rehan Jawed, Industrial consumer **(Intervener)**
iii. Ameer Jamaat-e-Islami Karachi
iv. Federal B. Area Association of Trade & Industry
v. President, Korangi Association of Trade & Industry

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vi. Pakistan Association of Large Steel Producers

vii. All Pakistan Textile Processing Mills Association

viii. S.I.T.E Association of Industry

ix. Karachi Chamber of Commerce & Industry **(Intervener)**

x. Corporate Pakistan Group

xi. Overseas Investors Chamber of Commerce and Industry

xii. Bin Qasim Association of Trade & Industry.

3.2 The submissions of the stakeholders are as under:

Sr.	Intervener / Commentator	Submissions
1	Mr. Arif Bilwani (Intervener)	• The conditions of the first & second decisions adequately safeguarded the interests of the GOP as well as the paying consumers but subsequently in its revised decision the Authority, in its infinite wisdom mellowed down its own determined conditions in favour of the licensee/petitioner to the detriment of the GOP/paying consumers. • The claim of write off shall be restricted only for the receivables that arose/took place and become Bad Debts during that specific period and not for receivables that arose before or after that period. • KE does not deserve the whole claim of write off but only on the defaulters for 2 months provided it has fully complied with the provisions of the CSM and has also followed, in letter & spirit, the criteria set forth at clause XV of the MYT decision of 2016-23. • Since the conditions for claiming write off have not been fulfilled, claim of KE must be vacated. • Regarding efficiency of KE, shared two bills with A/c No. 0400033902970, with sanctioned & connected load of 2kW, outstanding arrears are Rs. 38.525 million and the connection is still not disconnected. The other with A/c No. 0400014757935 with sanctioned and connected load of 1kW, outstanding arrears are Rs. 829,135/- with no security deposit and the connection is still not disconnected. • Both the above connections are still running. The question is whether these are genuine or fabricated so as to claim as write

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		off? If genuine then why have they not been disconnected in the first instance? • These are only samples and there may be thousands of such connections or bills.
2.	Ameer Jamaat-e-Islami,	• I am writing to express my deep concern regarding the ongoing issue of K-Electric's write-off claims for recovery losses. According to available information, K-Electric is seeking a staggering write-off of Rs.70 billion for billed amounts allegedly unrecovered from pre-2000 to FY 2022-23. This write-off, if approved, would ultimately be borne by consumers through increased tariffs or government subsidies. • However, there are serious concerns about the validity of these claims, which have been repeatedly rejected by the Authority. But no final determination has been issued, the lack of a formal determination raises questions about the process's transparency and integrity. These concerns includes: – Inclusion of Pre-Multi Year Tariff (MYT) Period Claims – Double Counting – Law and Order Margin Discrepancy – Lack of Legal Action – Inclusion of Discounts and Taxes – Non-compliance with consumer service manual (CSM) – Re-energizing Unpaid Connections – Inclusion of Recent Claims – Unapproved Write-off terms – Missing consumer identification – Absence of Legal Action attempts – Disconnection compliance – Thoroughly investigate the validity of these write-off claims. – Ensure all claims adhere to established regulations and Multi Year Tariff (MYT control period limitations. – Issue a final determination on K-electric's write-off claims, with clear justifications for any approval or rejection.

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		– Uphold the established regulatory framework regarding tariff determination. – Investigate the lack of consumer identification provided by K-Electric. – Demand evidence of legal action attempts by K-electric before resorting to write-offs. – Determine whether K-electric followed NEPRA's CSM regarding disconnections in these cases.
3	Mr. Rehan Jawed & Mr. Junaid Naqi Korangi Association of Trade and Industry (Intervener)	• Rehan Jawed vide email dated 17-11-2024 submitted comments and afterward intervention request along with comments was also received on 20-11-2024. Subsequently, Rehan Jawed vide email dated 22-11-2024 submitted its following revised comments with a request to discard his previous comments. – Urge that the undisputed portion of COVID-19 subsidy, which the Federal Government is obligated to pay under the NEPRA order, be released by the GOP as soon as possible. – Karachi consumers are paying significantly higher Fuel Adjustment Charges (FCA) with respect to other DISCOs and requested to Standardized the fuel Adjustment Charges across all regions ton ensure fair treatment. – Imposition of PHL surcharge be removed immediately. – After detailed understanding of the matter and discussion with K electric, if the write-off claims are not granted, K Electric's sustainability and investment plans will be impacted negatively. I acknowledge that 100% recovery of these claims is not possible in a city like Karachi. However, these adjustments are part of K-Electric's tariff under the Multi-Year Tariff (MYT) framework, and no additional financial burden should be placed on Karachi's consumers. The city's industries are already dealing with higher FCA charges, pending subsidy packages, and an unjustified PHL surcharge. Additional costs in electricity bills could lead to widespread industrial closures. The write-off claims should be resolved as it is a determined tariff issue between the Government of Pakistan and K-Electric, and if allowed, the consumers should not bear the cost in the form of any surcharge or separate billing head.

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		• Rehan Jawed vide email dated 17-11-2024 submitted following post hearing comments which are as under: – We reject any attempt to impose Write-Off costs as any additional surcharges on Karachi's electricity bills. It is the government's responsibility to address K-Electric's financial issues without adding to the burden on Karachi's consumers and to treat electricity theft as a crime. – I would like to bring to your knowledge that Karachi is already under immense financial strain, and if NEPRA or Government decides to impose any additional unjust Surcharge to recover these Write off Claims would amount to collective punishment. – Karachi's prosperity directly impacts Pakistan's progress, and protecting its industries and consumers is a national duty. This Write of Claim if imposed on Karachi consumers as a surcharge will be a classic example of Robbing Peter to Pay Paul. We also fear if any additional Surcharge is imposed it could lead to a Law and Order situation. We would also like to inform the Authority that if any additional surcharge is imposed on our electricity bills, All Associations, Chamber and Trade Bodies of Karachi are on one page and we reserve the rights under the Law for peaceful protests, and legal action in courts if required.
4	Sheikh M. Tehseen President Federal B. Area Association of Trade & Industry	K-Electric has approached us that if write off claims are not provided it will affect their sustainability and investment plan. With reference to this any write-off claims committed with K-Electric under existing agreements or the Multi-Year Tariff framework should be fairly resolved as we understand that 100% recovery is impractical in city like Karachi. However, as per the current framework this adjustment is part of KE's tariff and hence no additional burden shall be transferred to already over paying Karachi's consumers. The city's industries are already contending with higher fuel adjustment charges, economic instability, pending subsidy package and an unjustified PHL surcharge. Additional financial pressures in Electricity Bills could lead to widespread industrial closures. We understand that this write off claim is a matter of determined tariff issue and it's between Government of Pakistan and K-Electric and Government of Pakistan must make sure that if allowed to K Electric the Consumers should not be charged in form of any surcharge or separate head in billing.
5	Syed Wajid I. Bukhari	• The Commentator requested the following for consideration of the Authority:

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	CEO/Secretary General Pakistan Association of Large Steel Producers	- **Disallow Claims:** Limit write-off claims strictly to receivable generated during the MYT period (2016-2023) and ensure compliance with NEPRA's original guidelines. - **Audit and Verification:** Mandate an independent audit of KE's write-off claims to validate their legitimacy through forensic third party audit. - **Illegal Connections:** Disallow claims arising from connections provided to illegal settlements or through unauthorized means. - **KE-Electric's write-off claims must be rejected** in their entirety as they lack compliance with established regulatory frameworks, are based on dubious billing practices, and impose an unjust burden on the government and paying consumers. Not even a Penny should be allowed without independent 3rd party audit and verifications as per CSM.
6	Chairman All Pakistan Textile Processing Mills Association	• Karachi's resident and industries have consistently faced extraordinary Fuel Charge Adjustments (FCA) due to KE's operational inefficiencies. Now, these write-off claims, which include amounts already compensated under theft and line loss allowances, are being reintroduced for regulatory approval. Such practices are unacceptable and should not be entertained, irrespective of the period in question and demanded the following: - Reject KE's write-off claims entirely. - Immediate Resolution of the COVID Subsidy - Strengthen Oversight and Accountability. NEPRA must hold KE accountable for its operational inefficiencies and require the utility to address its recovery mechanisms instead of penalizing consumers. - Karachi's residents and industries cannot bear any more financial stains. NEPRA must ensure these claims are not converted into further surcharges or tariff adjustments.
7	President S.I.T.E Association of Industry	• S.I.T.E Association of Industry vide letter dated 25th November 2024 submitted the same comments as mentioned above. • S.I.T.E Association of Industry vide letter dated 26th December 2024 submitted the following comments after hearing: - In light of K-electric's write-off claims, we expect NEPRA to render a prompt decision that enables K-Electric to

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		maintain operational stability while safeguarding industrial stakeholders from undue financial burdens. To our understanding, the write-off claims have been audited and approved by PWC, and Ferguson and were already budgeted. – As representatives of the SITE Superhighway Association of Industries, we write to express our unwavering commitment to protecting the interests of our esteemed members while supporting initiative that ensure uninterrupted industrial operations. – We trust that NEPRA will evaluate this matter judiciously to arrive at a balanced resolution that serves that greater good.
8	SMH Rizvi Secretary General Karachi Chamber of Commerce & Industry (KCCI) (Intervener)	• KCCI strongly opposes write-off claims (Rs. 70 Billion Approximately) of K-Electric Limited which will adversely impact the tax paying industrial and commercial consumers along with the residential consumers who regularly pay their bills on time. Furthermore, KCCL submitted following points: – For any write-off claims, K-Electric would likely need to provide justification and documentation to NEPRA or other relevant authorities. If K-Electric wants to write off consumer receivables, this would need approval under NEPRA guidelines, especially if it impacts tariff adjustments or consumer pricing. According to International Financial Reporting Standards (IFRS), companies can write off uncollectible debts if they can demonstrate that the debts are no longer recoverable. K-Electric would need to ensure that any write-offs comply with these standards and are properly reflected in its financial statements. If K-Electric's claim involves subsidies or other adjustments from the government (like tariff differentials or fuel adjustments), these may be treated differently. In such cases, K-Electric may need to negotiate with the government and NEPRA. – If K-Electric has already benefited from the provision for doubtful debts by reducing the profit (and subsequently the clawback amount), using the same debt for a second write-off would be considered double counting. This is generally not allowed under both regulatory and accounting standards. Allowing such a write-off would mean K-Electric benefits twice from the same doubtful debt—once through a reduced clawback and again through

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a write-off. This would be against the principles of fair and accurate financial reporting.

- K-Electric cannot claim non-recovery of bills issued against hook connections if those hook connections were disallowed in an earlier Multi-Year Tariff (MYT) determination.
- It may not be legally justified if K-Electric has not made adequate efforts to recover debts below Rs. 10 million before writing them off, especially if it was required to pursue all possible efforts as per the regulatory or legal framework. The Companies Act and International Financial Reporting Standards (IFRS) generally require companies to make reasonable efforts to collect debts before they can justify a write-off.
- K-electric cannot claim the amount of taxes and duties on unpaid bills as part of the write off if NEPRA's determined tariff does not include provisions of taxes and duties.
- K-Electric is required to observe the provisions of the CSM in all matters related to connection, disconnection, re-connection, and recoveries, even in case involving write-offs.
- No bills that are only a few months old typically cannot be claimed as under-recoveries or written off unless specific conditions are met. The recommended duration before considering a write-off is typically 6-12 months, during which time all reasonable recovery efforts should be made.
- K-Electric required to provide CNIC of consumers who have defaulted on payment bills, especially when claiming those amounts as write-offs.
- K-Electric cannot claim write-offs for consumers who have defaulted on payment if their connections were reconnected after recovering the outstanding bills.
- K-Electric cannot legitimately claim non-recovered bills for electricity supplied beyond two months of non-payment if it failed to follow the prescribe procedures for disconnections and removal of equipment after default.
- Neither of these write-offs can be claimed from the other paying consumers nor can they be claimed from GoP as subsidy.

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		- Since the tariff determination of 2016-23 already takes into consideration the non-recovery of receivables/bad debts written off, provision/cushion of 1.69% of KE's assessed sales revenue has already been allowed to the KE in its base tariff. Therefore, KE cannot claim compensation for its under recoveries. - K-Electric cannot simply claim discounts offered or corrections to consumer bills as write-offs without following proper regulatory procedures. - Petitioner's sale revenue increased by about 125% in FY 2016 vis a vis FY 2009, whereas its provision for doubtful debts grew by over 1800% in the same period, for which no cogent reason has been provided. The Petitioner's actual write-offs during the said seven years period remained at around 1% of the sales revenue and increased by 136% from FY 2009 to FY 2016, corresponding to increase in sales.
		- All the provisions regarding New or Existing Connection, Disconnection, Reconnection/Recoveries of the Consumer Service Manual of NEPRA are mandatorily to be followed by every Disco including KE. - Being a privatized Commercial Organization, KE is at liberty to offer any incentive to its consumers/customers to make prompt payment or to make payments of defaulted amounts or amount in arrears by availing discount/remission in part, instalments etc. All monies, claimed by KE as arrears, and forgone under various schemes cannot be claimed as Write Off as it's a commercial decision on part of KE. - Are connections issued without CNICs or proper ownership documents valid? No. connections issued without proper CNICs or ownership documents are in direct violation of the CSM AND NEPRA Regulations. These failures in due diligence have resulted in untraceable defaulters and invalid claims. KE must bear the financial responsibility for such lapses rather than passing the burden to the - Government or consumers.
9	Corporate Pakistan Group	- As a key stakeholder in Karachi power sector, KE has made significant contributions to the city's energy needs and economic growth. However, the prolonged delay in resolving these claims has created substantial financial strain on the company, threatening its operational sustainability which could possibly affect its ability to

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		provide uninterrupted electricity to millions of residents and business in Karachi. - The delay has also raised concerns among stakeholders about the company's ability to navigate its financial challenges, which could hinder its capacity to meet growing energy demands. In this context, i respectfully urge NEPRA to expedite its decision on these claims in line with the processes outlined in the MYT determination of July 5, 2018.
10	Secretary General Overseas Investors chamber of commerce and Industry	- We have been informed that KE has made substantial investments of PKR 544 billion since privatization, yet its financial returns remain constrained due to unresolved write-off claims amounting to PKR 68 billion for the year 2017 to 2023, thereby endangering its financial sustainability and its capacity to invest in operations and meet future commitments. - The Government of Pakistan's ambition to privatize DISCOs further highlights the significance of KE as the sole privatized utility in the country. Its performance will serve as a benchmark for potential investors evaluating Pakistan's energy sector. - In the interest of promoting FDI and re-enforcing investor confidence, we request NEPRA to fairly review KE's write-oft claims under the approved framework.
11	Bin Qasim Association of Trade & Industry (Shakil Ashfaq)	- K-Electric has informed us that its unresolved write-off claims, amounting to PKR 68 billion, have severely constrained its financial position. This poses a significant threat to KE's financial sustainability, its ability to maintain uninterrupted operations, and its capacity to meet future commitments. - In light of these concerns, we urge NEPRA to undertake a fair and transparent review of KE's write-off claims, adhering strictly to the parameters of the approved tariff framework. - It is also imperative to ensure that any claims approved in this process do not result in additional surcharges or separate billing components for consumers, as this would unfairly burden industries and households already struggling with high energy costs.

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4. SECOND PUBLIC HEARING

4.1 While proceedings were pending before the Authority, KE vide letter No. CEOSEC_438_160125 dated 16th January 2025 with reference to the mechanism for write-off claims included in the Final Determination and the related hearings and discussions held on the matter, submitted that KE has filed write-off claims of Rs. 67,902 million currently under NEPRA approval, out of which Rs. 43,565 million pertain to customer billings of non-public sector consumers for the period FY2017 to FY 2023.

4.2 KE further submitted that KE's actual recovery loss for the period FY2017 to FY 2023 was Rs. 122,774 million in respect of non-public sector customer billings and hence an amount of Rs. 79,209 million remains available to be claimed as write-offs, after fulfilling the conditions for write-offs stipulated in Clause 34.1 (XV) of the MYT 2017-2023. According to KE, it has initiated the process for satisfaction of conditions for claim of write-offs as provided in the MYT 2017-2023 out of the unrecovered amount of Rs. 79,209 million detailed above, and the same shall be submitted to the Authority in due course for approval.

4.3 In furtherance thereof, KE vide letter No. KE/BPR/NEPRA/2025/081 dated 18th March 2025 submitted that the conditions for write offs stipulated in Clause 34.1 (XV) of the Final Determination including Auditors verification have been completed for additional write off dues amount to Rs. 8.131 billion for billing related to the period FY 2017 to FY23. KE submitted additional claims of Rs. 8.131 billion along with Auditor's (PwC) letter and KE's Board Approval for consideration of the Authority and requested for earlier determination of the pending write off claims. KE Board certified that the KE has made all best possible efforts to recover the amount being written off.

4.4 PWC in its letter stated as "the management of K-Electric Limited has approached us for verification of additional write-off claims that they intend to submit to NEPRA pertaining to MYT 2017-2023. The management has determined and submitted the write-off claims of Rs. 8.9 billion for our verification in accordance with the terms of MYT 2017-2023. Accordingly, we have carried out our verification procedures in respect of additional write-off claim pertaining to MYT 2017-23. These verification procedures are the same as carried out for write-off claims recognized in the financial statements for the year ended June 30, 2017-2023. Based on the verification procedures, having verified the customers, the amount of write-off of trade debts of Rs. 8.13 billion claimed by the Company is found as non-recoverable, notwithstanding the efforts of the Company in accordance with the terms of MYT 2017-2023. The verification procedures shall become part of our audit working papers for the audit of the financial statements of the Company for the year ended June 30, 2024 which is currently in progress."

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4.5 The Authority decided to hold a second public hearing in the matter of additional write off claims on 17th April 2025. Notice of hearing along with issues framed for the hearing were published on 8th April 2025. Individual notices were also sent to the stakeholders on the same date. In addition to the issues already framed and discussed during the hearing dated 10th December 2024, following issues were framed in the matter:

i. Whether the request of KE to file additional write-off claims pertaining to MYT 2017-2023 is justified?

ii. Whether the criteria stipulated for write-off has been fulfilled?

iii. Any other issue that arises during the proceedings with the approval of the Authority.

4.6 Pursuant to the notice of hearing, comments were received from some of the stakeholders. The comments are as under:

Commentator	Submissions
Mr. Arif Bilwani	• Mr. Arif vide email dated 13th April 2025 submitted comments with respect to additional write-off claims and requested to treat them as an extension of his earlier submissions. • Requested the Authority to immediately direct the petitioner to furnish essential details required for proper evaluation of their claims and for the preparation of informed comments. M. Arif also requested that the hearing be postponed until provision of required information • Accordingly KE was directed to immediately provide the required information which was provided on 16-4-2025 to the commentator. • In a later communication, requested presence of the power division to address the queries of stakeholders. • Highlighted conflict of interest in KE's appointed auditors and raises questions whether auditor's verify each individual claim, were site visits conducted of every disconnected consumer and how it was verified that reasonable effort was made to recover the outstanding amount. • Highlighted the following provisions of National Electricity Plan: - The default amount relates to permanently disconnected consumers and is unrecoverable after all possible efforts; - The non-recovery period exceeds three (3) years;

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	- Write-off claims must be filed within 6 months of such bad debts being declared unrecoverable.
Korangi Association of Trade and Industry	• Mr. Junaid Naqi vide letter dated 11th April 2025 and Mr. Rehan Jawed vide email dated 10th April 2025 on behalf of the Association submitted following formal objections and regulatory recommendations with respect to additional write-off claims: – The write-off criteria is vague, arbitrary, and open to abuse. Framework lacks clarity, objectivity and enforceable thresholds. – Karachi's industrial estates are increasingly becoming silent zones of closure and warehousing and is now being further exacerbated by proposals to pass on KE's internal recovery failures and NEPRA's illogical commitments with K Electric to hones, paying consumers. – The recurrence of such write off requested indicates a systemic flaw in the MYT tariff model, and proposed predefined, performance based provision for recovery losses, area based recovery indexing, write off eligibility only if within RLM Band and NEPRA must learn not to commit amounts with KE that consumers and GoP cannot pay. – Learning from past mistakes i.e. over-generous assumptions of higher recovery in MYT, inadequate consequence management for recovery failure, failure to ring fence honest consumers from inefficiencies and that such gaps be addressed not by punishing the compliant consumers but by improving the internal discipline, accountability and tariff structure design. • In view of the above, following is requested: – Reject the proposed Rs. 8.131 billion write-off claim unless and until a uniform national write-off framework is adopted and independently verified; if Government wants to pay it may do so from the national kitty. – Exclude all such costs from consumer tariffs, especially in Karachi, which is already bearing the burden of circular debt repayments via the PHL surcharge; without having any role in its accumulation.

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	– Initiate a reform process to amend future MYTs to include transparent recovery loss bands and performance incentives; – Ensure that Karachi's paying consumers are protected from the financial implications of failures they had no part in creating. • In a separate communication requested to postpone the hearing as the matter is already under consideration at the Federal Government and the Committee has been formed to resolve the issue through inter-ministerial coordination.
HBL	• Being one of KE's largest lender, requested that if NEPRA is satisfied with genuineness of the claims and KE has adhered to the prescribed procedures and fulfilled all necessary requirements, NEPRA should expedite its review and render a decision on the pending write off claims. • A timely resolution on this matter is crucial to ensure KE maintains adequate cash flows to fund these critical projects (investment plan) and remains compliant with the debt covenants under existing and future financing facilities with HBL and other lenders.
Federal B. Area Association of Trade & Industry	• Federal B. Area Association of Trade & Industry vide letter dated 16th April 2025 highlight the following concerns for NEPRA's kind consideration: – Release of Undisputed incremental Package. – Unjustified Recovery towards Circular Debt (PHL surcharge) – NEPRA must ensure that no additional burden is passed on to Karachi's consumers. – Any proposed relief or compensation to KE should be given by government subsidy.
Bin Qasim Association of Trade & Industry	• Bin Qasim Association vide letter dated 16th April 2025 submitted the following comments: – We respectfully request NEPRA to ensure that a thorough, impartial, and transparent review is conducted for all pending claims, in alignment with the provisions set out in the approved tariff framework. We believe that such a

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	review is essential not only for regulatory consistency but also for maintaining the trust of all stakeholders. - KE has reportedly made substantial investments in the power sector since its privatization, with contributions recognized by institutions such as the World Bank and the Asian Development Bank. At the same time, we understand that the utility is facing financial stress linked to the significant portion of unrecovered dues. This situation could impact the company's ability to sustain operations, meet future investment requirements, and continue serving Karachi—Pakistan's largest commercial and industrial center. - To ensure that any resolution to this matter does not result in additional surcharges or separate billing components for end consumers, we are already dealing with high energy costs, and any further burden could affect economic productivity and social wellbeing. - We trust that NEPRA will handle this issue in a balanced and consultative manner, keeping in view the broader public interest and the principles of fairness, accountability, and transparency.

4.7 The hearing was held as per schedule and was participated by the representatives from KE, Mr. Shahid Khaqan Abbasi, representative of Jamat-e-Islami, representatives of various trade and industrial associations, Mr. Arif Bilwani and individuals.

4.8 Majority of the stakeholders objected the additional and pending write off claims. The representative of JI raised the issue of bogus bills which are subsequently claimed as write off and referred his letters dated 27th May 2024 & 3rd January 2025. Mr. Arif Bilvani also raised similar concerns regarding bogus billing. Mr. Bilvani was of the opinion that recovery loss of 1.69% was already built in the tariff and the requested write offs are in addition to the already approved amount. It was clarified during the hearing that the already built in amount on account of recovery loss was subsequently withdrawn/removed from the tariff and the benefit was passed on to the consumers. Mr. Bilwani also highlighted that there is a substantial increase in the write off claims in later years of the MYT as compared to the initial years. KE clarified that the reason for such increase is the increase in sales revenue. For example, sales revenues of private consumers increase from Rs. 169 billion in FY 2017 to Rs. 411 billion in FY 2023, thereby more write offs in FY 2023 as compared to FY 2017.

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4.9 On the other hand Mr. Shahid Khaqan Abbassi, Ex-Prime Minister and former head of Task Force on KE issues, Mr. Omar, Junaid Ameen, Mrs. Areeba Shahid and Mr. Bilal Asghar supported the claim of KE.

4.10 The representative of PwC in response to the queries, made submissions during the hearing which have been summarized as under:

- Auditors confirmed that same procedures including 100% verification have been performed for previous and additional write-off claims. There is no specific requirement for disclosure of procedures performed by the auditors for verification in the financial statements, however, key procedures performed by the auditors for verification of write-off claims have already been submitted in writing as well as through submissions made during earlier hearings and meetings with the Authority.
- Primarily, there are three types of customers (1) Active Customer (2) In-active Customer and (3) Customers offered Settlement Schemes. In this claim of around Rs. 8 billion there are only Active Customer and Customers offered Settlement Schemes.
- Active Customer is the one on which KE has applied multiple recovery attempts, multiple disconnections, tried to recover the outstanding dues through recovery agencies but the customer does not turn up. This is because either there is no propensity of the customer to pay or the premises is rented, frequent change of tenants.
- After KE's internal procedures, claims are submitted for verification to auditors. As part of the verification process, the recovery notice or disconnection notice from KE's record is verified. KE has developed a Specialized Recovery Effort department, so there is a verification of how long KE was in touch with the customer.
- Significant amount of time period should be lapsed in order to establish that there will be no recovery from the customer.
- The auditor also conducts an independent site visit and has developed a survey form consisting of questions for assessing the type of customer, their willingness to pay and settle the dues, and assess whether there is any illegal connection.
- Considering that the connection of the customer is disconnected, the customer is not willing to pay even on auditors' query and the auditor has established that notwithstanding the efforts the Company, the outstanding dues are non-recoverable, then it is considered by auditors as eligible for write-off.

- It is also checked whether the customer has paid any amount through negotiation with KE after verification as write off, and if so, the amount and / or the case is excluded from write-off against the category of active customers.
- The team consists of 35-40 members which is subject to a thorough review process through multiple layers. Claims which are not substantiated as per the procedures performed by the auditors are rejected.
- The amount of rejected cases is Rs. 650 Million approximately in additional claims and overall, it is approx. Rs. 7 to 8 Billion in respect of Rs. 68 billion claim. The percentage of recent rejected cases is around 8-9%.
- Inactive customer is not in the current additional claim and these are those customers where there is no consumption of power in last in 6-8 months. The premises is either closed or no longer exists. This is further categorized as (a) Premises not being used, and (b) Electricity not being consumed. The premises is either not occupied for years as reflected by the conditions of the premises or no longer exists like Empress Market in Karachi, Layari expressway, Gujjar Nullah, bungalow demolished and converted to high-rise building, customer is no more traceable, etc. Whenever a customer turns up, the case is checked and the amount claimed as write-off is written back.
- In scheme customers, KE's criteria is that the dues shall be older than 6 months. Customer should be consuming electricity but historically there would be a disconnection as verified by KE records. There is a cut off period for disconnection and KE's compliance of registration is compiled and these are verified by the auditors. The criteria of the scheme and compliance against it is assessed as well.
- In response to the query that **what are assurances before us that it was an independent exercise?** He submitted that PwC is one of the leading Chartered Accountant firms globally and has a defined Code of Ethics to be followed and complied with. Each team member should be independent of the client; they should not have any shares or be part of management and every team member signs off to declare his / her independence with respect to the client and the assignment. Partners of the firm irrespective of the fact whether they are on team or not, need to sign off to declare independence from clients. Further, there is segregation of audit team and write off team with different partners.
- There is a mechanism of annual independence confirmation across all employees of PwC which are subject to independent checks at different levels.
- The Audit Report which is part of the Financial Statements also confirms independence of the auditor. Further, the auditor sign the Report of Corporate Governance which validates that partners of the firm are independent of the

client. Being independent is a statutory requirement for the auditor. If required, the auditor can provide it in writing as well, but it is already there in the audit report.

- Moreover, in KE's MYT, the write-off conditions specify that *"KE Auditors shall verify that the amount is non-recoverable notwithstanding the efforts of the Company."* Hence, auditors considered verification of write-off claims as part of the statutory audit of Company's financial statements.

4.11 The representative of PwC vide its email dated 3rd May 2025 to KE submitted their response to the written queries raised during the hearing by one of the members of the Authority which is as under:

"**Question 1**

Auditor shall ensure that the addresses corresponding to each audited and recommended write-off claim are clearly specified.

The consumer details provided to us by KE for verification of write-off claims included the addresses of all relevant consumers. These addresses were used by us to conduct physical surveys of both active and inactive consumers. Only those consumers were included by KE where we were able to physically trace the location of the consumer based on these addresses.

There were consumers which were no longer traceable due to change in area mapping (including un-leased zones), demolition of original premises or areas in case of government-led anti-encroachment operations. In all such cases, physical surveys of the affected areas were still conducted to assess the current state of premise. Additionally, correspondence / documentation available in KE records were reviewed to obtain sufficient evidence confirming that consumers claimed for write-off did, in fact, exist at the addresses in the past.

Question 2

Auditor shall confirm that the premises is not receiving electricity.

All active and inactive consumers which have been verified by us and included by KE for write-off claim with NEPRA were found to be disconnected at the time of verification, based on both as per KE's records as well as our independent physical survey.

Question 3

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In cases, where electricity is found to be active at the premises, the auditor must provide justification as to why KE has not recovered the outstanding amount and why the connection was restored without settlement?

- All active and inactive consumers verified by us and included by KE in write-off claim were disconnected at the time of verification, based on both as per KE's records and our physical survey. In instances where active and inactive consumers were found to be connected – either in KE's records or during our physical survey.

- Those cases were not included in write-off claim and returned to KE's management for further action and efforts.

- For subsequent reconnections, the status of the consumers (claimed for write-off in prior periods) is traced through KE's system. As per KE's current practice, a consumer's connection status is only updated to "reconnected" once a payment (either full recovery or partial settlement amount) has been received from consumer. Any amount received from these consumers is adjusted against the write-off amount (means offered as write-back to NEPRA)."

5. CONSIDERATION OF THE VIEWS OF THE STAKEHOLDERS, ANALYSIS AND RECOMMENDATIONS IN THE MATTER

5.1 Before coming to the respective issues and at the outset, the Authority has noticed a considerable difference between the Determination, MLR Determination and the Final Determination with respect to write off mechanism. These difference when read with the MLR petition and the GOP reconsideration request led to an inescapable conclusion that for just considerations or in view of practical difficulties the write off mechanism was revised and certain requirements in the Determination and the MLR Determination were done away with e.g. the requirement to provide the supporting documents with the details pertaining to the name & address of the premises/consumers, CNIC etc. Similarly, the requirement of connection "disconnected for more than three years" was replaced with a less onerous requirement, and the requirement of recovery of dues as arrears of land revenue was also done away with. The Authority added a third-party independent review requirement of confirmation from the auditors that KE has made all best possible efforts to recover the amount being written off.

5.2 The Final Determination has attained finality and along with it the write off mechanism approved thereunder. Therefore, it is our considered view that neither the Final Determination can be supplanted nor can be read into at this point in time.

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5.3 The issue wise discussion, submissions of stakeholders, response of KE, findings and decisions are provided in the succeeding paragraphs.

6. K-Electric was allowed to claim write off for the control period of MYT i.e. FY 2016-17 to FY 2022-23. Whether KE can claim write off for the period prior to FY 2016-17?

6.1 According to KE, in its request for MYT it prayed for a recovery loss allowance based on a target percentage, however, NEPRA allowed a write-off mechanism with certain conditions. The write-off mechanism inherently requires write-off of previous period billing as opposed to the recovery allowance mechanism which is forward looking. Further, NEPRA conditions also specified that KE shall ensure full recovery efforts before claiming write off which also implies that write-off would be done against past dues and there were no conditions specified by NEPRA regarding period of claims. Furthermore, if such criteria is to be added then KE should be allowed to claim write-offs related to the billing done under current MYT going forward as well. Hence, write-off claims in respect of billing pertaining to periods prior to MYT 2017-2023 are eligible to be claimed under the MYT 2017-2023.

6.2 The submissions of KE under this issue have been reviewed. As provided above, out of the requested write offs of Rs. 76,033 million, approximately Rs. 24,337 million pertains to the previous MYT period before 1st July 2016. The previous MYT was performance based and losses were to be borne by KE and gains, if any, beyond allowed limits were subject to claw back mechanism. The write off mechanism in no way allow KE to claim write off of the previous MYT. Allowing write offs of the previous MYT will be a clear duplication of cost. Therefore, there is no justification to allow write offs of Rs. 24,337 million pertaining to the previous MYT period and the same is being set aside and disallowed.

7. K-Electric was allowed to deduct provision for doubtful debt from the profits in some years while calculating claw back resulting in lower amount of claw back. Can K-Electric claim the same doubtful debt as write off again?

7.1 According to KE, the purpose of Claw-back mechanism is to share surplus efficiency gains earned by KE. Moreover, deduction of provision for doubtful debt as costs for calculating claw-back amount, does not construe as costs being allowed to KE as pass through and hence such provision for doubtful debt cannot be considered as claimed earlier in tariff.

7.2 KE further submitted that there is no condition specified by the Authority in the Final Determination, that requires deduction of any amount from the write-off claim on account of it having been considered for determination of claw-back liability. Hence, provision for doubtful debts as expense for the purpose of profit sharing does not mean

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that such cost has been allowed as pass through in tariff and hence there is no restriction in claiming the write-offs.

7.3 The submissions of KE under this issue have been evaluated. This issue is in fact an extension of the first issue. As explained under the above issue, previous MYT was performance based and KE cannot claim any unrecovered cost in the current MYT unless specifically provided in the tariff determination. Under the claw back mechanism for previous MYT, bad debt expense (provision for bad debts) is an admissible expense which means lesser profits and lesser share to the consumers under the claw back mechanism. Write offs of previous period were offset against the provision for bad debts of that period (approximately 48.593 billion as on 30th June 2016). As opposed to the previous MYT, bad debt expense (Provision for bad debts) is not an admissible expense under the MYT 2017-2023 for the purpose of application of claw back rather bad debt expenses are required to be added back to the profits and actual write offs, if any, approved by the Authority, shall be subtracted to rework the profit for application of claw back mechanism. Accordingly, there is no justification to allow write offs of the previous period and the same has not been considered.

8. K-Electric was allowed a varying margin of law and order during the control period with 5.2% in base case to cover losses of Hook connections. Can K-Electric claim non recovery of bills issued against Hook connections while hook connections were disallowed in earlier MYT?

8.1 According to KE, it had filed a petition in Sindh High Court (SHC) against NEPRA direction related to Hook Connection (HC) consumers and SHC granted a stay order which is still in field. Accordingly, the HC billing was not excluded in the MYT by NEPRA, and the T&D loss targets / revenue projections in the approved MYT were set considering HC billing. Had the impact of units billed for hook connections not been considered while working out T&D losses for NEPRA submission at the time of MY2017-2023 determination, the T&D losses would have been 24.51% instead of 22.24%, which would have resulted in a higher tariff. Hence, HC billing is valid and in consumer interest as otherwise the menace of electricity theft cannot be controlled. With concentrated loss reduction efforts, significant quantum of HC consumers has been regularized over the years and currently HC revenue comprises of less than 1% of KE revenue

8.2 KE further submitted that it is important to note that T&D losses represent a difference between units sent out and units billed and include those units that are not billed by the Company due to theft of electricity. Whereas cases where billing to HC was being made and not fully recovered, that recovery loss was not part of allowed T&D losses under 5.2% law and order allowance. Hence, there is no duplication.

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8.3 KE also submitted that there was no direction in MYT by NEPRA that HC consumers cannot be part of write-off claims. Further, KE would like to emphasize that not all HC billing has been written off. Instead, KE through its own recovery efforts, as well as hiring external recovery officers, recovers amount dues from consumers. However, there are certain consumers who do not pay their full dues even after exhausting all possible recovery efforts including multiple disconnections. KE has written off these remaining dues, which have also been independently verified by auditors as required under MYT.

8.4 The submissions of KE have been examined. Out of the requested write offs for the billing of MYT 2017-2023, approximately Rs. 1,683 million pertains to the hook connection. NEPRA never recognized hook connections and did not include HC billing in the MYT except to the extent of 5.2% T&D loss margin on account of law and order for the areas with restricted excess and illegal possession of property where the Petitioner cannot serve its consumers with metered billing. Therefore, KE's claim is not substantiated.

8.5 Regarding KE's assertion that including HC billing as T&D losses would have resulted in a target range of 24.51% instead of 22.24%, it must be noted that the MYT determination is explicit in its methodology for T&D loss assessment and any alternate interpretation is self-constructed and lacks factual basis. If K-Electric had any concern on the determined level of T&D losses, it should have contested the same and agitated for higher level of T&D losses in the MYT.

8.6 Keeping in view the above, the Authority considers that the request of KE to the extent of hook connection amounts to duplication and is being set aside and disallowed.

9. Whether the request of KE to file additional write-off claims pertaining to MYT 2017-2023 is justified?

9.1 According to KE, it is important to highlight that KE's actual recovery loss for the period FY 2017 to FY 2023 was around Rs. 122.8 billion and KE has filed write-off claims of PKR 67.902 billion, out of which PKR 43.6 billion pertains to billing for the period FY 2017 to FY 2023. This effectively means that an amount of Rs. 79.2 billion is still available for write-offs (recovery loss less the amount of write-offs claimed from FY 2017 to FY 2023 billing), subject to fulfillment of conditions given in MYT. Accordingly, the request for additional write-off claims is considered justified. The year wise detail is provided hereunder:

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FY	Write offs (Pre-MYT 2017-2023 billing)	Write offs (MYT 2017-2023 billing)	Recovery Loss (MYT 2017-2023 billing)	Recovery Loss less MYT billing write-off)
	Rs. in Million			
FY 17	5,433	705	17,996	17,291
FY 18	1,966	1,386	15,954	14,568
FY 19	2,245	1,682	12,851	11,169
FY 20	2,769	4,468	15,180	10,712
FY 21	6,398	9,381	14,243	4,862
FY 22	2,869	11,871	14,146	2,275
FY 23	2,656	14,072	32,404	18,332
Total	**24,336**	**43,566**	**122,774**	**79,208**

9.2 The submissions of the Petitioner have been examined. The representative of KE was asked during the hearing whether it is a full and final write off claim for MYT 2017-2023? The representative of KE confirmed that this is a final claim for MYT 2017-2023. As per the MYT determinations, no period has been prescribed for submission of write off claims. Accordingly, there is no apparent basis to deem the instant request unjustified. Accordingly, the Authority has decided to consider the instant request along with the pending claim subject to fulfilment of the write off criteria, with these amounts being the full and final write-off claim pertaining to the period from FY 2017 to FY 2023

10. K-Electric was required to make all best possible efforts to recover the amount being written off. However, K-Electric has not done any legal proceeding for recovery of bills less than Rs. 10 million as per available framework. Is it justified legally?

Whether the criteria stipulated for write-off has been fulfilled?

10.1 KE submitted that it is incorrect to state that no action was taken against receivables of less than 10 million as KE made best recovery efforts for the recovery of dues even for the cases where the outstanding receivable amount was less than Rs. 10 million. KE was asked to list down the best efforts carried out to collect the outstanding amount before writing off. In response, list down the following efforts:

- Recovery efforts including multiple disconnection by KE Teams.

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- Efforts through external recovery officers and specialized collection agencies
- Area efforts including engagement with community / elected representatives of Provincial / Federal Government, offering of rebates / installment to encourage regular payments.
- Installation of Aerial Bundled Cables (ABC) to limit Kundas in case of disconnection.
- Support from Law Enforcement Agencies in area specific drives.

10.2 KE further submitted that over 95% of the write-off cases have a value of Rs. 2.5 million or below. In such cases, Legal recovery procedures are mostly ineffective and remain pending even after several years, and many times the cost of pursuing cases is usually higher than the recovery amount itself. Further, the process of registering FIRs is not only cumbersome but FIRs in such a high number of cases is not practical either. Even if such a recourse is pursued, this would eventually result in additional O&M expense for the Company, which will ultimately translate into higher tariff for consumers, without any tangible recovery.

10.3 KE also submitted that it has carried out its recovery efforts on the consumers and Auditors have performed 100% verification including physical surveys in line with the conditions specified by NEPRA. Considering the cost and benefits of the litigation and keeping in view the fact that the process of getting recovery through legal proceeding is lengthy and the outcome takes considerable time, management decided under the write-off policy not to initiate legal proceedings for amounts below Rs. 10 million as even in cases where KE pursued recovery of dues through legal procedures, the same have remained inconclusive. According to KE, considering the impracticality of recovery of dues through legal recourse as summarized above, the requirement of recovery of outstanding dues under the Land Revenue Act was also removed by NEPRA in the final set of conditions for claim of write-offs and accordingly the write-off claims filed by KE after due verification by independent auditors are in line with MYT mechanism stipulated in the Final Determination.

10.4 KE submitted that that despite disconnecting consumers, they illegally reconnect. However, KE keeps on disconnecting them through its drives conducted from time to time. KE further submitted that Consumers in relation to which the write-off is claimed, their connections were disconnected and are still disconnected except for consumers registered under the approved settlement schemes and/or conversion from

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hook connection to metered connection. Detailed procedure to be followed for write off of each type of overdue trade debt is provided under Para 6 of the KE Write-off Policy.

10.5 KE was also directed to describe what criteria was applied by the auditors for the eligibility of a write off of a receivable. In response, KE submitted that the auditors have verified the amount that is non-recoverable notwithstanding the efforts of the Company. For this purpose, the auditors have done following verifications:

- Identification of different types of consumers (based on the categories defined in write-off policy)
- Verification through physical surveys, latest disconnection status and the current state of premises of the consumer
- Verification of past disconnection through the system
- Assurance of recovery efforts being made with the involvement of multi-layer teams
- Independent verification of cases by Company's internal audit department

10.6 In addition to the above, the auditors have also reviewed following documents as part of the write-off verification:

- Consumer Statement
- Meter Reader Notes
- Site Inspection Reports (SIR)
- Disconnection Notices (where available)
- Disconnection Logs
- Aging of Trade Debts
- Results/Certificates and efforts of Third Parties for Recoveries
- Internal/External Legal Counsel Advisory for specific cases

10.7 KE also provided detailed procedures applied by the Auditors. KE was further asked to explain how much amount of the write off submitted for validation/approval of the auditors and how many were rejected by the Auditor being unsatisfied of KE's efforts and to list down the objections imposed by the Auditor on unapproved amount. In

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response KE submitted that a total amount of Rs. 84.9 billion was submitted to auditors for the verification/approval against write-off claims for the period FY 2017 to FY 2023 out of which Rs. 76.98 billion were verified/approved by the auditors and Rs. 953 million have been received by KE as subsequent recovery making the net write off claims of Rs. 76.03 billion for the MYT period 2017-2023. KE provided year wise summary of the total cases rejected by auditors which is as under:

Description	No. of Cases	Rs. Million
FY 2017	1,275	214
FY 2018	3,063	422
FY 2019	7,047	3,134
FY 2020	1,158	367
FY 2021	8,273	1,716
FY 2022	4,657	641
FY 2023	12,781	684
Additional Claims	2,387	651
Total	**40,641**	**7,829**

10.8 According to KE, following were the key reasons highlighted by the auditors for rejecting the above write off claims:

- Electricity found in use
- Lack of evidence for disconnection
- Another meter is being use at the same premise
- Non-ABC area for active connections
- Consumer status was subsequently changed to active
- No recent disconnection was made in case of settlement / scheme cases
- Payment was subsequently received in FY18, FY19, FY20, FY21, FY22 or FY23
- Premise / address not found in survey for non-demolished premises
- New Meter was installed post last disconnection
- Consumer willing to pay by opting settlement schemes
- Already approved in prior period

10.9 The submissions of KE have been reviewed. Out of the requested write off amount, Rs. 50,013 million pertains to the metered consumers of current MYT billing comprising Rs. 15,211 million (including GST of Rs. 2,084 million) to settlement schemes which shall be discussed under Para 18 and Rs. 34,802 million (including GST

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of Rs. 4,535 million) to the disconnected consumers which is being deliberated under this issue. The request of KE needs to be looked into in line with the criteria defined for write off in the Final Determination. A brief analysis of the same is given hereunder:

Sr. #	Criteria	Fulfilled (yes/no)	Remarks
a)	*The defaulter connection to be written off shall be disconnected.*	*Yes*	*Multiple times as per KE and verified by the Auditors*
b)	*The amount of write off shall be approved by the KE BoD which shall certify that KE has made all best possible efforts to recover the amount being written off.*	*Yes*	KE provided approvals of BOD which certifies the same.
c)	*KE Auditors shall verify that the amount is non-recoverable notwithstanding the efforts of the company.*	*Yes*	*Audit Reports, part of annual financial statements, verify the same*
d)	*The terms of write off shall also be given in detail.*	*Yes*	*Detailed terms of write offs were provided in the write off policy.*
e)	*In case any amount written off is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff.*	*Yes*	*Rs. 953 million were subsequently recovered and adjusted in the net amount*

10.10 Majority of the stakeholders objected the claim of writes off. However, Mr. Shahid Khaqan Abbasi strongly supported to allow the write offs. Mr. Rehan Jawed submitted that 100% recovery of these claims is not possible in a city like Karachi. He also submitted that the write-off claims should be resolved as it is a determined tariff issue between the Government of Pakistan and K-Electric, and if allowed, the consumers should not bear the cost in the form of any surcharge or separate billing head. OICCI requested to fairly review KE's write-off claims under the approved framework.

10.11 The Authority noted that criteria defined for write off is substantially complied with, auditors have performed 100% verification of the requested write offs, amount has actually been written off from the books of accounts.. Accordingly, the Authority has decided to allow write-offs of Rs. 34,802 million pertaining to the billing of metered consumers (currently disconnected as explained by KE) for MYT 2017-2023.

11. NEPRA determined tariff does not account for duties and taxes on bills. However, K-Electric has claimed write off amount including taxes and duties of defaulting

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consumers. Can K-Electric claim amount of taxes and duties on the unpaid bill in the write off case?

11.1 According to KE, it has claimed only that portion of taxes which are paid to FBR on a billing basis i.e. sales tax. Under the Sales Tax Act, 1990 till March 2023, all DISCOs were required to pay sales tax to FBR on billed basis even though it has not been recovered from consumers, so they form part of KE's recovery loss. Other charges like income tax and duties, payable only upon recovery, have not been claimed as part of the Write Off claims as the same were not required to be deposited to the authorities on billed basis.

11.2 KE further submitted that it is pertinent to note that the write-off has been given in lieu of provision against doubtful debts {Para 34 (XV)}, which comprise of total balance due from consumer including sales tax. Accordingly, sales tax paid by the Company on behalf of its consumers are claimable as part of write-off as these are part of recovery loss and represent unrecoverable dues from consumers.

11.3 The submissions of KE have been evaluated. Sales tax is payable under the Sales Tax Act 1990. Sales tax was payable on billing basis till March 2023 and no violations have been observed on the part of KE in complying the requirements of Sales Tax Act. As information provided by KE, sales tax amount of Rs. 6,619 million is included in the write off claim of metered consumers who defaulted or opted settlement schemes. In view thereof, the Authority has decided to allow the same as part of write offs.

12. Can bills only few months old be claimed as under recoveries / write offs? What should be the duration?

12.1 According to KE, write-off claims filed by KE are in accordance with the conditions specified by NEPRA in the Final Determination. KE through physical recovery efforts, as well as hiring external recovery officers, specialized collection agencies, recovers amount dues from consumers however there are certain consumers who do not pay their full dues even after exhausting all possible recovery efforts including multiple disconnections. KE has written off these remaining dues, which have also been independently verified by auditors as required under the Final Determination.

12.2 In addition to this, the conditions specified by NEPRA do not require any specific period to be lapsed before claiming write off amount. Even otherwise, there are no consumers being written-off with only one-to-three-month dues outstanding. outstanding and written off amounts of consumers with balances only in the age bracket of 0-6 months is approximately PKR 350 million and that too have been written off after following due process.

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12.3 The submissions of KE under this issue has been examined. As elaborated above, the criteria specified for write offs has been complied with and the Auditors have verified the subject amounts as per the audit procedures applied and the amount written off is approved by the BOD, therefore, there is no material reason to decline the subject amount. Accordingly, the Authority has decided to accept the reply of KE under this issue.

13. Is K-Electric required to provide CNIC numbers of the consumers who have defaulted on payment of bills and being claimed in the write off?

13.1 According to KE, as part of a new connection, CNIC is obtained. However, being an over hundred-year-old Company, these CNICs were not recorded in the billing system until recently. KE has also explained this in detail to NEPRA during the process of tariff determination and on the basis of KE's submission, the requirement to provide CNIC as part of write-off claims was removed.

13.2 According to KE, it is important to understand that the recovery of balances has no direct correlation with the availability of CNIC at the time of write-off and the Company is required to recover the arrears of the "defaulting premises" from the occupants of the defaulting premises. Please refer to Clause (a) (iii) of chapter 8.5 of the then NEPRA CSM 2010 which requires recovery of arrears from the new occupants of the defaulting premises:

> "The consumers who sell their houses, shops, industries, seasonal factories, etc. without making payment of electricity bills, KE shall recover the arrears from the new occupants of the defaulting premises."

13.3 KE further submitted that for the purpose of assessing the fact that whether a) the amount is recoverable, and b) the connection has been disconnected, physical recovery efforts at the premises have been done by the Company along with other measures which have been independently verified by Auditors.

13.4 The submissions of KE have been reviewed. The procedure of write off is not provided in CSM or any other applicable document except the Final Determination. It is settled jurisprudence that there can be only one operative order on the same subject matter at any given time. The Determination and the MLR determination stood modified by the Final Determination. The requirement of CNIC was explicitly removed by NEPRA in the Final Determination. Further, complete record of each write off was verified by the Auditors and is available with KE. Further it is also important to understand that CNIC means nothing if ownership of the premises change and meter is not shifted in the name of new owner who subsequently default in payment of electricity bill. In such a case it remains to be seen, whether the previous owner is to be blamed whose CNIC is

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reflected in the record of KE or the new owner/occupant of the premises (who actually defaulted) whose CNIC, is not in the record of KE. For this very reason the emphasis is on the premises not on the person. In view thereof, the response put forth by KE has substance and accordingly, the Authority has decided to accept the reply of KE under this issue.

14. **Is K-Electric required to observe provision of consumer service manual in connection, disconnection and Re-connection / recoveries related to write off cases?**

Can K-Electric claim write off for the consumers who defaulted on payment and their connections were reconnected without recovery of outstanding bills?

14.1 According to KE, CSM does not provide any guidance/conditions to be met to claim write-off in tariff. Rather KE is irrelevant for the purposes of determining write offs. The condition to claim write-offs are governed by Final Determination. KE submitted following item wise discussion on Connection, Disconnection and Reconnection:

1. **Definition of Connection as per CSM 2010: (subclause 50 of section 1.4 Chapter 1)**

Service Wire or Connection essentially explains how the Company supplies electricity to the "Consumer".

"Service Wires or Connection means the group of cables / conductors, whether overhead or underground, necessary to connect the service entrance conductors of the consumer to the KE's supply line, regardless of the location of the KE's meters or transformers."

The term "Consumer" means a person or his successor-in-interest who purchases or receives electric power for consumption and not for delivery or re-sale to others, including a person who owns or occupies a premises where electric power is supplied.

The term Consumer above is inclusive and includes occupant of the premise as well which can be different from the person in whose name the connection was sanctioned. Hence, there should not be any question of connection procedure when the Company claim write-off of a balance. The important factor for the purpose of verification of write offs claim is premises.

Disconnection/Reconnection

14.2 The CSM primarily require the following procedures for disconnection:

- Sending notice to the defaulting consumer to either clear the outstanding dues with the current bill or face disconnection and penal actions.
- Upon non-receipt of money on the expiration of the notice period, the supply of the defaulting premises shall be disconnected; and
- The disconnected supply shall not be reconnected until full payment is received or consumer has opted for an installment plan and is complying with the installment plan.

14.3 It is to be noted that despite disconnecting consumers, they illegally reconnect, however, KE keeps on disconnecting them through its drives conducted time to time. Consumers in relation to which the write-off is claimed, their connections were disconnected and were not reconnected subsequently except for the following consumers:

- Consumers registered under settlement scheme
- Consumers converted from hook connection to metered connection

Reconnection

14.4 According to KE, these consumers were reconnected in accordance with the criteria and as permitted under section 8.4 (e) [reproduced as below) of the NEPRA CSM 2010 and the Company decided to set aside the amount due on these consumers.

> *"The disconnected consumers whose arrears have partially or totally been set aside by the Courts, Electric Inspectors / POI, NEPRA or KE's competent authorities or have been allowed part payments shall be allowed reconnections on deposit of remaining arrears or their first instalment."*

14.5 According to KE, these settlements were necessary for recovery of long outstanding dues from the defaulted consumers and / or to make them regular payers. If not settled/ converted to metered connection, these consumers would have continued to consume electricity without payment of dues hence, resulting in further accumulation of dues. In that case the amount claimed for write-off would have been higher than the amount of write-off currently being claimed by the Company.

14.6 The submissions of KE have been examined. KE categorically claimed that disconnected consumers were not reconnected except in the case of settlement schemes and conversion from hook to metered connections as provided under the CSM. This aspect has also been verified by the Auditors. Accordingly, the Authority has decided

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to accept the reply of KE under these issues. However, in going forward if any information comes to the attention of the Authority that statements of KE and the Auditors are materially incorrect or false, the Authority reserves the right to recover the said amount from KE and appropriate adjustment shall be made in the tariff along with appropriate action against KE on account of misrepresentation.

15. **Can KE claims non recovered bills which are for supply of electricity for more than two months as electricity is required to be disconnected after default of two months and equipment is required to be removed after 3 months?**

15.1 According to KE, it has made all best possible efforts to recover the amount being written off including physical recovery efforts, hiring external recovery officers, specialized collection agencies, negotiations with consumers, offering installments plans, sending notices and multiple disconnections. However, still there are certain consumers who do not pay their full dues even after exhausting all possible recovery efforts. KE has written-off these remaining dues.

15.2 According to KE, as explained during the proceedings of MYT determination, consumers connect and consume electricity even after disconnection and such electricity is being billed to consumers as theft / detection billing in accordance with CSM. If such billing is not done, then the consumers would only be enjoying electricity for free, which is not sustainable.

15.3 KE further submitted that in Final Determination, the Authority removed the condition which required permanent disconnection based on submission of KE that it is impractical and consumers resort to illegal reconnections. Accordingly, write-off claims can be made in respect of such billing made in compliance with CSM.

15.4 The submissions of KE under this issue has been examined. As elaborated in the preceding paras, the criteria specified for write offs has been complied with and the Auditors have verified the subject amounts as per the audit procedures applied and the amount written off is approved by the BOD, therefore, there is no material reason to decline the subject amount. Accordingly, the Authority has decided to accept the reply of KE under this issue.

16. **The terms of reference for write off are not approved by NEPRA though the amount will be charged to the consumers or will be picked up by GoP as subsidy. Can K-Electric now and in future claim write offs based on terms approved by its board of directors and not vetted/approved by NEPRA and NEPRA shall add this in tariff automatically?**

16.1 According to KE, the Final Determination, among other requirements, provided that *"terms of write-off shall be provided in detail"*.

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16.2 KE submitted that in accordance with the above condition, a write-off policy was developed by the management and approved by the Board of Directors of the Company which describes in detail the conditions and procedures for write-off of trade debts. This ensured compliance of clause 34(XV)(iv).

16.3 According to KE, it is important to highlight that in case any regulator intends to define the terms itself the wording usually states 'the terms to be prescribed by the regulator'. However, in the instant case neither such wording was used, nor any terms were defined during the control period.

16.4 KE further submitted that KE and its BoD are not exercising any regulatory power, rather complying with the directions/conditions specified by NEPRA and claiming write-offs in compliance to the conditions determined by NEPRA in its Final Determination. Since MYT is applicable till June 2023, for the period post expiry of MYT, the cost to be allowed in accordance with the conditions/mechanism to be prescribed by NEPRA in the new MYT.

16.5 The submissions made by KE have been examined. Terms of write off / policy is normally approved by the BOD unless provided otherwise. The requirement imposed by the Authority clearly required that the terms of write off are to be provided in detail. It may also be considered that KE being a listed company has to comply with all the corporate governance requirements including but not limited to the Listed Companies (Code of Corporate Governance) Regulations, 2019. It has independent directors and GOP has significant representation on its Board. Further the directors are required to make disclosures in the annual report/financial statement regarding amount written off during the reporting period and the reasons of write off.

16.6 Further, as per the write off mechanism, there is no requirement to get the terms of write off approved from NEPRA and no such directions were ever given to KE afterwards to do so. KE BOD which has representation of GOP and independent directors has approved detailed terms of write off. Therefore, there is no violation of the approved write off mechanism on the part of KE under this issue and the Authority finds comfort in the fact that the write off policy is approved by a BOD which is compliant with the most stringent corporate governance requirements (being a listed company) and also has representation of independent and GOP nominated directors.

17. Whether K-Electric be allowed benefit of a cost / under recoveries compensated earlier once again through write-off?

17.1 According to KE, in previous MYT, no cost in respect of provision for doubtful debts was allowed to KE. It is important to mention here that the O&M expenses allowed in 2002 determination were less than the actual O&M expenses requested by KE. Further,

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the matter of write off remained inconclusive in the MYT 2002 determination. KE as part of its submission had requested 22 paisa in respect "provision for doubtful debts" in the MYT 2002. However, there has been no specific clause in the MYT 2002 in respect of "*provision for doubtful debts*".

17.2 According to KE, NEPRA in Clause 62 of the 2002 MYT Determination stated that:

> 62. KESC submitted during the hearing that a substantial part of the receivables was proposed to be written off as being unrecoverable in most cases. It was observed during the proceedings that there was no laid down procedure for writing off unrecoverable arrears. We therefore direct KESC to develop a comprehensive and transparent procedure for writing off unrecoverable arrears and submit the same to the Authority before 5th March 2003 for concurrence and approval.

17.3 KE further submitted that the O&M cost allowed was less than 20% of the actual cost and Cost considered on which 20% reduction has been allowed, did not include any cost related to provision for doubtful debts. Please refer para 67 and 116 of MYT Determination 2002. Para 67 is reproduced hereunder:

> "The present tariff allowed to KESC does not cover its entire cost of service as explained in the ensuing para 68. The tariff will be capped at a level where it still does not cover the full cost of service. For the purpose of indexation the O&M cost portion of the tariff has been estimated on a *prorata* basis which is around 20% less. Thus the O&M cost portion of the tariff has in essence been reduced to that extent. KESC management will now be ensuring further reduction in O&M costs through more efficient and less costly operation & maintenance. The benefits of such improvement will be shared with the consumers through the claw back mechanism and through application of the X factor. During the first review period the actual O&M cost in comparison to an efficient utility will come to surface. This would facilitate in estimating a reasonable O&M cost allowance for the next review period while adjusting the base tariff. In case KESC is not privatized, its O&M cost will have to be examined in greater detail to ensure prudency of O&M cost at the time of next review."

17.4 According to KE, excerpts from para 116 are reproduced below:

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Portion of tariff to which CPI is applicable	Quantum of tariff in Paisa/Kwh	X factor						
		Year 1	2	3	4	5	6	7
Generation O&M	10	0	0	0	2	2	2	2
Transmission O&M	4	0	0	0	2	2	2	2
Distribution O&M	32	0	0	0	3	3	3	3

17.5 According to KE, the O&M cost allowed can be recalculated by reducing costs mentioned in Annexure II of the determination by 20%.

Description	Cost as per Annex II of 2002 Determination (PKR Mn)	Allowed O&M Cost with 20% reduction (PKR Mn)	O&M Cost (PKR / KWh)
Generation	938	750	10
Transmission	371	297	4
Distribution	3,034	2,427	32
Total O&M (Excluding Provision for Doubtful Debts)	**4,343**	**3,474**	**46**

17.6 According to KE, O&M allowed in 2002 determination were less than the actual O&M expenses and do not include Provision for doubtful debts and hence no cost has been allowed to KE to date.

17.7 The submissions of KE have been reviewed. This is again an extension of the first issue. The projected profit and loss statement attached to the determination dated 10th September 2002 clearly accounts for Provision for Bad Debts as an admissible expense. If for the sake of argument, it is assumed nothing was provided on account of provision for bad debts then the question arises why KE did never ask for the same and ask for provision for bad debts in the MYT 2017-23. As explained under first issue, the previous MYT was performance based and gain/loss has to be borne by KE subject to claw back mechanism, if required. Accordingly, the Authority has decided to disallow the write off claims pertaining to the previous period.

18. **K-Electric in its write-off claims has included amounts relating to discount scheme being offered by K-Electric to its defaulting consumer's corrections of bills / detections bill etc. Can K-Electric claim the discounts offered or correction of bills/detection bills to consumers as write-offs?**

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18.1 According to KE, It is important to highlight that the consumers were not paying overdue balances despite efforts and the settlement scheme / conversion of hook connection to metered connection was given to incentivize consumers, which was necessary for recovery of long outstanding dues from the defaulted consumers and / or to make them regular payers. If the Company had not offered settlement scheme / conversion of hook connection to metered connection to the defaulted consumers, these consumers would have continued to consume electricity without payment of dues hence, resulting in further accumulation of dues. In that case the amount claimed for write-off would have been higher than the amount of write-off currently being claimed by the Company. Moreover, in case of correction of bills/detection billing, the amounts and units billed to consumers are reversed in system and are recorded as reversal of revenue.

18.2 KE claimed Rs. 15,211 million including GST for metered connections on account of settlement schemes out of the current MYT billing. According to KE, initially these connections were disconnected but reconnected after settlement schemes/consumer agreeing to convert to metered connections as per the categories of write off claims verified by the Auditors. This includes consumers in Payment Loyalty Reward (PLR) Schemes, overdue debts on account of consumption through single bulk connection and settlement schemes and consumers agreeing to convert hook connections to metered connections.

18.3 The submissions of KE under this issue have been reviewed. The Final Determination is silent regarding settlement schemes. However Section 8.9 of the CSM under Disconnection and Reconnection Chapter deals with the Recovery of Dues and provide following:

> **"In case consumers fail to pay the arrears amount, all legal measures/actions shall be initiated against such consumers for recovery of outstanding dues. DISCOs may announce packages/schemes from time to time for recovery of dues from the defaulters, subject to approval of BoD."**

18.4 As per the information provided by KE, it has recovered Rs. 8.3 billion from the metered consumers by offering settlement schemes. Had this not been offered, the recovered amount would also have been written off as bad debt. This is highly logical to recover some of the bad debts instead of losing all. According to KE it needs time, effort and funds to motivate and persuade habitual non payers to become regular

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customers. According to KE, its Board authorized CEO KE under General Power of Attorney to do so under Para 20 which is reproduced hereunder:

> "To write off amounts as approved by the Board of Directors arising as a result of correction / cancellation / adjustment of electricity bills in the normal course of business of the Company. To approve formula for write offs, adjustment and settlement of electricity bills based on prudent business practices / judgement and within the policy framework approved by the Board of Directors. To sub-delegate such of the powers as he deems fit to the concerned executives / officers of the Company, to fix authority limits, thereof, and to revoke the same at his discretion."

18.5 Section 3.1(iii) of KE Write Off Policy provides following:

> "Where the original connection was disconnected, however, electricity is provided on the same premises/person/entity after the consumer / customer has opted for approved settlement scheme."

18.6 All of the write offs including settlement schemes were approved by KE Board. Accordingly, the Authority has decided to allow write offs of Rs. 15,211 million to the metered consumers under the settlement schemes in line with the CSM.

18.7 During the hearing, it was also discussed that in if an approved written off amount is subsequently recovered by KE then how the benefit of such recovered amount shall be provided to the consumers? The authority has considered this concern and decided that in such a case the benefit of such amounts shall be passed on to the consumers in the immediate quarterly adjustments and KE shall be required to separately disclose this amount. KE shall also be required to submit certificate from its auditors each year, clearly mentioning the recovery of written off amounts, if any, pertaining to MYT 2017-2023.

19. Any other issue that arises during the proceedings with the approval of the Authority i.e. Fake & Bogus Billing

19.1 Mr. Munim Zafar, Ameer Jamat-e-Islami, Karachi vide his letter No. 0301/2025 dated 3rd January 2025 referred his earlier letter dated 27th May 2024 and the NEPRA hearing dated 10th December 2024 in the matter of KE's write off claims, drew attention to the significant irregularities in KE billing practices. According to him KE

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engages in fake and bogus billing to consumers, later claiming these as unrecoverable bad debts to write off from NEPRA, ultimately shifting the unjust burden onto paying consumers. He provided following detail of 19 bogus bills as an example from one of KE's IBCs in Nazimabad, Karachi:

Sr.	Account Number	Tariff	Bill Month	Units (Nov 24)	Amount Payable	Defaulter Since (LA st Payment)	Sanctioned Load	Security Deposit
1	0400014889483	A2-C	Nov-24	61,499	284,210,834	Not Available	177	NILL
2	0400016737451	A2-C	Nov-24	13,603	17,961,983	2022	1	NILL
3	0400036025288	A2-C	Nov-24	15,964	29,552,950	2022	2	NILL
4	0400023824505	A2-C	Nov-24	8,538	30,898,828	2008	1	NILL
5	0400017034896	A2-C	Nov-24	15,185	25,454,282	2005	1	NILL
6	0400035360113	A2-C	Nov-24	13,519	24,005,997	2021	2	1220
7	0400034680564	A2-C	Nov-24	18,626	22,826,571	2022	2	1220
8	0400035360105	A2-C	Nov-24	15,904	34,098,264	2021	2	1220
9	0400016844606	A2-C	Nov-24	24,308	14,699,032	2024	1	NILL
10	0400016853729	A2-C	Nov-24	14,658	10,451,225	2005	1	NILL
11	0400035323080	A2-C	Nov-24	15,331	34,344,363	2021	1	169
12	0400035840905	A2-C	Nov-24	13,890	24,373,772	2022	2	1220
13	0400017145124	A2-C	Nov-24	15,026	23,439,642	2020	1	NILL
14	0400017190820	A2-C	Nov-24	13,416	23,713,181	2019	1	NILL
15	0400033904000	A2-C	Nov-24	14,866	18,178,743	2022	2	NILL
16	0400034177641	A2-C	Nov-24	13,519	19,325,947	2021	2	NILL
17	0400035306720	A2-C	Nov-24	13,604	12,592,824	2021	2	NILL
18	0400016697085	A2-C	Nov-24	21,959	35,605,145	2022	1	NILL
19	0400035035287	A2-C	Nov-24	18,597	30,611,083	N/A	2	NILL
				Total	**716,344,666**			

19.2 He further referred Clause 8.2.5 regarding disconnection in case of default for continuous 3 months and raised question why KE neglected this directive and allowed non-paying consumers to consume electricity at the cost of paying consumers. Questions were also raised on electricity connections without security deposit, huge consumption against sanctioned load of 1kW. Question is also raised on consuming electricity without paying since 2005 and 2008. He requested immediate investigation in the matter

19.3 Arif Bilvani vide email dated 1st January 2025 submitted that Revenue Production Department of KE every month is preparing Fabricated/JAALI bills of its consumers then claim them as unrecoverable BAD DEBTS for WRITE OFF from NEPRA and attached copy of a bill of A/c No.0400034136837. Mr. Bilvani also highlighted as

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example of two bills in his earlier comments and submitted that there may be thousands of such bills.

19.4 The matter was forwarded to KE for reply. KE vide its letter No. GM(RA)/NEPRA 20252474 dated 14th April 2025 submitted reply in the matter. According to KE, no write off has been claimed against following bills:

0400014889483
0400036025288
0400023824505
0400035360113
0400035360105
0400016844606
0400035840905

19.5 The details of the remaining customers as provided by KE are given hereunder:

Sr. No.	Customer Account No.	Total Dues at Jan 2025 (PKR)	Write Off Amount (PKR)	Write Off Year
1	0400016737451	18,949,127	4,135,345	FY 22/FY 23
2	0400017034896	26,876,013	4,801,580	FY 23
3	0400034680564	23,857,316	63,954	FY 22
4	0400016853729	11,847,687	577,331	FY 19
5	0400035323080	36,055,166	6,541,578	FY 23
6	0400017145124	24,873,105	4,900,441	FY 23
7	0400017190820	24,576,111	462,988	FY 21
8	0400033904000	18,860,703	4,597,081	FY 21
9	0400034177641	20,677,488	5,362,778	FY 23
10	0400035306720	13,795,731	1,253,800	FY 23
11	0400016697085	37,652,258	5,882,843	FY 23
12	0400035035287	31,645,217	4,212,695	FY 23

19.6 According to KE, it is worth highlighting that all these connections are registered in an area which is highly affected by illegal water bore mafia and different illegal water bore / hydrants activities are prevalent despite KE's efforts to curb this illegal usage. IBC of the area has already informed all relevant departments to stop illegal hydrants including the connection specified above. Multiple disconnections have been made against these consumers, but these are illegally reconnected. Further, there have been instances where teams have been manhandled along with snatching and damaging cell phones of KE employees. At least 100 raids have been conducted in this area facing aggressive resistance and life-threatening circumstances. This is a heavily infested theft area and KE teams have conducted hook removal drives in this area numerous times and have made attempts to curb illegal theft of electricity.

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19.7 According to KE, these customers were initially registered under the category of A1-R (Residential tariff) and were later misused for the purpose of hydrant / water bore illegally. Since these customers are reconnected illegally and using electricity, billing is carried out on Detection (DET) mode i.e. billing is being conducted against the theft reported. KE continues to make efforts including through disconnection and involvement of law enforcement agencies to recover their dues.

19.8 Regarding Account 0400016844606 having a sanctioned load of 1 kW but records monthly consumption of over 24,000 units, with no security deposit paid, KE submitted that no write off has been claimed for the subject customer. The customer was initially registered in September 1987 under the category of A1-R (Residential tariff hence the lower sanctioned load) and was later misused for the purpose of hydrant / water bore illegally. Since the customer is reconnected illegally and using electricity, billing is carried out on Detection (DET) mode i.e. billing is being conducted against the theft reported.

19.9 Regarding the question that how is it possible for consumers to obtain electricity connections without paying a security deposit, KE submitted that consumers that have not paid security deposits, their connections were installed before 2005 (prior to privatization). Even if security deposit was to be collected, it would have been very minimal and insufficient to cover default risk. For connections, which are installed post privatization, either their security deposits are adjusted with long outstanding dues, or they never paid any dues since installation.

19.10 Regarding the complaint of Mr. Arif Bilwani against A/c No. 040034136837, KE submitted that this connection was installed in February 2020 and is situated at Jalalabad, Nazimabad. The said area is highly affected by illegal water bore mafia and different illegal water bore / hydrants activities are prevalent despite KE efforts to curb this illegal usage. IBC of the area has already informed all relevant departments to stop illegal hydrants including the connection specified above. Multiple disconnections have been made against this consumer, but these are illegally reconnected. Further, there have been instances where teams have been manhandled along with snatching and damaging cell phones of KE employees. At least 100 raids have been conducted in this area facing aggressive resistance and life-threatening circumstances. This is a heavily infested theft area and KE teams have conducted hook removal drives in this area numerous times and have made attempts to curb illegal theft of electricity. Three phase Illegal connection used for water bore (i.e. commercial activity) through an underground cable was reported by inspection team at this consumer's premises and load of the premises was assessed at 48.58 kW as internal / load survey of the premises was not allowed by this customer despite repeated requests. It is important to highlight that NEPRA in its decision May 07, 2024 in the matter of complaint filed by this consumer, also acknowledged illegal connection by this consumer. An amount of PKR

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2,792,049 has been claimed in write off in FY 2023 against this consumer. It is important to note that currently the total dues against the above-mentioned customer are PKR 7,579,265 (As at January 2025) and KE continues to make efforts including through disconnection and involvement of law enforcement agencies to recover its dues.

19.11 Regarding customer A/c No. 0400014757935 highlighted by Mr. Bilvani, KE submitted that no write off has been claimed against this connection. Regarding customer A/c No. 0400033902970, KE submitted that the customer is registered in the area of IBC Nazimabad and was initially registered in September 2019 under the category of A1-R (residential tariff hence the lower sanctioned load) and was later misused for the purpose of hydrant illegally. An amount of PKR 6,846,945 has been claimed in write off in FY 2023. It is important to note that currently the total dues against the above-mentioned customer are PKR 40,073,844 (As at Nov 2024) and KE continues to make efforts including through disconnection and involvement of law enforcement agencies to recover the dues. IBC of the area has already informed all relevant departments to stop illegal hydrants including the connection specified above. Multiple disconnections have been done again this consumer, but these are illegally reconnected. Further, there have been instances where teams have been manhandled along with snatching and damaging cell phone of KE employees. At least 100 raids have been conducted in this area facing aggressive resistance and life-threatening circumstances. This is heavily infested theft area and KE teams have been conducted hook removal drives in this area numerous times and have made attempts to curb illegal theft of electricity.

19.12 The submissions of JI, Mr. Bilvani and the reply of KE have been examined. Since the allegations call for further inquiry, the Authority has decided to examine the matter in detail and through separate proceedings addressing the concerns of the stakeholders. If it is established as a result of such proceedings that any bill(s)/connection(s) are bogus/fake, or KE has materially misrepresented in the instant write off claim, the amount allowed as write off, if any, on such bill(s)/connection(s) shall subsequently be recovered back from KE and appropriate adjustment shall be made in the tariff along with appropriate action against KE on account of misrepresentation.

20. ORDER

20.1 The Authority hereby approves Rs. 50,013 million on account of write offs pertaining to the billing of MYT 2017-2023 for K-Electric as full and final claim in line with the write off criteria stipulated in the Final Determination against write off claims of Rs. 76,033 million.

20.2 The Authority, while allowing the write offs is conscious of the fact that all possible efforts have already been made by K-Electric, as confirmed by the Auditors. However,

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in the interests of the consumers, KE is directed to continue to actively pursue the recovery of the maximum possible amount. In case a written off amount is subsequently recovered by KE, the benefit of such amount shall be passed on to the consumers in the immediate quarterly adjustments and KE shall be required to separately disclose this amount. KE shall also be required to submit certificate from its auditors each year, clearly mentioning the recovery of written off amounts, if any, pertaining to MYT 2017-2023.

21. NOTIFICATION

The above Order of the Authority shall be notified in the official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

Waseem Mukhtar	Engr. Rafique Ahmed Shaikh	Amina Ahmed	Engr. Maqsood Anwar Khan
Chairman	Member	Member	Member

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-362/K-Electric-2016/ 11297-99 July 23, 2025

The Manager
Printing Corporation of Pakistan Press (PCPP)
Khayaban-e-Suharwardi,
Islamabad

Subject: **NOTIFICATION REGARDING DECISIONS OF THE AUTHORITY**

In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997); enclosed please find herewith notification in respect of the following Decision of the Authority for immediate publication in the official Gazette of Pakistan:

S. No.	Decision	Issuance No. and Date
1.	Decision of the Authority in the matter of Write-Off Claims of K-Electric for **MYT 2017-2023**	7859-7863 05-06-2025

2. Please also furnish thirty five (35) copies of the Notifications to this Office after its publication.

Encl: 01 Notification

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)
Registrar

CC:
1. Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited, 73 East, AK Fazl-e-Haq Road, Block H, G-7/2, Blue Area, Islamabad
2. **Syed Mateen Ahmed**, Deputy Secretary (T&S), Ministry of Energy – Power Division, 'A' Block, Pak Secretariat, Islamabad