

**National Electric Power Regulatory Authority**

**NOTIFICATION**



Islamabad, the <sup>H</sup> day of August, 2025

S.R.O. 1463 (I)/2024.- 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 23, 2025 regarding Motion for Leave for Review filed by Islamabad Electric Supply Company Limited against its Multi Year Tariff Determination for the period FY 2023-24 to FY 2027-28 in Case No. NEPRA/TRF-607 & TRF-608/IESCO/MYT-2023.

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

  
(Wasim Anwar Bhinder)  
Registrar

**Decision regarding Motion for Leave for Review (MLR) filed by Islamabad Electric Supply Company (IESCO) against its MYT determination for the period FY 2023-24 to FY 2027-28.**

**Background**

1. The Authority determined tariff of Islamabad Electric Supply Company Limited (IESCO) under Multi Year Tariff (MYT) Regime, for the five-year period from FY 2023-24 to FY 2027-28, vide tariff determination dated 14.03.2024. The tariff so determined was subsequently notified by the Federal Government.
2. IESCO (hereinafter also referred to as "the Petitioner" or "Company"), being aggrieved with the decision, filed a Motion for Leave for Review (MLR, wherein, the Petitioner raised the following issues for consideration of the Authority;
  - i. Pay and Allowances
  - ii. Post Retirement Benefits
  - iii. Meter Cost in Repair and Maintenance
  - iv. Other O&M Expenses
  - v. Prior Year Adjustments
  - vi. Return on Rate Base (RORB)

**Proceedings:**

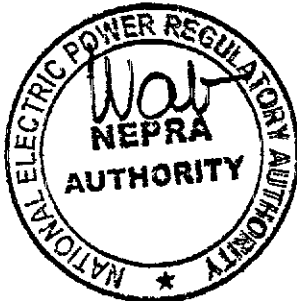
3. The MLR was admitted by the Authority. Since the prayer of the MLR, impacts the consumer end tariff, therefore, the Authority decided to conduct a hearing in the matter, to provide a fair opportunity to the Petitioner to present its case. The hearing was accordingly scheduled on 09.04.2025, at NEPRA Tower & through Zoom. Notices of hearing were issued to the relevant stakeholders. Hearing was held as per the schedule. During hearing, the Petitioner was represented by its Chief Executive Officer along-with its Technical and Financial Team.
4. The submissions made by the petitioner in the MLR and during the hearing are detailed below, along with the discussions on each point.

**Pay & Allowances**

- 4.1. The Petitioner submitted that the Authority allowed amount of Rs.12,342 million for the Pay & Allowances for FY 2023-24 but IESCO estimated expense for the FY 2023-24 is to Rs. 13,729 million. Therefore, Authority is requested that difference of Rs.1,387 million may please be allowed under this head.

**Post Retirement Benefits**

- 4.2. The Petitioner submitted that the Authority allowed amount of Rs 6,330 million for the Post Retirement Benefits for FY 2023-24 but IESCO estimated expense for the FY 2023-24 is



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amounting to Rs.10,891 million Therefore, Authority is requested that difference of Rs.4,561 million may please be allowed under this head.

**Repair & Maintenance Cost of Meters**

- 4.3. The Petitioner submitted that the Authority while determining the tariff of IESCO excluded cost of meters, while working out R&M expenses of the Petitioner for the FY 2023-24 and directed to capitalize all such costs, as part of their fixed assets, instead of expensing out the same. Accordingly, IESCO requested that amount of Rs.532 million in respect of meters replacement cost for FY 2022-23 may be allowed in the relevant head.

**Other O&M Expenses**

- 4.4. The Petitioner submitted that NEPRA has not allowed requested amount to IESCO under other O&M expense for the FY 2023-24, considering IESCOs' provisional accounts for the FY 2022-23. However, in actual/audited Financial Statements Rs.3,233 million has been booked for the FY 2022-23 under this head, and NEPRA has just allowed Rs. 3,296 million for the FY 2023-24, which is insufficient and without adjusted inflationary impact. Moreover, during FY 2023-24 amount of Rs.125 million approximately will be incurred under the head of Prime Minister Assistance Package (PMAP). Accordingly amount of Rs.775 million in addition to 3,296 million may be considered.

5. **Prior Years Adjustment**

**Depreciation**

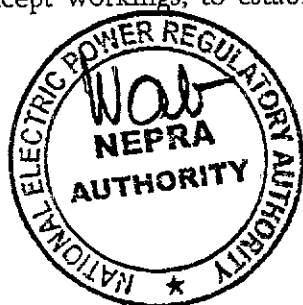
- 5.1. At para 27.15 of the decision NEPRA Authority has calculated over recovered Depreciation of FY 2020-21 as under:

Depreciation FY 2020-21	Rs.Million
Allowed	3,605
Actual	887
Under/(Over) Recovery	(2,718)

- 5.2. However, IESCO has calculated the over recovered Depreciation for FY 2020-21 as under;

Depreciation FY 2020-21	Rs.Million
Allowed	3,605
Actual	3,240
Under/(Over) Recovery	(365)

- 5.3. The Petitioner requested to adjust Rs. 2,353 million Depreciation for FY 2020-21 as PYA. The Petitioner further submitted that IESCO has shifted to revaluation model since 2009. However, since note of fixed assets are also shown on historical basis by adding additions during the year to prior cost in 2020 and 2021. This note was printed on carrying cost concept workings, to establish IESCOs stance was later produced which have not been



*note: 7*

considered by the Regulator. IESCO has requested its Auditors to issue a certificate for this matter to satisfy the Regulator. NEPRA is requested to allow depreciation charge on Historical values.

#### Return on Rate Base (RORB)

5.4. The Petitioner requested the Authority to adjust Rs.5,952 million for the RORB as PYA as detailed below;

RORB - IESCO			
	2019-20	2020-21	2021-22
Fixed Assets (OB)	84,402	94,466	101,923
Fixed Assets (Additional)	10,064	7,457	10,854
Fixed Assets (CB) - GFAIO	94,466	101,923	112,776
OP-Accumulated Depreciation	26,406	29,304	32,544
Add Depreciation For Year	2,898	3,240	3,543
CL-Accumulated Depreciation	29,304	32,544	36,087
Net Fixed Assets	65,162	69,378	76,689
Capital WIP (CB)	10,591	11,743	9,065
Net Fixed Assets including WIP	75,752	81,121	85,754
Deferred Credits	28,300	29,769	32,911
Total	47,452	51,352	52,844
Regulatory Asset Base		49,402	52,098
Regulatory Return (WACC)		11.94%	13.22%
RORB Calculated		5,899	6,887

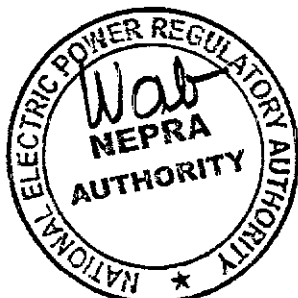
  

RORB		
	2020-21	2021-22
Actual/calculated Rs. (M)	5,899	6,887
Allowed Rs. (M)	3,008	3,827
Under/(Over) Rs. (M)	2,891	3,061

5.5. IESCO submitted that it is not utilizing the amount collected as security deposit for any other purpose and the profit earned thereon is annually deducted against the Distribution Margin and passed on to consumers. IESCO is fully complying the requirement of Section 217 Sub Section (1) & (2) of Companies Act, which stated that "no company or any of its officers or agents shall receive or utilize any money received as security or deposit, except in accordance with a contract in writing. The money so received shall be kept in a special account maintained by a company with a scheduled bank. IESCO is also complying Section 5.4 of NEPRA Consumer Service Manual (CSM) which stated that DISCOs shall maintain a separate bank account for the security deposits in accordance with the provisions laid down under Section 217 of the Companies Act 2017. DISCOs shall not utilize this amount for any of its purposes. The profit so received from this security deposit account shall be mentioned in the tariff petition for passing on the benefit to the consumers.

5.6. The amount collected under the head of receipt against deposit works is being spent for the purpose for which it is collected. The amount appearing under receipt against deposit works etc. pertains to connections which are in progress, awaiting installation but not yet installed and capitalized.

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5.7. It was further submitted that in IESCO there is no utilization of the money collected against deposit works and security deposits other than the works for which it has been received; therefore, there is no possibility of any illegal and unlawful act. For the FY 2022-23, there is no insufficient cash balance as on 30<sup>th</sup> June 2023, based on the data provided to NEPRA, against IESCOs' pending liability of receipt against deposit works and consumer security deposits. Hence there is no possibility that the amount received against the aforementioned heads has been utilized somewhere else.

5.8. Furthermore, IESCO is also facing the recovery by FBR through cohesive measures by framing different cases and creating demands against IESCO. An amount of Rs. 30,729 million has been taken away by Tax Authorities from 2011 to 30-06-2023. FBR also do not differentiate between various types of Bank Accounts, Capital Accounts and Consumer Security Deposits Accounts e.g., Deposit Works Accounts, and Consumer Security Deposits Account. etc.

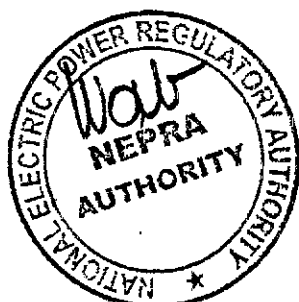
5.9. The same are then recouped from Revenue Account to give customers timely service which reduces IESCO paying capacity to CPPA-G resulting in huge charge of supplemental charges.

RORR - IESCO		
Description	2022-23	2023-24
Fixed Assets (t III)	104,445	124,003
Fixed Assets (Additional)	19,558	21,346
Fixed Assets (t II) - t I AR)	174,003	145,349
Accumulated Depreciation (t III)	36,087	40,282
Depreciation for the year	4,195	5,243
Accumulated Depreciation (t II)	40,282	46,126
Net Fixed Assets	83,721	99,223
Capital WIP (t II)	24,250	26,466
Net Fixed Assets including WIP	107,971	125,689
Deferred Credits	35,900	38,723
Total	72,070	86,966
Regulatory Asset Base	54,897	79,518
Regulatory Return (WACC)	13.22%	21.18%
RORR Calculated	7,257	16,838

5.10. The detail of cash/bank balances is as under:

Description	PKR Million
Balance of Receipt against Deposit works etc as on 30 <sup>th</sup> June 2023	20,759
Balance of Security Deposit as on 30 <sup>th</sup> June 2023	9,288
Total	30,047

Description	PKR Million
Cash & Bank Balances as on 30 <sup>th</sup> June 2023	17,829
Deposit works	1,146
Capital Contribution	9,928
Others	2,240
Security Deposit	4,515
Stores at Net Value	1,483
Total	19,292



*note 9*

- 5.11. The Petitioner submitted that CPPA-G is charging supplemental charges to IESCO based on late payment charges debited to CPPA-G on monthly basis by IPPs. IESCO on the other hand is not allowed to debit its late payment surcharges to GOAJK being a highly sensitive issue/policy matter although there is a huge default on monthly basis. NEPRA is therefore requested to allow supplemental charge to IESCO as per actual debited by CPPA-G in the light of provisions of Power Procurement Agency Agreement signed between IESCO and CPPA-G in June, 2015.

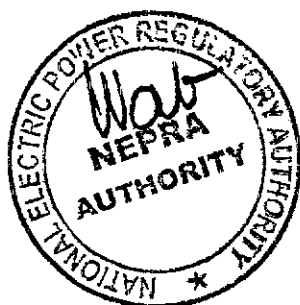
**Summary of Adjustments in the MLR**

Description	Rs. Million
DM	
Pay & Allowances	1,187
Post Retirement Benefits	4,561
Repair Cost of Meters	585
Other O&M	175
RORB	1,778
<b>PYA</b>	
Depreciation 2020-21	2,353
RORB 2020-21	2,891
RORB 2021-22	3,061
<b>TOTAL</b>	<b>17,391</b>
Units Determined (MkWh)	11,939
Per Unit Cost Rs.	1.4567

6. The Petitioner submitted to review the determination for the FY 2023-24 by adding amounting to Rs.17,391 million enabling IESCO to meet its revenue requirements.
7. The Authority has carefully considered the submissions of the Petitioner made in the MLR and during the hearing.
8. **Regarding Pay & Allowances**, the Authority observed that as per the MYT determination of IESCO, the Pay & Allowances being allowed are to be actualized, based on its audited accounts for the relevant year for its existing employees. Relevant extract of MYT determination is as under;

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

9. As per the Audited Accounts submitted by the Petitioner for the FY 2023-24, its Pay & allowances cost is Rs.13,718.645 million. Accordingly, in light of the MYT determination of the Petitioner, the Authority has decided to allow differential of Rs.1,377 million on account of Pay & Allowances for the FY 2023-24. The amount of Rs.1,377 million has been included as part of PYA in the annual adjustment/ indexation of the Petitioner for the FY 2025-26. .



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10. On the issue of Post Retirement benefits, the Authority observed that as per the MYT determination of IESCO, the Post Retirement Benefits for each year are to be actualized, based on its audited accounts for the relevant year. Relevant extract of MYT determination is as under;
- 14.10 Considering the fact that the Petitioner is obligated to pay to its pensioners, the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Authority has decided to actualize the post-retirement benefits cost of the Petitioner for the relevant year, based on its audited accounts. The impact of any such adjustment would allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.
11. As per the Audited Accounts submitted by the Petitioner for the FY 2023-24, its Post retirement benefits are Rs.10,833 million, as against the allowed amount of Rs.6,330 million. Accordingly, in light of the MYT determination of the Petitioner, the Authority has decided to allow differential of Rs.4,553 million on account of Post retirement benefits for the FY 2023-24. The amount of Rs.4,553 million has been included as part of PYA in the annual adjustment/ indexation of the Petitioner for the FY 2025-26.
12. Regarding Repair & Maintenance – Cost of Meter replacement, the Authority in the MYT determination of IESCO decided as under;
- 15.7 While going through the information of provisional amount of Repair & Maintenance expenses submitted by IESCO, it is noted that significant amount under head of Repair of Meter has been included in R&M cost. The Authority in the matter of other DISCOs also observed such significant amount under this head, which was excluded from the expenses and DISCO were directed to capitalize the said cost instead of expensing out. Based on the same analogy, the Authority has decided to exclude cost of meters, while working out R&M expenses of the Petitioner for the FY 2023-24. The Petitioner is directed to capitalize all such costs, as part of their fixed assets, instead of expensing out the same.
13. In light of the above determination and considering the fact that the cost is of CAPEX nature and needs to be capitalized, the Petitioner is directed to claim any cost on account of meter replacement as part of its Investment plan.
14. On the point of Other O&M expenses, the Authority in the MYT determination of IESCO decided as under;
- 16.2 The Authority noted that as per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through NCPI-X formulae for the whole tariff control period. Here it is pertinent to mention that the Petitioner itself has requested that all other expenses are increased by NCPI-X during the entire tariff control period including Repair & Maintenance. Accordingly, for assessment of Other O&M cost for pertaining to the FY 2023-24 (reference cost), the Authority, keeping in view the cost as per the provisional accounts of the Petitioner for the FY 2022-23, has decided to allow an



amount of Rs.3,296 million for the FY 2023-24, after incorporating the inflationary impact on Other O&M cost for the FY 2022-23. The said amount of Rs.3,296 million is being allowed for both the Distribution and Supply of Power function for the FY 2023-24.

15. To assess the claim of the Petitioner, its Audited accounts for the FY 2023-24 have been analyzed. As per the Audited accounts for FY 2023-24, the Petitioner's "Other O&M expenses", excluding management fee of PPMC, works out as Rs.3,011 million. Thus, the amount of Rs.3,296 already allowed to the Petitioner is sufficient rather in excess of its actual cost for the FY 2023-24. Therefore, the Authority has decided not to allow any additional amount under this head.
16. Here it is pertinent to mention that as per the MYT determination of IESCO, the RoRB adjustment mechanism provides that allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. Further, the variations on account of KIBOR are also required to be allowed on biannual basis. In view thereof, the RoRB cost allowed for the FY 2023-24, has been trued up, which resulted in downward adjustment of Rs.4,991. The said amount has been adjusted as part of PYA, in the annual adjustment/ indexation of the Petitioner for the FY 2025-26.

**Prior Years Adjustment**

17. On the point of depreciation for the FY 2020-21, the Authority noted that Petitioner was allowed depreciation as per its Audited Accounts for the Year. IESCO although has stated that, after Note of fixed assets in the accounts, the costs are also shown on historical basis by adding during the year addition to prior cost in 2020 and 2021. However, the Accounts for the FY 2020-21 do not provide any such Note. Further, the Petitioner mentioned to also obtain a certificate from its Auditor in this regard, but no such certificate has been submitted to-date. In view thereof, the Authority has decided to maintain its earlier decision and no additional amount on account of depreciation is being allowed to the Petitioner for the FY 2020-21. However, if the Petitioner provides the Auditor certificate, providing details of actual depreciation for the FY 2020-21 on historical cost basis, the Authority may consider the matter in light of the certificate.
18. On the issue of RoRB pertaining to FY 2020-21, the RAB of the Petitioner has been reworked based on restated audited accounts for the FY 2020-21. The revised RoRB of the Petitioner for FY 2020-21 works out as Rs.3,507 million as compared to the already worked out amount of Rs.3,008 million. Accordingly, the Authority has decided to allow the differential of Rs.499 million, which has been included as part of PYA in the annual adjustment/ indexation of the Petitioner for the FY 2025-26.
19. Similarly, for FY 2021-22, the RAB of IESCO has been reworked based on Audited accounts for the FY 2021-22. The revised RoRB of the Petitioner for FY 2021-22 works out as Rs.4,088 million as compared to the already worked out amount of Rs.3,827 million. Accordingly, the Authority has decided to allow the differential of Rs.261 million, which has been included as part of PYA in the annual adjustment/ indexation of the Petitioner for the FY 2025-26.



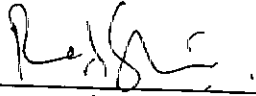
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*Decision of the Authority in the matter of motion for leave for review  
filed by IESCO against its MYT determination of the Authority dated 14.03.2024*

20. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31 of the NEPRA Act, 1997.

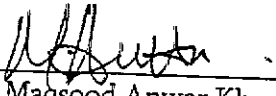
**AUTHORITY**



Rafique Ahmed Shaikh  
Member



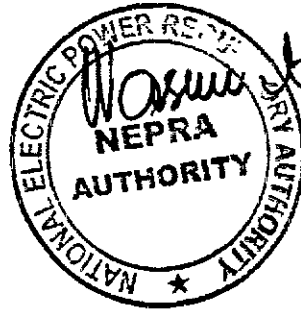
Amina Ahmed  
Member



Engr. Maqsood Anwar Khan  
Member



Waseem Mukhtar  
Chairman





REGISTRAR

**National Electric Power Regulatory Authority**  
**Islamic Republic of Pakistan**

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No. NEPRA/TRF-100/Notifications/ 11843-45

August 05, 2025

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

Subject: **NOTIFICATION REGARDING ORDERS 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 notifications in respect of the following Decisions of the Authority as detailed below for immediate publication in the official Gazette of Pakistan:

S. No.	Decision	Issuance No. and Date
1.	Decision of the Authority regarding Motion for Leave for Review filed by Lahore Electric Supply Company Limited against its Multi Year Tariff Determination for the period FY 2023-24 to FY 2027-28	9251-9257 23-06-2025
2.	Decision of the Authority regarding Motion for Leave for Review filed by Islamabad Electric Supply Company Limited against its Multi Year Tariff Determination for the period FY 2023-24 to FY 2027-28	9259-9265 23-06-2025

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

Encl: 02 Notifications

  
(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