Government of Pakistan
Ministry of Energy
****

Islamabad, the 13th January, 2026.

NOTIFICATION

S.R.O. 48(I)/2026. - In pursuance of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the Federal Government is pleased to direct that the following further amendments shall be made in its notification No. S.R.O. 382(I)/2018 dated the 22nd day of March, 2018 as amended from time to time, namely:-

2. In the aforesaid notification, the Schedule Of Electricity Tariffs determined by National Electric Power Regulatory Authority (the **"Authority"**), inclusive of GoP Tariff Rationalization, of Peshawar Electric Supply Company (PESCO), is substituted with the final tariff dated 12th January, 2026, intimated by the Authority, based on uniform tariff determined by the Authority in terms of sub-section (4) of section 31, both of which the Federal Government is pleased to notify as Annex-A-1, Annex-B-1, Annex-A, Annex-B in terms of sub-section 7 of section 31 of the Act. Provided that any modification in the targeted subsidy shall accordingly be reflected in the applicable variable charge specified in Annex-A-1, Annex-B-1 from time to time.

3. Furthermore, the National Electric Power Regulatory Authority decisions dated 7th January, 2026 in respect of PESCO and decision of power purchase price determination dated 7th January, 2026, is also hereby notified.

4. This notification shall come into force on and from the 1st day of January, 2026.

S. Matin

(Syed Mateen Ahmed)
Deputy Secretary (T&S)
Ministry of Energy
(Power Division)

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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

No. NEPRA/R/ADG(Trf)/TRF-100/ 1004-23 January 12, 2026

Subject: **DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE FEDERAL GOVERNMENT UNDER SECTION 7 AND 31(7) OF THE NEPRA ACT 1997 (THE ACT) READ WITH THE RULE 17 OF NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 (THE RULES) WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 18 Pages). The instant Decision including **Annex-A & A-1, B & B-1 and C** is intimated to the Federal Government for notification in terms of Section 31(7) of the Act.

2. Further, the Federal Government while notifying the instant Decision, shall also notify the individual Decisions of the Authority issued in the matter of each XWDISCO along with Decision of Power Purchase Price (PPP) Forecast for the CY 2026 dated 07.01.2026.

Enclosure: As above

(Wasim Anwar Bhinder)

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

Copy to:

Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad	Mr. Shehriyar Abbasi, Deputy Secretary Cabinet Division, Cabinet Secretariat, Islamabad
Secretary, Energy Department, Government of Punjab, 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore	Secretary, Energy Department, Government of Sindh, 3rd Floor, State Life Building No. 3, Opposite CM House, Dr. Zai-ud-din Ahmad Road, Karachi
Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, First Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar	Secretary, Energy Department, Government of Balochistan, Civil Secretariat, Zarghoon Road, Quetta
Secretary, Water & Power, Government of Gilgit Baltistan, Near Kara Kuram International University, Gilgit	Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad

Chief Executive Officer, Hazara Electric Supply Company (HAZECO), 426/A, PMA Link Road, Jinnahabad Abbottabad	Chief Executive Officer, Sukkur Electric Power Company Ltd. (SEPCO), SEPCO Headquarters, Old Thermal Power Station, Sukkur
Chief Executive Officer, K-Electric Limited (KEL), KE House, Punjab Chowrangi,, 39 – B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi	Chief Executive Officer, Hyderabad Electric Supply Company Ltd. (HESCO), WAPDA Water Wing Complex, Hussainabad, Hyderabad
Chief Executive Officer, Tribal Areas Electric Supply Company Ltd. (TESCO), 213-WAPDA House, Shami Road, Sakhi Chashma, Peshawar	Chief Executive Officer, Peshawar Electric Supply Company Ltd. (PESCO), WAPDA House, Sakhi Chashma, Shami Road, Peshawar
Chief Executive Officer, Islamabad Electric Supply Company Ltd. (IESCO), Street No. 40, G-7/4, Islamabad	Chief Executive Officer, Faisalabad Electric Supply Company Ltd. (FESCO), Abdullahpur, Canal Bank Road, Faisalabad
Chief Executive Officer, Gujranwala Electric Power Company Ltd. (GEPCO), 565/A, Model Town G.T. Road, Gujranwala	Chief Executive Officer, Lahore Electric Supply Company Ltd. (LESCO), 22-A, Queen's Road, Lahore
Chief Executive Officer, Multan Electric Power Company Ltd. (MEPCO), Complex, WAPDA Colony, Khanewal Road, Multan	Chief Executive Officer, Quetta Electric Supply Company Ltd. (QESCO), 14-A Zarghoon Road, Quetta

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE FEDERAL GOVERNMENT UNDER SECTION 7 AND 31(7) OF THE NEPRA ACT 1997 (THE ACT) READ WITH RULE 17 OF THE NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 (THE RULES) WITH RESPECT TO RECOMMENDATION OF THE CONSUMER END TARIFF

1. NEPRA determined annual tariff adjustments / indexation and Multi Year Tariffs of XWDISCOs, for the CY 2026 vide decisions dated 07.01.2026. In addition, the Authority also determined Power Purchase Price forecast for the CY 2026 vide decision dated 07.01.2026. A summary of the component wise revenue requirement of each XWDISCO determined by the Authority, for CY 2026, is reproduced hereunder;

		CY 2026 (Distribution + Supply) functions Revenue Requirement											
Description	Units	IESCO	LESCO	FESCO	GEPCO	MEPCO	PESCO	HESCO	QESCO	SEPCO	TESCO	HAZECO	Total
Units Received	GWh	12,398	25,606	15,836	12,063	18,427	10,373	5,486	4,750	3,995	1,554	3,094	113,582
Units Sold	GWh	11,494	23,440	14,597	10,995	16,337	8,375	4,523	4,094	3,344	1,416	2,618	101,234
Units Lost	GWh	904	2,166	1,239	1,068	2,090	1,998	963	656	652	138	476	12,348
T&D Losses	%	7.29%	8.46%	7.82%	8.85%	11.34%	19.26%	17.55%	13.81%	16.31%	8.89%	15.39%	10.87%
Energy Charge	Rs. Mln	100,987	208,268	128,641	98,017	149,524	84,420	44,484	38,857	32,325	12,735	25,301	923,558
Capacity Charge	Rs. Mln	164,662	381,769	236,947	188,143	290,152	159,583	112,729	95,008	65,055	42,013	41,291	1,777,453
Transmission & MOF	Rs. Mln	20,681	47,921	29,413	23,787	36,665	19,718	13,960	11,569	8,251	5,095	5,082	222,144
Power Purchase Price	Rs. Mln	286,329	637,958	395,002	310,048	476,341	263,722	171,173	145,434	105,631	59,842	71,674	2,923,154
Pay & Allowances	Rs. Mln	16,380	30,670	20,467	17,310	20,353	13,869	10,832	7,921	7,073	1,355	1,833	148,062
Post Retirement Benefits	Rs. Mln	11,047	22,126	20,716	11,205	27,291	14,043	6,425	3,916	6,542	698	988	124,997
Repair & Maintenance	Rs. Mln	2,625	3,000	1,296	3,561	2,039	1,543	2,839	1,603	1,446	391	137	20,481
Traveling allowance	Rs. Mln	641	772	643	446	1,026	216	377	308	432	46	34	4,943
Vehicle maintenance	Rs. Mln	1,116	2,169	1,095	1,261	742	325	689	558	289	82	11	8,314
Other expenses	Rs. Mln	2,579	3,437	2,256	1,141	3,751	1,877	1,300	959	1,887	108	69	19,226
O&M Cost	Rs. Mln	34,388	62,174	46,473	34,924	55,201	31,873	22,461	15,266	17,669	2,681	2,913	326,021
Depriciation	Rs. Mln	5,981	6,728	6,615	5,339	9,195	3,328	1,845	1,953	1,894	710	803	44,393
RORB	Rs. Mln	14,390	10,752	12,807	10,204	10,704	7,078	13,495	6,001	9,284	2,504	707	97,924
O.Income	Rs. Mln	(8,281)	(12,600)	(7,313)	(4,565)	(8,535)	(6,111)	(1,333)	(1,978)	(2,665)	(728)	(652)	(54,760)
Total Distribution/Supply Margin	Rs. Mln	46,478	67,054	58,582	45,902	66,565	36,168	36,469	21,242	26,182	5,166	3,771	413,579
Prior Year Adjustment	Rs. Mln	(4,209)	(971)	16,974	22,420	8,794	15,745	(297)	5,561	2,120	5,443	(7)	71,572
Revenue Requirement	Rs. Mln	328,598	704,041	470,558	378,369	551,699	315,635	207,345	172,237	133,934	70,452	75,437	3,408,305
Working Capital	Rs. Mln	(4,493)	(4,260)	(3,831)	(1,868)	(4,538)	(3,187)	(1,821)	(2,797)	(603)	(1,036)	(565)	(28,998)
Net-Revenue Requirement net of W.C	Rs. Mln	324,106	699,781	466,727	376,501	547,161	312,448	205,524	169,441	133,331	69,416	74,872	3,379,308
Avg. Tariff with Working Capital	Rs./kWh	28.20	29.85	31.97	34.24	33.49	37.31	45.44	41.38	39.88	49.03	28.60	33.38

2. The said decisions were intimated to the Federal Government, for filing of the uniform tariff application, in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter, "**the Act**"). The Federal Government was also requested to notify these decisions in terms of Section 31 of the NEPRA Act, while notifying the uniform tariff application decision of the Authority.

3. In response, the Ministry of Energy (MoE), Power Division (hereinafter, "MoE (PD)" or "the Petitioner"), vide letter No. Tariff/MYT 2025-26 dated 08.01.2026, filed Motion with respect to the recommendation of consumer end tariff for XWDISCOs and K-Electric for the CY 2026, under section 7 & 31 of the Act, read with Rule 17 of the NEPRA Tariff (Standards and Procedure) Rules, 1998 (hereinafter, "**the Rules**").

4. The MoE (PD) in its Motion stated that National Electricity Policy, 2021 (hereinafter, "**the Policy**") approved by the Council of Common Interests, provides under Clause 5.6.1 that the financial sustainability of the sector is premised on the recovery of full cost of service, to the extent feasible, through an efficient tariff structure, which ensures sufficient liquidity in the

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sector' and under Clause 5.6.4 states that in due course, financial self-sustainability will eliminate the need for Government subsidies (except for any subsidies for lifeline, industry or agriculture consumers, as per prevailing Government considerations). The Policy further states that in view of various parameters, including (a) the socio-economic objectives; (b) budgetary targets in field; and (c) recommendations of the Regulator with respect to consumer-end tariff for each State-Owned Distribution company, the Government may continue to propose uniform tariff across the consumers and regions. In pursuance thereto, the Regulator shall, in consumer interest, determine a uniform tariff (inclusive of quarterly adjustments) for all the State-Owned Distribution companies.

5. The MoE (PD) also stated that Section 31 (4) of the Act provides that the Authority shall, on the basis of uniform tariff application, determine a uniform tariff for public sector licensees, engaged in supply of electric power to consumers, in the consumer's interest, on the basis of their consolidated accounts. Accordingly, the Authority has been determining the uniform tariff to be charged from the consumers, including the impact of targeted subsidy and inter DISCO tariff rationalization / cross-subsidies, under the Act. The latest uniform tariff in field for XWDISCOs was determined by the Authority through its determination dated July 1, 2025 and was notified vide SRO 1157 to 1167 (I)/2025 dated July 1, 2025.

6. It was also mentioned that the Federal Government considered the schedules of tariff recommended by NEPRA for each XWDISCO for all categories of consumers dated 07.01.2026, and decided that as per the Policy, the uniform tariff should be made applicable per the provisions of section 31 (4) of the Act. Accordingly, the uniform tariff, being reflective of economic and social policy of the Federal Government and based on the consolidated revenue requirement approved and determined by the Authority for XWDISCOs (owned and controlled by the Federal Government), has been submitted for consideration and approval by the Cabinet on 08.01.2026 and in anticipation of the approval, the same is submitted to the Authority for consideration in terms of Section 31 of the Act along with the targeted tariff differential subsidy.

7. It has further been stated that inter-distribution companies' tariff rationalization is not aimed at raising any revenues for the Federal Government, as it is within the determined revenue requirements of the XWDISCOs consolidated in the terms of section 31 (4) of the Act. The tariff rationalization enables the fulfilment of the parameters set forth in the Constitution as well as the Policy. Once considered and approved, the same will lead to determination of "uniform final tariff", in terms of section 31 (7) of the Act, for notification by the Federal Government with effect from 01.01.2026, to the extent of modification of existing rates notified via SRO.1157 to 1167 (I)/2025 dated 01.07.2025, read in conformity with earlier issued applicable notifications.

8. Further, in accordance with the Policy, the Federal Government may maintain a uniform consumer-end tariff for K-Electric and State-Owned Distribution companies (even after privatization) through incorporation of direct / indirect subsidies. Accordingly, the Federal Government's applicable tariff for K-Electric consumers will also be consistent with the

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proposed uniform national tariff of XWDISCOs. The same has been also submitted for approval of the Federal Government and in anticipation of the approval, the same is submitted to the Authority for consideration in terms of the provisions of the Act.

9. In light of the above, instant Motion has been filed by the Federal Government with respect to Consumer End Tariff Recommendations of XWDISCOs under section 7 and 31 of the Act read with Rule 17 of the Rules, so as to reconsider and issue the uniform schedule of tariff of XWDISCOs, by incorporating targeted subsidy and, inter distribution companies tariff rationalization pursuant to guidelines for the category of each of NEPRA determined notified rate (inclusive of subsidy/tariff rationalization surcharge/ inter disco tariff rationalization).

10. Further the Motion is also being filed with respect to Federal Government's applicable Consumer End Tariff Recommendations for K-Electric consumers, under section 7 and 31 of the Act read with Rule 17 of the Rules, so as to maintain uniform tariff across the country. The Authority is requested to issue revised Federal Government's applicable Schedule of Tariff for K-Electric Consumers to be notified with effect from 01.01.2026 in the official gazette by way of modification in SRO No 575(I)/2019 as modified from time to time.

11. Subsequently, the MoE (PD), vide letter dated 12.01.2026 conveyed the decision of the Cabinet, vide case No.7/Rule-19/2026/22 dated 11.01.2026, whereby the Cabinet approved the proposals as under;

    a. Approve the uniform tariff of XWDISCOs, owned and controlled by the Federal Government, being reflective of economic and social policy of the Federal Government and based on the consolidated revenue requirement approved and determined by NEPRA for XWDISCOs (inclusive of targeted subsidy and inter-distribution companies tariff rationalization).

    b. Authorize Power Division for submitting reconsideration / uniform tariff application request to NEPRA in terms of section 31 of the Act.

    c. Authorize Power Division to notify the uniform tariff so determined by NEPRA and recommended by it as "final tariff", Power Purchase Price decision dated 07.01.2026 and XWDISCOs determination dated 07.01.2026 for notification in the official gazette, with effect from 01.01.2026 to the extent of modification of existing rates notified via SRO 1157 to 1167 (I)/2025 dated 01.07.2025, read in conformity with earlier issued applicable notifications.

    d. Approve the application of Federal Government's applicable rate as mentioned for K-Electric consumers by way of tariff rationalization in order to maintain uniform tariff across the country with effect from 01.01.2026.

    e. On the same pattern of XWDISCOs, authorize Power Division to approach NEPRA for issuance of Schedule of Tariff for K-Electric consumers to extent of Federal Government's applicable rates only and upon approval of NEPRA, the same may be notified with effect from 01.01.2026, in the official gazette by way of modification to the extent of Ferenal Government's applicable rates in SRO No. 575 (I)/2019 as modified from time to time.

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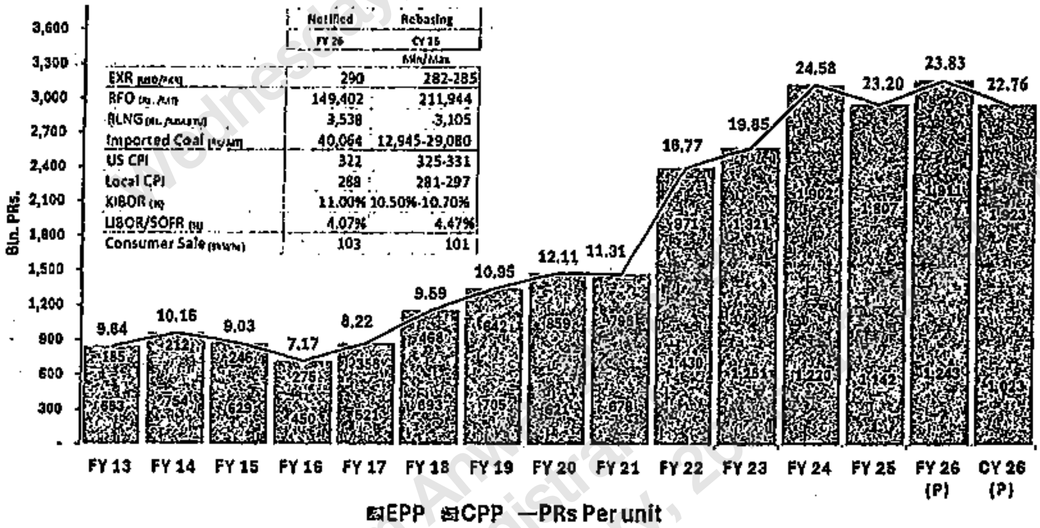
12. The Authority, in order to provide a fair opportunity to the Federal Government to present its case and other relevant stakeholders, decided to conduct a hearing in the matter which was scheduled on 12.01.2026 at NEPRA Tower Islamabad along with ZOOM. Notice of hearing was published in newspapers on 09.01.2026 and also uploaded on NEPRA website along-with copy of Motion filed by the MoE (PD).

13. The hearing was held as per the schedule on 12.01.2026, wherein the Federal Government was represented by Additional Secretary, MoE (PD), along-with team from PPMC and CPPA-G. Representatives from XWDISCOs, K-Electric, media, Industry, and general public were also present during the hearing.

14. The MoE (PD) during the hearing reiterated its submissions made in the Motion and also presented briefly on tariff mechanism and how each component of the tariff is adjusted through periodic adjustments such as FCA, QTA and annual adjustment/indexations. It submitted that base tariff is an indicative tariff and the consumers pay the delta between the base tariff and the actual costs through monthly and quarterly adjustments.

15. The MoE (PD) presented the following comparison of PPP (excluding UoSC) and its break-up in terms of EPP and CPP over the years.



16. It was explained that over the years, determined unit sales have gone down from 113 bkWh in FY 2023 to projected 101 bkWh in CY 2026, primarily due to influx of solar net metering and off-grid solar. The capacity of net metering and off-grid solar has increased to 6,539 MW and 12,629 MW (as per the study carried out by PPMC) respectively, which has an impact of around Rs.3.5/kWh on grid rates.

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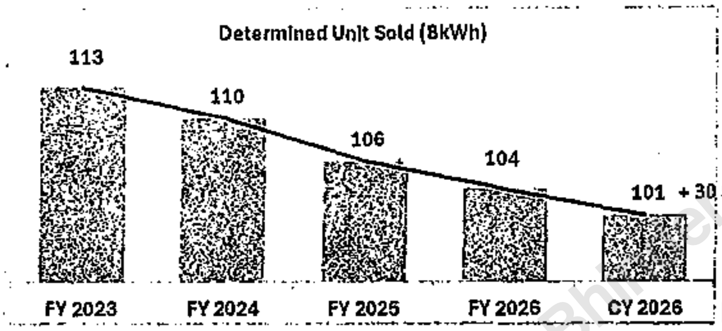

Net-Metering Solar	6,539 MW
Off-Grid Solar	12,629 MW

17. The MoE (PD) further stated that total revenue requirement of XWDISCOs for the CY 2026, as determined by NEPRA, has decreased by Rs.142 billion, as compared to FY 2025-26, resulting in reduction of Rs.0.62/kWh in the average base tariff for the CY 2026. While explaining the reasons, the MoE (PD) highlighted that major reason for reduction in average rate is decrease in the Power Purchase Price (PPP) for the CY 2026, as compared to FY 2025-26, as detailed below;

	FY 26		CY 26		Change
Units Received (BkWh)	116.40		113.58		
Units Sold (BkWh)	103.56		101.23		
T&D Losses (%)	11.04%		10.87%		
	Bln	/Unit	Bln	/Unit	/Unit
Energy Charge	1,125	10.87	924	9.12	(1.74)
Capacity Charge	1,766	17.06	1,777	17.56	0.50
UoSC	174	1.68	222	2.19	0.51
Generation Cost	3,066	29.61	2,923	28.88	(0.73)
Distribution Margin	396	3.82	414	4.09	0.26
Prior Year Adjustments	59	0.57	72	0.71	0.14
Revenue Requirement	3,521	34.00	3,408	33.67	(0.33)
Working Capital	-	-	(29)	(0.29)	(0.29)
Net Revenue Requirement	3,521	34.00	3,379	33.38	(0.61)

18. The MoE (PD) explained that although average tariff has been reduced by Rs.0.62/kWh, however, the reduction in tariff has been eaten up by change in sales mix, as the quantum of subsidized consumers has increased exponentially from 9.5 million consumers in FY 2022 to 20.71 million consumers, as of June 2025. With this shift, the consumption for such subsidized consumers has also increased from 8,527 MKWhs in FY 2020-21 to 19,711 MKWhs as of June 2025, as mentioned below;

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	FY2022				CY2026			
	Total Consumers (Oct-21)		DISCOs Units		Total Consumers (Jun-25)		DISCOs Units	
	Nos	%	MkWh	%	Nos	%	MkWh	%
Up to 50 Units - Life Line	1,346,058	5%	357	1%	1,339,127	4%	413	1%
51-100 units - Life Line	288,126	1%	1,298	2%	487,298	1%	393	1%
01-100 Units	5,007,591	18%	3,014	6%	7,307,992	22%	15,007	29%
101-200 Units	2,901,721	10%	3,858	7%	11,574,126	34%	3,898	8%
	9,543,496	34%	8,527	16%	20,708,543	61%	19,711	38%

19. The MoE (PD) also submitted that despite this change in sales mix, the Federal Government has decided to maintain the existing applicable tariff for each category of consumers, and out of total determined revenue requirement of Rs.3,379 billion, an amount of Rs.248 billion, would be picked up by the Federal Government as subsidy, as detailed hereunder:

	Consumers		Units	GoP Variable			GoP Fixed				Subsidy	
				Jul-25	Jan-26	Change	Jul-25		Jan-26		CY 26	
	Nos	%	MkWh	Rs./kWh			Rs./Con/M	Rs./kW/M	Rs./Con/M	Rs./kW/M	Bln Rs.	
Up to 50 Units - Life Line	849,869	2%	413	3.95	3.95		0	0	0	0	13	614 Bln
51-100 units - Life Line	533,271	1%	393	7.74	7.74		0	0	0	0	11	
01-100 Units (Protected)	7,640,109	20%	15,007	10.54	10.54		0	0	0	0	384	
101-200 Units (Protected)	12,530,378	32%	3,898	13.01	13.01		0	0	0	0	90	
01-100 Units	913,496	2%	3,003	22.44	22.44	-	0	0	0	0	41	
101-200 Units	1,481,312	4%	6,479	28.91	28.91	-	0	0	0	0	47	
Non-Prot. 201-300	5,632,066	15%	9,083	33.10	33.10	-	0	0	0	0	27	
Non-Prot. > 300 & ToU	4,694,365	12%	13,399	41.10	41.10	-	200 - 1000	0	0	200 - 1000	(93)	
Domestic	34,274,866	89%	51,675	25.54	25.54	-					521	629 Bln
Commercial	3,523,456	9%	7,929	37.36	37.36	-	1000	1250	1000	1250	(90)	
General Services	228,309	1%	3,486	42.48	42.48	-	1000	0	1000	0	(35)	
Industrial	301,384	1%	25,248	29.34	29.34	-	1000	1250	1000	1250	(102)	
Bulk	2,698	0.01%	3,198	38.22	38.22	-	2000	1250	2000	1250	(45)	
Agricultural	261,607	1%	6,501	28.99	28.99	-	0	400	0	400	15	15 Bln
Others	10,781	0%	3,198	29.02	29.02	-	2000	1250	2000	1250	(16)	
National	38,603,101	100%	101,234	28.73	28.73	-			Subsidy Required		248	

20. Various commentators during the hearing, raised their concerns about the proposed increase in tariff by the MoE (PD). Written comments were also received from Mr. Rehan Javed, an industrial user from Karachi. A summary of the written comments from the commentators are as under;

✓ **Selective and Discriminatory Application of Base Tariff Reduction**

The recently approved PKR 0.62 per unit reduction in base tariff has not been passed on to industrial consumers. This selective withholding is unjustified and discriminatory. When base costs decline, relief must flow uniformly.

✓ **Excessive and Unsustainable Industrial Cross-Subsidy**

Industrial tariffs continue to carry an estimated PKR 5–7 per unit cross-subsidy. This policy-driven burden has rendered Pakistani industry regionally uncompetitive. Removal of this cross-subsidy would immediately reduce tariffs to 9–10 US cents per unit, restoring competitiveness and supporting exports. Continuing this approach while seeking export growth reflects a policy contradiction.

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- ✓ **Misuse of Uniform Tariff Concept**

  Uniform tariff is being used to conceal inefficiencies rather than correct them. Costs are being socialized upward through industrial tariffs instead of addressing DISCO inefficiencies.

- ✓ **Structurally Flawed Industrial Tariff Design**

  The tariff structure ignores the distinction between 8-hour and 24-hour industrial operations. Continuous industries improve load factor and grid stability, yet receive no recognition. Failure to rationally structure B2, B3, and B4 categories discourages efficient demand behavior.

- ✓ **Penalization of Higher Voltage Consumers**

  Higher voltage B3, B4 consumers are charged equal or higher tariffs despite imposing lower system costs through reduced losses and infrastructure use. This violates cost-of-service principles, discourages efficiency, and perpetuates higher system losses.

- ✓ **Absence of Demand-Side Strategy**

  Despite surplus capacity and rising capacity payments, there is no credible strategy to sell electricity as a product. Tariff design suppresses demand and accelerates grid exit. Without correction, grid hollowing will continue.

- ✓ Mr. Rehan Javed, during the hearing, reiterated his written comments.

- ✓ APTMA submitted that the inclusion of cross-subsidy in the off-peak tariff for B3 and B4 industrial consumers renders the tariff uncompetitive in international markets. It was contended that electricity tariffs in competing regional and global markets range between 5 to 9 US cents per kWh, whereas the prevailing industrial tariff in Pakistan stands at approximately 12.90 US cents per kWh, as submitted by the Ministry of Energy. APTMA further submitted that protected residential consumers are being heavily subsidized, the burden of which is being cross-subsidized by industrial consumers.

- ✓ Mr. Aamir Sheikh, Mr. Rehan Javed, Mr. Asim Riaz, and Mr. Arif Bilwani opposed the continuation of cross-subsidy being borne by industrial consumers. They submitted that a rationalized and lower industrial tariff would enable industries to expand operations, enhance export competitiveness, and generate employment. It was further argued that industrial growth would indirectly uplift low-consumption residential consumers through increased economic activity, while simultaneously reducing the fiscal burden of subsidies borne by the Federal Government.

- ✓ Mr. Arif Bilwani also requested that the peak and Off-peak rates should be abolished to the extent of industry.

- ✓ Mr. Aamir Sheikh further submitted that a reduction in the reference tariff on account of PPP could potentially lead to positive periodic adjustments, thus leading to increase in industrial tariff.

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- ✓ Mr. Asghar Khattak submitted that effective CD management remains critical and emphasized that improved governance and utilization of funds recovered through the PHL surcharge could help alleviate reliance on cross-subsidization by industrial consumers.
- ✓ Mr. Rehan Javed also submitted that as per CD report for September 2025, there is a loss of Rs. 87 billion on account of losses and Rs 84 billion on account of under recovery by XWDISCOs from July to September 2025. He further added that CD is being paid by the consumers through DSS of Rs 3.23 /kWh, which should not have been there if the tariff setting was appropriate and power sector was performing better.

21. The MoE (PD) provided its written response on the comments submitted in writing as well as raised during the hearing by stakeholders are as under;

✓ **Selective and Discriminatory Application of Base Tariff Reduction**

There is no change in base tariff of any consumer category / slab, therefore there is no selective or discriminatory treatment with industries. The reduction in NEPRA rate has been absorbed by a substantial change in domestic consumer mix towards low-tariff protected class. Accordingly, the national average applicable rate has also been decreased by Rs. 0.66/unit.

✓ **Excessive and Unsustainable Industrial Cross-Subsidy**

NEPRA has determined the tariff of all categories / slabs at their cost of service. Accordingly, the true picture reflects industrial cross subsidy of Rs. 4/unit. Since June 2024, the industrial cross subsidy burden has already been reduced by Rs. 123 billion. The Federal Government is making further efforts to reduce the cross-subsidy burden from industrial sector gradually.

✓ **Misuse of Uniform Tariff Concept**

The uniform tariff is designed to ensure national tariff equity and system stability while comprehensive reforms are undertaken to address DISCO inefficiencies through stricter performance benchmarks, enhanced regulatory oversight, loss-reduction targets, and governance improvements. The Federal Government remains committed to protecting industrial competitiveness and to transitioning toward a tariff regime where efficiency gains are transparently reflected and inefficiencies are systematically eliminated.

✓ **Structurally Flawed Industrial Tariff Design & Penalization of Higher Voltage Consumers**

The tariff for B4 industrial category is lower than the B3 industry which is again lower than the B2 industrial consumers, taking into account both variable and fixed charges, which is in line with the efficiency economic principles.

✓ **Absence of Demand-Side Strategy**

The rapid growth of behind-the-meter solar and net metering has altered electricity demand patterns, creating a gap between available generation capacity and grid-based demand. To address this imbalance, multiple demand-stimulation initiatives are being

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implemented, including an incremental incentive package aimed at enhancing demand and optimizing the utilization of surplus capacity.

22. The Authority has thoroughly examined the submissions made in the Motion, comments of the stakeholders and available record and noted that as per the section 31(4) of the Act, the Authority has been mandated to determine a uniform tariff as reproduced below;

31. Tariff. - (4) Subject to sub-sections (2) and (3), the Authority shall, on the basis of uniform tariff application, determine a uniform tariff for public sector licensees, engaged in supply of electric power to consumers, in the consumer's interest.

23. Further, the Policy under Clause 5.6.3 states that the Regulator shall in public consumer interest, determine a uniform tariff (inclusive of quarterly adjustments) for all the state-owned distribution companies. Additionally, Government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies.

24. The Authority also observed that the Petitioner in its Motion and also during the hearing has submitted that inter disco tariff rationalization is not aimed at raising any revenues for the Federal Government as it is within the determined consolidated revenue requirement of all the XWDISCOs for the CY 2026, rather the Federal Government would be providing a subsidy of around Rs.248 billion to different consumer categories during the period.

25. In light of the above and keeping in view of the relevant provisions of Act & Policy and the fact that the uniform tariff proposed by the Federal Government is within the determined consolidated revenue requirement of all the XWDISCOs for the CY 2026, the Authority has no objection in approving the Motion.

26. In view of the aforementioned discussion, the Authority has determined uniform tariff as required under section 31(4) of the Act, which is attached herewith as **Annex-A & A-I.** The Uniform Tariff so determined by the Authority includes impact of PYA of Rs.71.572 billion, to be passed on in a period of twelve months from the date of notification of the instant decision. Therefore, after a period of one year from the date of notification of the instant decision, the uniform tariff after excluding the impact of PYA is attached herewith as **Annex-B & B-I,** which would become applicable. For K-Electric, the applicable uniform tariff is attached as **Annex-C.**

27. Here it is pertinent to mention that the MoE (PD) has submitted to apply the tariff for both XWDISCOs and K-Electric consumers w.e.f. 01.01.2026. The Authority understands that NEPRA determined the revenue requirement / tariff for XWDISCOs for the CY 2026 i.e. January to December. If the tariff is not notified w.e.f. 1st January, it may result in under/over recovery of the allowed revenue requirement which would be adjusted in the next year's tariff as prior year adjustment. Therefore, in line with section 31(3)(a) which states that tariffs should allow licensee the recovery of any and all costs prudently incurred to meet the demonstrated needs of their customers, it would be appropriate to charge the tariff with effect from 1st January for the relevant year. The Authority thus, agrees with the request of the MoE (PD) to apply the tariff w.e.f. 01.01.2026.

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28. The Federal Government while notifying the instant decision, shall also notify the individual decisions of the Authority issued in the matter of each XWDISCO along-with decision of Power Purchase Price (PPP) forecast for the CY 2026, dated 07.01.2026.

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

Annex-A

	Description	Fixed Charges NEPRA Rs. / Cons. / Month	Fixed Charges NEPRA Rs. / kW / Month	Variable Charges (Rs./kWh) NEPRA Determined Tariff PESCO	HESCO	GEPCO	QESCO	MEPCO	FESCO	LESCO	IESCO	SEPCO	TESCO	HAZECO	Uniform National NEPRA Determined Tariff with PYA
	Residential														
	For peak load requirement less than 5 kW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Protected	Up to 50 Units - Life Line	-	-	34.19	38.63	32.39	46.45	29.48	35.68	37.22	35.11	39.73	50.81	27.91	38.13
Protected	51-100 units - Life Line	-	-	34.80	39.24	32.93	47.06	30.09	36.29	37.03	33.77	40.34	51.42	26.52	38.13
Protected	01-100 Units	-	-	37.41	43.76	36.79	50.75	32.87	35.94	35.61	31.16	41.30	51.47	29.98	38.13
Protected	101-200 Units	-	-	37.28	43.62	36.65	50.63	32.74	35.61	35.48	31.03	41.17	61.33	29.85	38.13
Un-Protected	01-100 Units	-	-	35.90	51.57	36.32	54.62	33.16	35.84	35.13	30.71	43.82	54.05	29.47	38.13
Un-Protected	101-200 Units	-	-	36.71	53.00	35.35	56.04	34.56	34.75	33.38	29.37	45.24	55.47	30.27	38.13
Un-Protected	201-300 Units	-	-	36.87	53.09	35.84	56.17	34.69	35.25	34.06	29.98	45.32	55.54	30.44	38.13
Un-Protected	301-400 Units	200	-	37.67	52.55	35.60	55.69	33.97	34.37	32.82	29.72	44.47	55.34	29.11	35.56
Un-Protected	401-500 Units	400	-	37.25	52.14	35.18	55.27	33.55	33.95	32.41	28.31	44.05	54.92	28.69	35.23
Un-Protected	501-600 Units	600	-	37.05	51.93	34.98	55.13	33.35	33.74	32.20	28.10	43.85	54.72	28.49	34.97
Un-Protected	601-700Units	800	-	36.92	51.80	34.84	54.98	33.21	33.61	32.07	28.97	43.39	54.60	28.35	34.81
Un-Protected	Above 700 Units	1,000	-	36.79	51.65	34.68	54.83	33.05	33.46	31.92	28.82	43.24	54.47	28.23	35.07
	For peak load requirement exceeding 5 kW)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Time of Use (TOU) - Peak	1,000	-	37.50	52.42	35.35	55.54	33.69	34.22	32.68	29.57	44.00	55.19	26.93	33.08
	Time of Use (TOU) - Off-Peak		-	34.97	49.90	32.82	53.02	31.16	31.69	30.15	27.05	41.47	52.67	26.41	30.61
	Temporary Supply	2,000	-	40.60	59.37	37.93	61.89	36.70	37.38	35.24	30.85	48.24	62.59	32.04	34.31
	Total Residential														
	Commercial - A2														
	For peak load requirement less than 5 kW	1,000	-	26.77	41.76	24.69	44.87	22.77	23.84	21.85	18.90	33.23	44.42	17.83	24.54
	For peak load requirement exceeding 5 kW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Regular	-	1,250	27.46	42.45	25.38	42.77	23.46	24.53	22.63	19.59	33.92	42.32	18.53	28.43
	Time of Use (TOU) - Peak	-	-	35.90	50.85	33.84	53.86	32.08	32.85	31.24	28.05	39.89	53.11	26.97	33.08
	Time of Use (TOU) - Off-Peak	-	1,250	28.00	42.95	25.74	45.96	24.19	24.93	23.35	20.15	32.09	45.21	19.07	25.12
	Temporary Supply	5,000	-	38.92	57.60	36.40	60.12	34.83	36.11	33.54	29.17	46.55	60.90	29.99	34.68
	Electric Vehicle Charging Station (EVCS)	-	-	33.71	52.08	33.29	53.48	16.51	15.61	24.62	17.50	41.84	58.33	27.27	33.08
	Total Commercial														
	General Services-A3	1,000	-	33.10	47.90	31.16	51.06	29.01	29.94	28.21	24.99	39.76	60.36	24.17	32.38
	Industrial														
	B1	1,000	-	43.50	40.84	32.91	57.23	37.05	30.70	29.38	31.07	32.82	37.08	35.01	32.55
	B1 Peak	1,000	-	46.72	43.37	35.98	60.09	40.19	32.46	31.05	33.06	36.13	40.27	36.12	35.00
	B1 Off Peak		-	41.28	38.32	30.55	54.65	34.75	28.40	28.99	29.01	31.08	34.84	32.69	30.62
	B2	-	1,250	42.09	38.76	31.38	55.48	35.59	27.88	28.56	28.23	31.44	35.67	33.60	27.87
	B2 - TOU (Peak)	-	-	45.53	42.93	35.73	59.67	39.80	32.05	30.72	31.95	35.85	40.25	37.94	35.00
	B2 - TOU (Off-peak)	-	1,250	35.91	32.47	29.72	50.51	29.93	22.06	20.73	23.54	28.71	32.35	28.13	25.49
	B3 - TOU (Peak)	-	-	46.56	43.07	36.01	60.15	40.04	32.24	30.90	31.13	35.77	40.41	37.99	35.00
	B3 - TOU (Off-peak)	-	1,250	31.98	26.47	21.41	45.55	25.44	17.84	18.30	16.82	21.16	25.61	23.39	20.83
	B4 - TOU (Peak)	-	-	46.58	43.03	35.11	59.23	39.93	32.23	30.99	31.67	35.07	39.41	37.89	35.00
	B4 - TOU (Off-peak)	-	1,250	36.72	32.17	25.25	49.36	30.07	21.37	20.13	20.91	24.80	28.65	28.12	24.24
	Temporary Supply	5,000	-	47.57	46.08	38.37	63.99	40.98	33.39	31.34	32.11	38.11	45.40	38.97	35.13
	Total Industrial														
	Single Point Supply														
	C1(a) Supply at 400 Volts-less than 5 kW	2,000	-	34.81	51.24	32.81	52.91	32.60	31.83	30.96	28.58	41.56	51.56	26.37	34.11
	C1(b) Supply at 400 Volts-exceeding 5 kW	-	1,250	21.36	37.73	19.30	39.40	19.09	18.32	17.45	15.07	28.05	35.85	12.86	27.80
	Time of Use (TOU) - Peak	-	-	32.70	49.22	30.04	50.74	30.56	29.70	29.02	26.43	39.51	49.12	24.27	35.00
	Time of Use (TOU) - Off-Peak	-	1,250	26.35	42.87	23.69	44.39	24.21	23.36	22.67	20.08	33.16	42.77	17.92	28.12
	C2 Supply at 11 kV	-	1,250	22.00	38.44	18.14	40.10	19.79	19.03	18.19	15.77	28.76	36.91	13.57	21.33
	Time of Use (TOU) - Peak	-	-	35.00	52.10	33.47	53.39	33.13	32.36	31.37	29.06	42.35	52.18	28.58	35.00
	Time of Use (TOU) - Off-Peak	-	1,250	19.26	35.82	17.20	37.32	17.56	16.58	15.58	13.30	25.78	36.95	11.37	19.33
	C3 Supply above 11 kV	-	1,250	30.09	45.21	27.88	46.88	27.80	26.88	26.03	23.63	35.54	45.56	21.65	37.37
	Time of Use (TOU) - Peak	-	-	39.62	54.94	37.59	56.61	37.53	36.71	35.77	33.36	45.27	55.29	31.39	35.00
	Time of Use (TOU) - Off-Peak	-	1,250	26.14	43.27	25.91	44.94	25.66	25.03	24.08	21.68	33.59	43.61	19.71	23.48
	Total Single Point Supply														
	Agricultural Tube-wells - Tariff D														
	Scarp	-	-	27.06	42.24	25.06	44.87	23.16	24.10	21.30	19.16	33.61	43.66	16.07	32.68
	Time of Use (TOU) - Peak	-	-	24.05	39.29	22.00	41.75	20.35	21.26	17.96	16.17	30.83	40.63	15.07	35.00
	Time of Use (TOU) - Off-Peak	-	400	21.88	37.12	19.83	39.58	18.18	19.09	15.79	14.00	28.76	36.45	12.90	31.30
	Agricultural Tube-wells	-	400	34.68	49.45	32.52	32.58	30.69	31.83	28.75	26.77	41.68	51.51	25.65	32.52
	Time of Use (TOU) - Peak	-	-	38.47	53.48	36.32	56.17	34.49	35.44	32.62	30.52	45.37	55.35	29.48	35.00
	Time of Use (TOU) - Off-Peak	-	400	28.43	46.10	27.76	51.74	29.93	30.66	26.62	20.21	37.94	50.70	24.69	29.70
	Total Agricultural														
	Public Lighting - Tariff G	2,000	-	31.61	48.97	29.82	49.69	27.72	28.93	27.76	23.71	36.37	49.24	22.36	32.60
	Residential Colonies	2,000	-	26.95	42.41	24.95	45.03	23.05	24.27	23.09	19.05	33.70	44.57	17.71	25.80
	Railway Traction	2,000	-	-	-	-	-	25.99	-	26.04	-	-	-	-	26.01
	Tariff K - AJK	-	1,250	-	-	24.99	-	-	-	-	21.88	-	-	16.55	21.66
	Time of Use (TOU) - Peak	-	-	-	-	31.32	-	-	-	-	25.49	-	-	24.86	28.01
	Time of Use (TOU) - Off-Peak	-	1,250	-	-	26.82	-	-	-	-	20.79	-	-	20.16	21.38
	Tariff K -Rawat Lab	2,000	-	-	-	-	-	-	-	-	25.90	-	-	-	25.90
	Pre-paid Supply Tariff														
	Residential	1,000	-	42.50	55.11	41.19	60.94	38.48	40.41	38.62	34.26	48.50	62.65	34.28	40.95
	Commercial - A2	-	1,250	32.85	50.12	30.37	53.50	28.31	29.50	27.83	24.13	38.31	52.38	22.54	28.96
	General Services - A3	1,000	-	38.07	55.09	35.83	58.71	33.36	34.43	32.45	29.73	45.74	57.91	27.80	37.23
	Industrial	-	1,250	42.07	37.93	30.50	57.04	35.14	25.97	23.77	25.68	32.34	32.92	30.22	28.09
	Single Point Supply	-	1,250	28.98	46.56	23.92	47.47	25.17	26.45	25.88	23.07	35.65	46.43	19.88	27.94
	Agriculture Tube-wells - Tariff D	-	400	35.13	50.18	34.07	37.44	35.03	36.17	32.06	25.69	42.61	59.15	20.32	38.04

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SCHEDULE OF ELECTRICITY TARIFFS
NATIONAL AVERAGE UNIFORM DETERMINED TARIFF WITH FYA ALONG WITH GOP APPLICABLE TARIFF

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
a)	For Sanctioned load less than 5 kW						
i	Up to 50 Units - Life Line (Protected)	-			36.13		3.95
ii	51 - 100 Units - Life Line (Protected)	-			36.13		7.74
iii	001 - 100 Units (Protected)	-			36.13		10.54
iv	101 - 200 Units (Protected)	-			36.13		13.01
v	001 - 100 Units (Un-Protected)	-			36.13		22.44
vi	101 - 200 Units (Un-Protected)	-			36.13		29.91
iv	201 - 300 Units (Un-Protected)	-			36.13		33.10
viii	301 - 400 Units (Un-Protected)	200			36.66		37.99
ix	401 - 500 Units (Un-Protected)	400			36.23		40.20
x	501 - 600 Units (Un-Protected)	600			34.97		41.62
xi	601 - 700 Units (Un-Protected)	800			34.81		42.76
vi	Above 700 Units (Un-Protected)	1,000			35.07		47.69
b)	For Sanctioned load 5 kW & above			Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	1,000		33.69	30.51	46.85	40.83
c)	Pre-Paid Residential Supply Tariff	1,000			40.98		48.12

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

As per Authority's decision, residential life line consumer will not be given any slab benefit.

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed. For consumers where monthly Fixed charges are applicable, no minimum charges shall be applicable on such consumers, even if no energy consumed.

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

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

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
a)	For Sanctioned load less than 5 kW	1,000			34.64		37.44
b)	For Sanctioned load 5 kW & above		1,250		29.43		39.76
				Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	-	1,250	33.06	26.12	43.42	36.16
d)	Electric Vehicle Charging Station	-			33.06		23.67
e)	Pre-Paid Commercial Supply Tariff		1,250		28.46		42.38

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH FYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
a)	General Services	1,000	-	32.28	42.46
c)	Pre-Paid General Services Supply Tariff	1,000	-	37.23	42.46

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

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
B1	Upto 25 kW (at 400/230 Volts)	1,000	-		32.65		30.80
B2(a)	exceeding 25-500 kW (at 400 Volts)	-	1,250		27.87		30.73
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak
B1(b)	Up to 25 KW	1,000		36.00	30.62	36.74	30.05
B2(b)	exceeding 25-500 kW (at 400 Volts)	-	1,250	35.00	25.49	36.68	27.41
B3	For All Loads up to 5000 kW (at 11,33 kV)	-	1,250	35.00	20.62	36.68	25.24
B4	For All Loads (at 66,132 kV & above)	-	1,250	36.00	24.24	36.68	27.86
Pre-Paid Industrial Supply Tariff		-	1,250		29.09		36.73

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

C - SINGLE POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
C-1	For supply at 400/230 Volts						
a)	Sanctioned load less than 5 kW	2,000			34.11		43.39
b)	Sanctioned load 5 kW & up to 500 kW	-	1,250		27.60		40.63
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	-	1,250		21.33		40.67
C-3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250		27.37		40.77
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	-	1,250	36.00	29.12	46.31	37.64
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	36.00	19.33	46.31	36.03
C-3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	36.00	23.46	46.31	34.76
Pre-Paid Bulk Supply Tariff			1,250		27.94		44.87

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

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SCHEDULE OF ELECTRICITY TARIFFS
NATIONAL AVERAGE UNIFROM DETERMINED TARIFF WITH PYA ALONG WITH GOP APPLICABLE TARIFF

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
D-1(a)	SCARP less than 5 kW	-	-		32.68		39.87
D-2 (a)	Agricultural Tube Wells	-	400		32.53		28.90
				Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	-	400	35.00	31.30	42.79	34.71
D-2 (b)	Agricultural 5 kW & above	-	400	35.00	29.70	29.64	26.69
Pre-Paid for Agri & Scarp		-	400		36.04		33.15

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

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
E-1(i)	Residential Supply	2,000		34.31	57.94
E-1(ii)	Commercial Supply	5,000		34.68	53.44
E-2	Industrial Supply	5,000		36.13	42.26

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

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

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Street Lighting	2,000		32.60	42.91

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Residential Colonies attached to industrial premises	2,000		25.60	42.10

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
1	Azad Jammu & Kashmir (AJK)	-	1,250		21.68		26.46
				Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	-	1,250	24.01	21.34	28.85	26.73
2	Rawat Lab	2,000			26.90		42.35

I - RAILWAY TRACTION

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITH PYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Railway Traction	2,000		26.01	42.39

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NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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ANNEX-B

Description	Fixed Charges NEPRA Determined Rs. / Cons. / Month	Rs. / kW / Month	Variable Charges (Rs./kWh) NEPRA Determined Tariff PESCO	HESCO	GEPCO	QESCO	MEPCO	FESCO	LESCO	IESCO	SEPCO	TESCO	HAZECO	Uniform National NEPRA Determined Tariff without PYA
Residential														
For peak load requirement less than 5 kW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Protected: Up to 50 Units - Life Line	-	-	32.31	38.59	30.35	45.09	28.94	34.52	37.26	35.46	39.10	46.96	27.91	35.43
Protected: 51-100 units - Life Line	-	-	32.92	39.30	30.69	45.70	28.55	35.13	37.07	34.14	39.71	47.57	28.52	35.37
Protected: 01-100 Units	-	-	35.53	43.82	34.75	49.40	32.34	34.78	35.65	31.53	40.67	47.62	29.58	35.33
Protected: 101-200 Units	-	-	35.40	43.69	34.61	49.27	32.20	34.64	35.52	31.40	40.53	47.49	29.65	35.31
Un-Protected: 01-100 Units	-	-	34.02	51.64	34.28	53.28	32.82	34.86	35.17	31.08	43.19	50.20	29.47	35.35
Un-Protected: 101-200 Units	-	-	34.83	53.08	33.31	54.69	34.05	33.56	33.42	29.73	44.61	51.63	30.28	35.34
Un-Protected: 201-300 Units	-	-	34.99	53.16	33.80	54.81	34.15	34.09	34.10	30.35	44.69	51.69	30.44	35.30
Un-Protected: 301-400 Units	200	-	35.79	52.62	33.58	54.33	33.43	33.20	32.87	30.09	43.63	51.49	29.11	34.70
Un-Protected: 401-500 Units	400	-	35.37	52.20	33.14	53.91	33.01	32.78	32.45	29.57	43.42	51.08	28.69	34.38
Un-Protected: 501-600 Units	600	-	35.17	52.00	32.94	53.77	32.81	32.58	32.25	29.47	43.21	50.67	28.49	34.15
Un-Protected: 601-700Units	800	-	35.04	51.86	32.80	53.62	32.68	32.45	32.11	29.33	42.76	50.76	28.36	34.03
Un-Protected: Above 700 Units	1,000	-	34.91	51.71	32.64	53.48	32.51	32.29	31.96	29.16	42.60	50.63	28.23	34.30
For peak load requirement exceeding 5 kW)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	1,000	-	35.62	52.49	33.31	54.18	33.15	33.05	32.72	29.94	43.36	51.34	28.84	32.74
Time of Use (TOU) - Off-Peak		-	33.09	49.97	30.78	51.66	30.62	30.53	30.19	27.42	40.84	48.82	26.41	30.28
Temporary Supply	2,000	-	38.72	59.43	35.89	60.33	35.16	36.22	35.28	31.22	47.61	58.75	32.04	33.90
Total Residential														
Commercial - A2														
For peak load requirement less than 5 kW	1,000	-	24.89	41.82	22.65	43.52	22.23	22.57	21.99	19.26	32.59	40.58	17.84	23.88
For peak load requirement exceeding 5 kW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regular	-	1,250	25.88	42.51	23.34	41.41	22.92	23.37	22.87	19.95	33.28	36.47	18.53	26.10
Time of Use (TOU) - Peak	-	-	34.02	50.91	31.60	52.50	31.54	31.79	31.29	28.42	39.38	49.27	28.97	32.54
Time of Use (TOU) - Off-Peak	-	1,250	26.12	43.02	23.70	44.60	23.65	23.77	23.39	20.52	31.46	41.37	19.07	24.60
Temporary Supply	5,000	-	37.04	57.87	34.38	58.76	34.29	34.95	33.59	29.54	45.91	57.05	29.99	34.22
Electric Vehicle Charging Station (EVCS)	-	-	31.63	52.14	31.25	52.12	15.97	14.35	24.66	17.87	41.21	52.49	27.28	31.08
Total Commercial														
General Services-A3	1,000	-	31.22	47.97	29.12	49.70	28.47	28.78	28.26	25.35	39.14	46.61	24.17	31.85
Industrial														
B1	1,000	-	41.52	40.91	30.88	55.67	36.51	28.54	29.40	31.43	32.18	33.23	35.01	31.66
B1 Peak	1,000	-	44.64	43.44	33.94	58.73	39.65	31.29	31.09	33.43	35.50	36.43	38.13	34.12
B1 Off Peak		-	39.40	38.39	28.51	53.30	34.21	27.24	27.03	29.38	30.44	30.89	32.69	29.69
B2	-	1,250	40.21	38.83	29.35	54.12	35.05	28.70	28.60	28.60	30.81	31.83	33.81	27.79
B2 - TOU (Peak)	-	-	44.65	42.99	33.69	58.31	39.38	30.89	30.78	32.31	35.23	35.40	37.94	34.25
B2 - TOU (Off-peak)	-	1,250	35.03	32.64	24.68	49.46	29.39	20.90	20.77	23.90	26.07	28.51	28.13	24.71
B3 - TOU (Peak)	-	-	44.70	43.14	33.97	58.79	39.51	31.08	30.94	31.49	35.13	36.56	37.99	34.38
B3 - TOU (Off-peak)	-	1,250	30.10	28.53	19.37	44.19	24.90	16.47	16.34	16.99	20.53	21.66	23.39	19.92
B4 - TOU (Peak)	-	-	44.70	43.09	33.07	57.67	38.39	31.07	31.03	32.03	35.03	35.56	37.99	34.57
B4 - TOU (Off-peak)	-	1,250	34.64	32.23	23.21	48.00	28.53	20.21	20.17	21.27	24.17	25.70	28.13	23.60
Temporary Supply	5,000	-	45.69	48.14	34.33	62.63	40.42	32.23	31.38	32.46	37.48	41.56	38.98	34.06
Total Industrial														
Single Point Supply														
C1(a) Supply at 400 Volts-less than 5 kW	2,000	-	32.93	51.30	30.77	51.55	32.08	30.67	31.00	25.94	40.93	47.74	26.38	33.95
C1(b) Supply at 400 Volts-exceeding 5 kW	-	1,250	19.42	37.79	17.27	38.04	16.55	17.16	17.49	15.43	27.42	32.00	12.87	27.14
Time of Use (TOU) - Peak	-	-	30.82	49.29	28.00	49.38	30.02	28.64	29.08	26.79	38.87	45.28	24.27	34.23
Time of Use (TOU) - Off-Peak	-	1,250	24.47	42.94	21.65	43.03	23.67	22.19	22.71	20.45	32.52	38.93	17.92	28.34
C2 Supply at 11 kV	-	1,250	20.12	38.50	16.10	38.75	19.26	17.67	18.20	16.14	26.13	33.08	13.57	21.39
Time of Use (TOU) - Peak	-	-	33.12	52.17	31.43	52.03	32.59	31.21	31.41	29.43	41.72	48.33	28.57	34.36
Time of Use (TOU) - Off-Peak	-	1,250	17.36	35.66	15.16	35.96	17.02	15.42	15.62	13.66	25.15	33.11	11.37	18.70
C3 Supply above 11 kV	-	1,250	26.21	45.28	25.82	45.52	27.26	25.61	26.08	23.98	34.91	41.72	21.66	38.87
Time of Use (TOU) - Peak	-	-	37.94	55.01	35.55	55.26	36.89	35.55	35.81	33.72	44.64	51.45	31.39	35.05
Time of Use (TOU) - Off-Peak	-	1,250	20.26	43.33	23.87	43.58	25.32	23.87	24.13	22.04	32.96	39.77	19.71	23.48
Total Single Point Supply														
Agricultural Tube-wells - Tariff D														
Scarp	-	-	25.18	42.30	23.02	43.51	22.53	22.84	21.34	19.52	33.18	39.64	18.08	32.22
Time of Use (TOU) - Peak	-	-	22.17	38.36	19.97	40.40	19.81	20.10	18.00	16.54	30.30	36.78	15.07	34.66
Time of Use (TOU) - Off-Peak	-	400	20.00	37.19	17.79	38.22	17.64	17.93	15.63	14.36	28.12	34.61	12.90	31.11
Agricultual Tube-wells	-	400	32.80	49.51	30.48	31.20	30.16	30.47	28.79	27.13	41.03	47.87	25.58	31.18
Time of Use (TOU) - Peak	-	-	36.59	53.53	34.28	54.81	33.95	34.28	32.66	30.88	44.73	51.51	29.49	34.38
Time of Use (TOU) - Off-Peak	-	400	26.55	48.17	25.72	50.36	29.39	29.70	28.88	20.58	37.30	46.85	24.69	29.05
Total Agricultural														
Public Lighting - Tariff G	2,000	-	29.73	47.04	27.58	48.33	27.18	27.77	27.81	24.08	37.73	45.39	22.38	32.22
Residential Colonies	2,000	-	29.07	42.47	22.91	43.67	22.52	23.11	23.13	19.41	33.07	40.73	17.71	25.20
Railway Traction	2,000	-	-	-	-	-	25.45	-	26.08	-	-	-	-	25.01
Tariff K - AJK	-	1,250	-	-	22.95	-	-	-	-	22.05	-	-	18.55	22.05
Time of Use (TOU) - Peak	-	-	-	-	29.28	-	-	-	-	25.86	-	-	24.66	26.04
Time of Use (TOU) - Off-Peak	-	1,250	-	-	24.56	-	-	-	-	21.16	-	-	20.15	21.40
Tariff K -Rawat Lab	2,000	-	-	-	-	-	-	-	-	28.26	-	-	-	28.28
Pre-paid Supply Tariff														
Residential	1,000	-	40.62	55.17	39.15	59.58	37.94	39.24	38.66	34.62	47.69	58.70	34.29	40.95
Commercial - A2	-	1,250	30.97	50.19	28.33	52.14	27.77	28.34	27.67	24.50	37.66	48.53	22.54	29.86
General Services - A3	1,000	-	36.19	55.15	33.79	57.38	32.82	33.27	32.49	29.10	45.11	54.07	27.60	37.23
Industrial	-	1,250	40.19	38.00	28.46	55.66	34.60	24.81	23.81	26.32	31.70	29.07	30.23	29.09
Single Point Supply	-	1,250	25.10	46.63	21.88	46.11	24.63	25.29	25.92	23.43	34.92	42.58	19.68	27.94
Agriculture Tube-wells - Tariff D	-	400	33.25	50.24	32.03	38.09	34.49	35.01	32.10	26.26	41.87	55.31	29.32	36.04

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY

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SCHEDULE OF ELECTRICITY TARIFFS
NATIONAL AVERAGE UNIFORM DETERMINED TARIFF WITHOUT PYA ALONG WITH GOP APPLICABLE TARIFF

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.		TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
			A	B	C		D	
a)		For Sanctioned load less than 5 kW						
i	Protected	Up to 50 Units - Life Line	-		36.43		3.95	
ii	Protected	51 - 100 Units - Life Line	-		36.37		7.74	
iii	Protected	001 - 100 Units	-		36.33		10.64	
iv	Protected	101 - 200 Units	-		35.31		13.01	
v	Un-Protected	001 - 100 Units	-		36.35		22.44	
vi	Un-Protected	101 - 200 Units	-		36.34		28.91	
vii	Un-Protected	201 - 300 Units	-		37.30		33.10	
viii	Un-Protected	301 - 400 Units	200		34.70		37.99	
ix	Un-Protected	401 - 500 Units	400		34.38		40.20	
x	Un-Protected	501 - 600 Units	600		34.15		41.62	
xi	Un-Protected	601 - 700 Units	800		34.63		42.76	
xii	Un-Protected	Above 700 Units	1,000		34.30		47.69	
b)		For Sanctioned load 5 kW & above			Peak	Off-Peak	Peak	Off-Peak
		Time Of Use	1,000		32.74	30.28	46.85	40.63
c)		Pre-Paid Residential Supply Tariff	1,000		40.95		48.12	

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

As per Authority's decision, residential life line consumer will not be given any slab benefit.

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed. For consumers where monthly Fixed charges are applicable, no minimum charges shall be applicable on such consumers, even if no energy consumed.

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

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
a)	For Sanctioned load less than 5 kW	1,000		33.65		37.44	
b)	For Sanctioned load 5 kW & above		1,250	28.10		38.76	
				Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	-	1,250	32.54	24.60	42.83	36.15
d)	Electric Vehicle Charging Station	-		31.06		32.67	
e)	Pre-Paid Commercial Supply Tariff		1,250	29.96		42.38	

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT PYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
a)	General Services	1,000	-	31.85	42.48
b)	Pre-Paid General Services Supply Tariff	1,000	-	37.33	42.48

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

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
B1	Upto 25 kW (at 400/230 Volts)	1,000	-	31.66		30.60	
B2(a)	exceeding 25-500 kW (at 400 Volts)	-	1,250	27.79		34.73	
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW	1,000		34.13	29.49	36.74	30.08
B2(b)	exceeding 25-500 kW (at 400 Volts)	-	1,250	34.28	24.71	36.68	27.41
B3	For All Loads up to 5000 kW (at 11,33 kV)	-	1,250	34.39	19.92	36.68	28.24
B4	For All Loads (at 66,132 kV & above)	-	1,250	34.87	23.80	36.68	27.96
Pre-Paid	Industrial Supply Tariff	-	1,250	29.02		35.72	

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

C - SINGLE POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT PYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
C -1	For supply at 400/230 Volts						
a)	Sanctioned load less than 5 kW	2,000		33.98		43.39	
b)	Sanctioned load 5 kW & up to 500 kW	-	1,250	27.14		40.63	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	21.19		40.57	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	36.87		40.77	
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	-	1,250	34.35	28.34	46.31	37.64
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	34.36	18.70	46.31	36.03
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	35.09	23.48	46.31	35.76
Pre-Paid	Bulk Supply Tariff		1,250	27.94		44.87	

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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SCHEDULE OF ELECTRICITY TARIFFS
NATIONAL AVERAGE UNIFORM DETERMINED TARIFF WITHOUT FYA ALONG WITH GOP APPLICABLE TARIFF

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
D-1(a)	SCARP less than 5 kW	-	-	32.22		39.87	
D-2 (a)	Agricultural Tube Wells	-	400	31.18		38.90	
				Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	-	400	34.66	32.11	42.79	34.71
D-2 (b)	Agricultural 5 kW & above	-	400	34.38	29.03	37.64	35.69
	Pre-Paid for Agri & Scarp	-	400	36.04		33.16	

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

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
E-1(i)	Residential Supply	2,000		33.90	67.94
E-1(ii)	Commercial Supply	5,000		34.23	53.44
E-2	Industrial Supply	5,000		34.06	42.35

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

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

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Street Lighting	2,000		33.33	42.91

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Residential Colonies attached to industrial premises	2,000		35.20	42.10

K - SPECIAL CONTRACTS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh		GOP APPLICABLE VARIABLE CHARGES Rs/kWh	
		A	B	C		D	
1	Azad Jammu & Kashmir (AJK)	-	1,250	32.65		36.48	
				Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	-	1,250	36.04	31.40	38.80	28.73
2	Rawat Lab	2,000		34.26		42.26	

I - RAILWAY TRACTION

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs. / Cons. / M	FIXED CHARGES Rs/kW/M	UNIFORM DETERMINED TARIFF WITHOUT FYA VARIABLE CHARGES Rs/kWh	GOP APPLICABLE VARIABLE CHARGES Rs/kWh
		A	B	C	D
	Railway Traction	2,000		36.01	42.79

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Annex-C

GoP Applicable Schedule of Tariff for K-Electric Consumers

Description	------------ GoP Applicable Uniform ------------		
	Fixed Charges (Rs/Con/M)	Fixed Charges (Rs/kW/M)	Variable Charges (Rs./kWh)
A-1 General Supply Tariff - Residential			
Upto 50 Units (Lifeline)	-	-	3.95
50-100 Units (Lifeline)	-	-	7.74
1-100 units (Protected)	-	-	10.54
101-200 units (Protected)	-	-	13.01
1-100 units	-	-	22.44
101-200 units	-	-	28.91
201-300 units	-	-	33.10
301-400 units	200	-	37.99
401-500 units	400	-	40.20
501-600 units	600	-	41.62
601-700 units	800	-	42.76
Above 700 units	1,000	-	47.69
Time of Use			
Peak	1,000	-	46.85
Off-Peak		-	40.53
E-1 (i) Temporary Residential	2,000	-	57.94
A-2 General Supply Tariff - Commercial			
For sanctioned load less than 5kW	1,000	-	37.44
For sanctioned load 5kW & Above	-	1,250	39.76
Peak	-	-	43.82
Off-Peak	-	1,250	35.15
E-1 (ii) Temporary Commercial	5,000	-	53.44
Electric Vehicle Charging Station (EVCS)	-	-	23.57
A3 General Services	1,000	-	42.48
B - Industrial Supply Tariff			
B-1 less than 5kW / 25 kW (at 400/230 volts)	1,000	-	30.80
Peak	1,000	-	36.74
Off-Peak	-	-	30.05
B-2 5-500 kW / 25-500 kW (at 400 volts)	-	1,250	30.73
Peak	-	-	36.68
Off-Peak	-	1,250	27.41
B-3 for all loads upto 500kW (at 11, 33kV)	-	1,250	31.00
Peak	-	-	36.68
Off-Peak	-	1,250	28.24
B-4 for all loads (at 66kV, 132kV and above)	-	1,250	30.43
Peak	-	-	36.68
Off-Peak	-	1,250	27.96
B-5 for all loads (at 220kV & above)			
Peak	-	-	36.68
Off-Peak	-	1,250	27.13
E-2 (i) Temporary Industrial	5,000	-	42.25

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GoP Applicable Schedule of Tariff for K-Electric Consumers

Description	GoP Applicable Uniform Fixed Charges (Rs/Con/M)	Fixed Charges (Rs/kW/M)	Variable Charges (Rs./kWh)
C - Bulk Supply Tariff			
C-1 For supply at 400/230 Volts			
a) Sanctioned load less than 5kW	2,000	-	43.39
b) Sanctioned load 5kW and upto 500kW	-	1,250	40.63
Peak	-	-	46.31
Off-Peak	-	1,250	37.54
C-2 For supply at 11,33kV upto and including 5000kW	-	1,250	40.57
Peak	-	-	46.31
Off-Peak	-	1,250	36.03
C-3 For supply at 132 kV and above upto and including 5000kW	-	1,250	40.77
Peak	-	-	46.31
Off-Peak	-	1,250	35.76
E-2 (ii) Temporary Bulk Supply			
(a) at 400Volts	5,000	-	46.06
(b) at 11kV	5,000	-	46.06
D - Agriculture Tariff			
D-1 For all loads	-	400	28.90
D-2 For all loads - Time of Use			
Peak	-	-	29.54
Off-Peak	-	400	28.69
sub-total			
G- Public Lighting			
Street Lighting	2,000	-	42.91
H- Residential Colonies			
Residential Colonies attached to Industrial Premises	2,000	-	42.10

Note: The uniform GoP applicable rate for prepaid metering category mentioned in Annex-A-1 would also be applicable to K-Electric prepaid consumers.

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NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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

No. NEPRA/TRF-626/PESCO-Distribution/2025/ 300-07 January 07, 2026

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

Please find enclosed herewith the subject Determination of the Authority (total 49 pages).

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

Enclosure: As above

Wasim Anwar

(Wasim Anwar Bhinder)

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

Copy to:

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

Wasim Anwar Bhinder Registrar-1 Wednesday, 14 January, 2026, 12:3:20 PM

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-626/PESCO/MYT- Distribution/2025

DETERMINATION OF DISTRIBUTION OF POWER TARIFF PETITION

FOR

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO)

FOR THE FY 2025-26 – FY 2029-30

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

JANUARY 07, 2026

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Abbreviations

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

MVA	Mega Volt Amp
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PESCO	Peshawar Electric Supply Company Limited
PDEIP	Power Distribution Enhancement Investment Program
PDP	Power Distribution Program
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
PYA	Prior Year Adjustment
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RE	Rural Electrification
RFO	Residual Fuel Oil
RLNG	Re-gasified Liquefied Natural Gas
RoE	Return on Equity
RORB	Return on Rate Base
ROR	Rate of Return
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
SYT	Single Year Tariff
T&D	Transmission and Distribution
TFC	Term Finance Certificate
TOU	Time of Use
TOR	Term of Reference
TPM	Transfer Price Mechanism
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month
UOSC	Use of System Charges
WACC	Weighted average cost of capital
WAPDA	Water and Power Development Authority
XWDISCO	Ex-WAPDA Distribution Company

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

CASE NO. NEPRA/TRF-626/PESCO/MYT- Distribution/2025

PETITIONER

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

INTERVENER
Nil

COMMENTATOR
Nil

REPRESENTATION

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

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Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

1. <u>Background</u>

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

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

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

Distribution of Power	Units	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Margin						
Salaries and benefits	Rs. Mln	21,643	23,763	26,208	28,951	32,146
Repair and Maintenance	Rs. Mln	1,511	1,662	1,828	2,011	2,212
Travelling expenses	Rs. Mln	293	322	354	389	428
Vehicle expenses	Rs. Mln	391	439	493	553	621
Other expense	Rs. Mln	257	283	312	343	377
Total O&M Costs	Rs. Mln	24,095	26,469	29,195	32,247	35,784
Depreciation	Rs. Mln	5,016	6,044	6,761	7,634	8,301
Return on Rate Base	Rs. Mln	9,855	12,648	14,762	16,295	17,014
Gross Distribution Margin	Rs. Mln	38,966	45,161	50,718	56,176	61,099
Less: Other Income	Rs. Mln	(4,308)	(4,432)	(4,486)	(4,443)	(4,275)
Net Distribution Margin	Rs. Mln	34,658	40,729	46,232	51,733	56,824
Projected Sales	GWh	9,321	9,656	9,981	10,331	10,728
Requested Tariff	Rs./kWh	3.72	4.22	4.63	5.01	5.30

2. <u>Proceedings</u>

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

2.2. Hearing in the matter was scheduled on November 03, 2025, for which notice of admission / hearing along-with the title and brief description of the petition was published in the newspapers on 24.10.2025, and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

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3. Issues of Hearing

3.1. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;

i. Whether the projected energy purchases and sales are justified?

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

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

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

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

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

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

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

4. Filing Of Objections/ Comments

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

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

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

5. Whether the projected energy purchases and sales are justified?

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

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Purchases (GWhs)	11,951	12,226	12,481	12,761	13,091
Sales (GWhs)	9,321	9,656	9,981	10,331	10,728

5.2. The Authority noted that PPP is the major component of consumer-end tariff, which accounts for around 90% of total consumer-end tariff. The Authority has determined the power purchases (GWhs) along-with its cost for each of the DISCOs through a separate

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decision, therefore, for the purpose of instant decision, the power purchases (GWhs) of the Petitioner as per the separate PPP decision, have been taken into account.

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

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

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

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

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

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

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

8.2. The Petitioner also stated that sum of its O&M Cost, Depreciation and RORB minus Other Income results in PESCO's Distribution Margin, dividing this by the total units sold yields the average Distribution Margin per kWh. The DM of PESCO for Distribution Licensee for FY 2023-2024 was Rs. 4.26/kWh and the DM for FY 2025-26 to FY 2029-30 is projected Rs. 3.72/kWh, 4.22/kWh, 4.63/kWh, 5.01/kWh & 5.30/kWh respectively.

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

<u>O&M Expenses</u>

- ✓ O&M expenses include Salaries & Wages, Repair & Maintenance, Travelling, Vehicle Running and Other Expenses. Based on the impact of increase in inflation, salaries and other allowances, the Audited O&M Expense for Distribution (Non-Sale Elements) FY 2023-24 are Rs. 20,577 million and the projections for FY 2024-25 to 2029-30 are as per detail below:

Rs. in Million

Distribution of Power Business								
Description	Nepra Determ'ion	Actual	Tariff Control Period					Avg. for Tariff Control Period
		Base Year	Test Year	Y2	Y3	Y4	Y5	
	2024-25	2024-25	2025-26 Proj.	2026-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.	
Salaries and Benefits	20,315	21,967	21,643	23,763	26,208	28,951	32,146	26,542
Repair and Maintenance	1,433	1,374	1,511	1,662	1,828	2,011	2,212	1,845
Traveling Expenses	315	266	293	322	354	389	428	357
Vehicle Expenses	243	348	391	439	493	553	621	499
Other Expenses	231	234	257	283	312	343	377	314
Grand-Total	22,537	24,189	24,095	26,469	29,194	32,246	35,784	29,557
%Increase/(Decrease)			0%	10%	10%	10%	11%	

- ✓ The Average O&M expense (Rs./kWh) for Tariff Control Period is assessed as under:

Distribution of Power Business								
Description	Nepra Determ'ion	Actual	Tariff Control Period					Avg. for Tariff Control Period
		Base Year	Test Year	Y2	Y3	Y4	Y5	
	2024-25	2024-25	2025-26 Proj.	2026-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.	
Salaries and Benefits	1.64	2.41	2.32	2.46	2.63	2.80	3.00	2.64
Repair and Maintenance	0.12	0.15	0.16	0.17	0.18	0.19	0.21	0.18
Traveling Expenses	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04
Vehicle Expenses	0.02	0.04	0.04	0.05	0.05	0.05	0.06	0.05
Other Expenses	0.02	0.03	0.03	0.03	0.03	0.03	0.04	0.03
Grand-Total	1.82	2.65	2.59	2.74	2.92	3.12	3.34	2.94

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

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

a) Expected increase in salaries (15%).

b) Impact of Additional recruitment.

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

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

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

Rs. In Million

Description	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Audited	Prov.	Proj	Proj	Proj	Proj	Proj
Pay & Allowances	6,319	7,243	8,674	9,998	11,564	13,420	15,624
Pay & Allow. (Contract)	649	744	891	1,028	1,188	1,379	1,606
Pay & Allow. (Daily Wages)	8	9	10	12	14	16	19
Employee Benefits	230	263	315	364	421	488	568
Post-Retirement Benefits	9,447	11,115	9,116	9,610	10,088	10,412	10,810
Other Benefits	2,222	2,592	2,635	2,753	2,934	3,206	3,520
Total Salaries & Wages	18,875	21,967	21,643	23,763	26,208	28,951	32,146

Adjustment mechanism:

✓ The following adjustment mechanism is proposed:

a. The base year FY 2024-25 does not reflect the true cost rather showing with employees of 10,122 with sanctioned posts of 24,385 and accordingly factor "N" is included to account for the new recruitments.

b. Adjustment in Salary & Pension (including pension part of post-retirement benefit) may be linked with the Increase announced by GoP in Annual Budget on actual basis.

c. 5% increase on account of Annual Increment may be allowed.

d. The remaining allowances / benefits may be adjusted on the basis of CPI for controllable costs and on the basis of actual in case of uncontrollable costs.

e. An additional variable "N" may be included to account for the New Hiring (excluding outsourcing of Services like Bill Distributor, Drivers etc.) against vacant positions and the same may be indexed as proposed above.

Repair & Maintenance expenses:

✓ Repair and Maintenance expenses have been assumed at around 2% of the net Fixed Assets in operation. PESCO has to maintain its old and over loaded system in order to ensure un-interrupted power supply to the consumers. Moreover cost of material has also increased due to inflationary pressure. Therefore, Repair & Maintenance expenditure has been projected for Distribution (Non-Sale Elements) as Rs. 1,511 million for FY 2025-26, Rs. 1,662 million for FY 2026-27, Rs. 1,828 million for FY 2027-28, Rs.

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2,011 million for FY 2028-29 & Rs. 2,212 million for FY 2029-30. Repair and Maintenance budget is required for the following:

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

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

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

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

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

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

Repair & Maintenance Cost for Tariff Control Period

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

Rs. in Million

Distribution Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Repair And Maintenance	1,102	1,433	1,374	1,511	1,662	1,828	2,011	2,212	1,845
%Increase/(Decrease)				10%	10%	10%	10%	10%	

✓ The average Repair & Maintenance expense (Rs./kWh) for Tariff Control Period is assessed as under:

Distribution Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Repair And Maintenance	0.16	0.12	0.15	0.16	0.17	0.18	0.19	0.21	0.18
%Increase/(Decrease)				8%	6%	6%	6%	6%	

Adjustment Mechanism:

✓ The following adjustment mechanism is proposed:

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

Travelling expenses:

✓ Travelling Expenses for Distribution (Non-Sale Elements) have been projected Rs. 293 million, Rs. 322 million, Rs. 354 million, Rs. 389 million & Rs. 428 million for FY 2025-26 to FY 2029-30, respectively.

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Rs. in Million

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Travelling Expense	196	315	266	293	322	354	389	428	357
%Increase/(Decrease)				10%	10%	10%	10%	10%	

✓ The average Travelling expense (Rs./kWh) for Tariff Control Period is assessed as under:

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Traveling Expense	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04
%Increase/(Decrease)				8%	6%	6%	6%	6%	

<u>Adjustment mechanism:</u>

✓ The following adjustment mechanism is proposed:

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

<u>Vehicle running expenses:</u>

✓ The Authority's determination of Vehicle Running expenses for FY 2024-25 at Rs. 243 million, with only a marginal 20.8% increase from the determined amount of Rs. 201 million for FY 2023-24, appears much lesser than the prevailing market prices. Previously, the Authority acknowledged the fact that the increased POL prices will impact recovery campaigns and consumers services, as the same is required for door to door surveillance and monitoring as well as providing services to the consumers efficiently. In the MYT Tariff Determinations, the Authority relied on the inflationary increase on General Category (CPI) instead of the Transport Category, despite a substantial 24.07% increase in transport prices in December 2021. Furthermore, data from the PSO website indicates a 39% increase in POL prices during FY 2021-22, a 67.8% increase during FY 2022-23 and a 13.18 % increase during FY 2023-24, consequently, the actual expenditure for FY 2024-25 is increased against the allocated amount.

✓ Vehicle Running Expenses for Distribution (Non-Sale Elements) were Rs. 169 million for the FY 2023-24 and projected for FY 2025-26 to FY 2029-30 as Rs. 391 million, Rs.439 million, Rs.493 million, Rs.553 million & Rs.621 million respectively.

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<u>Vehicle Running Expenses for Tariff Control Period</u>

Rs. in Million

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Vehicle Expense	169	243	348	391	439	493	553	621	499
%Increase/(Decrease)				12%	12%	12%	12%	12%	

✓ The average Vehicle expense (Rs./kWh) for Tariff Control Period is assessed as under:

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Vehicle Expense	0.03	0.02	0.04	0.04	0.05	0.05	0.05	0.06	0.05
%Increase/(Decrease)				10%	8%	9%	8%	8%	

<u>Adjustment mechanism:</u>

✓ The following adjustment mechanism is proposed:

a. Adjustment in Vehicle Running Expenses may be linked with the CPI.

<u>Operating expenses:</u>

✓ Other Expenses include Rent, Rates and Taxes, Utility expenses, communications, office supplies, professional fees, auditor's remuneration, outsourced services, management fees, electricity bill collection expenses etc.

<u>Other Operating expenses for Tariff Control Period</u>

Rs. in Million

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Other Expense	235	231	234	257	283	312	343	377	314
%Increase/(Decrease)				10%	10%	10%	10%	10%	

✓ The average Other expenses (Rs./kWh) for Tariff Control Period is assessed as under:

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Distribudon of Power Business									
Description	Audited	Nepra Determinon	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Other Expense	0.04	0.02	0.03	0.03	0.03	0.03	0.03	0.04	0.03
%Increase/(Decrease)				8%	6%	6%	6%	6%	

<u>Adjustment mechanism:</u>

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

✓ The O&M part of Distribution Margin shall be indexed with CPI (component wise).

Accordingly, the O&M will be indexed every year according to the following formula:

$$O\&M_{Rev} = \ [\ O\&M_{Ref}\ \times (1 + (\Delta CPI - X))] + \ O\&M_{Actual} + N$$

Where:

O&M *(Rev) is Revised O&M Expense for the Current Year*

O&M *(Ref) is Reference O&M Expense for the Reference Year which is controllable cost*

O&M *(Actual) is Actual O&M Expense for the Current Year and is uncontrollable cost*

*ΔCPI *is Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage (excluding pay & allowances and pension)*

X is Efficiency factor and to be allowed to the extent that the actual expenses are less than the determined instead of 30%, which is on a very higher side as CPI is not a true reflection of DISCOs expenses

N *is New Hiring (excluding outsourcing of Services like Bill Distributor, Drivers etc), including indexation of controllable and un-controllable costs to account for the expenditure that is not in the Base Cost*

** Note: Change in CPI may be used component wise instead of general NCPI, e.g., for vehicle expenses, NCPI under transport category should be used or it should be linked with PSO prices.*

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

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'Controllable costs' should be indexed every year with CPI change less agreed efficiency factor, adjustable in last two years, to pass on the benefit of system efficiency to the consumers.

Controllable cost

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

Uncontrollable cost

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

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

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

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

- Salaries & Other Benefits: Increased based on GoP notified increases:
  - ✓ FY 2025-26: 10% Ad-hoc Relief allowance & 30% DRA on Basic Pay of FY 2021-22
  - ✓ Cost of new hiring is claimed as an additional item (N Factor)
  - ✓ Cost of outsourcing may be allowed additionally, due to staff shortage (O Factor)
- Post Retirement Benefits: Increased using (1 + GoP Increase) considering recent pension reforms and average growth of the last three years.
- Repair & Maintenance, Traveling Expenses & Other Expenses : In line with (1 + NCPI) due to escalation in material & service costs and higher travel and lodging costs.
- Vehicle Expenses: Based on (1 + Change in Fuel Rates - PSO) reflecting fuel price variation linked with PSO rates.

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- Inflation: CPI: Other O&M Cost is projected based on NCPI.
- X-Factor: Efficiency factor is estimated @ 0% - capped to the extent of the actual expenses *(30% is on a very higher side as NCPI is not a true reflection of DISCOs expenses)*

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

Outsourcing instead of new hiring

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

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

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

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

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

8.13. Considering the fact that the MYT has been filed for a period of five years i.e. from FY 2025-26 to FY 2029-30, and the cost for the FY 2025-26 i.e. test year, is being assessed as reference cost during the MYT control period, the Authority has decided to consider the

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costs as per the Audited/ provisional accounts of the Petitioner for the FY 2024-25 as base year.

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

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

9. <u>Salaries, Wages and Other benefits (excluding post-retirement benefits)</u>

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

9.2. Considering the fact that the cost for the FY 2025-26 is being assessed, which would be used as reference during the MYT control period, the Authority has taken into consideration the costs as per the accounts of the Petitioner for the FY 2024-25, and information shared by the Petitioner subsequently in this regard. The Authority is of the view that since the previous MYT of the Petitioner has ended on 30.06.2025, therefore, it would be appropriate to account for the actual cost of the base year while projecting Salaries, Wages and Other benefits for the FY 2025-26, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.

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

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

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9.5. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of Salaries, Wages and other benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Thus, the cost of Salaries, Wages and other benefits (excluding post-retirement benefits) for the FY 2025-26 pertaining to the distribution function works out as Rs.9,736 million.

9.6. The assessed Salaries & Wages costs for the FY 2025-26 i.e. Rs.9,736 million, shall be considered as the reference cost for future adjustment/ indexation of Salaries & Wages expenses, in the remaining tariff control period as per the mechanism given in the instant determination.

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

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

10.1. Regarding additional recruitment, the Authority observed that Salaries & Wages cost for the FY 2024-25, as per the accounts of the Petitioner, has been considered as base cost, therefore, impact of any new recruitment made till FY 2024-25 has already been accounted for. For future recruitment, the Petitioner during hearing requested to primarily allow cost on account of outsourcing of certain services, citing the GoP decision that does not allow for any further recruitments. The Authority understands that any allowing cost upfront either on account of new hiring or outsourcing, would be unfair with the consumers, without considering/ analyzing its benefits. The Authority understands that it will be in a better position to adjudicate on the issue, once the Petitioner provides details of actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Although, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year, however, that would only be to the extent of existing employees. Accordingly, the Petitioner is directed to provide detail of services actually outsourced during each year or new hiring if any, along-with its financial impact and benefits accrued, for consideration of the Authority, in its subsequent adjustment/ indexation request. This addresses the concern of the Petitioner regarding inclusion of an "N" or "O" factor.

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

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

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

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

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

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

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

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

Mln. Rs.

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

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

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

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

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

11.9. Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2025-26 pertaining to the Distribution function works out as Rs.8,444 million.

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

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

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

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

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

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

Distribution Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Repair And Maintenance	1,102	1,433	1,374	1,511	1,662	1,828	2,011	2,212	1,845
%Increase/(Decrease)				10%	10%	10%	10%	10%	

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

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

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

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

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

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

12.8. Since the Audited accounts of the Petitioner, do not provide bifurcation of the R&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of R&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of R&M for the FY 2025-26 pertaining to the distribution function works out as Rs.1,479 million.

12.9. The assessed repair and maintenance cost for the FY 2025-26 i.e. Rs.1,479 million, shall be considered as the reference cost for working out future repair and maintenance expenses, in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

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

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

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

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

Mln. Rs.

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

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

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Mln. Rs.

Description	Y1	Y2	Y3	Y4	Y5
Tarvelling Expenses	293	322	354	389	428
Vehicle Expenses	391	439	493	553	621
Other Expenses	257	283	312	343	377
Grand-Total	**941**	**1,044**	**1,159**	**1,285**	**1,426**

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

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

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

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

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

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

13.9. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Other O&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of other O&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of other O&M expenses for the FY 2025-26 pertaining to the distribution function works out as Rs.715 million.

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

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

PPMC Fee

13.12. Here it is pertinent to mention that some DISCOs during the hearing requested to allow cost on account of Management Fee of Power Planning and Monitoring Company (the "PPMC"). DISCOs in support of their request referred to the SRO 1358-I (2025) dated 29.07.2025, issued by the Ministry of Energy (PD), pursuant to the Federal Cabinet decision dated 27.10.2021, the National Electricity Policy, 2021, the National Electricity Plan (2023–2027), whereby it has been designated as a "designated entity" for the implementation of the priority areas of the NE Plan, and strategic roadmap as per the NE policy. The SRO further mandates the company to charge a fee from DISCOs, for the services rendered, as may be approved by the BoD of PPMC from time to time. The BoD of PPMC may, on annual basis, approve the annual budget and allocation of fees to DISCOs.

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

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

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

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

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

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

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

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

<u>Depreciation</u>

14.1. The Petitioner has submitted that Depreciation is calculated on the basis of value of existing Assets plus the additions in assets during the FY 2025-26; actual depreciation for FY 2023-24 was Rs. 3,448 million. The assets are depreciated on straight line method as

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per utility practice i.e. land at 0 %, buildings and civil works at 2%, Plant and machinery at 3.5%, office equipment and mobile plant at 10% and other assets at 10%.

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

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

14.3. For Distribution Function, depreciation has been projected as Rs. 5,016 million for FY 2025-26, Rs. 6,044 million for FY 2026-27, Rs. 6,761 million for FY 2027-28, Rs. 7,634 million for FY 2028-29 & Rs. 8,301 million for FY 2029-30 as detailed below;

Rs. in Million

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Depreciation Expense	3,448	4,515	4,613	5,016	6,044	6,761	7,634	8,301	6,751
%Increase/(Decrease)				9%	20%	12%	13%	9%	

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

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

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

Rs. Mln

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

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

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

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

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

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

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

14.11. Not used

14.12. Not used

14.13. After taking into account the new investments as mentioned above, the Gross Fixed Assets in Operation for the FY 2025-26 have been re-worked. Accordingly, the depreciation charge for the FY 2025-26 has been assessed as Rs.4,171 million calculated on actual depreciation rates for each category of Assets as per the Company policy, which will be considered as reference cost for working out future depreciation expenses for the remaining tariff control period, to be adjusted as per the mechanism provided in the instant determination.

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

14.15. The actual depreciation reflected in the Audited accounts of the Petitioner for the FY 2024-25, do not provide bifurcation of depreciation cost in terms of Distribution and

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Supply Functions, therefore, for the purpose of allocation of depreciation cost in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the depreciation cost for the FY 2025-26 pertaining to the Distribution function works out as Rs.3,754 million.

<u>RoRB</u>

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

*Weighted Average Cost of Debt for FY 2024-25 include 3 month's Kibor plus 2% spread.

By incorporating the above adjustment of ERC, the calculation of WACC and RORB will be as under: WACC = [14.47% * 30%] + [18.16% * 70%] = 17.05%

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

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

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

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

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

14.20. For Distribution Business, PESCO has requested the following RoRB during the MYT control period;

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
RORB	8,313	12,116	7,683	9,855	12,648	14,762	16,295	17,014	14,115
%Increase/(Decrease)				28%	28%	17%	10%	4%	

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

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

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

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

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

<u>Cost of Equity;</u>

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

Where;

R_F is the risk free Rate
R_M is the Market Return
β is Beta

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

Kd = KIBOR + Spread

14.24. Accordingly, the WACC as per the given formula works out as under;

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

14.25. The Authority uses the Capital Asset Pricing Model (CAPM) for calculation of Return of Equity (RoE) component of the WACC, being the most widely accepted model, which is

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applied by regulatory agencies all over the world to estimate the cost of capital for regulated utilities. Further, as per the Tariff methodology, in case of negative equity, the Authority would consider a minimum of 20% equity and any equity in excess of 30% would be considered as debt.

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

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

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

14.29. Regarding the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has taken cost of debt as 3 month's KIBOR + 1.50% spread, as maximum cap. Consequently, the cost of debt has been worked out as 12.64% i.e. 3 Months KIBOR of 11.14% as of July 02, 2025 plus a spread of 1.50% *(150 basis points)*.

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

Cost of Equity;
Ke = 14.47%
The cost of debt is;
Kd = 12.64%

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

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

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

14.32. The total amount of RoRB as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, the RORB for the FY 2025-26 pertaining to the Distribution function works out as Rs.6,907 million.

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

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

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

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

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spread would be worked out based on individual loans. In case, the spread is greater than the allowed cap of 1.50%, additional cost would be borne by the Petitioner itself. Similarly, if the Petitioner's total actual cost of debt remains lower than the cost allowed for the year, the entire savings would also be passed onto the consumers annually, through PYA.

<u>Other Income</u>

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

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

14.38. The Petitioner has provided the following detail of other income pertaining to the Distribution Function;

Distribution of Power Business									
Description	Audited	Nepra Determ'ion	Base Year	Tariff Control Period					Avg. for Tariff Control Period
				Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
			Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Other Income	-3,795	-3,464	-3,450	-4,308	-4,432	-4,486	-4,443	-4,275	-4,389
%Increase/(Decrease)				25%	3%	1%	-1%	-4%	

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

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

14.41. The Authority in consistency with its earlier decision, on the issue, has not included the amount of LPS while assessing the other income for the FY 2025-26. Here it is pertinent to mention that the LPS recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only, and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of Late Payment charge recovered from consumers shall be made part of other income and deducted from revenue requirement in the subsequent year.

14.42. The total amount of Other Income as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, Other Income for the FY 2025-26 pertaining to the Distribution function works out as Rs.4,326 million.

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

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

<u>Adjustment Mechanism</u>

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

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

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

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

15.4. Regarding adjustment of O&M costs with efficiency factor X, the Authority in line with its earlier decisions in the matter of MYTs, has decided to keep the efficiency factor as 30% of increase in NCPI for the relevant year of the MYT control period. The Authority has further decided to implement the efficiency factor from the 3rd year of the control period, in order to provide the Petitioner with an opportunity to improve its operational performance, before sharing such gains with the consumers. The O&M part of Distribution Margin shall be indexed with NCPI subject to adjustment for efficiency gains (X factor).

15.5. <u>Indexation of O&M cost components</u>

15.6. <u>Salaries & Wages and Post-retirement Benefits:</u> Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Salaries & Wages and benefits, would

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be actualized, based on the audited accounts of the Petitioner for the relevant year for its existing employees, as long as they remain in public sector. The impact of any such adjustment would be allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

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

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

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

15.8. <u>Transportation/Vehicle Running expense portion of O&M cost</u>

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

Vehicle running/Transportation expenses (Rev) =

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

15.10. <u>Remaining O&M costs will be indexed</u> every year according to the following formula:

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

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

Where

O &M (Rev) = Revised O&M Expense for the Current Year

O &M (Ref) = Reference O&M Expense for the Reference Year

Δ NCPI = Change in NCPI published by Pakistan Bureau of Statistics for the month of December for the respective year. For O&M expenses, other than vehicle running expenses, NCPI-General shall be used, whereas for Vehicle Running expense, NCPI-Transport shall be used. Reference

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NCPI-General and NCPI-Transport of December 2024 for thepurpose of future adjustment/ indexation shall be 4.07% and - 0.18% respectively.

X = Efficiency factor i.e. 30% of NCPI relevant for indexation purpose

16. RORB

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

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

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

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

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

17. Depreciation Expenses

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

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

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Where: DEP (Rev) = Revised Depreciation Expense for the Current Year
DEP (Ref) = Reference Depreciation Expense for the Reference Year
GFAIO (Rev) = Revised Gross Fixed Assets in Operation for the Current Year
GFAIO (Ref) = Reference Gross Fixed Assets in Operation for the Reference Year

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

18. <u>Other Income</u>

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

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

19. <u>Financial Charges</u>

19.1. The Petitioner also raised the issue of non-provision of mechanism for indexation of approved investment plan in the MYT 2021-2025, under the head "Financial Charges". The Petitioner submitted that unavoidable factors such as natural calamities and inflation-induced mismatches between the scope and amount of allowed investment. Such approach could lead to negative consequences for service quality and long-term efficiencies. The Petitioner therefore requested that indexation mechanism of Investment Plan may be allowed, considering the NCPI local and NCPI foreign indices for foreign-funded projects of Distribution Plan of the Petitioner, which is integrated with the 132 KV network studies, envisages expansion and rehabilitation of the Company network during the 2025-26 to FY 2029-30.'

20. The Authority understands that issue regarding indexation mechanism for the allowed investment pertains to the investment plan submitted by the Petitioner, for which separate proceedings are being carried out, therefore, the Petitioner needs to take-up this issue during proceedings of its investment plan.

21. <u>Whether the request to allow Working capital, Worker welfare fund and cost of open access & cross subsidy is justified?</u>

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

- ✓ Recovery Loss
- ✓ Cost of Working Capital
- ✓ Worker's Welfare Fund (WWF)

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- ✓ Other Income
- ✓ T&D Loss targets
- ✓ Cost of Open Access and Cross Subsidy

21.2. The Authority noted that issue of Recovery loss pertains to the Supply of power function, therefore, the same been discussed in the Supply tariff determination of the Petitioner. Similarly, the issue of T&D losses, being relevant with the DIP and assessment of T&D losses, would be discussed and deliberated in detail in the Investment Plan determination of the Petitioner.

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

✓ <u>Liquidated Damages</u>

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

✓ <u>Interest income/ Return on Bank deposits</u>

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

<u>Liabilities written Back/ Assets written off/ Scrap Sales:</u>

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

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

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

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

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

- ✓ For the purpose of tariff determination, the units served shall include energy supplied to both regulated and non-regulated (Open Access) consumers, along with any unit adjustments. It is worth mentioning that in line with Rule 5(2)(c) of the Eligibility Criteria Rules 2023 notified by the Government of Pakistan as well as Strategic Directive 88 of the NE Plan, Use of System Charges (UoSC) which include wheeling charges, open access costs, and cross subsidies should be recovered on a uniform basis across all consumers. This approach is consistent with the currently uniform applicable tariff policy and is subject to determination by the Authority. These charges shall be deducted at actuals while calculating the revenue requirement for regulated consumers under the Supply Business.
- ✓ Any bilateral contract between a Bulk Power Consumer (BPC) and a Competitive Supplier must ensure the grossing up of BPC demand to include allowed technical losses as determined by NEPRA for PESCO distribution network. Therefore, the total demand to be served by the Competitive Supplier for a BPC must factor in these allowed losses. Any imbalances (shortages or excess energy) shall be recovered or adjusted from BPCs or their respective Competitive Suppliers in line with applicable provisions of the regulatory framework.
- ✓ The Authority should incorporate the treatment of Hybrid Bulk Power Consumers (BPCs) within the scope of the upcoming Multi-Year Tariff (MYT) determination. In line with the principles outlined in NEPRA's Decision on Wheeling Cost dated January 11, 2021, it is proposed that Hybrid BPCs who retains PESCO as the deemed supplier while partially sourcing power through open access, be levied based on the higher of

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their sanctioned load or actual Maximum Demand Indicator (MDI), as outlined in the regulatory framework PESCO recommends that NEPRA provide clear guidance regarding the treatment of technical losses and other adjustments under such wheeling arrangements.

- ✓ Pehur Hydropower Plant (HPP), operating as a Competitive Supplier under the open access regime, supplies electricity to Hybrid Bulk Power Consumers (BPCs) connected to PESCO's distribution network. In this context, PESCO submits that any bilateral contract between Pehur HPP and these Hybrid BPCs must ensure that the consumers' demand is grossed up to include the allowed level of technical losses determined by NEPRA for PESCO's distribution system. This ensures that the total demand served by Pehur HPP accurately reflects the losses within the network. Any energy imbalances, whether shortages or surpluses should be recovered or adjusted from the respective Hybrid BPCs/ Pehur HPP in accordance with the applicable regulatory framework.
- ✓ Relevant tariff treatment be applied to Pehur HPP in accordance with NEPRA's guidelines, and respectfully requests the Authority to affirm this classification in the upcoming Multi-Year Tariff (MYT) determination. This is essential to ensure cost recovery for the capacity reserved by PESCO to serve such consumers on demand. Inclusion of this mechanism in the MYT will provide regulatory clarity, financial stability, and consistency in the treatment of open access consumers during the ongoing transition to a competitive electricity market.
- ✓ The Authority is requested to recognize that all charges recovered by PESCO on account of open access including use of system charges, open access costs, cross-subsidies, marginal pricing, or any other applicable cost shall be adjusted in the allowed revenue requirement of PESCO, as per the applicable framework determined by NEPRA.

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

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

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

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

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

21.12. The Authority has considered the submissions of the Petitioner in terms of its obligation to maintain continuous energy supply to its consumers, and also reference made by the Petitioner to recent KE's MYT determinations for the period from FY 2023-24 to FY 2029-30. In order to access the working capital requirement of the Petitioner, the Authority obtained details of number of days available with the Petitioner to pay in terms of energy procured from National Grid. Based on the information provided by CPPA-G and in line with the mechanism adopted for KE, the working capital requirement of the Petitioner for its distribution function has been assessed as under;

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Distribution working Capital	Credit Period / Days	Factor	PESCO
Stores and Spares (3% of GFA)	3%	3%	4,219
Trade debt (30 days of Revenue Receivable)	30	0.08	2,131
Total Current Assets			6,351
Current Liabilities	2/3	66.67%	4,234
Working Capital Requirement			2,117
Less Receipt Against Deposit Work			22,134
Net Working Capital			(20,017)
Cost of debt local			12.00%
Working Capital Cost			(2,402)

21.13. As mentioned in the table above, PESCO's working capital requirement for the distribution function has been assessed as Rs.2,117 million. The Authority considers that receipts against deposit works, being related with distribution network business, are also required to be accounted for as part of working capital calculations. By including the amount of receipt against deposit works available with the Petitioner, as per the data provided by PESCO, its net cost of working capital requirement for the distribution function works out as negative Rs.2,402 million, based on 3 months KIBOR i.e. 11% +1% spread as maximum cap subject to downward adjustment in case the actual spread remains lower. The same is allowed to PESCO for the CY 2026, and is subject to adjustment, as per the mechanism provided below, once the audited accounts of PESCO for the FY 2025-26 are available.

Working capital (Distribution)
Formula for Future Adjustment
Revised cost of working capital = Working capital requirement as per given formula x Cost of debt on allowed parameters

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

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

<u>Actualization of Previous year based on allowed revenue as PYA</u>
<u>Current Assets</u>
- Lower of 30 days receivables based on allowed revenue (including the impact of allowed adjustments), but excluding Working Capital cost OR Actual average Receivables for the Financial Year (excluding opening receivables).
- Stores & Spares - Lower of 3% of Avg. GFA (opening + closing)/2 or Actual average Stores & Spares, . GFA based on based on Audited account to the extent of allowed Investment.
- Lower of allowed Cash & bank balance or Actual Cash & Bank Balances (Excluding cash/bank balance not meant for O&M expenses)

<u>Current liabilities</u>
- 2/3rd of aforementioned current assets (Receivables + Stores & spares + Cash)
- Receipt against deposit work figure will be actualized based Audited Financial statement initially and finally based on third party evaluation.

- Any other amount retained by PESCO

- For the purpose of 3 - Month KIBOR, the actual weighted average KIBOR of finance cost incurred by PESCO shall be considered. Similarly, for the purpose of spread, actual weighted average spread incurred by PESCO shall be considered. In case actual weighted average spread is lower than 1% cap, the same shall be adjusted downward only. No upward adjustment of spread is allowed.

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

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

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

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

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

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

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

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

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

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

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

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

  "(i) "Total Income" means:

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

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

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

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

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

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

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Workers Profit Participation Fund

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

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

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

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

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

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

Workers Welfare Fund

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

> 4. Mode of payment by, and recovery from, industrial establishments.-
>
> (1) Every industrial establishment, the total income of which in any year of account commencing on or after the date specified by the [1][Federal Government] in the Official Gazette in this behalf is not less than [2][five] lakh of rupees shall pay to the Fund in respect of that year a sum equal to two per cent [3](* * *)[of its total income (* * *)] (* * *)

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

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

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

21.23. In view thereof, the Authority has decided to allow these costs as pass through, on actual payment basis, as part of annual PYA, subject to provision of verifiable documentary

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evidences, in the subsequent tariff adjustments. However, in case there is a policy decision not to allow WWF or WPPF as pass through costs in future owing to recent negotiations being carried out with power companies, the Authority may review its decision for PESCO as well.

22. <u>Whether there will be any claw back mechanism or not?</u>

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

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

23. <u>Upfront Indexation/adjustment for the period July 2026 to December 2026</u>

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

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

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

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references up to June 2026. Projections for the remaining six months will be shared subsequently.

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

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

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

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

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

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

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

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

Consumer End Tariff (Methodology and Process), 2015", and the same are now in the process of notification.

23.10. Further, in light of the instant policy guidelines, the Authority has determined the revised Power Purchase Price (PPP) references for the period from January 2026 to December 2026 through a separate decision. Pursuant thereto and keeping in view the request of the Petitioner to also determine tariff for the period from July 1, 2026 to December 31, 2026, in accordance with the revised annual rebasing timelines, the Authority has also determined provisional revenue requirement of PESCO for the period from July 1, 2026 to December 31, 2026 as under:

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

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

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

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

24. <u>Order</u>

24.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the allowed revenue requirement of the Petitioner, for the FY 2025-26,

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JuCY 2026 (January 26 to December 26) including upfront Indexation/adjustment for the period July 2026 to December 2026, to the extent of distribution function is summarized as under;

Description	Unit	Revised Allowed FY 2025-26 DOP	Allowed CY 2026 DOP
Units Received	[MkWh]		10,373
Units Sold	[MkWh]		8,375
Units Lost	[MkWh]		1,998
Units Lost	[%]		19.26%
Pay & Allowances	[Mln. Rs.]	9,736	9,154
Post Retirement Benefits	[Mln. Rs.]	8,444	9,268
Repair & Maintainance	[Mln. Rs.]	1,479	1,482
Traveling allowance	[Mln. Rs.]	213	153
Vehicle maintenance	[Mln. Rs.]	248	247
Other expenses	[Mln. Rs.]	254	263
O&M Cost	[Mln. Rs.]	20,343	20,567
Depriciation	[Mln. Rs.]	3,754	2,996
RORB	[Mln. Rs.]	6,907	5,663
O.Income	[Mln. Rs.]	(4,326)	(4,217)
Margin	[Mln. Rs.]	26,678	25,008
Prior Year Adjustment	[Mln. Rs.]		-
Working Capital	[Mln. Rs.]		(2,402)
Revenue Requirement	[Mln. Rs.]	26,678	22,606
Average Tariff	[Rs./kWh]		2.70

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

24.3. The Petitioner is directed to follow the below timelines for submission of its future indexation/adjustment during the MYT control period;

Description	ADJUSTMENTS/ INDEXATION	TIME LINES
Salaries, Wages & Benefits	Annually as per the mechanism given in the decision	Request to be submitted by Petitioner in end of July of every year, so that adjustment / indexation for the next year is determined in timely manner.
Post-retirement Benefits		
Other operating expenses		
Depreciation		
Return on Regulatory Asset Base		
Other Income		
Prior Year Adjustment	Annually as per the mechanism given in the decision	
KIBOR	Bi-Annually, as per the decision	
Return on Equity (ROE)	No adjustment allowed over Reference ROE	
Spread	As per the mechanism in the decision	

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

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

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

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

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

24.9. The Petitioner shall ensure that it develops, maintains and publicly makes available, its investment program for satisfying its service obligations and acquiring & selling its assets.

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

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

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

25.1. The Authority hereby directs the Petitioner to;

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

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

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

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

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

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

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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AUTHORITY

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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

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

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

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

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

Enclosure: As above

Wasim Anwar
(Wasim Anwar Bhinder)

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

Copy to:

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

National Electric Power Regulatory Authority
(NEPRA)

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

DETERMINATION OF SUPPLY TARIFF PETITION
FOR
PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO)
FOR THE FY 2025-26 -- FY 2029-30
UNDER
NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad
January 07, 2026

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Abbreviations

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

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MVA	Mega Volt Amp
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PESCO	Peshawar Electric Supply Company Limited
PDEIP	Power Distribution Enhancement Investment Program
PDP	Power Distribution Program
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
PYA	Prior Year Adjustment
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RE	Rural Electrification
RFO	Residual Fuel Oil
RLNG	Re-gasified Liquefied Natural Gas
RoE	Return on Equity
RORB	Return on Rate Base
ROR	Rate of Return
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
SYT	Single Year Tariff
T&D	Transmission and Distribution
TFC	Term Finance Certificate
TOU	Time of Use
TOR	Term of Reference
TPM	Transfer Price Mechanism
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month
UOSC	Use of System Charges
WACC	Weighted average cost of capital
WAPDA	Water and Power Development Authority
XWDISCO	Ex-WAPDA Distribution Company

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

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

PETITIONER

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

INTERVENER
Nil

COMMENTATOR
Nil

REPRESENTATION

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

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

1. <u>Background</u>

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

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

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

Supply of Power [illegible]	Units	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30
Power Purchase Price	Rs. Mln	302,679	306,586	314,229	322,554	332,205
Energy Charges	Rs. Mln	128,551	124,597	128,511	133,262	138,865
Capacity Charges	Rs. Mln	157,346	164,617	168,121	171,500	175,294
Use of System Charges	Rs. Mln	16,726	17,314	17,538	17,732	17,986
Market Operator Fee	Rs. Mln	56	58	59	60	60
Distribution Business Cost	Rs. Mln	34,658	40,729	46,232	51,733	56,824
Supply Business Cost						
Salaries and benefits	Rs. Mln	11,101	12,188	13,442	14,849	16,488
Repair and Maintenance	Rs. Mln	69	76	83	91	101
Travelling expenses	Rs. Mln	118	129	142	156	172
Vehicle expenses	Rs. Mln	120	135	152	170	191
Other expense	Rs. Mln	1,558	1,713	1,885	2,073	2,280
Total O&M Costs	Rs. Mln	12,966	14,241	15,704	17,339	19,232
Depreciation	Rs. Mln	557	672	751	848	922
Return on Rate Base	Rs. Mln	2,463	3,161	3,689	4,072	4,252
Gross Margin	Rs. Mln	15,986	18,074	20,144	22,259	24,406
Less: Other Income	Rs. Mln	(1,962)	(2,019)	(2,043)	(2,023)	(1,947)
Net Margin	Rs. Mln	14,024	16,055	18,101	20,236	22,459
Prior Year Adjustment + Tax	Rs. Mln	32,767	3,588	3,802	4,075	4,263
Total Revenue Requirement	Rs. Mln	384,128	366,958	382,364	398,598	415,751
Projected Sales	GWh	9,321	9,656	9,981	10,331	10,728
Requested Tariff	Rs./kWh	41.21	38.00	38.31	38.58	38.75

2. <u>Proceedings</u>

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

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

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newspapers on 24.10.2025, and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

3. <u>Issues of Hearing</u>

3.1. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;

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

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

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

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

v. Whether the requested PYA is justified?

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

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

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

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

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

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

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

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

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

4. <u>Filing Of Objections/ Comments</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>O&M Expenses</u>

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

Rs. in Million

Supply & Distribution of Power Business (Existing)								
Description	Nepra Determination	Prov.	Tariff Control Period					Avg. for Tariff Control Period
		Base Year	Test Year	Y2	Y3	Y4	Y5	
	2024-25	2024-25	2025-26 Proj.	2026-27 Proj	2027-28 Proj	2028-29 Proj	2029-30 Proj	
Salaries and Benefits	30,760	33,234	32,743	35,951	39,650	43,800	48,634	40,156
Repair and Maintenance	1,493	1,436	1,560	1,738	1,931	2,102	2,313	1,927
Travelling Expenses	444	373	410	451	496	546	600	501
Vehicle Expenses	320	455	511	574	644	723	812	653
Other Expenses	1,450	1,650	1,815	1,997	2,195	2,416	2,657	2,216
Grand-Total	34,687	37,148	37,039	40,710	44,898	49,587	55,015	45,454
%Increase/(Decrease)			0%	10%	10%	10%	11%	

Rs. in Million

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

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

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

a) Expected increase in salaries (15%).

b) Impact of Additional recruitment.

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

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

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

Rs. In Million

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

✓ New hiring cost

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

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

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

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

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

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

✓ This factor has affected the performance overall of the Company and that of HR particularly because the aging staff could not work at optimal output and sometime meet with fatal / non-fatal accidents which is also embarrassment for the management.

✓ In this regard, a proposal year-wise initially for the year 2026 is projected including Grid System Operation staff which is required for GSO of newly commissioned grids waiting for minimum required staff. Moreover, such arrangement will continue till Dec 2030. The concerned authorities are requested for sympathetic consideration in this regard.

✓ To ensure an efficient, coordinated, economical distribution system and to build, maintain and operate the system more systematically, it will be employing a highly skilled and technically proficient team to manage all aspects of the distribution of power to ensure that all key commercial interests of all stakeholders are maintained, protected and prioritized.

<u>Adjustment mechanism:</u>

✓ The following adjustment mechanism is proposed:

a. The base year FY 2024-25 does not reflect the true cost rather showing with employees of 10,122 with sanctioned posts of 24,385 and accordingly factor "N" is included to account for the new recruitments.

b. Adjustment in Salary & Pension (including pension part of post-retirement benefit) may be linked with the Increase announced by GoP in Annual Budget on actual basis.

c. 5% increase on account of Annual Increment may be allowed.

d. The remaining allowances / benefits may be adjusted on the basis of CPI for controllable costs and on the basis of actual in case of uncontrollable costs.

e. An additional variable "N" may be included to account for the New Hiring (excluding outsourcing of Services like Bill Distributor, Drivers etc.) against vacant positions and the same may be indexed as proposed above. The cost of new Recruitment is not included in the Salaries and Wages Cost and is covered through adjustment factor as variable "N" in the O&M adjustment mechanism.

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

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

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

✓ Repair and Maintenance budget is required for the following:

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

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

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

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

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

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

<u>Repair & Maintenance Cost for Tariff Control Period</u>

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

Rs. in Million

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

<u>Adjustment Mechanism:</u>

✓ The following adjustment mechanism is proposed:

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

<u>Travelling expenses:</u>

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

Rs. in Million

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

<u>Adjustment mechanism:</u>

✓ The following adjustment mechanism is proposed:

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

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Vehicle running expenses:

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

Vehicle Running Expenses for Tariff Control Period

Rs. in Million

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

Adjustment mechanism:

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

Operating expenses:

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

Rs. in Million

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

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Adjustment mechanism:

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

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

Controllable cost

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

Uncontrollable cost

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

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

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

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

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

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

Outsourcing instead of new hiring

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

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

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

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

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

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

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

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

9. <u>Salaries, Wages and Other benefits (excluding post-retirement benefits)</u>

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

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

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

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

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

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

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

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

10. Additional Recruitment and Outsourcing

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

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

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

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

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

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

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

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

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

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

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Mln. Rs.

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

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

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

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

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

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

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

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

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

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

Rs. in Million

Description	Nepra Determ'ion	ACTUAL	Tariff Control Period				
			Base Year	Y2	Y3	Y4	Y5
	2024-25	2024-25	2025-26	2026-27	2027-28	2020-29	2029-30
			Proj.	Proj.	Proj.	Proj.	Proj.
Repair and Maintenance	1,493	1,470	1,580	1,738	1,911	2,102	2,313

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Mln. Rs.

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

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

Mln. Rs.

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

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

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

Description	FY 2019-20	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
	Ave. Rs. / Ltr.	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*
Average Price of Petrol *(Annual / PKR)*	106.89	106.43	-0.40%	150.57	41.50%	247.8	64.60%	278.9	12.60%	255.3	-8.50%	265.1	4.20%
Average Price of Diesel *(Annual / PKR)*	117.5	108.98	-7.30%	149.36	37.10%	255.5	71.10%	286.1	12.00%	259.8	-9.20%	276.4	6.40%
Average POL Price *(Petrol + Diesel / PKR)*	112.2	107.7	-4.00%	149.97	39.20%	251.7	67.80%	282.5	12.30%	257.6	-8.80%	271.2	5.30%

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

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

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

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

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

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

<u>PPMC Fee</u>

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

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

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

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

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

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

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

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

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

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

15. <u>Depreciation</u>

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

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

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

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

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

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

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

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

Rs. Mln

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

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

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

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

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

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

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

15.11. Not used

15.12. Not used

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

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

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

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

16. <u>RoRB</u>

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

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

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

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

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Description	UoM	2025-26 Proj.	2016-27 Proj.	2027-28 Proj.	2028-29 Proj.	2029-30 Proj.
Net Fixed Assets in Operation	[Mln Rs]	103,072	120,673	137,660	152,902	164,389
Add: Capital Work in Progress - Closing Bal	[Mln Rs]	47,731	52,813	53,211	51,525	44,981
Less. Cap. WIP-Deposit Portion	[Mln Rs]	12,692	12,865	12,779	12,822	12,800
Investment in Fixed Assets	[Mln Rs]	138,110	160,621	178,093	191,605	196,571
Less: Deferred Credits	[Mln Rs]	54,356	58,925	63,342	67,431	71,279
Regulatory Assets Base	[Mln Rs]	83,754	101,696	114,751	124,174	125,291
Average Regulatory Assets Base	[Mln Rs]	72,253	92,725	108,223	119,463	124,733
Rate of Return	(%age)	17.05%	17.05%	17.05%	17.05%	17.05%
Return on Rate Base	[Mln Rs]	12,318	15,809	18,451	20,367	21,266

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

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

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

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

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

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

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

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

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

Cost of Equity:

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

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Where;

R_F is the risk free Rate

R_M is the Market Return

β is Beta

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

Kd = KIBOR + Spread

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

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

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

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

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

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

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

16.14. As regard the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, the Authority has taken cost of debt as 3 month's KIBOR + 1.50% spread, as maximum cap. Consequently, the cost of debt has been worked out as 12.64% i.e. 3 Months KIBOR of 11.14% as of July 02, 2025 plus a spread of 1.50% *(150 basis points).*

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

Cost of Equity;

Ke = 14.47%

The cost of debt is;

Kd = 12.64%

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

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

WACC = ((14.47% x 30%) + (12.64% x 70%)) = 13.19%

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

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

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

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

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

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

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

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

Other Income

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

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

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

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

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

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

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

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

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

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

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

<u>Adjustment Mechanism</u>

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

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

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

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

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

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

17.5. Indexation of O&M cost components

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

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

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

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

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

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

Vehicle running/Transportation expenses (Rev) =

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

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

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

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

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Where

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

18. RORB

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

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

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

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

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

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

19. Depreciation Expenses

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

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

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

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

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

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

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

20. Other Income

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

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

21. Whether the requested PYA is justified?

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

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FY 2025-26

Rs Mn

Description	PESCO
4th Qtr. FY 2022-23 (Oct-Mar-24)	
Allowed Amount	8,647
Qtr. Rs./kWh	1.651
Recovered	7,465
Under/(Over) Recovery	1,182
1st Qtr. FY 2023-24 (Jan-Mar-24)	
Allowed Amount	2,197
Qtr. Rs./kWh	0.1399
Recovered	1,911
Under/(Over) Recovery	286
2nd Qtr. FY 2023-24 (Apr-Jun-24)	
Allowed Amount	11,877
Qtr. Rs./kWh	3.35
Recovered	10,595
Under/(Over) Recovery	1,279
3rd Qtr. FY 2023-24 (Jul-Aug-24)	
Allowed Amount	14,095
Qtr. Rs./kWh	3.5793
Recovered	10,377
Under/(Over) Recovery	3,718
4th Qtr. FY 2023-24 (Sept-Nov-24)	
Allowed Amount	604
Qtr. Rs./kWh	0.1557
Recovered	376
Under/(Over) Recovery	228
1st Qtr. FY 2024-25 (Dec-24)	
Allowed Amount	1,000
Qtr. Rs./kWh	1.222
Recovered	672
Under/(Over) Recovery	329
Distribution Margin FY 2023-24	
Allowed	45,490
Rate Rs/kWh	3.77
Recovered	39,937
Under/(Over) Recovery	5,553
PYA 2022	
Allowed	4,476
Rate Rs/kWh	0.35
Sales till Jul, 11 2024	12,675
Recovered	3,890
Under/(Over) Recovery	586

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

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

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

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

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

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

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

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

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

✓ <u>Liquidated Damages</u>

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

✓ <u>Interest income/ Return on Bank deposits</u>

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

<u>Liabilities written Back/ Assets written off/ Scrap Sales:</u>

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

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

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

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

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

- ✓ For the purpose of tariff determination, the units served shall include energy supplied to both regulated and non-regulated (Open Access) consumers, along with any unit adjustments. It is worth mentioning that in line with Rule 5(2)(c) of the Eligibility Criteria Rules 2023 notified by the Government of Pakistan as well as Strategic Directive 88 of the NE Plan, Use of System Charges (UoSC) which include wheeling charges, open access costs, and cross subsidies should be recovered on a uniform basis across all consumers. This approach is consistent with the currently uniform applicable tariff policy and is subject to determination by the Authority. These charges shall be deducted at actuals while calculating the revenue requirement for regulated consumers under the Supply Business.
- ✓ Any bilateral contract between a Bulk Power Consumer (BPC) and a Competitive Supplier must ensure the grossing up of BPC demand to include allowed technical losses as determined by NEPRA for PESCO distribution network. Therefore, the total

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Actualization of Previous year based on allowed revenue as PYA

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

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

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

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

    - Any other amount retained by the Petitioner

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

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

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

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

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

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

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

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

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

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

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

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

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

  "(i) "Total Income" means:

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

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

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

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

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

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

<u>Workers Profit Participation Fund</u>

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

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

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

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

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

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

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Workers Welfare Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

✓ Proposed Recovery targets as per Strategic Roadmap Agreement:

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

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

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

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

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

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

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

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

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

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

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

Supply of Power Business								
Description	Audited	Base Year	Tariff Control Period					Avg. for Tariff Control Period
			Test Year	Y2	Y3	Y4	Y5	
	2023-24	2024-25	2025-26	2025-27	2025-28	2025-29	2025-30	
		Act/Pro.	Proj.	Proj.	Proj.	Proj.	Proj.	
Recovery %age	89%	88%	92%	92%	92%	93%	94%	93%
As Sales %age	4.9%	4.6%	5.2%	5.0%	4.8%	4.5%	4.4%	4.8%
Provision for Bad Debts	12,189	14,978	15,278	15,593	15,895	16,213	16,537	15,901
%Increase/(Decrease)			2%	2%	2%	2%	2%	

RECOVERY PLAN

✓ The Petitioner provided the following recovery plan;

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

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

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

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

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

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

- ✓ Allowing of a recovery loss trajectory, effectively transfers the financial burden of DISCO inefficiencies onto paying consumers, thereby penalizing compliant customers while subsidizing non-payment. The MoE (PD) also submitted that this approach is inconsistent with the principle of prudent cost recovery enshrined in Section 31 of the NEPRA Act and the Tariff Rules.
- ✓ Clause 5.3.2 of the NE Policy envisages that "timely recovery of bad debt that is prudent shall be allowed by the Regulator with the incorporation of facilitative provisions in the regulatory framework as per industry practices and procedures." In this context, SD 31 of the NE Plan operationalizes Clause 5.3.2 of the NE Policy by laying out clear criteria for bad debt write-offs applicable across the sector. Clause 6.1.3 of the NE Policy reinforces that the NE Plan shall serve as the implementation tool for achieving policy goals.
- ✓ Consequently, the Authority is legally obligated under Sections 7(2)(ia), 14A(5), and 31(1) of the NEPRA Act to align tariff determinations with the NE Plan and apply its prescriptions uniformly to all DISCOs. If this practice of allowing recovery loss is extended sector-wide, the projected annual burden would rise to Rs.270 billion, potentially accumulating to Rs.1,500 billion over seven years. Such a development would jeopardize the financial sustainability of the power sector and run contrary to the goals of tariff rationalization and reform-based efficiency.
- ✓ The Act mandates the Authority to allow only prudently incurred costs and any inefficiencies on the part of utility company cannot considered as prudent cost and should not be allowed.
- ✓ It is the duty of the Authority while discharging its function of determining and recommending tariff that: (a) the interests of the consumers and the companies engaged in providing electric power services is duly protected in accordance with the principles of transparency and impartiality; and (b) it shall be guided by the NE Policy, the NE Plan and the guidelines of the Federal Government.
- ✓ Recovery shortfall (if any) be met by way of application of principles of write-off, subject to fulfilment of specified criteria for such write-off of bad debts, in line with industry practices and procedures in other regulatory jurisdictions, which shall duly

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Supplemental Charges</u>

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

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

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

<u>Rs.in Billions</u>

Year	Supplemental Charge	Late Payment Charges Billed to the Consumers	LPS Collection from the Consumers	Shortfall
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
Sub Total	[illegible]	[illegible]	-	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (up to Mar-25)	[illegible]	[illegible]	[illegible]	[illegible]
Sub Total	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]

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

Inadmissible Input Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii. other residential consumers (above cost recovery).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30. <u>Order</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31.1. The Authority hereby directs the Petitioner;

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

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

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

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

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

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

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

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

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

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

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

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Annex-I-A

QUARTERLY ADJUSTMENT MECHANISM

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

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

Where;

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

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

Impact of T&D losses on FCA

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

Where;

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

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

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

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

	Description	Sales		Base Revenue			Base Tariff			PYA 2025		Total Tariff		
		GWh	% Mix	Fixed Charge	Variable Charge	Total	Fixed Charge	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Fixed Charge	Variable Charge
				Mln. Rs.	Mln. Rs.	Mln. Rs.	Rs./Con/M	Rs./kW/M	Rs./kWh	Mln. Rs.	Rs./kWh	Rs./Con/M	Rs./kW/M	Rs./kWh
	Residential													
	For peak load requirement less than 5 kW													
Protected	Up to 50 Units - Life Line	57	0.68%	-	1,828	1,828	-	-	32.31	106	1.88	-	-	34.1
	51-100 units - Life Line	62	0.74%	-	2,045	2,045	-	-	32.92	117	1.88	-	-	34.8
	01-100 Units	1736	20.73%	-	61,702	61,702	-	-	35.53	3,264	1.88	-	-	37.4
	101-200 Units	549	6.56%	-	19,443	19,443	-	-	35.40	1,033	1.88	-	-	37.2
Un-Protected	01-100 Units	353	4.21%	-	11,994	11,994	-	-	34.02	663	1.88	-	-	35.9
	101-200 Units	565	6.75%	-	19,592	19,592	-	-	34.63	1,063	1.88	-	-	36.7
	201-300 Units	638	7.62%	-	22,328	22,328	-	-	34.99	1,200	1.88	-	-	36.8
	301-400 Units	292	3.49%	71	10,455	10,526	200	-	35.79	549	1.88	200	-	37.6
	401-500 Units	163	1.95%	59	5,776	5,835	400	-	35.37	307	1.88	400	-	37.2
	501-600 Units	92	1.09%	37	3,219	3,257	600	-	35.17	172	1.88	600	-	37.0
	601-700Units	56	0.67%	27	1,963	1,990	800	-	35.04	105	1.88	800	-	36.9
	Above 700 Units	174	2.08%	74	6,082	6,156	1,000	-	34.91	327	1.88	1,000	-	36.7
	For peak load requirement exceeding 5 kW													
	Time of Use (TOU) - Peak	48	0.58%	362	1,725	2,087	1,000	-	35.82	91	1.88	1,000	-	37.5
	Time of Use (TOU) - Off-Peak	183	2.18%	-	6,055	6,055	1,000	-	33.09	344	1.88	1,000	-	34.9
	Temporary Supply	0	0.00%	0	6	6	2,000	-	38.72	0	1.88	2,000	-	40.6
	Total Residential	4,969	59.33%	631	174,313	174,944				9,342				
	Commercial - A2													
	For peak load requirement less than 5 kW	291	3.47%	2,709	7,238	9,947	1,000	-	24.89	547	1.88	1,000	-	26.7
	For peak load requirement exceeding 5 kW						-	-						
	Regular	0	0.00%	0	2	2	-	1,250	25.58	0	1.88	-	1,250	27.4
	Time of Use (TOU) - Peak	100	1.19%	-	3,400	3,400	-	-	34.02	188	1.88	-	-	35.9
	Time of Use (TOU) - Off-Peak	412	4.92%	3,275	10,759	14,034	-	1,250	26.12	774	1.88	-	1,250	28.0
	Temporary Supply	2	0.03%	12	83	95	5,000	-	37.04	4	1.88	5,000	-	38.9
	Electric Vehicle Charging Station (EVCS)	0	0.00%	-	3	3	-	-	31.83	0	1.88	-	-	33.7
	Total Commercial	805	9.61%	5,996	21,486	27,482				1,514				
	General Services-A3	435	5.20%	374	13,587	13,961	1,000	-	31.22	818	1.88	1,000	-	33.1
	Industrial													
	B1	1	0.02%	1	60	60	1,000	-	41.62	3	1.88	1,000	-	43.5
	B1 Peak	6	0.07%	-	250	250	1,000	-	44.84	10	1.88	1,000	-	46.7
	B1 Off Peak	46	0.55%	84.18	1,806	1,890	1,000	-	39.40	86	1.88	1,000	-	41.2
	B2	0	0.00%	0	1	1	-	1,250	40.21	0	1.88	-	1,250	42.0
	B2 - TOU (Peak)	82	0.98%	-	3,661	3,661	-	-	44.65	154	1.88	-	-	46.5
	B2 - TOU (Off-peak)	546	6.51%	3,539	19,111	22,651	-	1,250	35.03	1,026	1.88	-	1,250	36.9
	B3 - TOU (Peak)	109	1.31%	-	4,886	4,886	-	-	44.70	205	1.88	-	-	46.5
	B3 - TOU (Off-peak)	634	7.57%	2,827	19,071	21,898	-	1,250	30.10	1,191	1.88	-	1,250	31.9
	B4 - TOU (Peak)	48	0.58%	-	2,165	2,165	-	-	44.70	91	1.88	-	-	46.6
	B4 - TOU (Off-peak)	363	4.34%	1,567	12,658	14,225	-	1,250	34.84	683	1.88	-	1,250	36.7
	Temporary Supply	2	0.02%	1	74	75	5,000	-	45.69	3	1.88	5,000	-	47.5
	Total Industrial	1,837	21.93%	8,019	63,743	71,762				3,453				
	Single Point Supply													
	C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%	0	0	0	2,000	-	32.93	0	1.88	2,000	-	34.8
	C1(b) Supply at 400 Volts-exceeding 5 kW	4	0.05%	15	79	95	-	1,250	19.42	8	1.88	-	1,250	21.3
	Time of Use (TOU) - Peak	8	0.10%	-	257	257	-	-	30.82	16	1.88	-	-	32.7
	Time of Use (TOU) - Off-Peak	38	0.45%	92	923	1,014	-	1,250	24.47	71	1.88	-	1,250	26.3
	C2 Supply at 11 kV	5	0.06%	15	96	111	-	1,250	20.12	9	1.88	-	1,250	22.0
	Time of Use (TOU) - Peak	39	0.46%	-	1,288	1,288	-	-	33.12	73	1.88	-	-	35.0
	Time of Use (TOU) - Off-Peak	169	2.02%	821	2,946	3,767	-	1,250	17.38	319	1.88	-	1,250	19.2
	C3 Supply above 11 kV	0	0.00%	1	4	5	-	1,250	28.21	0	1.88	-	1,250	30.0
	Time of Use (TOU) - Peak	2	0.03%	-	94	94	-	-	37.94	5	1.88	-	-	39.8
	Time of Use (TOU) - Off-Peak	11	0.13%	48	279	327	-	1,250	26.28	20	1.88	-	1,250	28.1
	Total Single Point Supply	276	3.30%	991	5,966	6,957				520				
	Agricultural Tube-wells - Tariff D													
	Scarp	0	0.00%	-	6	6	-	-	25.18	0	1.88	-	-	27.0
	Time of Use (TOU) - Peak	0	0.00%	-	5	5	-	-	22.17	0	1.88	-	-	24.0
	Time of Use (TOU) - Off-Peak	1	0.01%	2	23	25	-	400	20.00	2	1.88	-	400	21.8
	Agricultual Tube-wells	7	0.08%	10	229	239	-	400	32.80	13	1.88	-	400	34.6
	Time of Use (TOU) - Peak	5	0.06%	-	174	174	-	-	36.59	9	1.88	-	-	38.4
	Time of Use (TOU) - Off-Peak	26	0.31%	60	680	740	-	400	26.55	49	1.88	-	400	28.4
	Total Agricultural	39	0.47%	72	1,117	1,189				73				
	Public Lighting - Tariff G	12	0.14%	18	348	366	2,000	-	29.73	22	1.88	2,000	-	31.6
	Residential Colonies	2	0.02%	0	41	42	2,000	-	25.97	3	1.88	2,000	-	26.8
		13	0.16%	18	389	407				25				
	Pre-paid Supply Tariff													
	Residential	-	-	-	-	-	1,000	-	40.62	-	1.88	1,000	-	42.5
	Commercial - A2	-	-	-	-	-	-	1,250	30.97	-	1.88	-	1,250	32.8
	General Services - A3	-	-	-	-	-	1,000	-	36.19	-	1.88	1,000	-	38.0
	Industrial	-	-	-	-	-	-	1,250	40.19	-	1.88	-	1,250	42.0
	Single Point Supply	-	-	-	-	-	-	1,250	25.10	-	1.88	-	1,250	26.9
	Agriculture Tube-wells - Tariff D	-	-	-	-	-	-	400	33.25	-	1.88	-	400	35.1
	Grand Total	8,375	100%	16,102	280,602	296,703				15,745				

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

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Annex-III

SCHEDULE OF ELECTRICITY TARIFFS
FOR PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		FTA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
a)	For Sanctioned load less than 5 kW								
i (Protected)	Up to 50 Units - Life Line	-		32.31		1.88		34.19	
ii (Protected)	51 - 100 Units - Life Line	-		32.92		1.88		34.80	
iii (Protected)	001 - 100 Units	-		35.53		1.88		37.41	
iv (Protected)	101 - 200 Units	-		35.40		1.88		37.28	
v (Un-Protected)	001 - 100 Units	-		34.02		1.88		35.90	
vi (Un-Protected)	101 - 200 Units	-		34.83		1.88		36.71	
vii (Un-Protected)	201 - 300 Units	-		34.99		1.88		36.87	
viii (Un-Protected)	301 - 400 Units	200		35.79		1.88		37.67	
ix (Un-Protected)	401 - 500 Units	400		35.37		1.88		37.25	
x (Un-Protected)	501 - 600 Units	600		35.17		1.88		37.04	
xi (Un-Protected)	601 - 700 Units	800		35.04		1.88		36.92	
xii (Un-Protected)	Above 700 Units	1,000		34.91		1.88		36.79	
b)	For Sanctioned load 5 kW & above			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
	Time Of Use	1,000		35.62	33.05	1.88	1.88	37.50	34.93
c)	Pre-Paid Residential Supply Tariff	1,000			40.62		1.88		42.50

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

As per Authority's decision, residential life line consumer will not be given any slab benefit.

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed. For consumers where monthly Fixed charges are applicable, no minimum charges shall be applicable on such consumers, even if no energy consumed.

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

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

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		FTA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
a)	For Sanctioned load less than 5 kW	1,000		34.89		1.88		36.77	
b)	For Sanctioned load 5 kW & above		1,250	35.58		1.88		37.46	
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	-	1,250	36.05	26.12	1.88	1.88	37.93	28.00
d)	Electric Vehicle Charging Station (EVCS)	-	-		31.83		1.88		33.71
e)	Pre-Paid Commercial Supply Tariff		1,250		30.97		1.88		32.85

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	FTA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
a)	General Services	1,000	-	31.22	1.88	33.10
b)	Pre-Paid General Services Supply Tariff	1,000	-	31.19	1.88	33.07

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

B INDUSTRIAL SUPPLY TARIFFS

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

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

C SINGLE POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		FTA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
C-1	For supply at 400/230 Volts								
a)	Sanctioned load less than 5 kW	2,000		32.93		1.88		34.81	
b)	Sanctioned load 5 kW & up to 500 kW	-	1,250	19.43		1.88		21.31	
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	20.12		1.88		22.00	
C-3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	28.21		1.88		30.09	
	Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	-	1,250	30.82	24.47	1.88	1.88	32.70	26.35
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	-	1,250	33.12	17.36	1.88	1.88	35.00	19.24
C-3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	-	1,250	37.14	26.26	1.88	1.88	39.02	28.14
	Pre-Paid Bulk Supply Tariff		1,250		25.10		1.88		26.98

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

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh		FPA 2025 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B	C		D		E=C+D	
D-1(a)	SCARP less than 5 kW	-	-	33.18		1.81		27.04	
D-2 (i)	Agricultural Tube Wells	-	400	33.10		1.61		34.66	
				Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	-	400	33.17	30.00	1.81	1.88	34.03	31.88
D-2 (ii)	Agricultural 5 kW & above	-	400	35.49	34.58	1.88	1.86	35.47	31.43
Pre-Paid for Agri & Scarp		-	400		33.28		1.66		31.13

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

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	FPA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
E-1(i)	Residential Supply	2,000		38.72	1.81	40.50
E-1(ii)	Commercial Supply	5,000		37.04	1.88	38.92
E-2	Industrial Supply	5,000		45.49	1.68	47.07

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

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

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	FPA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
	Street Lighting	2,000		38.72	1.18	31.81

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / Cons / M	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs/kWh	FPA 2025 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D	E=C+D
	Residential Colonies attached to Industrial premises	2,000.00		35.07	1.76	36.83

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

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PESCO

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

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

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

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

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Annex-V

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

GENERAL DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. "Consumer" as defined in NEPRA Act.

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

14. NTDC means the National Transmission and Despatch Company.

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

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

GENERAL CONDITIONS

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

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

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

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

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PART-II

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

A-1 RESIDENTIAL

Definition

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

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

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

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

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

A-2 COMMERCIAL

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

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

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

A-3 GENERAL SERVICES

1. This tariff is applicable to;

   i. Approved religious and charitable institutions

   ii. Government and Semi-Government offices and Institutions

   iii. Government Hospitals and dispensaries

   iv. Educational institutions

   v. Water Supply schemes including water pumps and tube wells other than those meant for the irrigation or reclamation of Agriculture land.

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

B INDUSTRIAL SUPPLY

Definitions

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

   i) Poultry Farms

   ii) Fish Hatcheries, fish farms, fish nurseries & Breeding Farms and

   iii) Software houses

Conditions

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

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

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

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

B-2 SUPPLY AT 400 VOLTS

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

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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

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

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

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

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

C BULK SUPPLY

"Bulk Supply" for the purpose of this Tariff, means the supply given at one point for self-consumption to mix-load consumer not selling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days no notice will be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days the fixed charges shall be assessed on proportionate basis for actual number of days between the date of old reading and the new reading.

C-I SUPPLY AT 400/230 VOLTS

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1. This Tariff is applicable to a consumer having a metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of more than 500 kW up to and including 5 MW.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 5MW upto 7.5MW whose connection is at least three (3) years old. While allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.
3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the Eligibility Criteria laid down by the Authority read with CSM.
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
5. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b).

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the Eligibility Criteria laid down by the Authority read with CSM, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other

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necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by Eligibility Criteria laid down by the Authority read with CSM.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).

4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

"Agricultural Supply" means the supply for Lift Irrigation Pumps and/or pumps installed on Tube-wells intended solely for irrigation or reclamation of agricultural land or forests, and include supply for lighting of the tube-well chamber.

Special Conditions of Supply

1. This tariff shall apply to:

   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):

   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.

   iii) Tube-wells meant for aqua-culture.

   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.

2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.

3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.

4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.

4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply excluding SCARP related installations.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 2(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-2(a) till that time.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, exhibitions, political gathering, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction of house/buildings/plazas of single phase loads. A temporary electric power supply connection for the construction shall be provided by Distribution company initially for a period of six months which is further extendable on three month basis up to completion of the specific job/project for which the temporary connection was obtained. However, there is no minimum time period for provision of temporary connection. The temporary connection for illumination, lighting, weddings, festivals, functions, exhibitions, political gatherings or national and religious ceremonies, civil or military functions etc., testing of industrial equipment or any other emergent requirement of temporary nature, can be provided for specific time period not exceeding two weeks. The sanctioning officer shall ensure that the temporary connection will be utilized for temporary purpose only.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.
2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the bonafide purposes mentioned under the respective definitions of "Industrial Supply", during the construction phase prior to the commercial operation of the Industrial concern.

SPECIAL CONDITIONS OF SUPPLY

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

NATIONAL ELECTRIC POWER REGULATORY NEPRA AUTHORITY

2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

"Year" means any period comprising twelve consecutive months.

1. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and

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equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps. The supply under this tariff shall also be applicable for lamps used in public playgrounds and public parks.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply" for the purpose of this Tariff, means the supply given by one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 Kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heated, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bonafide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

TARCTION

Supply under this tariff means supply of power in bulk to Railways for Railway Traction only.

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ANNEX-VI

Annex-VI (Working of FCA)

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		[illegible]
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		[illegible]
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		[illegible]
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		[illegible]
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		-
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		-
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		-
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

Purchases		[illegible]
T&D Losses		[illegible]
Sales after Losses		[illegible]
Sales net of Incremental units		[illegible]
ISP Sales		-
FCA - Rs/kWh		[illegible]
	FCA Impact - Rs. Mln	[illegible]
	Life Line	[illegible]
	Prepaid EVs	-
	Protected upto 200 - Apl	[illegible]
	Units	[illegible]

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ANNEX – VI

Annex-VI (Working of FCA)

Description	March	April	May	June	July	August	September	October	November
Purchases	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
T&D Losses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sales after Losses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sales net of Incremental units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IIP Sales	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FCA - Rs/kWh	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FCA Impact - Rs. Mln	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Life Line	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prep-LVCs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Protec.-upto 300 - Agri	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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ANNEX - VI

Annex-VI (Working of PYA

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Purchases	1,088	1,040	867	907	[illegible]	1,221	1,412	1,196	1,1[illegible]	1,053
T&D Losses	19.26%	19.26%	19.26%	19.26%	19.26%	19.26%	19.26%	19.26%	19.26%	19.26%
Sales after Losses	904	832	700	732	765	977	1,143	966	956	851
Sales net of Incremental units	791	824	696	732	763	975	1,143	966	956	851
ISP Sales	14.26	14.33	14.02	-	-	-	-	-	-	-
FCA - Rs./kWh	1.32	2.05	8.21	0.15	1.01	0.11	0.72	1.72	0.03	0.82
FCA Impact - Rs. Mln	215.4	303.5	42.0	1.3	15.5	4.3	1.9	16.9	8.3	1.6
Life Line	9.6	9.2	9.2	15.5	10.3	10.3	12.3	9.1	8.5	8.9
Prep-EVCs	-	-	-	-	-	-	-	-	-	-
Protected upto 300 - Agri	214.9	234.8	272.2	220.8	262.3	305.1	252.6	264.1	265.9	295.1
Units	210.5	214.1	314.5	233.2	15.3	316.9	347.0	377.6	8.3	300.1

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Annex – VI

Annex-VI (Working of PYA

[illegible]	[illegible]	[illegible]

Quarterly [illegible]	
Purchases	[illegible]
T&D Losses	[illegible]
Sales after Losses	[illegible]
Sales net of Incremental units	[illegible]
DP Sales	[illegible]
FCA - Rs./kWh	[illegible]
FCA Impact - Rs. Mln	[illegible]
Life Line	96
Prep - LVD	[illegible]
Protected upto 300 - Agri	4763
Units	93

4th Qtr. FY 2022-23 (Oct. 23 to Mar. 24)	
Allowed Amount	2,611
Qtr. Rs./kWh	5.44
Recovered	7,051
Under/(Over) Recovery	5,140

1st Qtr. FY 2023-24 (Jan.-Mar. 24)	
Allowed Amount	2,197
Qtr. Rs./kWh	0.81
Recovered	1,910
Under/(Over) Recovery	287

2nd Qtr. FY 2023-24 (Apr.-Jun. 24)	
Allowed Amount	11,877
Qtr. Rs./kWh	3.0441
Recovered	13,593
Under/(Over) Recovery	1,706

3rd Qtr. FY 2023-24 (Jun.-Aug. 24)	
Allowed Amount	11,095
Qtr. Rs./kWh	3.56
Recovered	12,919
Under/(Over) Recovery	1,146

4th Qtr. FY 2023-24 (Sep.-Nov. 24)	
Allowed Amount	594
Qtr. Rs./kWh	0.17
Recovered	616
Under/(Over) Recovery	18

1st Qtr. FY 2024-25 (Dec. 24)	
Allowed Amount	1,000
Qtr. Rs./kWh	7.32
Recovered	957
Under/(Over) Recovery	43

2nd Qtr. FY 2024-25 (Apr.-Jun. 25)	
Allowed Amount	4,250
Qtr. Rs./kWh	0.78
Recovered	3,987
Under/(Over) Recovery	263

3rd Qtr. FY 2024-25 (May-July 25)	
Allowed Amount	3,216
Qtr. Rs./kWh	0.87
Recovered	2,833
Under/(Over) Recovery	372

[illegible] (Monthly FCA)		
March 2024 to September 2025		
Positive FCA Impact to be allowed		13
Negative FCA Impact retained	Rs. Mln	31
Net Impact	Rs. Mln	33

FCA Impact - Adjusted in PYA	Rs. Mln	33

DM FY 2023-24		
Allowed Amount	Rs. Mln	66,411
Rate Rs./kWh	Rs./kWh	3.77
Recovered	Rs. Mln	62,251
Under/(Over) Recovery	Rs. Mln	4,197

DM FY 2024-25		
Allowed Amount	Rs. Mln	47,877
Rate Rs./kWh	Rs./kWh	4.03
Recovered	Rs. Mln	43,980
Under/(Over) Recovery	Rs. Mln	3,817

PYA 2023-24		
Allowed Amount	Rs. Mln	5,376
Rate Rs./kWh	Rs./kWh	1.16
Recovered	Rs. Mln	4,942
Under/(Over) Recovery	Rs. Mln	434

PYA 2024-25		
Allowed Amount	Rs. Mln	3,390
Rate Rs./kWh	Rs./kWh	0.38
Recovered	Rs. Mln	2,751
Under/(Over) Recovery	Rs. Mln	602

Other Cost related to PYA		
RORB FY 2022-23 True up	Rs. Mln	-
Depreciation FY 2022-23 True up	Rs. Mln	-
Other Income FY 2022-23 True up	Rs. Mln	-
Previous PYA difference	Rs. Mln	2,459
Management fee	Rs. Mln	4,313
PJB Incentive Package	Rs. Mln	-
MDR Adjustment - RORB FY 2020-21	Rs. Mln	
MDR Adjustment - RORB FY 2021-22	Rs. Mln	
Forward Framework Financial Reporting	Rs. Mln	
Negative FCA - Previous years 2018-2020 - 2021	Rs. Mln	299
[illegible] 2nd Qtr. Pending [illegible]	Rs. Mln	140
NEPRA Supplier Licence fee	Rs. Mln	
Minimum tax - FY 2025	Rs. Mln	3,123
Post retirement benefits	Rs. Mln	2,213
Pay & Allowances	Rs. Mln	
Depreciation True up	Rs. Mln	
Total		17,390

Sales Mix Var.		
FY 2022-23	Rs. Mln	37
FY 2023-24	Rs. Mln	2,405
FY 2024-25	Rs. Mln	

Excess LPS to be adjusted - FY 2024		
LPS Recovered from Consumers	Rs. Mln	6,266
Supplemental charges billed by CPPA	Rs. Mln	
Net	Rs. Mln	

Excess LPS to be adjusted - FY 2025		
LPS Recovered from Consumers	Rs. Mln	5,931
Supplemental charges billed by CPPA	Rs. Mln	
Net	Rs. Mln	
Total		-

Adjustment in PYA	Rs. Mln	-
[illegible]	Rs. Mln	33,741

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ANNEX-VI

Annex-VI (Working of PYA)

[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]		
Provision for Post Retirement Benefit		
Allowed	Rs. Mln	31,796
Benefit Paid	Rs. Mln	31,401
Transferred to Account	Rs. Mln	415
Shortfall in Growth to be deducted/added	Rs. Mln	-
Provision for Post Retirement Benefit		
Allowed	Rs. Mln	
Benefit Paid/ Provision		
(Shortfall)/ Excess		
Pay & Allowances		
Allowed	Rs. Mln	121,369
Actual	Rs. Mln	113,935
Under/(Over) Recovery	Rs. Mln	7,434
Depreciation FY 2023-24		
Allowed	Rs. Mln	4,826
Actual	Rs. Mln	4,575
Under/(Over) Recovery	Rs. Mln	251
Depreciation FY 2024-25		
Allowed	Rs. Mln	4,017
Actual	Rs. Mln	3,963
Under/(Over) Recovery	Rs. Mln	54
RAB (Investment + E/ROR) FY 2023-24		
Allowed	Rs. Mln	34,292
Actual	Rs. Mln	31,919
Under/(Over) Recovery	Rs. Mln	2,373
RAB (Investment + E/ROR) FY 2024-25		
Allowed	Rs. Mln	14,715
Actual	Rs. Mln	11,315
Under/(Over) Recovery	Rs. Mln	3,400
Other Income FY 2023-24		
Allowed	Rs. Mln	3,590
Actual	Rs. Mln	5,912
Under/(Over) Recovery	Rs. Mln	2,322
Other Income FY 2024-25		
Allowed	Rs. Mln	7,721
Actual	Rs. Mln	6,059
Under/(Over) Recovery	Rs. Mln	1,662
[illegible]	Rs. Mln	32,316
[illegible]	Rs. Mln	15,485

Note 7

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AUTHORITY

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad.
Tel: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/ADG(Trf)/TRF-626 &TRF-627 / 455-62 January 07, 2026

Subject: **Decision of the Authority in the matter of Motion for Leave for Review filed by Peshawar Electric Supply Company (PESCO) against decision of the Authority's dated 14.06.2024 in the matter of Annual Adjustment/Indexation of tariff for FY 2024-25**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 12 pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 Calendar days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

(Wasim Anwar Bhinder)

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, First Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Managing Director, National Grid Company (NGC) of pakistan, 414 WAPDA House, Shaharah-e-Qauid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
6. Chief Executive Officer, Peshawar Electric Supply Company (PESCO), WAPDA House, Shami Road, Sakhi Chashma, Peshawar
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad

<u>Decision of the Authority in the matter of Motion for Leave for Review filed by Peshawar Electric Supply Company (PESCO) against decision of the Authority's dated 14.06.2024 in the matter annual adjustment/ indexation of Tariff for the FY 2024-25</u>

1. The Authority determined Multi Year Tariffs (MYT) of Peshawar Electric Supply Company Limited (PESCO) (herein referred to as "Petitioner") for a period of five years i.e. from FY 2020-21 to FY 2024-25, separately for both its Distribution and Supply of power functions vide tariff determinations dated 02.06.2022. The tariff so determined was notified by the Federal Government vide SRO dated 25.07.2022. The Authority subsequently, under the allowed MYT framework, determined PESCO's annual adjustment / indexation for the FY 2024-25 vide decision dated 14.06.2024.

2. The Petitioner being aggrieved with the said decision of the Authority, filed a Motion for Leave for Review (MLR), which was subsequently admitted by the Authority. To proceed further in the matter, the Authority decided to conduct a hearing in the matter, which was held on 03.11.2025, at NERPA Tower, Islamabad. Notice of hearing was accordingly issued to the Petitioner, to present its case before the Authority.

3. The Petitioner submitted that the input data, Deferred Credits, Salaries & Wages, Repair & Maintenance Costs, Vehicle Running Expenses, Other Operating Expenses, Prior Year Adjustments and other matters as discussed in subsequent sections used for determination of Distribution Margin and Prior Year Adjustment be reassessed enabling PESCO to generate enough revenue to perform its obligatory duties as prescribed by Authority. The Petitioner raised following issues in the MLR;

   i. Pay & Allowances
   ii. Post Retirement Benefits
   iii. O&M Expenses
   iv. Depreciation
   v. RORB
   vi. Prior Year Adjustment (PYA)
   vii. Any other grounds

4. The Petitioner's submission on each issue is as under:

   <u>Pay & Allowances:</u>

   ✓ The Authority has allowed Rs.20,484 million under the head of Salaries, Wages & Other Benefits by applying 15% Ad-Hoc Relief (from BPS 1-22) on provisional basis for the FY 2024-25, and the impact of annual increment of 5% has been assessed for Salaries, Wages, and Other Benefits of FY 2024-25 as well as other allowance allowed by Government of Pakistan.

   ✓ In order to arrive at the figure of Rs. 18,820 million for FY 2023-24, Disparity Reduction Allowance (DRA) @ 25% notified vide circular dated 08.07.2021 has not been allowed, which may be reconsidered. Similarly, the impact of DRA allowance @ 25% needs to be incorporated for FY 2024-25 as well.

- ✓ As per the MYT Determination for FY 2020-21 to FY 2022-23, increase in Basic Pay to the extent of 5% has been allowed for the whole year. However, the decision to allow annual increment @ 5% for 7 months is not in line with the methodology as decided in MYT determination, hence, the annual increment calculations may be reconsidered and be allowed on average basis of 5% for the whole year as requested.
- ✓ Furthermore, Federal Government has announced Budget for the FY 2024-25 on June 12, 2024, therefore, budgetary increases of Pay & allowances may be allowed accordingly. The Authority is therefore, requested to allow Rs. 22,549 million on account of Pay & Allowances and reconsider its decision dated 14.06.2024.

<u>Post Retirement Benefits:</u>

- ✓ The Authority has allowed amount of Rs. 10,297 million for FY 2024-25 on the basis of the pre-determined baseline amount of Rs. 9,361 million (FY 2023-24) against the PESCO request of Rs. 14,063 million under the Post Retirement Benefits for FY 2024-25, which will be insufficient to cover the actual expenditure. It is important to highlight that PESCO's Pension cash payments for FY 2022-23 are Rs. 9,095 million, however, the Authority had determined an amount of Rs.7,976 million, thereby, creating a shortfall of Rs. 1,119 million, which resulted in delayed payment of commutation to pensioners. PESCO has proposed an amount of Rs. 11,696 million and Rs. 14,063 million for FY 2023-24 and FY 2024-25, respectively.
- ✓ Furthermore, the authority in its decision held that PESCO has been granted Rs. 3,984 million above its actual expenditure up to FY 2022-23 for both Pay & Allowances & Post Retirement Benefits and suggested that any excess expenditure be met from the surplus amount. The said decision regarding adjustments in Pay & Allowances and Post-Retirement Benefits for FY 2023-24 is not in line with the mechanism outlined in MYT determination dated June 2, 2022.
- ✓ Since, the baseline figures for FY 2022-23 & FY 2023-24 didn't include new retirees' impact, hence, actual cash payments, considering 20% increase in pension payments from FY 2021-22 to FY 2024-25 and additional burden of the NTDC Pensioners to the tune of Rs. 255 million (Rs. 44 mln p.a.) needs to be reconsidered.
- ✓ The Petitioner requested the Authority to review its decision and allow actual cash payments of the post-retirement benefits as requested in Indexation Application for FY 2024-25 as per below table:

Mln. Rs.

Description	2022-23	2023-24	2024-25
Post-Retirement Benefits	9,095	11,696	14,063

- ✓ Moreover, the savings under the head of Pay & Allowances may be allowed to be retained and transferred to the Pension Fund, instead of combining both the heads in line with MYT determination mechanism.

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R&M, Travelling, Vehicle Running & Other Expenses

- ✓ The Authority has determined other O&M expenditure, comprising of Repairs & Maintenance, Travelling, Vehicle Running Expenses and Other Expenses of Rs. 3,907 million against the PESCO request of Rs. 4,326 million, which is insufficient and will aggravate the already fragile financial position of the company. While allowing the expenditure under Other O&M, the Authority has relied upon the NCPI of December2023 as reported by Pakistan Bureau of Statistics of 29.66%, which is adjusted with efficiency factor of 30%, thereby allowed net increase of 20.76%, which is not sufficient to meet the requirements. PESCO is already facing financial hardship and the determination of other expenses by excluding various legitimate costs may hamper PESCO's ability to provide uninterrupted services to the consumers as it will further aggravate the weak financial position of the company.

Repair and Maintenance:

- ✓ PESCO in its Indexation Application for FY 2024-25 sought an allocation of Rs. 1,587 million for Repair & Maintenance on the basis of determined expenditure of Rs. 1,235 million for FY 2023-24 in view of inflation and the change in repair policy approved by the BoD, however, the Authority allowed only Rs. 1,493 million which needs to be reconsidered in the light of prevailing market prices of materials such as copper, iron, and aluminium required for electrical equipment, which are continuously increasing.
- ✓ The power infrastructure incurred substantial losses due to devastating floods, leading to significant damages to the power grid stations and distribution network. However, efforts were made for rehabilitation and restoration of the damaged infrastructure and power supply was successfully reinstated using alternative resources amid the flood damages to grid stations, transmission lines, and poles, however, extensive reconstruction operations were carried out with huge financial impact.
- ✓ The Petitioner requested the Authority to adjust the Repair & Maintenance expenses accordingly.

Mln. Rs.

Description	2022-23	2023-24	2024-25
Repair & Maintenance Expense	1,018	1,314	1,587
% Increase (YoY)		29%	21%

Vehicle Running Expenses:

- ✓ The Authority's determined cost of Vehicle Running expenses for FY 2024-25 @ Rs. 320 million, with only a marginal 20.8% increase from the determined amount of Rs. 265 million for FY 2023-24, appears much lesser than the prevailing market prices. Previously, the Authority acknowledged the fact that the increased POL prices will impact recovery campaigns and consumers services, as the same is required for door to door surveillance and monitoring as well as providing services to the consumers efficiently. In the MYT Tariff Determinations, the Authority relied on the inflationary increase on General Category (CPI) instead of the Transport Category, despite a substantial 24.07% increase in transport prices in

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December 2021. Furthermore, data from the PSO website indicates a 39% increase in POL prices during FY 2021-22 and a 67.8% increase during FY 2022-23, consequently, the expenditure for FY 2022-23 is increased to Rs. 272 million against the allocated amount of Rs. 226 million, whereas, bills of increasing numbers are still pending for clearance.

- ✓ The Petitioner submitted following analysis of the increase in POL prices for the last four years:

Description	FY 20-21	FY 21-22		FY 22-23		FY 23-24	
	Ave. Rs./Ltr.	*Ave. Rs./Ltr*	*Incr (yoy)*	*Ave. Rs./Ltr.*	*Incr (yoy)*	*Ave. Rs. / Ltr.*	*Incr (yoy)*
Average POL Price *(Petrol + Diesel / PKR)*	108	150	39.20%	252	67.80%	285	13.18%
Determined Increased *(yoy)*			12.40%		8.60%		42%
NEPRA *(Mln Rs.)*			208		226		320

- ✓ The Petitioner requested adjustment of Rs. 435 million for Vehicle Running due to POL price rise, against the authority determination of Rs. 320 million. The Petitioner further requested to consider the prevailing market trends and enhance the Vehicle Running expenses accordingly.

Description	2022-23	2023-24	2024-25
Vehicle Running Expense (Mln. Rs.)	272	360	435
% Increase (YoY)		32%	21%

Other O&M Expenses:

- ✓ The Authority has determined other expenses for FY 2024-25, amounting to Rs. 1,650 million. However, it is asserted that this amount is insufficient to provide uninterrupted services. It should be noted that major component of increase in the expenditure under this head is related to the cost of materials for Office Supplies and PESCO has experienced abnormal increases due to fluctuations in international prices and rupee devaluation, leading to a rise in various commodities' prices. Accordingly, the Petitioner requested to consider the prevailing ground realities and allow adjustment of Rs. 1,834 million as tabulated below:

Description	2022-23	2023-24	2024-25
Other O&M Expense (Mln. Rs.)	1,364	1,519	1,834
% Increase (YoY)		24.00%	34%

Depreciation:

- ✓ The Authority determined depreciation based on the Revised Gross Fixed Assets in Operation (GFAIO) for FY 2024-25 of Rs. 145,451 million, on basis of allowed investment of Rs. 10,054 million and a depreciation expense of Rs. 5,017 million, has been allowed. While calculating Depreciation Expense for FY 2024-25, Fixed Assets has been understated by Rs. 6,127, thereby, resulting in allowing reduced Depreciation expense for the FY 2024-25. As per the calculation of Authority, an addition of Rs. 14,042 million (FY 2024-25) brought the total

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Fixed Assets to Rs. 151,578 million (FY 2024-25), however, the opening balance has been taken as Rs. 131,409 million instead of Rs. 137,536 for FY 2024-25 for the calculation of GFAIO, hence, the same needs to be reconsidered accordingly. The comparison is as follow:

Mln. Rs.

	FY 2023-24	FY 2024-25		
	NEPRA *Determined*	NEPRA *Determined*	PESCO *Proposal*	*Asset Base Shortfall*
Fixed Assets O/B	121,950	131,409	137,536	*6,127*
Addition	15,586	14,042	14,042	-
Fixed Assets C/B	137,536	145,451	151,578	*6,127*

- ✓ The decision also pointed out that deviations from approved investment plans require prior approval from the Authority for regulatory compliance. In accordance with this, a Revised Business Plan has already been submitted to the Authority, for a revised investment of Rs. 30,446 million for FY 2024-25. Therefore, Authority may reconsider the determination of depreciation for FY 2022-23 to FY 2023-24 to align it with the revised Business Plan and Audited Financial Statement. Additionally, the revised investment plan needs to be linked with the NCPI local and NCPI foreign indices for foreign-funded projects.

- ✓ Furthermore, the decision stated that the MYT determination mechanism allows for the downward revision of depreciation only, based on the allowed investment for the respective year. This approach does not consider unavoidable factors such as natural calamities and inflation-induced mismatches between the scope and amount of allowed investment. Such approach could lead to negative consequences for service quality and long-term efficiencies. It is therefore requested that the projected depreciation based on the estimated investment of Rs. 30,446 million be determined and that the Authority reconsider the policy of downward-only adjustments. The Petitioner requested the Authority to review its decision and allow depreciation expense of Rs. 4,210 million, Rs.4,758 million & Rs.5,251 million for FY 2022-23, FY 2023-24 & FY 2024-25, respectively, on the following basis:

Table-6: Depreciation Expense

DESCRIPTION	AUDITED FY2022-23	PROVISIONAL FY2023-24	ADJUSTMENT FY2024-25
Gross Fixed Assets in Operation (GFAIO) — Opening Balance	107,485	121,951	137,537
Addition in Fixed Assets	14,466	15,586	14,042
Fixed Assets in Operation (GFAIO) — Closing Balance	121,951	137,537	151,579
Depreciation-Expense	4,210	4,758	5,251

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<u>Rate on Return Base (RORB):</u>

- ✓ The Authority determined average RAB of Rs. 74,226 million and RORB of Rs. 15,145 million for FY 2024-25, which is 20.4% of the RAB against the requested WACC of 21.27%, hence, the same needs to be reconsidered in view of the MYT determination, wherein adjustments on account of variation in KIBOR is permissible on biannual basis. The calculation of determined RORB is as follow:

Mln. Rs.

Description	2024-25 Determination
Regulatory Asset Base (RAB)	74,226
WACC	20.40%
RORB	15,145

✓ The brief detail of WACC is tabulated below:

FY	KIBOR *(Jul 2023)*	KIBOR *(Jan 2024)*	Cost of Debt *Ave-Biannually (KIBOR+2%)*	Cost of Equity	WACC
2023-24	22.90%	21.46%	24.18%	14.47%	21.27%
2024-25	-	-	24.18%	14.47%	21.27%

✓ Further, the amount of deferred credit (along with cash shortfall of consumer deposit) used for calculation of RAB is overstated, as the cash balance of Meter Security of Rs. 6,872 million, as per the Financial Statement of FY 2022-23, has not been considered while calculating the cash shortfall under the head of Meter Security for the period FY 2022-23 and subsequent period as well. This resulted in an understatement of RORB by Rs. 587 million for FY 2022-23. Similarly, the cash balance for FY 2023-24 and FY 2024-25 has also been understated, leading to an overall reduction in calculation of RORB by Rs. 71 million & Rs. 664 million, respectively.

Cash shortfall calculations	FY 2022-23		
	Determination	Audited Accounts	*Asset Base Shortfall*
Funds to Be Available			
Security Deposit	6,794	6,794	-
Funds Available			
Meter Security	-	6,872	*6,872*
Cash Shortfall Added to Deferred Credit	6,794	-78	*-6,872*

✓ As already submitted via PESCO letter dated 16.05.2024, the economic situation of the country made it challenging to achieve the scope of investment allowed in the investment plan without a mechanism for NCPI-based adjustment, as was allowed to K-Electric in the recent decision. Considering the prevailing economic conditions, the Revised Business Plan may be considered, and the revised investment of Rs. 30,446 million may be allowed to PESCO for FY 2024-25. Moreover, the actual investment made during FY 2020-21 and FY 2021-22 may also be allowed, as it is within the limits of Rs. 76 billion allowed to PESCO for five years if indexed based on NCPI. Accordingly, the Authority is requested to consider the following adjustments under RORB based on actual investment:

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Rs. in Mln

Description	2022-23	2023-24	2024-25
RORB Determined	7,844	14,292	15,145
Adjustment required for Meter Security Cash Balance (Rs. 6,872 million)	587	71	664
Impact of Opening GFAIO (Rs. 6,127 mln) & Depreciation (Rs. 215 mln)			603
Impact of WACC @ 20.4%			694
Proposed Adjustment in RORB	587	71	1,960
Revised Proposed RORB	8,431	14,363	17,105

Prior Year Adjustment:

Recovery of Quarterly Adjustments for the period October 2021 to March 2023:

✓ PESCO in its Addendum to Indexation Application vide letter dated 16.05.2024 has requested to allow an adjustment of Rs. 1,220 million on account of recovery of quarterly tariff adjustments for the under mentioned period in relation to the MLR decision dated 14.07.2023, due to different errors/ omission (e.g. over adjustment of incremental & lifeline units) noted in the calculation for the period. The Authority in its decision dated 14.06.2024 has allowed the adjustment partially to the extent of Rs. 75 million, whereas, balance amount of Rs. 1,145 million is outstanding. The detail of the requested adjustment is given below:

Incremental & Lifeline Units Adjustments *Mln. Rs.*

	PESCO Requested	PYA Determined	Pending Adjustment
1st & 2nd Quarters of FY 2020-21	941	-	941
3rd Quarter of FY 2020-21	147	-	147
3rd Quarter of FY 2021-22	8	8	-
4th Quarter of FY 2021-22	113	57	56
1st Quarters of FY 2022-23	10	10	-
Total	1,220	75	1,145

✓ Further, for determination of QTA recovery for 1st, 2nd & 3rd quarter of FY 2020-21, the over adjustment is on account of incremental Units, whereas, for 4th quarter of FY 2021-22 the lifeline units for the months of Dec-22 & Jan-23 are not accounted for by the Authority while assessing the adjustments for the said period. The detailed breakup is given below for ready reference:

Over Adjustment on account of Incremental & Lifeline Units

Mln Rs.

Period	Units Received	Units to be sold	Incre. Units	Lifeline Units Actual	QTA rate	PESCO Requested	PYA Deter'd	Pending Adj.
	Kwh	*Kwh*	*Kwh*	*kwh*	*Rs./kwh*	*Mln Rs.*	*Mln Rs.*	*Mln Rs.*
1st & 2nd Quarter (FY 2020-21)	16,144	12,700	732	105	1.285	15,301	16,241	941
3rd Quarter (FY 2020-21)	16,144	12,700	732	105	0.201	2,393	2,540	147
4th Quarter (FY 2021-22)	4,455	3,557	158	33	3.41	11,477	11,533	56
Total						29,170	30,314	1,145

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✓ Accordingly, the Petitioner requested the Authority to reconsider its decision and allow the Rs. 1,145 million as PYA.

<u>Determination of Quarterly Tariff Adjustment on account of Incremental Units under ISP-II Relief Package during Nov 2020 to June 2021:</u>

✓ PESCO vide addendum dated 16.05.2024 requested to allow an adjustment of Rs. 2,210 million on account of pending QTA adjustment of ISP-II incremental units however, the same has not been decided. The adjustment on account of incremental consumption in respect of PESCO as per the transfer pricing mechanism was claimed, however, the Authority has not allowed the impact of incremental units of ISP for FY 2020-21 (Nov-20 to Jun-21) on Capacity Charges, Variable O&M and Use of System Charges, consequently, resulting into the shortfall of Rs. 1,168 million for the period of FY 2020-21 (Nov-20 to Jun-21). Further, there is over adjustment of Rs. 1,042 million due to excess recovery on account of incremental units, summaries as under:

Mln. Rs.

QTA Adjustment of Incremental Units to be Allowed *[Nov 2020 to Jun 2021]*	1,168
Excess Deductions on account of QTA Recovery on Incremental Units *[2Q &3Q FY20]*	1,042
Total Adjustments	**2,210**

<u>Determination of Quarterly Tariff Adjustment on account of Incremental Units under Winter Incentive Relief Package for the period Nov 2021 to Feb 2022:</u>

✓ The Authority is allowing adjustment on incremental sales since FY 2021-22 in Quarterly Tariff Adjustments, however, the impact of WIP incremental units for FY 2021-22 is still pending and has not been considered in the Quarterly Tariff Adjustments by the Authority, resulting in shortfalls of Rs. 434 million for Nov-Dec 2021 and Rs. 16 million for Jan-Feb 2022. The breakup is given below;

Mln. Rs.

Description	FY 2021-22 Claim of WIP		Total Adjustment
	(2nd Qtr)	*(3rd Qtr)*	
Impact of Variable O&M	32	2	34
Impact of CPP	869	31	900
UoSC Adjustment	39	1	40
Recovery on Incremental Units	-505	-17	-522
Adjustment to be Allowed	**434**	**16**	**450**

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✓ However, the Authority in its decision dated 03.04.2024 has held that the impact of incremental units for FY 2020-21 has already been accounted for while working out the Sales Mix of the Petitioner for FY 2020-21 but the Petitioner has not raised any observation on this account. In this regard, it is clarified that PESCO has raised its observations regarding adjustments of the incremental units (both ISP & WIP) in Indexation Petition for FY 2023-24, subsequently in MLR petition and now in Indexation Petition for FY 2024-25, hence, the said observation may be reconsidered. It is pertinent to mention here that the adjustment of incremental units in Sales Mix has no co-relations with the determination and subsequently, recovery of Quarterly Adjustments and needs to be treated separately. Further, as per the transfer pricing mechanism provided in the notification, the impact of adjustments of these units is required to be allowed in the Tariff Determinations (QTA and /or as PYA) but the same cannot be achieved in the Sales Mix (SM) Calculations, because the said calculation is based on Units excluding Incremental Units. Therefore, it is again requested that the above Adjustment be allowed on the *differential* Incremental Units.

Recovery of PYA FY 2021-22

- ✓ The Authority has allowed negative adjustment of Rs.773 million on account of Prior Year Adjustment (PYA) for FY 2021-22, wherein, it has included sales to lifeline, domestic consumers' up-to 300 units and agriculture consumers based on their actual sales mix. It is worth mentioning here that according to the notified SOT for the recovery of prior year adjustments (PYA), only lifeline consumers are exempted while domestic and agriculture consumers are subject to these adjustments. If the same is considered this could lead to an adjustment of negative Rs. 588 million for the period July-22 to June-23.

Other Income:

- ✓ An adjustment of Rs. 423 million has been made by the Authority in its decision dated 14.06.2024, considering the decision made in the MLR dated 03.04.2024, under the head of Wheeling Charges paid by TESCO, which is contrary to earlier tariff determinations. PESCO vide its addendum letter dated 16.05.2024 has also highlighted the issue but it is not considered by the Authority in the said decision. Hence, the Petitioner requested the Authority to reconsider its decision and allow the said amount as PYA

Impact of positive FCA regarding Lifeline Consumers:

- ✓ The Authority was requested vide letter dated 16.05.2024 for the determination of impact of positive FCA on lifeline consumers, previously, during regulatory proceeding these charges were allowed on the basis of regulated mix being price variance, however, now the said mechanism has been revised and it is being conveyed that the said variance will be allowed on the basis of actual lifeline units.
- ✓ Accordingly, the actual data has been shared with the Authority, hence, the authority has only allowed Rs. 216 million (from Jan-23 to Dec-23). Earlier, during regulatory proceeding these charges were allowed as part of periodic adjustments, however, since the issuance of Quarterly Adjustments determinations, the Authority on the issue of Periodic Quarterly Adjustments in Tariff for FY 2017-18 to FY 2020-21, has neither allowed the impact of lifeline consumers in the quarterly tariff determinations, nor the same has been allowed in Annual Tariff Determinations of PESCO as part of Prior Year Adjustments (PYA) thereby, resulting in the shortfall of Rs.86 million for the period FY 2017-18 to FY 2020-21.
- ✓ The yearly detail of pending / unrecovered positive FCA on lifeline consumers as per the Quarterly requests filed by PESCO and Quarterly FCA allowed by NEPRA is as under:

Impact of FCA

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Mln. Rs.

Period	PESCO	NEPRA	Variance
FY 2017-18	16	-	16
FY 2018-19	27	-	27
FY 2019-20	43	-	43
FY 2020-21	15	15	-
FY 2021-22	425	425	-
FY 2022-23	113	113	-
FY 2023-24	266	143	123
Total	905	696	209

✓ The Petitioner requested the Authority to allow the remaining impact of positive FCA, amounting to Rs. 209 million in the matter of life line consumers as part of Prior Year Adjustment. Further, the adjustment of positive FCA on lifeline supplies against the subsidy receivables is against the GoP policy which states that the negative impact of FCA may be adjusted against the GoP Subsidy, hence the same needs rectification as the said amount pertains to consumers rather than receivables from GoP.

5. Based on the information given in the preceding paragraphs, summary of the Petitioner's request is as under;

Table-15: PROPOSED ADJUSTMENT FOR FY 2024-25

DESCRIPTION	FY 2024-25 DETER'D	PROPOSED ADJUSTMENTS	FY 2024-25 REVISED
Power Purchase Price	391,910		391,910
Oper. & Maintenance			
Salaries & Other Benefits	20,483	2,066	22,549
Post Retr. Benefits	10,297	3,766	14,063
Repair and Maintenance	1,493	94	1,587
Traveling Expenses	444	26	470
Vehicle Expenses	320	115	435
Other Expenses	1,650	184	1,834
O & M Cost	**34,687**	**6,251**	**40,938**
Depreciation	5,017	234	5,251
Return on Rate Base	15,145	1,960	17,105
Less Other Income	(5,021)	-	(5,021)
Distribution Margin	**49,828**	**8,445**	**58,273**
PYA	3,156	4,622	7,778
Net Revenue Requirement	**444,894**	**13,067**	**457,961**

6. The Authority has carefully considered the submissions made by the Petitioner under each head.

7. Regarding Pay & Allowances and Pension Benefits, the Authority in order to assess the request of the Petitioner, analysed actual cost of PESCO under both heads i.e. Salary & wages and Pension for the entire MYT control period from FY 2020-21 to FY 2024-25. The Authority noted that actual cost of the Petitioner for both these heads combined, remained lower as compared to the

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cost allowed by the Authority. Accordingly, the required adjustment has been made and included as part of PYA in the MYT determination of the Petitioner for the FY 2025-26.

8. On the point of allowing additional cost on account of R&M and other O&M expenses, the Authority noted that while setting up the reference costs for the test year of the MYT control period i.e. FY 2020-21, the same were based on the latest available audited accounts of the Petitioner at that time. The MYT determination further provided to index the reference/ allowed cost with CPI-X factor during the MYT control period. Thus, the costs allowed were in line with the MYT methodology and adjustments were allowed as per the mechanism provided therein. Hence, no further adjustment is allowed in this regard, with the direction that the Petitioner shall ensure to remain within the allowed costs.

9. Regarding depreciation charges, the Authority has carefully considered the submissions of the Petitioner and noted that Depreciation for the FY 2022-23 has already been trued up vide decision dated 14.06.2024, whereby the Petitioner was allowed an additional amount of Rs.421 million as part of PYA for the FY 2022-23. Regarding Depreciation for the FY 2023-24 and FY 2024-25, the same has been trued up in the MYT determination of the Petitioner for the FY 2025-26, and included as part of PYA, based on the allowed investment plan. Regarding concern of the Petitioner to allow revised investment plan and link the same with NCPI local and NCPI foreign indices for foreign-funded projects, the Authority notes that the said request in not subject of the instant proceedings and the Petitioner may take up this issue separately for consideration of the Authority.

10. On the issue of RoRB for the FY 2022-23, the same has already been trued up in the determination dated 14.06.2022, whereby the Petitioner was allowed Rs.330 million, thus no further adjustment is required in this regard. Regarding RoRB for the FY 2023-24 and FY 2024-25, the RoRB has also been trued up while working out the MYT for the FY 2025-26, whereby negative amount of Rs.2,303 million and negative amount of Rs.3,960 million for the FY 2023-24 and FY 2024-25 respectively, has been adjusted and included as part of PYA for the FY 2025-26.

11. Regarding impact of Quarterly Adjustments for the period October 2021 to March 2023, the Authority noted that the aforementioned adjustments were included in the PYA determined for PESCO for the FY 2023-24 and FY 2024-25. However, keeping in view the submissions of the Petitioner, the same has now been reworked and the differential amount has been included as part of PYA while working out the tariff of the Petitioner for the FY 2025-26.

12. Regarding impact of Quarterly Tariff Adjustment on account of incremental units for the period from Nov 2020 to June 2021, the Authority noted that this impact has already been considered while working out the sales mix of the Petitioner for the FY 2020-21, thus, the request does not merit any further consideration. Further, this matter has also been discussed in the 1st quarterly adjustment for the FY 2021-22 decision dated 09.05.2022. Therefore, the Authority does not see any justification to review its earlier decision.

13. Regarding quarterly adjustments for the 2nd quarter of FY 2021-22 and 3rd quarter of FY 2022-23, the Authority observed that these quarterly adjustments were worked out based on net units, i.e.

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units purchased for incremental sales were not included while working out the quarterly adjustments. Accordingly, the cost recovered on incremental units over and above the fuel cost was adjusted from the quarterly adjustments, worked out on net units. Thus, no further adjustment is required in this regard. Therefore, the Authority does not see any justification to review its earlier decision.

14. On the point of recovery of earlier PYAs, the impact in this regard has been included in the MYT determination for the FY 2025-26, as part of PYA.

15. Regarding Other income, the Authority vide decision dated 03.04.2024 reworked the Petitioner's other income, whereby an amount of Rs.945 million was allowed as part of MLR. While working out the allowed amount of Rs.945 million, the Authority only included the amount actually paid by TESCO to the Petitioner as part of other income. Thus, the Authority does not see any justification to review its earlier decision. Hence, request of the Petitioner is declined in this regard.

16. The impact of FCAs not passed on to the consumers has been reworked and allowed in the MYT determination for the FY 2025-26, as part of PYA.

17. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31(7) of the NEPRA Act.

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad.
Tel: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/ADG(Tariff)/TRF-100/CPPAG/473-76

January 07, 2026

Subject: <u>Decision of the Authority in the matter of request filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Approval of Power Purchase Price Forecast for the CY 2026 i.e. January 2026 to December 2026</u>

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority alongwith Annexure I, II & III (total 33 Pages) in the matter of Petition filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Approval of Power Purchase Price Forecast for the CY 2026 i.e. January 2026 to December 2026.

2. The instant Decision of the Authority alongwith Annex I, II & III attached to the Decision, is intimated to the Federal Government for filing of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. The instant Decision alongwith Annex-I, II & III attached with the Decision be also notified in terms of Section 31 of the NEPRA Act, while notifying the uniform tariff application decision of the Authority.

Enclosure: <u>As above</u>

Wasim Anwar

(Wasim Anwar Bhinder)

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad

Wasim Anwar Bhinder
Registrar-1
Wednesday, 14 January, 2026, 12:3:20 PM

Wasim Anwar Bhinder
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6. The Ministry of Energy (Power Division) (MoE-PD) vide letter dated 18.08.2025, submitted that the Authority determines the consumer-end tariff for XWDISCOs and K-Electric in accordance with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act), read with Rule 17 of the NEPRA (Tariff Standards and Procedure) Rules, 1998 and the uniform rebased tariff, once determined by the Authority, is notified by the Federal Government under Section 31(7) of the NEPRA Act. It was further submitted that the latest rebasing was notified on July 1, 2025. In accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998 read with Part 5 of the NEPRA Determination of Consumer-end Tariff (Methodology & Process) Guidelines, 2015, the Distribution Companies (DISCOs) are required to initiate the tariff determination process by submitting their minimum filing requirements by January 31st of each year. The submission is followed by internal deliberation by the Authority, public hearing, tariff determination and subsequent notification by the Federal Government. In view of the established tariff determination cycle recent annual tariff determinations, the rebasing of consumer-end tariff is notified by the Federal Government in the month of July, with effect from 1st July each year.

7. The Ministry further submitted that, in practice, the incidence of higher (FCAs)and annual tariff rebasing coinciding during the summer months results in elevated electricity bills owing to increased seasonal consumption, which, according to the Ministry, has implications for consumer affordability. It was contended that such impacted could be moderated if the timing of annual rebasing is aligned with periods of relatively lower electricity consumption, such as winters months, thereby enabling smoother absorption of tariff variations and contributing greater stability in consumer bills over the year. Strategic Directive 8 of the National Electricity Plan (NE Plan), which envisages, that the Regulator shall also revisit the "Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015" to enable alignment of regulatory proceedings for planning activities and schedule of rate case and tariff determinations.

8. The MoE submitted that the Federal Cabinet has approved issuance of policy guidelines for consideration by the Authority, with a view to revisiting the annual tariff determination process timelines through amendments to the relevant legal and regulatory framework, so as to enable notification of the rebased tariff with effect from 1st January, each year, following completion of all the requisite regulatory proceedings. In this regard, it is highlighted that the Authority has already determined (PPP) references up to June 2026 and that projections for the remaining period would be shared subsequently.

9. In light of above and in exercise of its powers under Section 31 of the NEPRA Act, the Federal Government issued the following policy guidelines for implementation by NEPRA;

   "NEPRA shall revise the annual tariff determination process timelines by amending the relevant legal and regulatory framework (guidelines, rules and procedures) to ensure that annual rebasing is notified with effect from January 1st of each year, after completion of all regulatory proceedings."

10. Pursuant to the above, and in order to give effect to the rebasing w.e.f. January 2026, CPPA-G was directed vide letter dated 07.10.2025 to submit the (PPP) forecast for Calendar Year (CY) 2026 (January–December 2026)

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14. Considering that the PPP constitutes a substantial component of the consumer end tariff, t the Authority, in order to ensure transparency and afford an opportunity of hearing to all the stakeholders, decided to conduct a public hearing in the matter. Accordingly, a public hearing was held on 18.11.2025 at NEPRA Tower Islamabad. Notice of the public hearing was published in the National Dailies on 12.11.2025, inviting comments and objections from the interested/ affected parties. In addition, individual notices were issued to the Petitioner and other relevant stakeholders. The following issues were framed for deliberation during the public hearing:

    a. What is the basis of demand forecast for DISCOs under different scenarios?

    b. What is basis for set of assumptions considered for projecting power purchase prices?

    c. Which is the optimal achievable power purchase price scenario for rebasing of consumer end tariff for the period from January to December 2026, in order to minimize the future FCA and quarterly adjustments?

    d. What methodology has been adopted for allocation of generation (GWh) to DISCOs along with power purchase price cost?

15. The hearing was held as per the schedule, wherein the Petitioner was represented by the CEO CPPA-G, along-with its technical and financial teams. The hearing was also attended by representatives of the Ministry of Energy (MoE), including the Additional Secretary, MD PPMC, ISMO, NGC, as well as other stakeholders, members of the general public and representatives of the media.

16. CPPA-G presented its case before the Authority and submitted that, in light of the policy guidelines approved by the Federal Cabinet, the annual rebasing of DISCO's/SOLR is proposed to be aligned with Calendar year instead of Fiscal year. Consequently, the Authority, vide dated 7th October 2025 directed CPPA-G to submit the Power Purchase Price Report in consultation with relevant stakeholders including NGC and ISMO. CPPA-G submitted that, following internal deliberations and consultation with the relevant stakeholders, it prepared and submitted the PPP forecast report for consideration of the Authority.

17. The following synopsis of PPP forecast for CY 2026 was presented by CPPA-G:

Scenario	Demand	Exchange Rate	Hydrology	Fuel Prices	PPP
1	Normal (1%)	290/300	Normal	Normal	25.95
2	Normal	300/310	Normal	Normal	26.53
3	High (2.5%)	290/300	Normal	Normal	25.73
4	Normal	290/300	Normal	High (+5%)	26.2
5	Normal	290/300	Normal	Low (-5%)	25.69

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19.3. The demand forecast for DISCOs has been developed based on macroeconomic projections and historical electricity consumption trends. Based on historical elasticity estimates and GDP projections by IMF, economic growth is expected to result in a corresponding increase in electricity demand, ranging from 1% to 2.5%. These projections form the basis for the normal and high demand scenarios used in this analysis. The detailed demand assumptions for XW-DISCOs and K-Electric are presented in the tables below:

Demand Assumptions - XWDISCOs		
Months	Demand 132 KV Level (GWh)	
	Normal	High
Jan-26	7,014	7,118
Feb-26	5,903	5,990
Mar-26	7,203	7,310
Apr-26	9,270	9,408
May-26	11,517	11,688
Jun-26	12,630	12,817
Jul-26	12,809	12,999
Aug-26	12,799	12,989
Sept-26	11,499	11,669
Oct-26	9,281	9,419
Nov-26	6,816	6,917
Dec-26	6,843	6,945

Demand Assumptions - K-Electric		
Months	Demand (132 KV Level)	
	Normal	High
Jan-26	758	777
Feb-26	732	751
Mar-26	966	990
Apr-26	950	974
May-26	1,072	1,098
Jun-26	1,184	1,214
Jul-26	1,265	1,296
Aug-26	1,265	1,296
Sept-26	1,224	1,255
Oct-26	1,079	1,106
Nov-26	967	992
Dec-26	777	797

19.4. CPPA-G presented the following demand trends for the last two years, based on which it has assumed a growth of 1% in the instant PPP forecast:

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20.3. During the hearing, CPPA-G explained that indent (water release) forecasts are inherently uncertain and, therefore, cannot be predicted with precision. In view of such variability, CPPA-G submitted that the adoption of extreme hydrology assumption may not be prudent for the purposes of PPP forecasting. Furthermore, the Indus River System Authority (IRSA), in its letter to ISMO dated 26 November 2025, has reiterated that reservoir operations are governed by clause 14(c) of the Water Apportionment Accord, 1991. As per the said framework, reservoir releases are prioritized to meet provincial irrigation requirements and are determined by provincial indents, prevailing meteorological conditions, and observed gains/losses along river reaches.

Fuel Prices

20.4. With regards to the fuel prices, CPPA-G submitted that fuel costs constitute a significant driver of the fuel cost component within the (PPP). Accordingly, the forecast incorporates assumptions for normal fuel prices, based on reputable data sources to ensure accuracy and relevance. For imported fuels, price assumptions are based on market data published by Argus Media and Platts, whereas local fuel prices are informed by inputs from OGRA, NEPRA, and TCEB. These assumptions are detailed below:

Fuel Price Assumptions									
Years	Gas	Brent	Imp Coal API-4	Imp Coal ICI-3	Imp Coal ICI-4	Thar Coal	RFO	Bagasse	HSD
	Rs./MMBTU	$/Barrel	$/MTon	$/MTon	$/MTon	$/MTon	$/MTon	Rs./MTon	Rs/Litre
Jan-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
Feb-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
Mar-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
Apr-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
May-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
Jun-26	1,225	67	84.6	58	30.7	18.6	461	5209	276.81
Jul-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81
Aug-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81
Sept-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81
Oct-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81
Nov-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81
Dec-26	1,225	67	84.6	58	30.7	18.6	461	5470	276.81

20.5. Additionally, for the assessment of PPP references under high fuel price scenario, a 5% escalation in fuel prices, including imported coal, RLNG, and RFO, above the baseline assumptions has been incorporated into the analysis. The scenario with low fuel prices takes into account a 5% reduction in the fuel price during the horizon.

Econometric Parameters

20.6. With respect to key macroeconomic parameters, projections have been developed for, inter alia, SOFR, KIBOR, U.S. inflation, and domestic inflation. The inflation data for the United States and Pakistan has been sourced from the IMF's World Economic Outlook report. To estimate KIBOR and SOFR, appropriate spreads have been applied in line with historical trends and prevailing market dynamics.

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Other Assumptions:

20.12. CPPA-G submitted that the following additional assumptions have been applied in the preparation of PPP references for CY 2026.

- HVDC+AC Corridor Transfer Capability: Transfer limits are set at 3,200 MW for Winter (January & February), 3,600 MW for Winter (November & December), and 5,000 MW for Summer 2026 (following the commissioning of Lahore North), as per the Normal Operation arrangement of the SCS Strategy Table provided by M/s NARI.
- RLNG Offtake: The mandatory 50% offtake under contractual obligations for RLNG has been assumed in this dispatch plan.
- RLNG and RFO Projections: These are based on assumed demand scenarios. However, actual fuel demand may vary depending on real-time system conditions and will be managed in accordance with prevailing contractual agreements.
- Renewable Energy Generation: Assumed based on the previous year's energy profile.
- Imports and Other Sources: Import from Iran has been considered in the overall assessment. However, generation from net metering has not been included in the analysis to the extent of incremental additions during January to December 2026.
- Fuel Source Assumptions: HSRPEL, PQEPC, CPHGCL, JPCL, and LEPCL are assumed to operate exclusively on imported coal.
- Future Projects: Incorporated based on the best available technical assessments and information. However, actual dispatch may differ in response to prevailing system conditions.

20.13. CPPA-G submitted that they have considered various national and international reports to determine the assumptions used in the setting of reference (PPP).

20.14. Based on the aforementioned assumptions, CPPA-G presented the following five scenarios of PPP forecast for CY 2026:

Description	Unit	Scenario-I	Scenario-II	Scenario-III	Scenario-IV	Scenario-V
Sold to DISCOS	GWh	125,822	125,822	127,815	125,822	125,822
Fuel Cost	Mln Rs	999,469	1,024,504	1,023,006	1,031,652	967,285
	Rs./kWh	7.94	8.14	8.00	8.20	7.69
Variable O&M	Mln Rs	50,106	51,001	51,245	50,106	50,106
	Rs./kWh	0.40	0.41	0.40	0.40	0.40
Capacity Charges	Mln Rs	1,974,602	2,022,158	1,974,602	1,974,602	1,974,602
	Rs./kWh	15.69	16.07	15.45	15.69	15.69
Power Purchase Price (Exc. Transı	Mln Rs	3,024,177	3,097,663	3,048,853	3,056,360	2,991,994
	Rs./kWh	24.04	24.62	23.85	24.29	23.78
Transmission + MOF Charges	Rs./kWh	1.91	1.91	1.88	1.91	1.91
Total	Rs./kWh	25.95	26.53	25.73	26.20	25.69

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22. <u>What methodology has been adopted for allocation of generation (GWhs) to DISCOs along with power purchase price cost?</u>

22.1. CPPA-G submitted that, the actual monthly consumption pattern of DISCO's at the 132kV level, as observed during the immediately preceding period, has been maintained across all the scenarios. The Authority in its determination for SPA registration has mentioned the allocation of capacity on the basis of coincidental MDI initially, prior to transition to allocation factors. CPPA-G submitted that the implementation of the said mechanism remains contingent upon the Authority's determination in the matter of petition filed by NGC and accordingly, the actual allocation trends would be available once the MSP (NGC) would start providing data in accordance with the determination.

22.2. In view of the above, the allocation of CPP to DISCOs continue on non-coincidental basis. For this, the latest MDI data for the CY 2025 have been used for allocation of CPP among DISCOs. During hearing, no DISCO objected either to the criteria or the proposed quantum of energy allocated to each DISCO by CPPA-G.

23. Various stakeholders submitted their comments in the matter. A summary of relevant comments is as under:

- ✓ Mr. Rehan Javed, a commentator, expressed reservations regarding the accuracy and reliability of the data presented by CPPA-G. He submitted that, during the recent quarterly adjustment hearing for XWDISCOs for the first quarter of FY 2025-26, the actual demand reported was lower than CPPA-G's projections. According to him, this outcome reinforces their earlier submissions during the FY 2025-26 rebasing proceedings, which he asserted were more reflective of ground realities.
- ✓ He further highlighted the absence of accurate and consolidated data on behind-the-meter solarization across Pakistan, noting that this gap undermines the credibility of demand forecasts. Mr. Rehan also raised concerns that rapid advancements in battery storage technology could accelerate consumer migration away from the national grid if tariffs are not rationalized. Additionally, he inquired about the rationale for the B2 industrial tariff being lower than the B3 industrial tariff.
- ✓ Mr. Tanveer Barry, a commentator, noted that according to CPPA-G's submissions, the lowest projected Power Purchase Price (PPP) for CY 2026 is Rs.25.69/kWh, while the highest stands at Rs.26.53/kWh. He questioned why no further reduction in PPP is observed, particularly when the Federal Government has recently renegotiated and terminated several IPP contracts. In response, CPPA-G clarified that the impact of these renegotiations had already been incorporated during the previous rebasing, wherein the PPP decreased from Rs.27.00/kWh in FY 2024-25 to Rs.25.98/kWh in FY 2025-26.
- ✓ Mr. Barry further submitted that electricity demand is unlikely to increase in the future due to high tariffs, increasing consumer shift toward solar solutions, and the continued closure of industrial units.
- ✓ Mr. Aamir Sheikh, a commentator, submitted that in the previous rebasing exercise, an exchange rate of PKR 290/USD had been used, as it aligned with the rate incorporated in the Federal Government's annual budget. He requested that the

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28. The Authority notes that vide its decision dated 23.06.2025, a demand growth assumption of 2.8% has been approved for the period up to June 2026. However, based on the actual data reported up to October 2025, the Authority observes that the projected growth has not materialized to the extent previously anticipated, indicating the need to rationalize the growth assumption used in the PPP forecast. Further, the Authority, vide decision dated 09.12.2025, also approved the incremental consumption package for industrial and agricultural consumers which may also stimulate electricity demand.

29. In view of the foregoing and for the purposes of the projecting the PPP for CY 2026, the Authority considers the demand growth of 1% as projected by CPPA-G, to be reasonable for the present determination.

30. The Authority observes that other critical factor that impacts electricity prices is the exchange rate parity. Pakistan's power sector costs are generally tied with dollar indexation, and any change in exchange rate parity directly impacts the energy and capacity charges of generation segment, which constitute over 85% of the total cost of power sector. With devaluation of PKR against U.S. dollar, cost in local currency increases, potentially leading to higher electricity prices for consumers, therefore, accurate assessment of PKR/ USD as far as possible, is one of the most crucial elements of PPP forecast.

31. CPPA-G presented multiple exchange rate scenarios in its PPP projections, ranging between Rs.290/USD to Rs.300/USD and Rs.300/USD to Rs.310/USD, based on historical trends and forward-looking assumptions. While such analysis provides useful sensitivity, however, reliance on higher exchange rate assumptions also carries the risk of embedding unnecessary upfront conservatism in the tariff, which can be avoided by making a more rationale projection. CPPA-G also vide email dated 06.01.2026, realized this fact and submitted revised PPP projection under Scenario-1 by revisiting the exchange rate forecast as well as KIBOR.

32. In view of the foregoing, and considering the need to balance tariff stability, consumer affordability, and macroeconomic realism, the Authority has decided to opt the revised exchange rate forecast submitted by CPPA-G ranging from Rs.282/USD to Rs.285/USD for the CY 2026. Although, this would avoid unnecessary upfront burdening of the consumers, however, in case of any volatility in exchange rate beyond projections, the same would be catered through periodic adjustments.

33. Regarding fuel prices for both imported as well as local fuels, the Authority considers the projections made by CPPA-G under normal fuel price scenario are satisfactory, keeping in view the reports and data relied upon by CPPA-G, while making such projections.

34. For other economic parameters i.e. LIBOR, US inflation and PAK inflation, the Authority considers the projections made by CPPA-G for the CY 2026, as reasonable. However, for KIBOR, the Authority keeping in view the recent reduction in policy rate by the SBP and revised submissions of CPPA-G, has decided to account for KIBOR @ 10.70% from Jan. to June 2026 and 10.50% from Jul. to Dec. 2026.

35. In view of the discussion made in the preceding paragraphs, the assumptions and source wise estimated/projected generation along-with estimated cost of electricity generation for the CY 2026 is approved as under;

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around 32% of the total projected PPP. The National Average Power Purchase Price (NAPPP) works out as Rs.25.32/kWh and the National Average Energy Purchase Price (NAEPP) works out as Rs.8.13/kWh. The generation cost is transferred to the DISCOs as per the prescribed mechanism.

37. DISCOs wise PPP for CY 2026 is as under;

Description		MWs												
		Jan-26	Feb-26	Mar-26	Apr-25	May-25	Jun-25	Jul-26	Aug-25	Sep-26	Oct-25	Nov-25	Dec-25	Average
MDI	FESCO	3,070	2,940	2,456	3,403	3,871	3,814	3,744	3,834	3,468	3,524	2,734	3,152	3,377
	GEPCO	2,077	2,059	1,931	2,705	3,114	3,720	3,544	3,518	3,367	2,775	1,803	2,076	2,731
	HESCO	1,354	1,238	1,659	1,545	2,053	1,595	1,654	1,500	1,715	1,761	1,581	1,415	1,603
	SEPCO	565	513	962	1,179	1,091	1,202	1,243	1,262	1,141	924	729	549	947
	IESCO	2,240	1,771	1,671	2,352	2,821	3,142	2,970	2,795	2,745	2,138	1,645	2,201	2,374
	LESCO	4,922	3,858	4,427	5,847	6,745	6,767	6,733	6,384	6,133	5,493	4,329	4,284	5,502
	MEPCO	2,842	2,722	3,458	4,652	5,184	5,356	5,352	5,019	5,170	4,527	3,438	2,793	4,209
	PESCO	2,191	1,917	2,452	1,907	2,028	2,623	2,573	2,476	2,702	2,656	1,970	2,295	2,264
	TESCO	641	638	667	595	550	598	492	509	543	559	596	648	585
	HAZECO	580	523	641	512	578	657	624	611	655	537	515	603	583
	QESCO	1,218	1,334	1,309	1,454	1,315	1,155	1,232	1,137	1,371	1,431	1,411	1,499	1,328
	Sub-Total	21,712	19,612	22,057	26,192	29,312	30,729	30,164	29,015	29,125	25,734	20,932	21,513	25,503
	K-Electric	2,050	2,050	2,050	2,050	2,060	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050
	Total	23,762	21,652	24,117	28,242	31,362	32,778	32,214	31,096	31,175	27,784	22,982	23,563	27,553

Description		millions of Rupees												
		Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Fuel Cost Component	FESCO	9,341	5,284	8,120	11,146	13,940	13,597	12,709	13,215	11,708	10,434	5,829	7,117	122,444
	GEPCO	7,385	3,989	5,531	8,099	10,404	11,002	10,154	9,413	9,580	7,591	4,203	5,537	93,268
	HESCO	2,687	1,678	3,253	4,112	5,101	4,595	4,554	4,167	3,838	3,936	2,205	2,100	42,332
	SEPCO	1,947	1,018	1,748	2,663	3,453	3,617	3,523	3,456	3,413	2,544	1,461	1,425	30,749
	IESCO	9,058	4,649	5,474	7,640	10,262	11,231	10,191	9,897	9,250	7,240	4,450	6,797	96,151
	LESCO	16,141	8,698	12,577	17,546	22,591	21,801	20,327	20,942	19,250	16,854	9,440	11,043	198,251
	MEPCO	9,463	5,209	9,058	13,561	15,826	16,529	15,165	15,535	14,857	12,361	6,482	7,235	142,273
	PESCO	8,273	4,456	5,521	5,849	7,711	8,331	8,515	8,453	7,427	5,700	3,988	6,127	80,410
	TESCO	1,582	879	1,180	995	1,036	907	841	848	875	969	848	1,163	12,148
	HAZECO	2,612	1,407	1,743	1,860	2,441	2,431	2,047	2,035	2,345	1,800	1,260	1,915	24,106
	QESCO	4,352	2,480	3,346	2,964	3,283	3,015	2,822	2,521	3,233	3,211	2,393	3,350	37,050
	Sub-Total	72,909	39,746	57,592	76,476	97,107	97,422	90,851	90,667	85,776	73,039	42,558	54,858	879,202
	K-Electric	7,877	4,932	7,720	7,840	9,035	9,137	8,971	8,980	9,131	8,490	6,041	6,233	94,386
	Total	80,785	44,678	65,312	84,316	106,144	106,558	99,822	99,647	94,906	81,529	48,599	61,091	973,588

Description		millions of Rupees												
		Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-25	Nov-26	Dec-26	Total
Variable O&M Component	FESCO	352	231	358	507	790	774	733	722	615	563	282	285	6,597
	GEPCO	278	176	244	365	569	626	577	536	503	410	203	222	4,729
	HESCO	101	74	144	185	259	267	159	227	201	213	107	84	2,151
	SEPCO	73	45	39	130	194	206	200	169	179	159	71	57	1,576
	IESCO	341	205	241	344	581	633	579	541	486	391	215	272	4,836
	LESCO	609	353	555	791	1,250	1,241	1,155	1,145	1,011	910	456	481	10,017
	MEPCO	356	230	391	611	953	941	861	843	780	667	313	290	7,251
	PESCO	311	196	243	365	438	475	454	462	390	308	193	245	4,010
	TESCO	60	39	52	45	59	52	48	46	46	52	41	48	586
	HAZECO	95	62	77	84	131	150	115	111	123	97	61	77	1,195
	QESCO	164	109	148	134	186	176	160	138	170	173	116	134	1,807
	Sub-Total	2,744	1,751	2,540	3,448	5,500	5,544	5,160	4,966	4,503	3,944	2,058	2,197	44,356
	K-Electric	296	217	341	353	512	520	510	491	473	458	292	250	4,719
	Total	3,040	1,959	2,881	3,801	6,012	6,064	5,670	5,457	4,932	4,401	2,350	2,447	49,075

Description		millions of Rupees												
		Jan-26	Feb-26	Mar-26	Apr-25	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Capacity Charge	FESCO	20,431	21,670	18,606	19,385	19,817	18,328	19,180	20,237	18,155	20,387	19,453	20,799	236,947
	GEPCO	13,825	14,969	17,552	15,409	15,934	15,411	13,157	18,365	17,627	16,054	13,041	13,700	183,243
	HESCO	9,050	9,007	10,437	9,029	10,506	8,367	8,422	7,918	8,978	10,190	11,013	9,336	112,723
	SEPCO	3,768	3,729	6,245	6,715	5,583	5,935	6,369	6,558	6,007	5,345	5,075	3,626	65,055
	IESCO	14,908	12,878	10,852	13,399	14,437	15,512	15,316	14,750	14,368	12,367	11,453	14,522	164,662
	LESCO	32,760	28,058	28,748	33,308	34,522	33,507	34,490	31,692	32,612	31,771	30,839	28,769	381,369
	MEPCO	18,919	19,728	22,452	25,498	26,527	26,438	27,415	25,490	27,061	26,190	23,935	18,429	290,152
	PESCO	14,596	13,943	15,956	10,852	10,377	12,972	13,178	13,057	14,144	11,952	13,370	15,147	159,503
	TESCO	4,266	4,639	4,331	3,350	2,814	2,370	2,522	2,687	2,843	3,229	4,147	4,276	42,013
	HAZECO	3,861	3,606	4,151	2,919	2,702	3,245	3,215	3,227	3,479	3,109	3,548	3,978	41,291
	QESCO	6,109	10,141	8,501	8,265	6,782	5,704	6,310	6,002	7,179	8,278	9,978	9,890	95,068
	Sub-Total	144,513	142,632	143,255	149,198	150,002	151,688	154,524	153,292	152,453	148,971	145,043	141,973	1,777,452
	K-Electric	13,645	14,909	13,339	11,677	10,491	10,120	10,502	10,819	10,731	11,859	14,273	13,529	145,863
	Total	158,158	157,541	156,595	160,875	160,493	161,807	165,025	164,111	163,183	160,830	159,316	155,501	1,923,316

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XWDISCOs (with K-Electric)

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	7,771	6,635	8,169	10,220	12,589	13,814	14,073	14,063	12,723	10,360	7,783	7,621	125,822

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7378
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3900
Capacity	20.3515	23.7442	19.1671	15.7406	12.7487	11.7132	11.7260	11.6694	12.8262	15.5146	20.4691	20.4052	15.2860
UoSC	2.2195	2.3699	2.1429	2.0058	1.8083	1.7223	1.6615	1.6050	1.7786	1.9467	2.1340	2.2444	1.9075
Total PPP in Rs. / kWh	33.3575	33.1445	29.6579	26.3681	23.4661	21.5883	20.8833	20.7623	22.4560	25.7558	29.1490	30.9871	25.3213

Fuel Cost Component	80,786	44,678	65,312	84,316	106,144	106,558	99,822	99,847	94,906	81,529	48,599	61,091	973,588
Variable O&M	3,040	1,969	2,881	3,801	6,012	6,064	5,670	5,457	4,982	4,402	2,350	2,447	49,075
Capacity	158,158	157,541	156,575	160,875	160,493	161,807	165,025	164,111	163,183	160,730	159,316	155,501	1,923,316
UoSC	17,248	15,724	17,506	20,500	22,765	23,793	23,383	22,572	22,629	20,167	16,609	17,104	240,000
Total PPP in Rs. Mln	259,232	219,912	242,273	269,492	295,413	298,222	293,900	291,987	285,701	266,829	226,874	236,143	3,185,979

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	758	732	966	950	1,072	1,184	1,265	1,265	1,224	1,079	967	777	12,239

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7116
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3856
Capacity	18.0079	20.3551	13.7831	12.2880	9.7895	8.5437	8.3030	8.5539	8.7668	10.9931	14.7538	17.4006	11.9174
UoSC	1.9639	2.0316	1.5410	1.5659	1.3886	1.2563	1.1765	1.1765	1.2157	1.3793	1.5381	1.9139	1.4589
Total PPP in Rs. / kWh	30.7583	29.4172	23.6719	22.4755	20.0871	17.9527	16.9752	17.2183	17.8337	20.6670	22.8379	27.6521	21.4735

Fuel Cost Component	7,877	4,932	7,720	7,840	9,035	9,137	8,971	8,980	9,131	8,490	6,041	6,233	94,386
Variable O&M	296	217	341	353	512	520	510	491	479	458	292	250	4,719
Capacity	13,645	14,909	13,309	11,677	10,491	10,120	10,502	10,819	10,731	11,859	14,273	13,529	145,863
UoSC	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	17,856
Total PPP in Rs. Mln	23,306	21,546	22,858	21,359	21,526	21,265	21,470	21,778	21,829	22,296	22,094	21,499	262,824

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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GEPCO

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	710	592	692	982	1,234	1,426	1,432	1,382	1,284	965	673	691	12,063

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7334
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3920
Capacity	19.4608	25.2677	18.1446	15.6949	12.9136	12.9079	12.6828	13.4317	13.7259	16.6434	19.3734	19.8360	15.6051
UoSC	2.1223	2.5219	2.0286	2.0000	1.8317	1.8980	1.7971	1.8474	1.9034	2.0883	2.0197	2.1818	1.9719
Total PPP in Rs. / kWh	32.3697	34.8201	28.5211	26.3166	23.6544	22.9587	21.9757	22.7670	23.4805	27.0263	27.9391	30.3554	25.7025

Fuel Cost Component	7,385	3,989	5,531	8,099	10,404	11,002	10,154	9,813	9,580	7,591	4,203	5,537	93,288
Variable O&M	278	176	244	365	589	626	577	536	503	410	203	222	4,729
Capacity	13,825	14,969	12,552	15,409	15,934	18,411	18,157	18,565	17,627	16,054	13,041	13,700	188,243
UoSC	1,508	1,494	1,403	1,964	2,260	2,707	2,573	2,553	2,444	2,014	1,360	1,507	23,787
Total PPP in Rs. Mln	22,996	20,628	19,731	25,837	29,188	32,747	31,460	31,467	30,154	26,069	18,806	20,965	310,048

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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MEPCO

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	910	774	1,132	1,644	1,996	2,143	2,138	2,188	1,992	1,571	1,036	902	18,427

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7208
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3935
Capacity	20.7816	25.5958	19.8383	16.1204	13.2923	12.3384	12.8215	12.1059	13.5867	16.6733	23.0583	20.4208	15.7459
UoSC	2.2664	2.5547	2.2180	2.0542	1.8854	1.8143	1.8168	1.6650	1.8841	2.0921	2.4039	2.2461	1.9898
Total PPP in Rs. / kWh	33.8345	35.1810	30.4041	26.7963	24.0868	22.3054	22.1340	21.2589	23.3220	27.0599	32.0082	31.0045	25.8500

Fuel Cost Component	9,463	5,209	9,048	13,561	16,826	16,529	15,166	15,535	14,857	12,361	6,482	7,235	142,273
Variable O&M	356	230	399	611	953	941	861	849	780	667	313	290	7,251
Capacity	18,919	19,798	22,452	26,498	26,527	26,438	27,415	26,490	27,061	26,190	23,935	18,429	290,152
UoSC	2,063	1,976	2,510	3,377	3,763	3,888	3,885	3,643	3,753	3,286	2,495	2,027	35,665
Total PPP in Rs. Mln	30,801	27,213	34,409	44,047	48,069	47,795	47,327	46,518	46,450	42,505	33,225	27,981	476,341

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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SEPCO

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	187	151	224	323	414	469	497	487	458	374	234	178	3,995

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.6968
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3944
Capacity	20.1231	24.6701	27.9197	20.7993	13.4786	12.6593	12.8196	13.6770	13.1281	14.2868	21.6948	20.3817	16.2837
UoSC	2.1946	2.4623	3.1215	2.6504	1.9118	1.8615	1.8165	1.8811	1.8205	1.7926	2.2618	2.2418	2.0654
Total PPP in Rs. / kWh	33.1042	34.1629	39.3890	32.0714	24.2995	22.6735	22.1318	23.0460	22.7998	24.3740	30.5025	30.9611	26.4402

Fuel Cost Component	1,947	1,018	1,788	2,663	3,493	3,617	3,523	3,456	3,413	2,944	1,461	1,426	30,749
Variable O&M	73	45	79	120	198	206	200	189	179	159	71	57	1,576
Capacity	3,768	3,729	6,245	6,715	5,583	5,935	6,368	6,658	6,007	5,345	5,075	3,626	65,055
UoSC	411	372	698	856	792	873	902	916	833	671	529	399	8,251
Total PPP in Rs. Mln	6,199	5,163	8,810	10,354	10,066	10,630	10,993	11,219	10,433	9,119	7,136	5,508	105,631

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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HAZECO

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	251	209	218	225	290	341	289	285	314	229	202	241	3,094

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7904
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3861
Capacity	15.3645	18.2135	19.0844	12.9483	9.3308	9.5135	11.1406	11.3160	11.0665	13.5945	17.7870	16.4828	13.3440
UoSC	1.6756	1.8179	2.1337	1.6500	1.3235	1.3989	1.5786	1.5564	1.5346	1.7058	1.8543	1.8130	1.6424
Total PPP in Rs. / kWh	27.8267	27.0619	29.5660	23.2200	19.5633	19.0651	20.2150	20.3603	20.4523	23.5948	26.1873	26.6333	23.1629

Fuel Cost Component	2,612	1,407	1,743	1,860	2,441	2,631	2,047	2,025	2,345	1,800	1,260	1,935	24,106
Variable O&M	98	62	77	84	138	150	116	111	123	97	61	77	1,195
Capacity	3,861	3,806	4,161	2,919	2,702	3,245	3,216	3,227	3,479	3,109	3,588	3,978	41,291
UoSC	421	380	465	372	383	477	456	444	482	390	374	438	5,082
Total PPP in Rs. Mln	6,993	5,655	6,447	5,235	5,664	6,502	5,835	5,806	6,430	5,397	5,282	6,428	71,674

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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PESCO

Annex-I

Description	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Total
Units Purchased by DISCOs (GWh)	796	662	690	714	917	1,080	1,200	1,191	996	724	639	764	10,373

Fuel Cost Component	10.3954	6.7337	7.9952	8.2498	8.4315	7.7138	7.0929	7.0998	7.4596	7.8696	6.2441	8.0165	7.7520
Variable O&M	0.3912	0.2967	0.3527	0.3719	0.4775	0.4390	0.4029	0.3880	0.3916	0.4249	0.3019	0.3211	0.3866
Capacity	18.3284	21.0717	23.1516	15.2153	11.3173	12.0104	10.9777	10.9754	14.2064	16.5018	20.9311	19.8188	15.3849
UoSC	1.9988	2.1031	2.5884	1.9389	1.6053	1.7660	1.5555	1.5095	1.9700	2.0705	2.1821	2.1799	1.9010
Total PPP in Rs. / kWh	31.1138	30.2053	34.0879	25.7759	21.8317	21.9292	20.0290	19.9728	24.0277	26.8669	29.6592	30.3363	25.4245

Fuel Cost Component	8,273	4,456	5,521	5,889	7,731	8,331	8,515	8,453	7,427	5,700	3,988	5,127	80,410
Variable O&M	311	196	243	265	438	474	484	462	390	308	193	245	4,010
Capacity	14,586	13,943	15,986	10,862	10,377	12,972	13,178	13,067	14,144	11,952	13,370	15,147	159,583
UoSC	1,591	1,392	1,787	1,384	1,472	1,907	1,867	1,797	1,961	1,500	1,394	1,666	19,718
Total PPP in Rs. Mln	24,761	19,987	23,537	18,401	20,017	23,684	24,044	23,779	23,922	19,459	18,945	23,185	263,722

It is clarified that PPP is pass through for all DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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Annex-II

FUEL PRICE ADJUSTMENT MECHANISM

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Where:

Fuel Price variation is the difference between actual and reference fuel cost component

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA (G) and for fuel cost of energy procured through bilateral contracts, in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination;

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.

[Tariff/MYT-2025-26]

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(Syed Mateen Ahmed)
Deputy Secretary (T&S)
Ministry of Energy
(Power Division)

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