



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-100/7946-8000

May 25, 2015

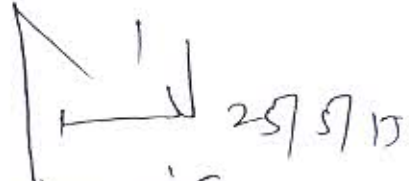
Subject:- NOTICE OF HEARING REGARDING REQUEST FILED BY GOVERNMENT OF PAKISTAN FOR RECONSIDERATION OF TARIFF DETERMINATIONS FOR EX-WAPDA DISCOS FOR THE FY 2014-15 UNDER SECTION 31 OF REGULATION, GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 (THE "ACT") READ WITH RULE 17 OF THE NEPRA (STANDARD AND PROCEDURES) RULES, 1998

All stakeholders, interested/affected persons and the general public are informed that tariff determinations for Ex-WAPDA DISCOS for FY 2014-15 were intimated by NEPRA to Government of Pakistan for notification in the official Gazette in terms of section 31(4) of the NEPRA Act, 1997 and in response whereof; the Federal Government has filed a request of re-consideration. The salient features are as under :-

- a. As per prevailing practice, the Government of Pakistan; in discharge of its obligations aimed to protect the low end consumers from price escalation through provision of subsidy has desired that certain amount of subsidy for certain categories of consumers should be reflected in the schedule of tariff already intimated by NEPRA.
- b. Further in order to ensure implementation of Policy of the CCI, certain surcharges have been imposed by the Federal Government in exercise of its powers under section 31(5) of NEPRA Act, 1997 as per following details:-
 - i) A surcharge namely "Neelum-Jhelum Surcharge" has been imposed by the Federal Government (Details given in the Reconsideration Request).
 - ii) A surcharge namely "Financing Cost Surcharge" has been imposed by the Federal Government (Details given in the Reconsideration Request).
 - iii) A surcharge namely "Tariff Rationalization Surcharge" has been imposed by the Federal Government (Details given as per reconsideration request).

2. Since the amounts of surcharges imposed by the Federal Government are to be charged/collected through the electricity bills, therefore the same is brought to your notice for any opinion/suggestion/comments to be filed on or before 29th May, 2015. The Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date: May 29, 2015 (Friday)
Time: 10:00 a.m.
Venue: NEPRA Head Office, G-5/1 Islamabad


(Iftikhar Ali Khan)
Deputy Registrar

Attachment:

1. Copy of request filed by Government of Pakistan for reconsideration of tariff determinations for Ex-WAPDA DISCOs for the FY 2014-15

President The Federation of Pakistan Chamber of Commerce and Industry Federation House, Main Clifton Karachi - 5675600	Chief Capital Office The Federation of Pakistan Chamber of Commerce & Industry Aiwan-e-Sanat-o-Tijarat Road, Sector G-8/1, Islamabad.
President Islamabad Chamber of Commerce & Industry Chamber House, Aiwan-e-Sanat-o-Tijarat Road, G-8/1, Islamabad	President Sialkot Chamber of Commerce & Industry P.O.Box 1870 Shahrah-e-Aiwan-e-Sanat-o-Tijarat Sialkot

President Rawalpindi Chamber of Commerce & Industry Chamber House, 39-Mayo Road Civil Line Rawalpindi	President Larkana Chamber of Commerce & Industry 21-23 J, F, Kennedy Market Larkana
President Karachi Chamber of Commerce & Industry Aiwan-e-Tijarat Road Off: Shahrah-e-Liaquat P.O.Box No. 4158 Karachi	President Bahawalpur Chamber of Commerce & Industry 43-A/1, Tipu Shaheed Road Model Town-A Bahawalpur
President, Hyderabad Chamber of Commerce & Industry Aiwan-e-Tijarat Road, Saddar Hyderabad	President Lahore Chamber of Commerce & Industry 11, Shahrah-e-Awan-e-Tijarat Lahore
President Multan Chamber of Commerce & Industry Shahrah-e-Aiwan-e-Tijarat-o-Sanat, Multan	President Gujranwala Chamber of Commerce & Industry, Aiwan-e-Tijarat Road, Gujranwala.
President Senior Citizen Foundation of Pakistan 5-P, Markaz G-7, Sitara Market Islamabad	Chairman All Pakistan Textile Mills Association (APTMA) APTMA House, 44-A, Lalazar P.O. Box 5446 Moulvi Tamizuddin Khan Road Karachi
SHEHRI 206-G, Block – 2, P.E.C.H.S Karachi – 75400	The Network for Consumer Protection Flat No. 5, 40-A, Ramzan Plaza G-9 Markaz, Islamabad
PTCL Corporate Head Quarters, Block – E G-8/4, Islamabad-44000	Chief Executive Officer Mobilink Mobilink House 1-A Kohistan Road, F-8 Markaz Islamabad
Chief Executive Officer Ufone (Emirates Telecommunication Corporation Group) 13-B, F-7 Markaz Jinnah Super, Islamabad	Chief Executive Officer Telenor Pakistan (Pvt) Limited 13-K, Moaiz Centre Bhattai Road F-7 Markaz, Islamabad
Chief Executive Officer Zong CM Pak Limited Kohistan Road, F-8, Markaz Islamabad	Chief Executive Officer Warid Telecom (Pvt) Limited P.O. Box 3321 Lahore
Chairman Pakistan Telecommunication Authority (PTA) PTA Headquarters building F-5/1, Islamabad	Mr. Anwar Kamal 1-Turner Road, Lahore,
President Multan Chamber of Commerce & Industry Shahrah-e-Aiwan-e-Tijarat-o-Sanat, Multan	Secretary General Pakistan Steel Melters Association 45-S, Gulberg Centre, 84-D/1 Main Boulevard, Gulberg III Lahore
Project Director Energy Monitoring Cell Finance Department Govt. of KPK Benevolent Fund Building, Saddar Road, Peshawar	Chairman Pakistan Hosiery Manufacturer & Exporters Association (North Zone) P-64/H, Raja Road, Gulistan Colony No.1, Faisalabad
Secretary General Pakistan Cotton Ginners Association PCGA House, MDA Road Multan	Secretary General All Pakistan Textile Processing Mills Association (APTPMA) 213 Main Susan Road 1 st Floor, Ibrahim Plaza Madina Town, Faisalabad.

All Pakistan CNG Association Suite No. 6, 2nd Floor Al-Mustafa Centre Near Chandni Chowk, Rawalpindi	Textile Working Group 97-A, Aziz Avenue, Canal Bank off Gulberg Road, Lahore
Textile Working Group 30/7, Behind State Bank, Civil Lines, Faisalabad.	Chairman All Pakistan Cotton Power Loom Association Rana Ikhlaq Ahmad, Chief Executive, Mubarik Textiles, Famous as Allahoo-Akbar Factory, 17-Km. Jaranwala Road, Faisalabad.
Textile Working Group 30/7, Behind State Bank, Civil Lines, Faisalabad.	Managing Director Sui Southern Gas. Co. Ltd. SSGC Jpise Sir Shah Suleman Road, Karachi-75300 Tele 021-9923 1602
Managing Director Pakistan State Oil PSO House Khayaban-e-Iqbal, Clifton Karachi 75600 Tele: 021-9203 866	Chief Executive Officer Gul Ahmed Power Limited 35-B, Block 6, P.E.C.H.S., Karachi P.O. Box 75400, Pakistan
Chief Executive Officer Karachi Nuclear Power Plant (KANUPP) P.O. Box 3183, Paradise Point, Karachi.	Chief Executive Officer Pakistan Steel Mill Company (PASMIC) Bin Qasim, Zulfiqarabad, Karachi P.O. Box 75000, Pakistan Karachi 75600
Chief Executive Officer Transparency International Pakistan 5-C, 2 nd Floor, Khayaban-e-Ittihad Phase-VII, DHA, Karachi. Tel: (092)(021) 35390408	Chairman Whistleblower Pakistan 72-F, II Jami Commercial Street No. 9 Phase-VII, DHA, Karachi. Tel: (092)(021) 35391778
Industrials Association of Peshawar I.A.P. Office Plot No. 77 Hayatabad Industrial Estate, Jamrud Road, Peshawar	Rashid Law Associates on behalf of All Pakistan Textile Mills Association 5 th Floor, Ajmal House, 27-Egerton Road, Lahore.
President Institute of Electrical & Electronics Engineers of Pakistan (IEEEEP) 4 - Lawrence Road Lahore	President The Institute of Engineers Pakistan IEP Roundabout Engineering Centre Gulberg - III Lahore - 54660
Managing Director Pakhtunkhwa Energy Development Organization (PEDO), 2 nd Floor, WAPDA House, Shami Road, Peshawar	Chairman Public Sector Utility, Sub-Committee, Karachi Chamber of Commerce & Industries Aiwan-e-Tijarat Road, Shahrah-e-Liaquat Karachi-2
President The Federation of Pakistan Chamber of Commerce and Industry Federation House, Main Clifton Karachi - 5675600	M/s Zaman Paper & Board Mills (Nit) Limited 13-km, Sheikhpura Faisalabad Road Sheikhpura
M/s Flying Cement Limited 103 Fazal Road St. John Park Lahore Cant-54600	M/s Ittehad Chemicals Pvt Limited 39, Empress Road Lahore
M/s Mohammad & Ahmed Constitutional, Corporate & Tax Counsel Ground Floor, Almas Tower, Begun Tassadug Road 26-The Mall Lahore	M/s Flying Board & Paper Products Limited 26 km, Lahore Sheikhpura Road Sheikhpura

Kissan Ittehad Mianwali Khushab	
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Islamabad the May 21st 2015.

✓ The Registrar,
National Electric Power Regulatory Authority,
Sector G-5/1,
Islamabad.

Subject: Request for Reconsideration of Tariff Determinations for the Ex-WAPDA Distribution Companies for the Financial Year 2014-15 under Section 31 of Regulation, Generation, Transmission and Distribution of Electric Power Act, 1997 (the "Act") read with Rule 17 of the NEPRA Tariff (Standards and Procedures) Rules, 1998

Refer to the above subject and to the Tariff Determinations for the Ex-WAPDA Distribution Companies (the "XWDISCOs") for Financial Year 2014-15 intimated to the Federal Government by National Electric Power Regulatory Authority (the "Authority") u/s 31(4) of NEPRA Act, 1997.

2. In this regard, reference is made to the National Power Policy, 2013 (the "Policy"), which was developed to support the current and future energy needs of the country. The Policy was considered and approved by the Council of Common Interests (CCI) through decision on Case No. 1/3/2013 dated 31-07-2013. As a consequence, the National Tariff and Subsidy Policy Guidelines, 2014 has also been framed.

[Copy of the Policy and decision of CCI in Case No. 1/3/2013 dated 31-07-2013 and the National Tariff and Subsidy Policy Guidelines are attached herewith as Annexure A/1, A/2 and A/3, respectively].

3. The Policy approved by CCI, *inter alia*, stipulates that:

3.1 the low end consumers will be protected from any price escalation;

3.2 to the extent possible, tariff rationalization will be done in order to eliminate subsidy within the industrial, commercial and bulk consumers; and

3.3 a level playing field will be created by providing power at comparable prices to all industrial users.

4. Additionally, it is pointed out that through Finance Act, 2008, sub-section (5) was inserted in section 31 of the Act, which empowered the Federal Government to impose, from time to time, surcharges in respect of each unit of electric power sold to the consumers. One of the basic purposes of insertion of sub-section (5) in section 31 of the Act was to harmonize the electricity tariff between different distribution companies. This is evident from Summary for the Cabinet dated June 11, 2008 in respect of the Budget for the financial year 2008-09.

[Copy of Summary for the Cabinet dated June 11, 2008 in respect of the Budget for the financial year 2008-09 is attached herewith as Annexure B].

5. In discharge of the obligations casted upon the Federal Government under the Constitution of Islamic Republic of Pakistan, 1973 (the "Constitution"), the Federal Government has framed policies and taken various steps, from time to time, *inter alia*, aimed at: (i) protection of low end consumers from price escalation through provision of subsidy; (ii) implementing uniform tariff in all categories of consumers across the country; (iii) tariff rationalization with an aim to minimize or eliminate subsidy within the industrial, commercial and bulk consumers; (iv)

undertaking projects for expansion of the existing power sector; and (v) raising of funds for ensuring smooth working of the power sector.

6. In order to ensure proper implementation of the Policy approved by CCI as well as policies framed thereunder and keeping in view the fiscal space for subsidy, certain portion of the determined revenue requirements of the XWDISCOs are to be recovered through surcharges under section 31 of the Act, details whereof is given in proceeding paragraph. The amount collected in furtherance of surcharges shall within the parameters of the Policy approved by CCI, facilitate: recovery of the determined revenue requirement of the XWDISCOs; maintaining of uniform tariff across the country for each category of consumer; targeted subsidy to low-end consumers; and financial and development requirements of the power sector;

7. A brief summary of rationale for each of the surcharge is given below: ✓

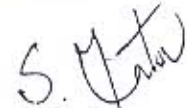
- (a) A surcharge namely, "*Tariff Rationalization Surcharge*" at the rate mentioned against each of the categories of electricity consumers in respect of each unit of electric power sold by the specified DISCO detailed in Annexure-C, during each of the billing month, which shall be considered as a cost incurred by the distribution company to be included in the tariff recommended by the Authority. The Tariff Rationalization Surcharge enables fulfillment of the parameters set forth in the Constitution as well as the Policy approved by the CCI, including: (i) the socio economic objectives; (ii) the budgetary targets in field; (iii) protection of low end consumers from price escalation through provision of subsidy; (iv) maintaining uniform tariff across the country and regions for each of the consumer category; (v) tariff rationalization with an aim to minimize or eliminate subsidy to the extent possible within the industrial, commercial and bulk consumers. The collection of the Tariff Rationalization Surcharge shall be deposited by XWDISCOs in a Fund called the "Tariff Rationalization Fund" to be kept in the Escrow Account of the Central Power Purchasing Agency of NTDC (or its successor) for exclusive use for discharging the liabilities of the power producers.
- (b) A surcharge, namely, "*Neelum-Jhelum Surcharge*" has been imposed by the Federal Government, since the year 2008 and till 31st December, 2015, @ 0.10 paisa per KWh on all electricity consumers of XWDISCOs except lifeline domestic consumers of the category 'Residential A-1', which shall be considered as a cost incurred by the distribution company to be included in the tariff recommended by the Authority. The Neelum Jhelum Surcharge is collected, for the purposes of meeting a portion of the cost of construction of Neelum Jhelum Hydropower Project (the "Project"), which is a hydel power project with a to be installed capacity of 969 MW. The Project is of national importance and critical for the country, *inter alia*, to ensure supply of cheap electricity to end consumers in the country, being a hydro power project and rights over the waters flowing into Pakistan. The collection of Neelum Jhelum Surcharge shall be deposited by the XWDISCOs in a Fund called the "Neelum Jhelum Hydro Project Development Fund" to be kept in the Escrow Account of the Neelum Jhelum Company for exclusive use for the Neelum-Jhelum Hydro Power Project.
- (c) A surcharge at the rate of Rs. 0.43/KWh on account of recovering the debt servicing applicable to all the consumer categories on per unit consumption except lifeline domestic consumers of the category 'Residential A-1' in respect of XWDISCOs, namely, "*Financing Cost Surcharge*", which shall be considered as a cost incurred by the distribution company to be included in the tariff recommended by the Authority. The Financing Cost Surcharge shall enable smooth working and running of the power sector and to meet the repayment obligations of mark-up cost of loans obtained against the sovereign guarantees of the Government of Pakistan for the purpose of reducing shortfall in payment of determined and verified costs of power generation of various power generators. The collection of the Financing Cost Surcharge shall be deposited by XWDISCOs in a Fund called the "Financing Cost

Fund" to be kept in the Escrow Account of the Central Power Purchasing Agency of NTDC (or its successor) for exclusive use for discharging the liabilities of the power producers.

8. In view of above and tariff rationalization as a consequence of the *Tariff Rationalization Surcharge*, as per the mandate of the Policy approved by CCI and the National Tariff and Subsidy Policy Guidelines framed in furtherance thereof, the net subsidy by GOP, within the fiscal space, is specified in Annexure-C. Thus the tariff rationalization is not aimed at raising any revenues for the Federal Government, as it is within the determined revenue requirements of the XWDISCOs. The tariff rationalization enables fulfillment of the parameters set forth in the Constitution as well as the Policy approved by the CCI, including: (i) the socio economic objectives; (ii) the budgetary targets in field; (iii) protection of low end consumers from price escalation through provision of subsidy; (iv) maintaining uniform tariff across the country and regions for each of the consumer category; (v) tariff rationalization with an aim to minimize or eliminate subsidy to the extent possible within the industrial, commercial and bulk consumers.

9. In light of the above, it is requested that the Authority may kindly re-consider the Tariff Determinations of XWDISCOs for FY 2014-15 and to re-issue the schedule of tariff for the XWDISCOs, by incorporating the amounts of surcharges described in paragraph no. 7 above and as a consequence of tariff rationalization per unit subsidy to the category of each of consumers specified in Annexure-C, on urgent basis.

10. In view of the above, the Authority is also requested to condone the delay, if any, in filing of this reconsideration request under section 31 of the Act, to bring in line and harmony, the Authority's approved tariff and surcharges imposed by the Federal Government in accordance with the provisions of the Act.



(Syed Mateen Ahmed)
Section Officer (Tariff)

Cc.

1. PSO to Minister for Water & Power.
2. PS to Secretary Water & Power.
3. PS to Joint Secretary (PF)

Government of Pakistan:

National Power Policy, 2013

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