



HYDERABAD ELECTRIC SUPPLY COMPANY

OFFICE OF THE COMPANY SECRETARY

HESCO HYDERABAD

No.HESCO/C.S/Min-123rd BOD/ 1864-1881 17th September, 2016

1. **Secretary**, Ministry of Water & Power GOP Islamabad.
2. **Mr. Nazar Hussain Mahar**, Chairman BOD HESCO.
3. **Prof. Dr. Muhammad Aslam Uqaili**, Director BOD HESCO.
4. **Qazi Shahid Pervez**, Director BOD HESCO
5. **Mr. Shafique Ahmed Mehasar**, Director BOD HESCO.
6. **Mr. Waqas Anwar Qureshi**, Director BOD HESCO.
7. **Mr. Mahfooz Ahmed Bhatti**, Director BOD HESCO
8. **Mr. Tassaduq Hussain**, Director BOD HESCO.
9. **Mr. Mehmood Nawaz Shah**, Director BOD HESCO.
10. **Mr. Asad Ullah**, Director BOD / CEO HESCO.

Subject: **MINUTES OF 123rd BOD OF HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED**

The Minutes of 123rd BOD Meeting of Hyderabad Electric Supply Company Limited held on 09th September, 2016 at 12:30 p.m in the Committee Room, HESCO Power Wing Colony, Hussainabad Hyderabad duly approved by the Chairman BOD through e-mail and signed by Company Secretary of BOD HESCO are sent herewith for your information and necessary action please.


(FAHEEMULLAH MEMON)
COMPANY SECRETARY

Cc to:

9. Chief Technical Officer, HESCO Hyderabad
10. Chief Engineer (Development) PMU, HESCO Hyderabad.
11. Chief Commercial Officer, HESCO Hyderabad.
12. Chief Operating Officer, HESCO Hyderabad.
13. Chief Engineer (P&E), HESCO Hyderabad.
14. Admn & HR Director, HESCO Hyderabad.
15. Finance Director, HESCO Hyderabad.
16. Master File.

MINUTES OF 123rd BOD MEETING HESCO HYDERABAD

Meeting of the 123rd BOD HESCO was held on Saturday, the 09th September 2016 at 12:30 pm in the Committee Room, HESCO Power Wing Colony Hussainabad, Hyderabad. List of participants is attached at (Annexure-I).

Agenda-1 RATIFICATION OF MINUTES OF MEETING DATED 18.08.2016 TO SETTLE BILLING DISPUTE BETWEEN GOVERNMENT OF SINDH AND HESCO / SEPCO FOR THE PERIOD 07/2010 TO 07/2016 (73 MONTHS)

Board discussed agenda item in detail and desired that:

- The outcome of meetings between GoS and HESCO should be informed to Board regularly in future.
- Board also viewed that there shall be huge impact on balance sheet in shape of loss, which should be looked out carefully and mitigation measures may be taken by the company management to reduce the unnecessary and unproductive expenditure.

Decision: Taking into account the facts that matter has been already regularly discussed at Federal Government level and Ministry of Water and Power has been lead and active member of dialogue process to end the stalemate in the matter and the fact that in past also such arrangements were made with concurrence of Federal Government. Board agreed the proposal of the management attached at (Annexure-II) subject to following conditions:


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- Ministry Water & Power to seek approval from Economic Coordination Council (ECC) or any other appropriate competent authority at the level of the Federal Government as the company is entirely owned by the Government of Pakistan.
- The word "written off" be replaced with the word "settlement / correction of billing" as per field reconciliation between HESCO and Government of Sindh.
- The officials / officers responsible for wrong billing, should be identified and should be proceeded according to Law. List of responsible also be provided to the Board and periodical progress in the matter to be placed in each meeting of the BODs.
- Smart meters should be installed on all connections of Government of Sindh as well as Industrial, Agricultural Commercial and bulk consumers.
- Efforts may be taken by the CEO at his personal level to ensure timely and transparent procurement of the Automated readable meters (AMRs) and progress be placed before the BOD during each meeting.
- Day to day information of consumption on all such GOS related meters to be shared with GoS through a common or duplicate server to be installed in the Energy Department of the GoS.
- Any increase / decrease in tariff for charging average billing in future till installation of AMR system will be adjustable.

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- Billing of new connections during such period will be payable by GoS according to their consumption / meter reading, in addition of already agreed average billing of previously billed connections.
- The Ministry may be recommended to have an agreement between Government of Sindh and Federal Government to be signed by high level representative of both Governments.
- GoS should be charged late payment surcharge at the rate of Kibore plus 04% of unpaid amount, if payment not received within 60 days. The computer programing may be amended accordingly.

Agenda-2 **CONSENSUS AND APPROVAL OF BOD HESCO IS REQUIRED FOR SETTLEMENT OF ENERGY SALE INVOICES OF SPPs / NCPPs**

Board discussed agenda item in detail and decided the following:

Decision: Taking into account the issue of the shortage of the electricity in the Country and particularly with in HESCO operational area and advantage of injection of additional power to the system which in-turn shall boost the economic activities in the country, reduce unemployment and the fact that huge investment to the tune of 60-70 Million Dollars has been made in establishing these power generation houses (SPPs / NCPPs) which are currently to large extent being wasted and HESCO is not able to recover outstanding huge amount against power generating companies because they are reportedly idle and the fact that this matter has been discussed with SPPs / NCPPs at the senior level of the Ministry of Water and Power.


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Board agreed the proposal submitted by the management pertaining to only two companies i.e M/s Omni Power (Pvt.) Ltd. & M/s Thatta Power (Pvt.) Ltd. who have formally applied for the settlement subject to the concurrence and approval of the competent authority in the Federal Government through Ministry of Water and Power as company is wholly owned by the Government of Pakistan.

Board further suggested that:

- Ministry of Water and Power may be approached for legal support in drafting of the settlement agreement to protect the interests of the Federal Government and HESCO in case the competent forum/ Authority in the Federal Government approves proposal.
- There should be an undertaking by the SPPs / NCPPs for ensuring maximum and continuous availability of power generation to the system which will be beneficial for both parties.
- The same facility may also be provided to other SPPs / NCPPs if they meet the criterion and request in writing alongwith undertaking of maximum generation.
- The Management shall strictly comply with the decision in the matter made by the High Court in which NEPRA revised rate was endorsed.
- The Management shall also strictly follow up matter in the Supreme Court and shall keep Board updated in the matter.
- The Management shall ensure that part of excess payments made to power generating companies in the past is regularly recovered from all future payments to SPPs / NCPPs.

The Board further discussed and decided the following:

- The Board further emphasized the management to encourage and adequately reward whistle blowers in the company as well as Public and launch wide publicity campaign through media and keep board updated.
- Ongoing activities of digitization and ABC cabling of the Feeders must be accelerated and completed by deadline of 31st December 2016. Weekly progress in both cases to be placed on website of the Company. CEO must hold fortnightly meetings with both PDs to review the progress and provide all needed timely human and financial support to both projects.
- Efforts may be made to contact more suppliers of the electricity meters through using online sources like Ali Baba etc and attending related International Exhibitions regularly and writing directly to major International suppliers and manufacturers.
- Expedite ERP facility in the company.
- Public facilitation should be given top priority and arrangements already approved by the Board should be made operational at the earliest.

Being no additional agenda, Board meeting was ended with vote of thanks to chair and from the chair.

On behalf of
BOD HESCO


(FAHEEMULLAH MEMON)
COMPANY SECRETARY

MINUTES OF MEETING

SUBJECT: MEETING BETWEEN GOVERNMENT OF SINDH AND OFFICIALS OF HESCO/SEPCOTO RESOLVE OUTSTANDING BILLING ISSUES FOR THE PERIOD JULY 2010 TO JULY 2016

A meeting to resolve outstanding billing and recovery issues between the Government of Sindh (GoS) & HESCO, SEPCO (DISCOs) was held at Islamabad in the Ministry of water and power, attended by the Secretary (Energy), Government of Sindh, CEO HESCO, CEO SEPCO, GM (R&CO) PEPCO and MoWP officials.

2. The results of a joint verification by the DISCOs and the GoS of load/billing from a sample check of 3199 connections was discussed and it was noted that only 60% billing out of the total billing for the period July 2010 to January 2016 was verified. Accordingly, it was decided that the sample check results would be applied to all load/billing and 60% overall would be considered verified whereas 40% would be treated as non-verified and adjusted accordingly. Details are given below at Table A.

Name of Company	Billing from July 2010 to January 2016	Verified Billing @ 60%	Amount to be adjusted 40%	Amount already paid by GOS	Amount to be paid by GOS (3-5)
HESCO	57.58	34.55	23.03	25.70	8.85
SEPCO	62.07	37.24	24.83	21.37	15.87
Total	119.65	71.79	47.86	47.07	24.72

Billing of Rs.0.22 Billion and payment of 1122 connections not pertain to GoS, shifted to Private / other category has been included in above table of HESCO but write-off of Rs.0.088 Billion will not be allowed being transferred from Government of Sindh to Private / other category and will be included in amount to be paid by GoS to HESCO

3. It was further discussed that the outstanding dues for the period from Feb 2016 and July 2016, the average agreed billing amount per month from July 2010 to January 2016 i.e. the previous 67 months, would be taken as a basis for calculation of outstanding during this period. Details are given below at Table B.

Name of Company	Billing from February 2016 to July 2016	Billing as per agreed average of 67 months	Amount to be Adjusted*	Amount already paid by GOS	Amount to be paid by GOS (3-5)
HESCO	3.73	3.09	0.64	1.80	1.29
SEPCO	5.06	3.33	1.73	2.03	1.30
Total	8.79	6.42	2.37	3.83	2.59

* HESCO has already written-off Rs. 4.209 Billion against WASA/IDA connections in February 2016 & the remaining will be treated accordingly.

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GoS billing HESCO

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4. A consolidation of payable amounts by GoS in favor of the DISCOs, as agreed at the meeting are given below at Table C:

Table C (Rupees in Billions) – For the Period July 2010 till July 2016					
Name of Company	Billing from July 2010 to July 2016	Billing Agreed @ 60% and average of 67 months	Adjusted Amount	Amount already paid by GOS	Amount to be paid by GOS (3-5)
HESCO	61.31	37.64	23.67	27.50	10.14
SEPCO	67.13	40.57	26.56	23.40	17.17
Total	128.44	78.21	50.23	50.9	27.31

5. The Government of Sindh shall make the payment of balance outstanding amount Rs.27.40 (27.31 + 0.088 (Billion) of Table A payable to HESCO = 27.40 Billion) which will be treated as full and final settlement of all the dues as claimed by GoS and DISCOs, including all taxes, surcharges and other levies, for the period July 2010 till July 2016. It was also agreed that the GoS and the DISCOs, would not, after full and final settlement, raise any outstanding issues, claims or other liabilities, whatsoever, in relation to the settlement period, including relation to arrears of electricity bills, late payment surcharge, previously reconciled bills or write-offs, electricity duty etc.

6. In order to avoid such disputes in future, it was further agreed that:

- (i) An automatic meter reading system (AMR/AMI) would be installed on connections which owned by GoS by 31.12.2016, 50% of the cost of which would be borne by GoS. Online access would be provided to GoS (Energy Department) by the DISCOs to the AMR/AMI system. The Energy Department of the GoS will also prescribe a maximum limit of consumption for each connection/meter to the DISCOs. Both the DISCOs shall ensure that electricity supply is discontinued to those connections/meters which have reached the maximum limit of electricity consumption prescribed by the Energy department, Govt. of Sindh, else GoS will not be responsible for the payment of those connections.
- (ii) The DISCOs will install individual meters in place of bulk supply meters in all housing colonies owned by GoS. In order to facilitate the DISCOs, the GoS would provide details of required individual connections/meters, and the full cost of such individual meters as well as their installation would be borne by GoS.

7. The agreed outstanding amount, i.e. Rs. 27.40 billion alongwith 50% cost of AMR meter installation shall be cleared by the GoS in six equal installments starting from September 2016, and any outstanding amount thereafter will be subject to a late payment surcharge at the rate admissible.

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GoS billing HESCO

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8. The GoS shall make arrangements for payment of all monthly bills as recorded on AMR/AMI system within 60 days of issuance of bill. If GoS fails to pay all the due bills within 60 days, any outstanding amount thereafter will be subject to a late payment surcharge at the rate admissible. However, the GoS will not be liable to pay the monthly electricity dues against those connections/meters where:

- i. Last paid amount has not been reflected in payment history of electricity bill; and
- ii. Reading on AMI/Smart meter and bill differs.

9. The remaining billing i.e. August 2016 till installation of AMR/AMI shall be paid by GoS on the basis of average agreed billing for the 67 months as given above, i.e. Rs. 513.73 million per month for HESCO and Rs. 555.82 million per month for SEPCO, and these amounts will be cleared within 60 days from the date of issuance of a particular bill.

10. Meeting ended with vote of thanks by both the sides.

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GoS bill by HESCO

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LIST OF PARTICIPANTS ATTENDED THE 123rd BOARD MEETING
DATED 15.09.2016 AT 12:30 pm

Present		
1.	Mr. Nazar Hussain Mahar	(In Chair)
2.	Prof. Dr. Muhammad Aslam Uqaili	Director
3.	Mr. Tassaduq Hussain	Director (through video link)
4.	Mr. Asad Ullah	Director / CEO HESCO
5.	Mr. Mehfooz Ahmed Bhatti	Director (through video link)
6.	Mr. Mehmood Nawaz Shah	Director
7.	Mr. Waqas Anwar Qureshi	Director (through video link)
Leave of Absence		
8.	Mr. Shafique Ahmed Mahesar	On Leave
9.	Qazi Shahid Pervez	On Leave
Company Secretary		
10.	Mr. Faheemullah Memon	Company Secretary
By Invitation		
11.	Mr. Saeed Ahmed Dawach	Chief Commercial Officer
12.	Mr. Pervaiz Afzal	Chief Engineer (P&E)
13.	Mr. Mehmood Ali Kaimkhani	Manager (Commercial)
14.	Lt. Comd. (R) Nadeem Akhtar	Finance Director
15.	Mr. Sabih uz Zaman	Dy. Director (SPP / NCPP)
16.	Mr. Loung Khan Jakhrani	Addl: Director General (L&L)

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