Peshawar Electric Supply Company

Statement of Corporate Intent

For the Period

2026–27 to 2028–29

Approved in PESCO 225th BOD meeting held on August 6,2026 vide RESOLUTION 225-BOD-R03

BOARD ENDORSEMENT

This Statement of Corporate Intent sets out PESCO's strategic objectives, scope of activities, strategies, performance targets, and financing arrangements for the three-year period FY 2026-27 to FY 2028-29. It has been prepared by management for the Board's consideration and, on approval, will be submitted to the Ministry of Energy (Power Division) in accordance with the SOE Act, 2023.

The Board is requested to review, and subject to any amendment it considers appropriate, approve this Statement of Corporate Intent for onward transmission to the Ministry of Energy (Power Division).

Approved by the Board of Directors of PESCO on: ____________________

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Chairman, Board of Directors
Peshawar Electric Supply Company Limited

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Chief Executive Officer
Peshawar Electric Supply Company Limited

I. PROFILE AND OVERVIEW OF THE SOE

Peshawar Electric Supply Company Limited (PESCO) is a State-Owned Enterprise wholly owned by the Government of Pakistan, incorporated on 23 April 1998 under the Companies Ordinance, 1984 (now the Companies Act, 2017), following the unbundling of WAPDA's Power Wing. PESCO is the licensed electricity Distribution Company and Supplier of Last Resort (SoLR) for Khyber Pakhtunkhwa, excluding the Hazara division (served since 2023 by the newly-created HAZECO) and the former Federally Administered Tribal Areas (served by TESCO).

PESCO operates under a Distribution Licence (DL/07/2023, valid until 08 May 2043) and an Electric Power Supply Licence as Supplier of Last Resort (SOLR/07/2023, valid until 26 Dec 2043), both granted by the National Electric Power Regulatory Authority (NEPRA). The Company's tariff and investment programme are governed by NEPRA's Multi-Year Tariff (MYT) determination for the control period FY 2025-26 to FY 2029-30 and the associated Distribution Investment Plan (DIP), approved on 07 May 2026.

PESCO's governance is subject to the State-Owned Enterprises (Governance and Operations) Act, 2023 and oversight by the Ministry of Energy (Power Division) through a Strategic Roadmap Agreement covering FY 2025 to FY 2029. PESCO has no subsidiaries.

Parameter	Value
Ownership	100% Government of Pakistan
Service Territory	64,088 sq. km, Khyber Pakhtunkhwa
Consumers Served	3.73 million
Grid Stations (132 kV / 66 kV)	94
Distribution Feeders	1,160
HT / LT Network	31,864.7 km / 32,279.7 km
Distribution Transformers	72,191
Sanctioned / Working Staff	24,407 / 9,454
Subsidiaries	None

II. VISION AND MISSION

Vision

"Achieving and maintaining the highest degree of efficiency, reliability, and responsiveness as a public service organisation ensuring safe, reliable, and affordable electricity across our distribution jurisdiction."

Mission

PESCO will expand and rehabilitate its distribution system in full alignment with the NEPRA-approved DIP, strengthening its technical, financial, commercial, human resource and digital capabilities. From new grid stations to GIS-based network mapping and AMI metering, all initiatives are planned in an integrated manner to deliver safe, reliable and affordable electricity to the people of Khyber Pakhtunkhwa within a realistic, funded framework.

III. STRATEGIC OBJECTIVES

For the period FY 2026-27 to FY 2028-29, the Board has agreed the following strategic objectives, each supported by specific, measurable targets set out in Section VI.

#	Strategic Objective
1	Execute the NEPRA-approved DIIP (PKR 42,777 million, FY 2025-30) with discipline and full audit-readiness, deploying PESCO's PKR 26,568 million three-year costed investment plan.
2	Reduce T&D losses from 39.97% (FY 2025-26 achieved) to 33.54% by FY 2028-29.
3	Improve revenue recovery from 91.28% (FY 2025-26 achieved) to 95.81% by FY 2028-29.
4	Complete the T&D Loss Third-Party Study by 07 October 2026, the Company's single highest regulatory priority to secure a realistic NEPRA loss target and avoid the punitive 8.90% fallback.
5	Achieve zero electricity-related fatalities through full deployment of the safety management framework.
6	Complete GIS mapping of the HT network and materially progress LT mapping ahead of the December 2027 mid-term review.
7	Build institutional and digital capacity — ERP, GIS, AMI and MIRAD's regulatory function to sustain compliance under the dynamic DIIP framework.
8	Maintain PESCO's public service obligations while progressing toward long-term financial sustainability.

IV. NATURE AND SCOPE OF ACTIVITIES

PESCO operates in Pakistan's power distribution sector in a dual capacity: as the Distribution Licensee owning, operating and expanding the 132 kV/66 kV secondary transmission network and the 11 kV/LT distribution network; and as Supplier of Last Resort, purchasing electricity from CPPA-G and supplying it to all consumers within its licensed territory on demand, including in commercially unattractive areas.

The Company's core activities comprise network planning and construction, operations and maintenance, revenue billing and collection, consumer services, and the safety and regulatory-compliance functions that support them. Under the emerging Competitive Trading Bilateral Contract Market (CTBCM) framework, PESCO is also building the capacity to interact directly with the Independent System and Market Operator (ISMO) and manage open-access requests from eligible consumers.

Scope of the Three-Year Investment Programme

PESCO's three-year capital programme (FY 2026-27 to FY 2028-29), fully costed within the NEPRA-approved DIIP, comprises:

Investment Head	3-Year Cost (PKR Mn)	Nature
Secondary Transmission & Grids (STG)	14,772	New grid stations, transmission lines, capacity augmentation
Energy Loss Reduction (ELR)	5,415	HT/LT network rehabilitation targeting loss reduction
Distribution of Power (DOP)	2,745	HT/LT network expansion and rehabilitation
World Bank EDEIP (GIS & Technical Assistance)	1,180	GIS platform upgrade, equipment and capacity building
Safety, IT and Functional Support Plans	2336	Safety equipment, IT systems, workshops, transport
Third-Party Audit / Monitoring	120	For monitoring Purposes
Total (3-Year Costed Plan)	**26,568**	—

The total cost of the proposed three-year project is PKR 26,568 million, including PKR 9,715 million allocated for FY 2026–27 under the approved Business Plan. However, the FY 2026–27 Procurement Plan totals PKR 29,351 million (excluding Deposit Work), based on PESCO's Review Petition currently under NEPRA's consideration and including spillover works. If the Review Petition is approved, the full Procurement Plan will be implemented; otherwise, procurement will be limited to the approved allocation of PKR 9,715 million.

V. SUMMARY OF STRATEGIES

PESCO's strategy for the SCI period rests on five priorities, each with a designated executive owner and direct line of sight to the strategic objectives in Section III.

Priority	Key Actions	Owner
DIIP Execution	Disciplined delivery of the approved capital programme; expedite spill-over STG projects before lapse.	PMU / P&E / MIRAD
Loss Reduction	Targeted infrastructure investment, enforcement and metering to bring down T&D losses.	Operations / Commercial
Revenue & Recovery	AMI deployment, combing operations, billing-system upgrades and commercial enforcement.	Commercial
Institutional Strengthening	GIS, ERP and data-systems modernisation; build MIRAD's regulatory capacity for the dynamic DIIP era.	MIRAD / IT / HR
Safety & People	Zero-fatality safety programme; close the workforce vacancy gap; advance gender diversity.	Safety / HR

Key Strategic Issues

A high-level assessment of the factors most likely to influence PESCO's performance over the SCI period:

	Positive Factors	Negative Factors
Internal	Extensive network base; improving FY 2025-26 loss performance; strong STG allocation; established MIRAD regulatory function.	Historic capex under-utilisation (~PKR 20 Bn, excl. Deposit Works, FY 2020-25); large HR vacancy gap (14,870 posts); legacy manual systems.
External	Loss-study outcome offers credible path to a realistic NEPRA target; digitisation mandates modernise core systems; CTBCM and renewables growth open new capabilities.	T&D Loss Study deadline risk; World Bank funding-lapse risk; previous-MYT audit exposure; mid-term review complexity; security-affected operating areas.

Key Risks to Achievement of Business Goals

Risk	Potential Impact	Mitigation
T&D Loss Study missed deadline (~07 Oct 2026)	Punitive 8.90% loss target; multi-billion-rupee annual tariff shortfall	Verify TOR alignment with the appointed consultant; ensure timely submission
World Bank funding lapse (project closes 31 Dec 2027)	Loss of ~PKR 17,502 million in deferred foreign-funded components	Submit business cases and transition plans urgently
Previous-MYT investment audit	RAB true-down / RoRB clawback risk	Prepare comprehensive utilisation reconciliation
Mid-term review complexity (Dec 2027)	Deferred or disallowed investment; revised loss targets	Begin preparation at least 12 months in advance
Revenue recovery shortfall	Continued negative equity position; higher reliance on subsidy/circular debt	Accelerate AMI deployment, combing and enforcement (Section VI)

VI. PERFORMANCE TARGETS AND OTHER MEASURES

The following key performance indicators will be used to judge PESCO's performance against its strategic objectives over the SCI period. Actual FY 2025-26 results are shown for context.

Indicator	Achieved FY25-26	Target FY26-27	Target FY27-28	Target FY28-29
T&D Losses (%)	39.97	37.44	35.54	33.54
Recovery Computed (%)	91.28	93.45	94.64	95.81
Feeders Rehabilitated (Nos)	62	31	31	31
Distribution Transformer Addition/Augmentation (Nos)	804	1,181	1,217	1,253
Grid Station Addition/Augmentation (Nos)	6	11	10	6
HT Line Addition/Reconductoring (km)	121.2	363	363	363
GIS Mapping — HT Network (%)	98%	98%	100%	100%
Deployment of AMI — Three-Phase Meters (%)	62%	100%	100%	100%

Indicator	Achieved FY25-26	Target FY26-27	Target FY27-28	Target FY28-29
ERP Automation — Finance (%)	85%	90%	95%	100%
Reduction in Commercial Load-Shedding	3%	3.5%	3.8%	4.0%

VII. STATEMENT OF CURRENT AND ANTICIPATED BORROWINGS

PESCO has no subsidiaries; this statement therefore covers the Company on a standalone basis.

Facility	2026 (Rupees)	2027 (Rupees)	Status
Asian Development Bank – Tranche I (2438-PK)	847,267,493	847,267,493	Drawn
Asian Development Bank – Tranche II (2727-PK)	955,422,626	955,422,626	Drawn
Asian Development Bank – Tranche III (2972-PK)	1,976,630,025	1,976,630,025	Drawn
Asian Development Bank – Tranche IV (3096-PK)	1,668,205,374	1,668,205,374	Drawn
Electrification Work at Chitral (Federal PSDP) CCPR-3129	1,647,880,000	1,647,880,000	Drawn
132 KV Grid System Chitral (Federal PSDP) CCPR-3130	299,981,590	299,981,590	Drawn
Evacuation of Power from Swabi (Federal PSDP) CCPR-3131	738,620,000	738,620,000	Drawn
Supply of Power to Rashkai E.Zone (Federal PSDP) CCPR-7018	2,487,203,262	2,487,203,262	Drawn
Electricity Distribution Efficiency Improvement Program (EDEIP)	2,321,300,536	5,046,327,536	Partially drawn; World Bank facility (USD 108 million), sovereign-guaranteed via GoP, funds GIS and technical-assistance components of the DIIP
Total	**12,942,511,310**	**15,667,538,310**	

Beyond the facilities listed above, PESCO's capital programme is financed through own resources and consumer/debt financing. Any future borrowing or refinancing proposal will be brought to the Board for approval, accompanied by debt-service analysis against project business cases.

VIII. ACCOUNTING POLICIES

PESCO prepares its financial statements in accordance with the accounting and financial reporting standards applicable in Pakistan, comprising International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017, and the requirements of the SOE Act, 2023. Regulatory accounting for tariff-setting purposes follows NEPRA's Uniform System of Accounts and Regulated Asset Base (RAB) methodology under the MYT framework. PESCO's financial statements are subject to annual external audit.

IX. SUMMARY INDICATIVE FINANCIAL STATEMENTS

PESCO has no subsidiaries; the summary statements below represent the Company on a standalone basis and are therefore also its consolidated position. Figures are indicative, drawn from the Finance Directorate's financial model underlying the Business Plan FY 2026-27 to FY 2028-29, and are presented in PKR million.

A. Summary Indicative Income Statement

Description (PKR Mn)	FY 2026-27	FY 2027-28	FY 2028-29
Sale of Power	226,111	245,129	265,690
Total Revenue (Sales & Subsidy)	266,925	287,717	310,128
Purchase of Power	289,830	296,564	299,786
Gross Profit/ (Loss)	(22,905)	(8,847)	10,342
Total Operating Expenses	64,916	74,815	88,358
Operating Profit / (Loss)	(84,620)	(79,949)	(73,708)
Profit / (Loss) Before Tax	(73,717)	(67,207)	(58,824)
Net Profit / (Loss) for the Year	(74,398)	(67,990)	(59,724)

Trend: the projected net loss narrows by more than two-fifth over the plan period from PKR 74,398 million in FY 2026-27 to PKR 59,724 million in FY 2028-29, reflecting the combined effect of the loss-reduction and recovery-improvement programme (Section VI) and progressive tariff/subsidy adjustment.

B. Summary Indicative Balance Sheet

Description (PKR Mn)	FY 2026-27	FY 2027-28	FY 2028-29
Net Fixed Assets	118,523	125,635	133,173
Total Current Assets	183,145	177,791	173,081
TOTAL ASSETS	301,668	303,425	306,254
TOTAL EQUITY	(396,181)	(459,101)	(513,705)
Long-Term / Deferred Liabilities	258,710	261,297	273,910
Total Current Liabilities	439,140	501,230	546,049
TOTAL LIABILITIES AND EQUITY	301,668	303,426	306,254

X. PROPOSED DIVIDEND AND DISTRIBUTION POLICY

Given PESCO's negative equity position and current revenue-recovery performance (Chapter IX), the Company does not propose to declare or distribute a dividend during FY 2026-27 to FY 2028-29.

XI. PUBLIC SERVICE OBLIGATION (PSO) ARRANGEMENTS

In accordance with the State-Owned Enterprises (Governance and Operations) Act, 2023, PESCO recognizes its responsibility to undertake Public Service Obligations assigned by the Federal Government in addition to its licensed commercial functions, where required under applicable law. In this regard, PESCO has submitted a proposed Public Service Obligation (PSO) Agreement to the Ministry of Energy (Power Division), which is currently under process for execution. Upon execution of the Agreement, PESCO shall undertake the assigned Public Service Obligations, including the management and administration of Government-notified electricity tariff subsidies and the collection and deposit of Government surcharges, while maintaining separate accounting records, complying with agreed performance and reporting requirements, and seeking reimbursement of the revenue shortfall in view of Federal Government notification under the PSO Agreement. The Board of Directors shall oversee implementation of the PSO framework to ensure transparency, accountability, regulatory compliance and protection of the Company's commercial and financial sustainability.

Financial Impact

The net cost of these obligations (PSO cost, including depreciation, less PSO revenue) has not to date been separately quantified; it is currently absorbed within PESCO's overall tariff and revenue-requirement framework and is a material contributor to the negative equity position disclosed in Section IX. As a Board-directed action, the Finance Directorate, with MIRAD and the Commercial Directorate, will develop a costing methodology to isolate and disclose this net cost within FY 2026-27, including consideration of direct government compensation consistent with SOE Policy guidance on PSO funding.

XII. ADDITIONAL INFORMATION AND REPORTING COMMITMENTS

In addition to the statutory reporting required under the SOE Act, 2023 (including audited annual financial statements, the Annual Report, and related-party disclosures), PESCO commits to the following reporting obligations over the SCI period:

Commitment	Recipient	Frequency / Timeline
DIIP compliance and dynamic-review reporting	NEPRA	Quarterly
Annual DOP/ELR investment submissions	NEPRA	Annually (March)
T&D Loss Third-Party Study	NEPRA	By 07 October 2026
Separate bank account for DIIP	NEPRA	As directed
Mid-term DIIP review submission	NEPRA	By December 2027

This Statement of Corporate Intent is issued by the Board of Directors of PESCO pursuant to Section 8(4) and Schedule-III of the State-Owned Enterprises (Governance and Operations) Act, 2023, and is consistent with the Business Plan FY 2026-27 to FY 2028-29 approved by the Board. It will be reviewed and updated annually, and earlier if the outcome of PESCO's pending Review Petition before NEPRA or the T&D Loss Study materially changes the assumptions underlying this Statement.