

Sitara Energy Wins Landmark Appeal Against FESCO After 7-Year Legal Battle

In a significant victory, Sitara Energy Limited successfully challenged FESCO's claim, potentially reopening the dispute for a fresh review. The NEPRA Appellate Tribunal ruled in favour of Sitara, overturning NEPRA's flawed tariff decision, and ordered a new evaluation within four months.

Introduction

In a significant win for [Sitara Energy Limited](#), the NEPRA Appellate Tribunal has overturned the National Electric Power Regulatory Authority's (NEPRA) flawed tariff decision, ordering a fresh review within a strict four-month timeframe.

Background

Amid nationwide electricity shortages in 2005-2006, NEPRA introduced a policy enabling companies like Sitara Energy Limited to sell power directly to distribution companies (DISCOs) like FESCO at mutually agreed rates through Power Purchase Agreements (PPAs). Sitara operated within this framework, supplying electricity until 2015 when the purchase prices became financially unsustainable.

The Dispute

Despite the expiration of the original PPA in 2011, NEPRA directed Sitara to continue supplying power to FESCO at agreed-upon rates while retaining the authority to determine the final tariff. NEPRA, without legal authority, compelled Sitara to provide an undertaking to accept NEPRA's determined tariff by withholding payments by FESCO for past invoices. After a six-year delay, NEPRA retrospectively reduced the unit price of electricity sold, directing Sitara to reimburse FESCO for around Rs. 837 million.

"NEPRA's tariff decision was fraught with several procedural lapses and substantial factual errors," noted Nadir Altaf (Partner – Pakistan), the lead counsel from RIAA Barker Gillette representing Sitara. "Notably, NEPRA erroneously presumed that Sitara conducted power sales to FESCO through a 132 kV synchronized grid, rather than the actual 11 kV isolated mode."

The Outcome

The NEPRA Appellate Tribunal ruled in favour of Sitara, overturning NEPRA's tariff decision and ordering a fresh evaluation within a strict four-month statutory timeframe. The tribunal also declared the notices issued to Sitara by FESCO invalid, providing substantial financial relief to Sitara. This decision provides substantial financial relief to Sitara and initiates a comprehensive review of the case under the principles of equitable regulatory practice.

Nadir Altaf (Partner-Pakistan) at RIAA Barker Gillette further commented,

"This judgment not only provides financial relief to Sitara but also sets a precedent for equitable regulatory practices in the energy sector. It underscores the necessity of fair adjudication based on accurate information to maintain industry stability and integrity."

Implications

This case starkly reminds us of the potential consequences of regulatory missteps and highlights the importance of thorough adjudication in regulatory decisions. This ruling sets a significant precedent for companies operating in Pakistan's power sector, potentially influencing future regulatory practices.

For more information or legal advice on navigating regulatory challenges in the power sector, contact [Nadir Altaf \(Partner – Pakistan\)](#).

This article is not legal advice; it provides information of general interest about current legal issues.



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