

# INDUS WIND ENERGY LIMITED

CLEANER ENERGY FOR CLEANER WORLD



July 03, 2015

The Registrar  
National Electric Power Regulatory Authority  
NEPRA Tower, Attaturk Avenue (East),  
Sector G-5/1, Islamabad.

For information & *AW*  
— D/Bg-I (SAR) *Longa K.*  
— SA (Tech) *if*  
— SAT *san*  
— M/F  
*06.07.15*  
Chairman  
VC (MCA)  
MGT  
M(M&E)  
M(LC)

RE: FILING OF REVIEW PETITION UP-FRONT TARIFF FOR WIND POWER GENERATION PROJECTS

Dear Sir,

With reference to the above captioned subject matter and our Intervention Request dated April 11, 2015 and Nepra's published upfront tariff, we hereby submit the following points:

1. **Capacity Factor:** 35% of Capacity Factor for Annual Energy Production is high and exposes the Developers to risks of added uncertainties that are not adequately covered in tariff regime.

**Plea:** The tariff should be benchmarked at 31% CF for the following considerations:

- The operating data of existing wind farms reflect similar capacity factors
- The previous up-front tariff on wind had benchmarked the tariff at 31% capacity factor.
- During the stakeholders' conference in NEPRA on April 16, there was a universal consensus amongst all Developers, Experts, Interveners and Lenders that the baseline for energy production should be appropriately referenced at 31% capacity factor.

2. **Option Period:** The time-window of 6 months for opting for upfront tariff is not practical because of the following:

- The updated Grid Code for Wind is not available and its time-line is uncertain.
- NTDC is not providing base data for Grid Studies prior to the finalization of Grid Code

**Plea:** The time-window for opting for UFT-2 may be rationalized as follows:

The later of the two:

- One year from Gazette Notification of UFT-2
- Nine months from availability of the new Grid Code

3. **Option Pre-requisite - Power Evacuation Certificate from NTDC**

**Plea:** NTDC response in such matters does not reflect the urgencies as dictated by Government Policy and subsequent implementation plans of the Developers. Also under GoP Policy dispatch of electricity from generation units, especially RE is a mandatory obligation of NTDC. Any delays on part of NTDC may result in an unacceptable setback to the Government's efforts to launch additional investments in electricity generation facilities. It is therefore requested that while NTDC Certificate may be necessary requirement for the projects to proceed, the need of this being a pre-requisite for up-front tariff may be removed. Accordingly, the following is submitted for NEPRA's consideration:

Senior Advisor Tariff-I  
Dr. No. 7067  
D. 7-7-15

Registrar 7345  
DY No. ....  
Dated... 06-07-15

Page | 1

# INDUS WIND ENERGY LIMITED

CLEANER ENERGY FOR CLEANER WORLD



- The pre-requisite of such certification for eligibility for up-front tariff may please be removed
- The NTDC approval may be placed in the 12 month window available for Financial Close.
- Any delays on part of NTDC in issuing this certificate may be condoned by NEPRA for an appropriate extension in the validity of the available time window.

#### 4. Sinosure Fee:

**Plea:** Sinosure Insurance is a contingent requirement of Debt from China. It is approved by NEPRA for other Projects (Coal etc.). It is a mandatory cost for Chinese Debt and should be incorporated as a pass-through cost by NEPRA

#### 5. Return on Equity During Construction

**Plea:** ROE DC is an accepted element in NEPRA's other determinations and uniform application of business rules requires that NEPRA treats Wind Energy Projects on similar (or even preferential benchmarks). The tariff regime is not clear in its treatment of ROE DC. It is requested that NEPRA may please explicitly incorporate ROE DC in the upfront tariff determination.

#### 6. Withholding Tax as pass through cost

The present determination of NEPRA does not factor withholding tax as a pass through in the tariff. This is not consistent with other determinations of NEPRA. It is requested that the determination of this upfront tariff may specifically address this element of the tariff structure and allow it as a pass through within the tariff regime, as is the case with other electricity tariff determinations of NEPRA.

Thanking you,

Yours truly

Shahzad Ahmed

CEO, Indus Dyeing and Manufacturing Company Limited

3/17