



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/UTS-2015/5229-5231  
April 19, 2016

Subject: **Decision of the Authority in the matter of Motions for Leave for Review in the matter of Upfront Solar PV Tariff dated 16.12.2015**

Dear Sir,

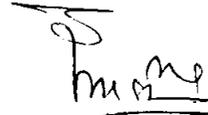
This is in continuation of this office letter No. NEPRA/UTS-2015/17871-17874 dated 16.12.2015 whereby Determination of National Electric Power Regulatory Authority in the matter of Upfront Generation Tariff for Solar PV Power Plants was sent to the Federal Government for notification in the official Gazette.

2. Please find enclosed herewith the subject decision of the Authority (12 pages) regarding Motions for Leave for Review in the matter of Upfront Solar PV Tariff dated 16.12.2015.

3. The Decision is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

4. Order of the Authority needs to be notified in the official Gazette.

Enclosure: As above

  
( Syed Safeer Hussain )

Secretary  
Ministry of Water & Power  
'A' Block, Pak Secretariat  
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW  
IN THE MATTER OF UPFRONT SOLAR PV TARIFF DATED 16-12-2015**

**1. Background**

1.1 The Authority vide its decision No. NEPRA/UTS-2015/17871-17874 dated 16<sup>th</sup> December 2015 announced the Upfront Solar PV Tariff effective from 1<sup>st</sup> January 2016 (hereinafter referred to as the "Upfront Solar Tariff 2015"). The aforesaid decision of the Authority was notified in the official Gazette vide SRO No. 1243(I)/2015 dated 17<sup>th</sup> December 2015.

**2. Filing of Motion for Leave for Review**

2.1 Siachen Energy Limited (SEL) vide its letter No. SEL/GM/NEPRA/15-0049 dated 23<sup>rd</sup> December 2015 and Harappa Solar (Pvt) Limited (HSPL) vide its letter No. nil dated 23<sup>rd</sup> December 2015 (hereinafter collectively referred to as the "Petitioners") filed Motions for Leave for Review (hereinafter referred to as the "Review Petitions") against the aforementioned decision of the Authority in the matter of Upfront Solar Tariff 2015. The Authority admitted the Review Petitions on 14-1-2016 and 19-1-2016 for SEL and HSPL respectively and decided to hold a hearing in the matter.

**3. Hearing**

3.1 The hearing in the matter was fixed for 16<sup>th</sup> February 2016 and individual notices were sent to the Petitioners, parties to the proceedings and the concerned Ministries/departments. The hearing was held as per schedule and was attended by the Petitioners and stakeholders including the representatives of AEDB and CPPA-G.

**4. Issues Raised by the Petitioners**

4.1 The following issues were raised by HSPL:

**i) Taxes & Duties.**

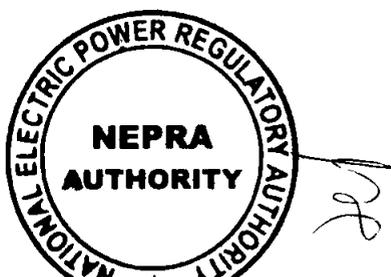
The first issue pertains to taxes and duties. The Petitioner (HSPL) objected to the reimbursement in 12 months and suggested that it should be adjusted as per actual at the time of COD.

**ii) Withholding tax on dividend.**

The second issue pertains to withholding tax on dividend. The Petitioner requested to clarify that any future increase/decrease in the assumed withholding tax rate of 7.5% shall be treated as pass-through.

**iii) Penalty Clause of EPA.**

The third issue pertains to removal of penalty clause of EPA to impose LDs on the project company in case the annual production falls below the benchmark CUF as the Petitioner believes that it is a double penalty to the company.



4.2 Following issues were raised by SEL:

**i) Non-viable Tariff.**

According to the Petitioner drastic change in tariff and underlying terms & conditions at this stage will damage this new sector.

**ii) Insufficient EPC cost and EPC contractor's margin.**

The Petitioner requested to revisit the base EPC cost and EPC contractor's margin in the light of market condition of Pakistan.

**iii) Degradation.**

According to the Petitioner the calculation of degradation is erred.

**iv) Insufficient Non-EPC & Project Development costs.**

According to the Petitioner, non EPC& project development costs have been reduced significantly.

**v) Calculation of IDC.**

According to the Petitioner, there is a difference in IDC of US\$ 202/MW.

**vi) Capacity Utilization Factor (CUF).**

The Petitioner requested to fix CUF for south region to be 17.50%.

**vii) O&M Cost.**

The Petitioner requested to increase the O&M Cost.

**viii) Foreign currency fluctuation.**

The Petitioner requested to adjust 100% of the EPC cost to foreign currency fluctuation instead of 90% as determined by the Authority.

**ix) Indexation of ROE.**

The Petitioner requested to use reference rate of Rs. 105/US\$ for indexation instead of exchange rate at the time of COD.

**x) Sharing Mechanism.**

The Petitioner requested to discard the mechanism and allow charging of the entire energy supplied at prevalent tariff.

**xi) Time line of opting tariff.**

The Petitioner requested to start the 6 months period from date of notification of revised order as a result of completion of review proceedings.

**5. Analysis, findings and decision of the Authority on each issue**

The issue wise discussion, submissions of the Petitioners and stakeholders, analysis, findings and decisions are provided in the succeeding paragraphs.

6. **Taxes & Duties**

- 6.1 The Petitioner while quoting the Customs General Order No. 03/2015, dated June 30, 2015 submitted that power projects of 25MW or higher generation capacities are exempted from the condition of the Locally Manufactured Goods List appearing in the Customs Act 1969 and Sales Tax Act, 1990, thereby allowing import of all goods and equipment by such projects at concessionary rates. The Petitioner further submitted that this has created discrimination against smaller projects of less than 25MW capacity. The Petitioner claimed that projects with generation capacity of less than 25 MW have to pay duties and taxes on the locally manufactured equipment which are then treated as pass-through over a period of 12 months. However, according to the Petitioner, recouping these costs from the power purchaser is difficult as the power purchaser gives least priority to pass-through item. This issue has created an undue burden on smaller projects. The Petitioner, while referring to the upfront tariff of 2015, requested the Authority to allow one-time adjustment to taxes and duties at the time of COD as the impact of such true-ups on the tariff itself is marginal.
- 6.2 Alternate Energy Development Board (AEDB) vide its comments dated February 23, 2016 submitted that *“AEDB fails to understand the rationale behind fixing 25 MW limit for the taxes and duties under the CGO. As per AEDB’s knowledge, there is no agency manufacturing solar PV plants and equipment locally as per international standards. Secondly, fixing 25 MW slab is a discrimination; either there should be no duties and taxes, or in case if local manufacturing is done as per international standards, then CGO should be applicable to every capacity. Further, adjustment to duties and taxes is purely a tariff related matter and NEPRA has to make decision on this.”*
- 6.3 The Authority considered the Petitioner’s request regarding adjustment of taxes & duties paid on the import of machinery as per actual at the time of COD in the project cost instead of 12 months period. The mechanism for adjustment of taxes and duties paid during the construction period in other cases was also examined and it was found that the Petitioner’s request is in line with previous tariff determinations, upfront solar, coal and LNG tariffs except for the wind upfront tariff where a period of 12 months is provided for reimbursement of taxes& duties. Since the request is in line with the Authority’s earlier decisions and it doesn’t make any difference whether to pay in 12 months or incorporate the taxes& duties in project cost, the Authority has decided to accept the request of the Petitioner. Accordingly, the tax adjustment clause at Para xix of the Terms & Conditions has been modified as under:

“In case the company is obligated to pay any tax on its income from generation of electricity, or any duties and/or taxes, not being of refundable nature, are imposed on the company, the exact amount paid by the company on these accounts shall be reimbursed on production of original receipts. This payment shall be considered as a pass-through payment spread over a period of twelve months except for the taxes and duties on the import of plant & machinery during the construction period, which shall be included in the project cost at the time of COD adjustment. However, withholding tax on dividend will not be passed through.”

## 7. Withholding Tax on Dividends

- 7.1 The Petitioner requested the Authority to clarify that any future increase/decrease in the assumed withholding tax rate of 7.5% shall be treated as pass-through. During the hearing the Petitioner requested that any increase or decrease in the withholding tax on dividends in the future may be treated as pass-through as these changes are difficult to predict. The Petitioner is of the opinion that such withholding tax on dividends has been treated as a pass-through item in a majority of power projects currently implemented in the country, particularly the ones implemented under the Power Policy of 2002, wind upfront tariff of 2013 and projects based on bagasse. Since a majority of the projects are given this incentive, the Petitioner is of the view that the Government, in order to increase tax collection, may increase the rate of withholding tax on dividends considering it as pass-through item but in fact it will hurt projects that are left exposed to any such changes.
- 7.2 While determining the coal upfront tariff, the Authority decided not to consider withholding tax on dividends as pass-through item in view of the high return offered to the project sponsors and any such tax, if applicable, shall be the responsibility of the sponsor. The Authority is consistent in its decisions since then and withholding tax on dividends has not been allowed. The Petitioner also agreed with the point of view of the Authority. However requested to make the increase/decrease in withholding tax rate beyond 7.5% as pass-through as the effective rate of return will decrease/increase if the tax rate changes.
- 7.3 The Authority has principally decided that withholding tax on dividend will not be passed through; therefore, pass-through of any increase/decrease in withholding tax shall not justify. Accordingly, the Authority has decided to reject the request of the Petitioner on this issue.

## 8. Penalty Clause in EPA

- 8.1 The Petitioner was of the opinion that unprecedented clauses were introduced in the standardized solar EPA based on the 2015 upfront solar tariff to impose liquidated damages on the project company in case the annual production falls below the benchmark plant factor assumed by the Authority. According to the Petitioner, given the increased plant factor and no provision of separate adjustment for assumed annual degradation of only 0.5%, the liquidated damages clause has the effect of doubling the penalty on the project company. Therefore, the Petitioner has requested that any clauses in the EPA imposing liquidated damages for shortfall of energy may no longer be applied.
- 8.2 The Petitioner proposed the following clause in this regard:

*"The impact of degradation has been accounted for in the tariff and there shall be no separate payment on account of degradation during the entire term of the tariff control period. Conversely, as assumptions relating to degradation and plant factor have been tightened and downside risk of lower irradiation is on the power producer, any clauses imposing liquidated damages for shortfall energy in the Energy Purchase Agreement may no longer apply."*



8.3 The specific comments of AEDB regarding the issue raised on Penalty Clause in EPA are as follows:

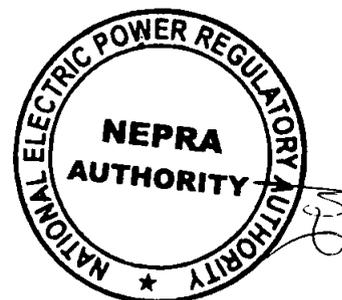
*“As per page 13 of the tariff determination by NEPRA in case of upfront tariff for solar PV power projects, it is stated that the EPC Contractor takes end-to-end responsibility for project engineering, procurement and construction and provides significant cash guarantees to developers and lenders for timely completion and guaranteed performance of the plant. Margins for this role are substantial and over and above the cost of individual components. NEPRA in its decision has indicated that it has incorporated the EPC Contractor’s margin in the tariff, thereby giving substantial financial cover to this effect and has put onus upon the sponsors to choose the technology based on its evaluation and assessment. Further, while fixing the Capacity Utilization Factor (CUF) for two distinct regions (North and South), in the tariff, NEPRA has considered various factors and uncertainties that may impact overall plant production. NEPRA, in its determination has stated that a PV power plant’s capacity factor is a function of the insolation at the project location, the performance of the PV panel (primarily as it relates to high temperature performance), the orientation of the PV panel to the sun, system electrical efficiencies and the availability of the power plant to power producer. It is further stated that keeping all the other factors constant, a good quality solar PV system will be capable of achieving higher CUF as compared to a low quality solar PV system. The CUF as considered by NEPRA for determining the upfront tariff covers technical performance parameters and by allowing EPC Contractor’s Margin, NEPRA has given financial cover to the projects as well. For the purpose of evacuating power from the solar PV power plant, the NTDC/ DISCOs have to make substantial investment. The return of investment to the DISCOs is made on the basis of Distribution Margin and to the NTDC in shape of Use of System Charge. In case if the power plant performs low, then this would be difficult for DISCOs/ NTDC to cover their expenses. Therefore, in order to make investments made by DISCOs/ NTDC recoverable, AEDB deems that the penalty clause should remain effective. However, in case if DISCOs/ NTDC/ CPPA(G)L are willing to forego this clause, then AEDB would be ready to take it out.”*

8.4 The Central Power Purchasing Agency (Guarantee) Limited (CPPA) filed comments vide letter No. CPPA(G)L/ CEO/ CE-II/MT-IV/ Solar/ 940 – 41, dated February 23, 2016. The specific comments of CPPA regarding penalty clause in EPA are as follows:

*“The mechanism for LDs in EPA to the project companies on account of shortfall energy should remain as it is, because NEPRA has compensated the Degradation to the project companies in the Tariff-2016.”*

8.5 The Authority considered the request of the Petitioner and comments submitted by the stakeholders. The Authority is of the view that since the issue does not pertain to the decision of the Authority against which the instant review was sought rather it relates to terms and conditions of EPA therefore the Authority has decided to reject the review on this issue. The Petitioner is directed to approach concerned department/power purchaser for resolution of the issue.

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9. **Non-viable Tariff**

9.1 The Petitioner submitted that the reduction in tariff is not warranted by any recent changes in the international solar market. The Petitioner further claimed that in fact the cost of development of a solar power projects is expected to rise in 2016 due to increase in demand for the development of solar power projects world-wide. Given the above, the Petitioner requested the Authority to reconsider these tariff reductions.

9.2 During the hearing, the Petitioner submitted that at the time of the filing of the Review Motion, it did not have concrete numbers for EPC and O&M. However, subsequent to re-negotiations with the EPC Contractor, we are now comfortable with the costs provided in the upfront tariff.

9.3 Since the Petitioner withdrew its review request on the issue, therefore, decision of the Authority is not required.

10. **Insufficient EPC Costs**

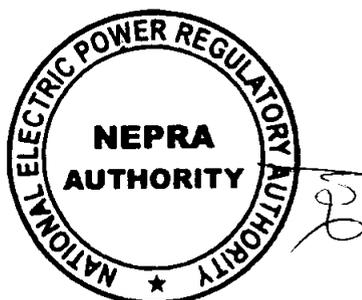
10.1 The Petitioner submitted that the Authority decided to allow the same EPC Cost as advertised, with the exception of allowance of EPC contractor's margin @ 10% and slight adjustment in the cost for degradation. The Petitioner further claimed that all the stakeholders, with the exception of Planning Commission and CPPA, had reservations on project costs, particularly the EPC Cost. Therefore, the Petitioner requested the Authority to take a realistic view of the market conditions and consider the submissions of the majority of stakeholders.

10.2 Like the earlier issue, the Petitioner withdrew its request on the issue during the public hearing; therefore, decision of the Authority is not required.

11. **Degradation**

11.1 The Petitioner claimed that the mathematical calculations, leading to a USD 0.0374 million per MW degradation allowed under the upfront tariff to nullify the impact of annual capacity degradation of 0.5%, is incorrect. Further, the Petitioner is of the opinion that 4.33%, instead of the already determined 3.62% levelized degradation to EPC Costs should be applied. The Petitioner further submitted detailed working clarifying its point (attached as part of Annex A& B of the Review Motion filed by SEL).

11.2 Further, the Petitioner submitted that the assuming a 10% discount rate for the aforesaid calculation instead of the actual data forming the basis of the upfront tariff is not justified. The Petitioner stated that the Authority computed debt servicing component @ 4.81% per annum, which is the appropriate discount rate to be used for this computation, as it is based on the basis of which debt is going to be arranged for the company. Therefore, the Petitioner's submission is that the Authority considers 4.81% per annum as the appropriate discount rate for the computation of degradation in capacity. Detailed working provided by the Petitioner on the subject are attached as Annex C of the Review Motion filed by SEL.



11.3 The Petitioner while referring to the need for increasing equivalent modules each year, to offset degradation, submitted that the Authority may allow provision of extra land required in this regard. Given the above, the Petitioner has requested the Authority to consider a 6.71% NPV to EPC Costs plus land and other costs and allow the same as part of the EPC Contract.

11.4 The specific comments of CPPA regarding degradation are as follows:

*"The degradation limit should be equal to the degradation of the best available solar panels in market in order to encourage the use of new technology & best solar panels."*

11.5 In addition to the above comment, CPPA has requested the following clarification:

*"Does the annual benchmark energy remain constant throughout the term of the project as the degradation compensation is allowed to the companies to replace/ install the degraded equipment to maintain the installed capacity?"*

11.6 For the satisfaction of the Petitioner, the calculation was re-checked and no error/omission was found. However, there may be different results with respect to installing modules at different time, e.g. if additional cost is used upfront and equivalent modules are installed, there may be substantial savings to the power producer.

11.7 So far as the discount rate is concerned, the Petitioner's requested rate of 4.81% is not justified on the ground that Petitioner ignored the impact of currency devaluation on foreign loan which if incorporated; the effective rate shall be in near 10%. KIBOR + premium is more realistic rate which is also approximately 10%. Theoretically, discount rate should be equal to the cost of capital which in the instant case is well above 10%, therefore the request of the Petitioner is not justified.

11.8 With regards to the provision of extra land for addition of modules to offset degradation, it is pertinent to mention that the Authority allowed 5 acres of land for each 1 MW capacity. This allocation was made after taking into consideration the impact of additional modules to offset degradation. Therefore, the Authority has decided to maintain its earlier decision on the issue.

## 12. Insufficient Non EPC Costs

12.1 The Petitioner submitted that Non EPC Costs have significantly been reduced in the upfront tariff. According to the Petitioner, it is arguable that variation in EPC Costs can be attributed to variation in international market prices, however, contrary to this there is no ground whatsoever to consider that Non-EPC and project development costs have declined in the recent past. The Petitioner submitted that non-EPC related costs e.g. independent engineer, utilities, administrative costs, costs for staff colony, offices and etc., are neither covered under the head of project development, nor they are borne by the EPC Contractor. The Petitioner requested to allow the indexed costs of previous upfront for non-EPC related costs.

12.2 In the previous upfront tariff non-EPC Cost included cost of land, land development, boundary wall and water. The same has been included within civil works in the new upfront tariff and

separate cost has been allowed for acquisition of land. Further, separate cost has also been provided under the project development cost which is sufficient to meet the administrative costs, independent engineering costs etc., therefore, the Authority has decided to maintain its earlier decision on the issue.

### 13. Calculation of IDC

13.1 The Petitioner stated that the Interest During Construction (IDC) is worked out to be USD 21,536 per MW for a 100 MW project. However, the Authority has allowed an IDC of USD 21,334 per MW for the same capacity plant. Therefore, the Petitioner has requested the Authority to rectify the workings of IDC and accordingly make the computations of IDC public as it needs to be re-established at COD.

13.2 The difference between the Petitioner's working and the IDC determined by the Authority is USD 202 per MW which is due to the different draw-downs assumed by the Petitioner. For the information of the stakeholders, the details of the draw-downs are provided hereunder:

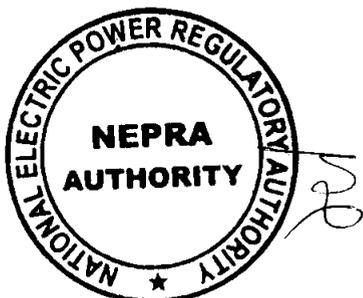
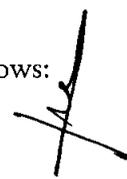
Description	≥1≤20MW	>20≤50MW	>50≤100MW
1st quarter	15%	15%	15%
1st quarter	45%	45%	45%
1st quarter	40%	30%	20%
1st quarter	-	10%	20%

13.3 Accordingly, the Authority has decided to maintain its earlier decision on the issue.

### 14. Capacity Utilization Factor

14.1 The Petitioner claimed that the difference in the increase in capacity utilization factor between South and North regions (0.5% and 0.22%, respectively) has placed projects in the South region at a disadvantage compared to the ones in North. The Petitioner claimed that the Authority's determined capacity utilization factor for the South region is equivalent to the one proposed by an intervener, whose plant is actually located in the North region. The Petitioner appreciated that the Authority has recognized that the data available with AEDB is very limited i.e., only for Jhimpir region. According to the Petitioner such limited data cannot be made basis for change in capacity utilization factor for South region. In view of the aforesaid, the Petitioner requested the Authority to review the capacity utilization factor determined in the tariff for South region and maintain it at 17.5% or at least not discriminate against the South region and make the increase in capacity utilization factor for South consistent for the entire Pakistan.

14.2 The specific comments of CPPA regarding capacity utilization factor are as follows:



*“CPPA suggests that the upfront tariff should be calculated on the highest achievable Capacity Factor in Pakistan so the maximum energy can be obtained at low price. (e.g., Jhimpir area has a capacity factor of 20.5% as stated in NEPRA’s tariff determination dated 16.12.2015).”*

14.3 The Authority, while determining the upfront tariff, considered all aspects of revising the capacity utilization factor. Actual energy information of solar power plant in South was also taken into account. The Authority is of considered opinion that with well-designed layout, good quality equipment and proper maintenance, the standard capacity utilization factors can be achieved. Therefore, the Authority has decided to maintain its earlier decision on the issue.

15. O&M Costs

15.1 The Petitioner had objected the 27% reduction in O&M Costs in the upfront tariff determination and maintained that even the ratio of O&M Costs to EPC Costs (excluding duties & taxes) allowed in the previous upfront tariff had been reduced. Therefore, the Petitioner requested that the said ratio be maintained.

15.2 With regards to the O&M Costs, CPPA has requested the following clarification:

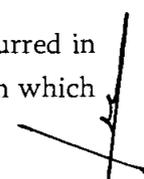
*“Is Asset Replacement Cost still included in the O&M cost or not, as if it is already included in the O&M cost then it will be duplicated with the Degradation compensation.”*

15.3 During the course of the public hearing, the Petitioner withdrew its review request on the issue; therefore, decision of the Authority is not required. Further, the Authority clarified that the degradation cost is not treated as Asset Replacement Cost, as modules and associated equipment is not being replaced, rather additions have to be made to maintain the same capacity.

16. Foreign Currency Fluctuation

16.1 The Petitioner had objected at the restriction of currency fluctuation at 90% of EPC against 100% allowed in the previous determination. According to the Petitioner, EPC Contracts are normally executed in foreign currency, restricting currency fluctuations to 90% of EPC Costs has exposed the company to foreign currency fluctuations on the remaining of the project cost. The Petitioner further stated that the Authority had also not allowed withholding tax to be deducted from payments on local currency EPC. This combined with the drastic decrease in the tariff has made solar power unattractive for investment in Pakistan. Therefore, it had requested to allow adjustment for foreign currency fluctuations up to 100% of the project cost.

16.2 Out of the total EPC cost, approximately 10% pertains to civil works which shall be incurred in local currency; therefore, 90% of the EPC cost was linked to foreign currency fluctuation which



is justified in all respects. Therefore, the Authority has decided to maintain its earlier decision on the issue.

**17. Indexation of ROE**

17.1 The Petitioner has requested to use reference rate of Rs. 105 per USD for indexation instead of the exchange rate at the time of COD.

17.2 At the time of COD, ROE component shall be reestablished on the basis of actual debt equity ratio and revised project cost due to adjustment of 90% of EPC cost for foreign currency fluctuations and taxes & duties, if any. Accordingly, the exchange rate used at the time of COD for calculation of ROE component shall be used for future indexations. Therefore, the Authority has decided to maintain its earlier decision on the issue.

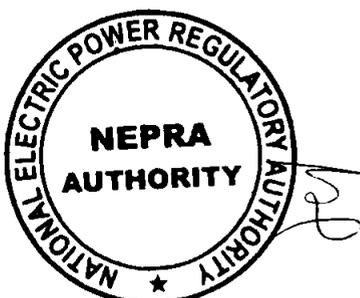
**18. Sharing Mechanism**

18.1 The Petitioner requested the Authority to discard the sharing mechanism and allow charging of the entire energy supplied at prevalent tariff. Elaborating further, the Petitioner submitted that on the one hand the Authority has increased the capacity utilization factor and on the other hand it has provided a mechanism for charging energy supplied in excess of the benchmark, at below prevalent tariff. Further, the Petitioner stated that while the entire risk of energy generation below benchmark level rests with the power producer, any gains due to generation above benchmark energy levels are required to be shared with the power purchaser. Therefore, the Petitioner had claimed this sharing mechanism cannot be called equitable and requested the Authority to discard this and allow charging of the entire energy supplied at the prevalent tariff.

18.2 While determining the upfront tariff, the Authority considered all aspects of the sharing mechanism. Keeping in view all the points raised by the Petitioner, the sharing mechanism existed in the previous upfront tariff was revised and more benefit of excess energy was provided to the power producer. The Authority has, therefore, decided to maintain its earlier decision on the issue.

**19. Timeline for opting tariff**

19.1 Keeping in view the issues raised above, the Petitioner had stated that it might not be in a position to opt for the tariff allowed though the impugned determination prior to the Authority's favorable decision on this motion for leave for review. The Petitioner requested the





Authority to modify the validity period of 6 months (January 01, 2016 to June 30, 2016) to the date of notification of the Authority's decision on this Review Motion.

19.2 The specific comments of AEDB related to the timeline for opting tariff are as under:

*"It would be in the knowledge of NEPRA that approval of grid studies and NOC/ consent to the projects are pending at the end of CPPAGL/ NTDCL since long. This is primarily happening as NTDCL is still to decide how much power from Wind and Solar PV Power Projects can be evacuated on the national grid. Due to this, the Solar PV Power Projects not able to become eligible for award of upfront tariff by NEPRA. In the meantime, almost two months have been passed since the effectiveness of the upfront tariff and projects are left with only four months to apply for upfront tariff. If the situation continues to prevail, the projects might not qualify for existing tariff, and even if they become eligible, the time for completing modalities for achieving financial close will be too less. The situation is becoming uncertain for the companies that are reaching to tariff stage as they have achieved certain milestones and have made considerable investment in developing their projects.*

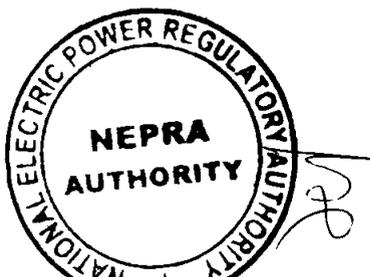
*In order to address the situation, AEDB would request NEPRA to consider awarding tariff to the solar PV projects that have completed all the requirements other than NOC/ consent from CPPAGL/ NTDCL with the precondition that the tariff would only become operational once the NOC/ consent from CPPAGL/ NTDCL is awarded to the project."*

19.3 The Authority has considered the request of the Petitioner for extension in the validity period. Since no material change has been made in the tariff and sufficient period is still left for opting the upfront tariff, therefore, the Authority has decided to maintain its earlier decision in the matter.

## 20. Order

20.1 The tax adjustment clause at Para xix in the Terms & Conditions to the decision of the Authority dated 16-12-2015 notified vide SRO No. 1243(I)/2015 dated 17<sup>th</sup> December 2015 has been modified as under:

"In case the company is obligated to pay any tax on its income from generation of electricity, or any duties and/or taxes, not being of refundable nature, are imposed on the company, the exact amount paid by the company on these accounts shall be reimbursed on production of original receipts. This payment shall be considered as a pass-through payment spread over a period of twelve months except for the taxes and duties on the import of plant & machinery during the construction period, which shall be included in the project cost at the time of COD adjustment. However, withholding tax on dividend will not be passed through."





20.2 The above Order of the Authority along with ~~12 Annexes~~ <sup>42</sup> shall be notified in the Official Gazette in terms of Section 31(4) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

**AUTHORITY**

(Khawaja Muhammad Naeem)  
Member

(Maj (R) Haroon Rashid)  
Member

(Masood-ul-Hassan Naqvi)  
Member

(Himayat Ullah Khan)  
Vice Chairman

(Brig (R) Tariq Sadozai)  
Chairman

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