National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-UTB-2013/10477-10483
August 28, 2013

Subject: **Decision of the Authority in the matter of Suo Moto Action for Modification of Existing Terms and Conditions of Upfront Tariff for New Bagasse Based Cogeneration Power Projects**

In continuation of this office letter No. NEPRA/R/TRF-UTB-2013/5152-5154 dated 29.05.2013 whereby determination of the Authority in the matter of Suo-Moto Proceedings for Development of Upfront Tariff for New Bagasse Based Co-Generation Power Projects was sent, enclosed please find herewith the subject Decision of the Authority (06 pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

3. Please be informed that the Order of the Authority earlier intimated vide para 19 of the Authority's Determination dated May 29, 2013, stands modified/amended to the extent as detailed in the subject decision of the Authority. For the purpose of clarity modified Order of the Authority is enclosed for notification in the Official Gazette.

Encl: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
Government of Pakistan
Islamabad.

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Chief Executive Officer, Alternative Energy Development Board (AEDB), House No. 3, Street No. 8, F-8/3, Islamabad
4. General Manager, Central Power Purchasing Agency (CPPA), 106-WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
5. Mr. Muhammad Rafique, Company Secretary, JDW Sugar Mills Ltd., 17-Abid Majeed Road, Lahore Cantt. Lahore (Tele: 042 – 3666 4891 – 92).
6. Mr. Riaz Qadeer Butt, Chairman, Pakistan Sugar Mills Association, Punjab Zone 2, Happy Homes, 38-A, Main Gulberg, Lahore (Tele. 042 – 111-207-207).

Decision of the Authority in the matter of Suo Moto action for modification of existing terms and conditions of Upfront Tariff for new bagasse based cogeneration projects

The Authority initiated Suo Moto proceedings and determined Upfront Tariff for New Bagasse based Co-generation projects vide its determination dated May 29, 2013. Thereafter, Pakistan Sugar Mills Association and JDW through their letters both dated June 7, 2013 taised few queries on certain aspects and terms and conditions of Upfront Tariff approved by the Authority.

2. To determine the nature, basis and validity of concerns raised by the mentioned parties, the held a discussion meeting with the main stakeholders and meeting in this regard was held on with the representatives of Pakistan Sugar Mills Association, Punjab Zone (PSMA) on June 26, 2013 at NEPRA head office in Islamabad. During the meeting, the representatives of PSMA explained the basis of issues and objections raised by them and requested the Authority to review the terms and conditions of Upfront Tariff Determination. The Authority considered queries raised by the above mentioned participants of the proceedings in the determination of upfront tariff and felt it appropriate to review some of the terms and conditions of upfront tariff for better understanding and clarity. The following issues were discussed and thereafter decided by the Authority for necessary modification/amendments in the existing terms and conditions of upfront tariff for bagasse based cogeneration projects.

Applicability of Upfront Tariff

3 The Authority in its determination for upfront tariff for bagasse based cogeneration projects at page 13, under clause II had inter alia mentioned the following term.

> "The reference Upfront tariff will be adjusted at commercial operation date (COD) which in this case will be May 31, 2015, to account for variations during the project construction period".

4. The representatives of PSMA/JDW through letter dated June 7, 2013 have submitted that the Authority under One-time Adjustment under para II at page 13 of the Determination has mentioned COD of May 31, 2015. JDW has submitted

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that applicability of Upfront Tariff and all indexations are linked to the COD whereas sugar mills that are working on an accelerated pace will achieve COD earlier shall be penalized instead of being rewarded. It has been suggested that reference to COD as mentioned in the term above may be deleted to avoid confusion.

5 As per the approved terms and conditions the Upfront Tariff will be applicable after COD which in this case has been mentioned as May 31, 2015 i.e. after completion of 24 months project construction period. The Authority, has considered this submission and has found the concern of PSMA/JDW valid as those projects which would achieve COD earlier than May 31, 2015 will not be able to apply upfront tariff before the mentioned date of May 31, 2015 and would be penalized un necessarily. The Authority has therefore decided to amend the above mentioned clause slightly. Accordingly, clause mentioned under One-Time adjustment under clause II at page 13 of the determination has been amended as follows.

> "The reference Upfront Tariff will be adjusted on May 31, 2015 to account for cost variations during the project construction period".

Clarification that Commercial Operation Date shall be project specific

6. The JDW and PSMA have submitted that in order to bring in clarity the words "of the project" may be included in clause IV sub-clause (iv) under the heading "Terms and Conditions of Upfront Tariff" at page 18 of the determination.

7. The Authority has examined this suggestion and finds the proposed amendment as justified for clarity and better understanding of the applicable upfront tariff. Accordingly, the amended/modified sub-clause (iv) under the clause, IV of the Terms and Conditions of Upfront Tariff may be read as follows.

"The Upfront Tariff will be applicable and become effective after Commercial operation Date (COD) of the project".

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Indexation of Fuel Cost Component starting from October 1, 2013

8. JDW and PSMA have submitted that the Authority in its determination of Upfront Tariff has made applicable the indexation/adjustment of Fuel cost component of tariff with effect from COD of May 31, 2015 to be adjusted on annual basis. They have suggested that the Authority should index/adjust the Fuel cost component of tariff w.e.f. October 1, 2013 and thereafter on annual basis, so that the projects which achieve COD earlier than the Authority's approved benchmark date of May 31, 2015 are not unjustifiably be penalized.

9 JDW and PSMA through above mentioned amendment have proposed that adjustment of Fuel cost component of tariff may be allowed with effect from October 1, 2013 and thereafter on annual basis so that projects which achieve COD earlier than May 31, 2015 could avail the benefit of adjusted Fuel cost component based on current price of coal in accordance with the fuel price mechanism already approved by the Authority in the Upfront Tariff.

10. It is worth mentioning here that indexation of tariff components including Fuel cost Component of tariff is allowed after COD of the projects. The Authority has approved a generic Upfront Tariff for all co-generation projects which will be applicable on uniform basis and the relevant components of the upfront tariff will be adjusted based on timelines approved in the determination. However, projects which achieve COD earlier than May 31, 2015 will not be able to get adjustment of Fuel Cost Component of Tariff till May 31, 2015 under the approved terms and conditions of Upfront Tariff.

11. The Authority has considered suggestion of the stakeholders for allowing adjustment of fuel cost component of tariff with effect from October 1, 2013 and holds that any subsequent modification/alteration in the applicable terms and condition of upfront tariff that suits to one or two projects which may commission earlier than May 31, 2015 will not be justified. The Authority has therefore decided not to change the already approved term of upfront tariff.

Certification and consent requirements from AEDB and Power Purchaser

12. JDW and PSMA have submitted that conditions mentioned under clause IV under sub-clause (viii) and (x) at page 18 of the determination whereby onus to

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certify that plant and machinery is new and requires to provide the certificate from the power purchaser for timely completion of infrastructure facilities for evacuation of power are not practical and would cause delays in project development and materialization. They have proposed that the aforementioned clause may be amended to include conditions which are practical and can be implemented expeditiously for smooth development of cogeneration projects.

13. The Authority has reviewed the existing aforementioned conditions and observed that condition for provision of certificate by the Alternate Energy Development Board and the power purchaser on behalf of the project sponsors, certifying that all the plant and machinery is new does not seem practical in view of the current situation and would be a stumbling block in smooth development of cogeneration projects. In order to rationalize and make it more simple yet practical, the Authority has decided as follows.

i) The sub-clause (viii) mentioned under Terms and conditions of Upfront Tariff clause IV at page 18 of the determination may be deleted entirely.
ii) The sub-clause (x) mentioned under Terms and Conditions of Upfront Tariff clause IV at page 18 of the determination may be replaced with the following.

"Co-generation projects meeting the following conditions will be eligible for this tariff.
a) Projects issued Letter of Intent (LOI) from the Alternative Energy Development Board.
b) Projects whose proposed plant and machinery is confirmed to be new as per undertaking/affidavit to be provided by the project sponsors along with their application to the Authority for acceptance of Upfront tariff".

<u>Project risk due to provision for review of fuel pricing mechanism after 5 years</u>

14. JDW and PSMA submitted that provision of condition as mentioned at page 19 clause IV sub-clause (xvii) of the determination may be waived, wherein the Authority has mentioned that it may after a period of 5 years, review the fuel pricing mechanism stipulated above in accordance with NEPRA Rules, if it is deemed that the existing mechanism is not fairly representative of the market

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conditions. They have submitted that this condition is a matter of concern and may seriously impact development of cogeneration projects due to the risk and uncertainty in the upfront tariff. They have further submitted that keeping in view a 30 years horizon and such broad tariff reopeners can seriously jeopardize project viability particularly for risk-averse lenders.

15. It may be mentioned here that the condition that the Authority may review the existing fuel price mechanism after 5 years has been provided in the approved upfront tariff to safeguard interest of the consumer as well as the project sponsor against abnormal or unreasonable increase or decrease in the imported coal price internationally. Under the existing fuel price mechanism, the price of bagasse to be used for calculating Fuel Cost Component is derived from imported coal price on equivalent heat value (Btu basis) of both fuels i.e. coal and bagasse. Conversion of coal price into price of bagasse under the mechanism impacts the fuel cost component on account of two factors i.e. the PKR/US$ exchange rate variation and CIF price of coal in US$ in the international market which together may have substantial effect on price to be allocated for bagasse and upfront tariff in the long run (i.e. 30 years tariff control period of upfront tariff).

16. Nevertheless, the Authority understands that imposition of aforementioned condition in its present form may not be acceptable to project lenders and therefore would result in delays for smooth development of cogeneration projects. In order to address objections of the project sponsors the Authority has carefully examined the existing condition and observed that review of fuel price mechanism or any other condition affecting other tariff components by the regulator during currency of applicable tariff does have a negative bearing in the minds of lenders and investors. The Authority however understands that any amendment or modification in the existing terms should be evenly balanced from view point of interest of consumers/power purchaser and the project sponsors/lenders.

17. In view of the above the Authority has decided to amend/modify the existing sub-clause (xvii) mentioned under the Terms and Conditions of Upfront Tariff clause IV at page 19, as follows

> "To safeguard interest of consumer, the Authority may review the fuel pricing mechanism stipulated above in accordance with NEPRA applicable

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law, after due consultation with the affected/interested parties, if it is deemed that there is exorbitant/unreasonable increase in international coal prices. Similarly, to mitigate risk to the power producer and to encourage the investors to put up bagasse based (indigenous fuel) cogeneration projects, the reference CIF coal price of US$100.67/ton used at the time of this determination shall be considered the floor/minimum price for the purpose of the Fuel Cost Component".

Reference price of bagasse

18. JDW pointed out a clerical error whereby the reference price of bagasse has been inadvertently mentioned as Rs. 3128.661/ton instead of Rs. 2861.12/ton at page 14 in the adjustment formula for fuel cost component.

19. The Authority has considered the error pointed out by JDW and is of view that above mentioned error is typographical, therefore, decided to correct the reference price of bagasse as Rs. 2861.12/ton instead of Rs. 3128.66/ton mentioned in the formula for Fuel Cost Component under clause III Indexation/adjustments at page 14 of the determination.

Authority:

22/8/2013

Habibullah Khilji
Member

22/8/13

Maj. Rtd. Haroon Rashid
Member

22 8 XIII

Khawaja Muhammad Naeem
Vice Chairman

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22.08.13

Modified Order of the Authority

The Authority hereby determines and approves the following Upfront Tariff for New Bagasse based Co-generation projects for delivery of electricity to the power purchaser.

Tariff components	1-10 years (Rs/kWh)	11-30 years (Rs./kWh)	Indexations
Fuel Cost	5.7702	5.7702	Fuel price
Variable O&M Local	0.1074	0.1074	PKR/US$, Local CPI
Variable O&M Foreign	0.3223	0.3223	PKR/US$, US CPI
Fixed O&M Local	0.2865	0.2865	Local CPI
Insurance	0.2204	0.2204	-
Working Capital	0.1924	0.1924	KIBOR
Debt Service	3.8249	-	KIBOR
Return on Equity	1.0155	1.0155	PKR/US$
Total	**11.7396**	**7.9147**	

i) The above reference tariff is applicable for 30 years from commencement of commercial operation date (COD).

ii) The above tariff is applicable for new Co-generation projects based on Bagasse.

iii) The above tariff has been worked out on the basis of reference PKR/US$ rate of Rs. 98.0.

iv) The reference component wise Upfront Tariff table is attached herewith as Annex-I

v) The reference Debt Service schedule is attached herewith as Annex-II.

I. Pass-Through Items

If 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 up to the commencement of its commercial operations for import of its plant, machinery and equipment, the exact amount paid by the company on these accounts shall be reimbursed by the power purchaser on production of original receipts. This payment should be considered as a pass-through payment spread over a twelve months period. Furthermore, in such a scenario, the company shall also submit to the power purchaser details of any tax savings and the power purchaser shall deduct the amount of these savings from its payment to the company on account of taxation.

The adjustment for duties and/or taxes will be restricted only to the extent of duties and/or taxes directly imposed on the company. No adjustment for duties and/or taxes imposed on third parties such as contractors, suppliers, consultants, etc., excluding adjustment for taxes imposed on dividend as stated below, will be allowed.

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Withholding tax on dividends will also be allowed as a pass through item just like other taxes. The power purchaser shall make payment on account of withholding tax at the time of actual payment of dividend, on production of original receipts, subject to maximum of 7.5% of return on equity. In case the company does not declare a dividend in a particular year or only declares a partial dividend, then the difference in the withholding tax amount (between what is paid in that year and the total entitlement as per the net return on equity) would be carried forward and accumulated so that the company is able to recover the same as a pass through from the power purchaser in future on the basis of the total dividend payout. Adjustment for variation in tax rate on dividend from 7.5% shall also be allowed as a pass through item by the power purchaser, after satisfying itself that tax rates have actually varied. The company shall also submit to the power purchaser details of any tax savings and the power purchaser shall deduct the amount of these savings from its payment to the company on account of taxation.

II. One-Time Adjustment

The reference Upfront Tariff will be adjusted on May 31, 2015, to account for cost variations during the project construction period. The following adjustment in the reference Upfront tariff will be allowed.

i) The 40% of the approved total project cost has been assumed in foreign currency (USD) which shall be adjusted with respect to PKR/US$ exchange rate variation to be worked out on quarterly basis as per the assumed schedule of debt and equity injections spread over 20 months of project construction period starting from October 01, 2013 as given hereunder.

Debt & Equity Injections	Qtr.1	Qtr. 2	Qtr.3	Qtr. 4	Qtr.5	Qtr.6	2 months	Total
% of total project cost	20%	20%	15%	15%	10%	10%	10%	100%

ii) The debt service component of reference Upfront Tariff will be adjusted on account on variation in quarterly KIBOR over the reference KIBOR of 9.50% plus spread on KIBOR at 3%.

iii) The return on equity component (ROE) including return on equity during construction component (ROEDC) of reference Upfront Tariff will be revised on account of variation in PKR/US$ exchange rate over the reference PKR/US$ exchange rate of Rs. 98.

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III. Indexation/adjustment

The following indexation shall be applicable to the reference tariff after one-time adjustment:

a) Fuel Cost Component

Fuel cost component of tariff will be adjusted on account of variation in price of fuel (bagasse) on yearly basis in advance (w.e.f. 1st of October of each applicable year) as per the formula given hereunder.

$FCC_{(Rev)} = FCC_{(Ref)} \times BFP_{(Rev)} / BFP_{(Ref)}$

Where;

$FCC_{(Rev)}$ = Revised fuel cost component of tariff for the applicable year.

$FCC_{(Ref)}$ = Reference fuel cost component of tariff at the time of determination.

$BFP_{(Rev)}$ = Revised price of bagasse in Rs/ton as determined in accordance with mechanism set out below.

$BFP_{(Ref)}$ = Reference price of bagasse for the relevant year. Current reference price is Rs. 2861.12/ton

$BFP_{(Rev)} = CPCIF_{(Rev)} \times 6905/23810$

Where;

$CPCIF_{(Rev)} = \{CPFOB_{(Rev)} + MF_{(Rev)} + MI_{(Rev)}\} \times ER_{(Rev)}$

Where;

$CPCIF_{(Rev)}$ = Revised CIF price of coal in Rs/ton for the applicable year.

$CPFOB_{(Rev)}$ = Revised FOB price of coal expressed in US$/ton based on monthly average of prices published in the Argus McCloskey's API4 index for the relevant year.

$MF_{(Rev)}$ = Revised marine freight of coal per ton as worked out below.

$MF_{(Rev)}$ = US$ 19.19 x $BIX_{(Rev)} / BIX_{(Ref)}$

Where;

$BIX_{(Rev)}$ = Revised monthly average of the daily Bunker Index price for 380-CST published by the Bunker Index for the relevant year.

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$BIX_{(Ref)}$ = Reference monthly average of the daily Bunker Index price of 380-CST published by the Bunker Index. Current reference for the month of April 2013 is US$ 641.8219/ton.

$MI_{(Rev)}$ = $CPFOB_{(Rev)}$ x 0.1%

$ER_{(Rev)}$ = Revised monthly average PKR/US$ exchange rate for the relevant month.

The constants such as 6905, 23810 and US$ 19.19 are fixed values representing LHV value of bagasse in btu/kg, LHV value of coal in btu/kg and fixed value of marine freight charges per ton of coal respectively.

Note:

1. Applicable year means, the year for which adjustment/indexation of fuel cost component is required starting from 1st of July and ending on 30th of June.
2. Relevant year means the year immediately preceding the applicable year for adjustment/indexation of fuel cost component.

b) <u>O&M Cost Component</u>

The local O&M component will be adjusted on account of local Inflation and foreign O&M component will be adjusted on account of variation in Rupee/Dollar exchange rate and US CPI. Quarterly adjustments for inflation and exchange rate variation will be made on 1st July, 1st October, 1st January & 1st April respectively on the basis of the latest available information with respect to Pakistan CPI (general), US CPI (notified by US bureau of labor statistics) and revised TT&OD Selling rate of US Dollar (notified by the National Bank of Pakistan). The mode of indexation will be as under:

i) <u>Fixed O&M Local</u>

$$F\ O\&M_{(REV)} = O\&M_{(REF)} * CPI_{(REV)} / 177.74$$

Where:

$F\ O\&M_{(REV)}$ = The revised applicable Fixed O&M local component of tariff indexed with Pakistan CPI.

$O\&M_{(REF)}$ = The reference fixed O&M local component of tariff for the relevant period.

$CPI_{(REV)}$ = The Revised Consumer Price Index (General) for the relevant month.

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$CPI_{(REF)}$ = The Consumer Price Index (General) of April 2013 notified by the Federal Bureau of Statistics.

$US\ CPI_{(REV)}$ = The Revised US Consumer Price Index (All Urban Consumers) notified by the Bureau of Labor Statistics.

ii. Variable O&M

$$V\ O\&M_{(LREV)} = O\&M_{(LREF)} * CPI_{(REV)} / 177.74$$

$$V\ O\&M_{(FREV)} = O\&M_{(FREF)} * USCPI_{(REV)} / 232.531 * ER_{(REV)} / 98$$

Where:

$V\ O\&M_{(LREV)}$ =The revised applicable Variable O&M local component of tariff indexed with CPI.

$V\ O\&M_{(FREV)}$ =The revised applicable Variable O&M foreign component of tariff indexed with US CPI and exchange rate variation.

$O\&M_{(LREF)}$ = The reference variable O&M local component of tariff for the relevant period.

$O\&M_{(FREF)}$ = The reference variable O&M foreign component of tariff for the relevant period.

$CPI_{(REV)}$ = The Revised Consumer Price Index (General) for the relevant month.

$CPI_{(REF)}$ = The Consumer Price Index (General) of April 2013 notified by the Federal Bureau of Statistics

$US\ CPI_{(REV)}$ = The Revised US Consumer Price Index (All Urban Consumers) notified by the US Bureau of Labor Statistics.

$US\ CPI_{(REF)}$ = Reference US CPI (All Urban Consumers) notified by the Bureau of Labor Statistics for the month of April 2013.

$ER_{(REV)}$ = The revised TT&OD selling rate of US dollar as notified by the National Bank of Pakistan.

c) Adjustment of working capital cost

The cost of working capital shall be adjusted on account of variation in 3-month KIBOR over the reference KIBOR of 9.50% while premium over KIBOR 2% remaining the same for the entire tariff control period.

d) Adjustment of debt servicing component

This fixed charge component after one-time adjustment will remain unchanged throughout the tariff control period except for the adjustment due to variation in KIBOR. The debt servicing component of tariff will be adjusted accordingly on quarterly basis.

e) Return on Equity

Return on equity (ROE) as well as Return on Equity during Construction (ROEDC) component of tariff shall be adjusted for variation in PKR/US$ exchange rate according to the following formula:

$$ROE_{(REV)} = ROE_{(REF)} * ER_{(REV)} / ER_{(REF)}$$

$$ROEDC_{(REV)} = ROEDC_{(REF)} * ER_{(REV)} / ER_{(REF)}$$

Where;

$ROE_{(REV)}$ = Revised Return on Equity component of tariff expressed in Rs/kWh adjusted with exchange rate variation.

$ROEDC_{(REV)}$ = Revised Return on Equity during Construction component of tariff in Rs/kWh adjusted with exchange rate variation.

$ROE_{(REF)}$ = Reference Return on Equity component of tariff expressed in Rs/kWh for the relevant period.

$ROEDC_{(REF)}$ = Reference Return on Equity during Construction component of tariff expressed in Rs/kWh for the relevant period.

$ER_{(REV)}$ = Revised TT and OD selling rate of US dollar as notified by the National Bank of Pakistan.

$ER_{(REF)}$ = Reference TT and OD selling rate of US dollar.

IV. **Terms and conditions of Upfront Tariff**

The following terms and conditions will be applicable for Co-generation projects who opt for Upfront Tariff.

i) The Upfront tariff will be applicable for all new Co-generation projects using bagasse.

ii) There is no maximum or minimum cap for the installed capacity by co-generation projects.

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iii) The option for accepting Upfront tariff by co-generation projects will be applicable for one year (365 days) from the date of approval of Upfront Tariff by the Authority.

iv) The Upfront Tariff will be applicable and become effective after Commercial Operation Date (COD) of the project.

v) The decision to opt for upfront tariff once exercised will be irrevocable.

vi) The project sponsors will be required to achieve COD within two years from date of grant of Upfront tariff by the Authority in each case.

vii) The sponsors interested in availing Upfront tariff will submit unconditional formal application to NEPRA for approval by the Authority in accordance with the NEPRA Upfront Tariff (Approval and Procedure) Regulations 2011.

viii) All energy offered for sale by the Co-generation projects shall be taken by the power purchaser on priority.

ix) Co-generation Projects meeting the following conditions will be eligible for this tariff:

a. Projects issued Letter of Intent (LOI) from the Alternative Energy Development Board.
b. Projects whose proposed plant and machinery is confirmed to be new as per undertaking/affidavit to be provided by the project sponsors along with their application to the Authority for acceptance of Upfront Tariff.

x) Power Producers shall have the option to offer energy to the respective Distribution Company (DISCO) at 11 KV or 132 KV, or to the CPPA/NTDC at 132 KV, provided that the cost of interconnection, grid station upgrades etc for power evacuation shall be incurred by the respective DISCO/CPPA.

xi) This tariff will be applicable for a period of thirty years (30) from the commencement of commercial operations.

xii) The Co-generation projects based on foreign financing may opt for the approved Upfront Tariff. However, the risk of currency exchange rate for foreign financing will be borne by the project sponsors.

xiii) In the Upfront Tariff no adjustment for certified emission reductions has been accounted for. However, upon actual realization of carbon credits, the same shall be

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distributed between the power purchaser and the power producer in accordance with the Policy for Development of Renewable Energy for Power Generation 2006, as amended from time to time.

xiv) The Co-generation projects are allowed to use other biomass fuel such as rice husk, cotton stalk etc. in combination with Bagasse or separately. However use of coal imported or local is not allowed.

xv) Pre-COD sale of electricity to the power purchaser, if any, will be allowed subject to the terms and conditions of PPA, at the applicable tariff excluding principal repayment of debt component and interest component.

xvi) To safeguard interest of consumers, the Authority may review the fuel pricing mechanism stipulated above in accordance with NEPRA applicable law, after due consultation with the affected/interested parties, if it is deemed that there is exorbitant/unreasonable increase in international coal prices. Similarly, to mitigate risk to the power producer and to encourage the investors to put up bagasse based(indigenous fuel) cogeneration projects, the reference CIF coal price of US$ 100.67/ton used at the time of this determination shall be considered the floor/minimum price for the purpose of the Fuel cost Component.

xvii) The adjustment/indexation of upfront tariff will be made on the basis of benchmarks assumed by the Authority for Upfront Tariff in accordance with the indexation mechanism stipulated hereinabove, and a single Upfront Tariff will be applicable for all co-generation projects coming under the Upfront Tariff regime. No project specific adjustments shall be taken into account.

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