



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/Director(Tech)/LAG-02/ 7281-85

May 17, 2024

Subject: **Order of the Authority in the matter of Review Motion filed by JPCL against 'Order of the Authority dated: September 2022 in the matter of JPCL's request for Approval of Start-up Costs for Cold, Warm and Hot Start of its units'**


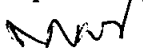
Dear Sir,

Enclosed please find herewith the subject Order/Decision of the Authority (total 05 Pages) in the matter of Review Motion filed by JPCL against 'Order of the Authority dated: September 2022 in the matter of JPCL's request for Approval of Start-up Costs for Cold, Warm and Hot Start of its units'.

2. The Order/Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 days from the intimation of this Order/Decision. In the event the Federal Government fails to notify the subject Order/Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of the NEPRA Act.

Enclosure: As above

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad


(Engr. Mazhar Iqbal Ranjha)


Copy to:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Chief Executive Officer, Northern Power Generation Co. Ltd. (NPGCL), Thermal Power Station, Mahmood Kot Road, Muzaffar Garh
4. Chief Executive Officer, Jamshoro Power Company Ltd., Thermal Power Station, Mohra Jabal, Dadu Road, Jamshoro

Order of the Authority in the Matter of Review Motion filed by JPCL against 'Order of the Authority dated: September 2022 in the matter of JPCL's request for Approval of Start-up Costs for Cold, Warm and Hot Start of its Units'.

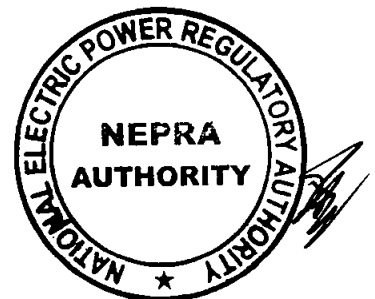
Background & Introduction

1. Jamshoro Power Company Limited (JPCL or the petitioner) filed a tariff petition before the Authority on 19th October, 2020, seeking the grant of startup costs retroactively from November 26, 2010. This request was made in accordance with JPCL's proposed mechanism to CPPA-G.
2. The Authority in the matter of 'JPCL's Request for Approval of Start-up Costs for Cold, Warm and Hot Start of its Units' issued its decision in September 2022 (impugned determination) wherein it rejected the proposals of JPCL, and granted a startup cost tariff with effect from 19.10.2020, coinciding with the date of filing the tariff modification petition. JPCL being aggrieved with the decision of the Authority filed the Review application under Regulation 3(2) of the NEPRA (Review Procedure) Regulations 2009.

Grounds For Review and Prayer:

3. The petitioner filed the review motion on the following grounds:
 - i. *The impugned Determination has been made without appreciating the contentions made by the petitioner. The Authority also failed to consider that CPPA carried out due diligence on the costs claimed by JPCL. and stated that the request of the Petitioner is valid and should be entertained.*
 - ii. *The Authority failed to consider that by not revising the O&M charges during startup, the Petitioner is going to suffer irreparable loss. The cost is being claimed for the following reasons:*
 - i. *It directly relates to the quantum of energy dispatch i.e., when the maximum quantum of energy is claimed.*
 - ii. *Variations/increases in HSD, Chemicals, Fuel Additives & Lubricants, etc., affect the variable O&M cost, which is compensated by CPI.*
 - iii. *The existing tariff rate of VO&M (0.0925 Rs/kWh) was determined in 2014, almost eight years ago, which needs to be revised due to the devaluation of the currency and inflation. Hence, the existing tariff rate of VO& M cannot cover the actual cost incurred despite CPI.*

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iii. *In conjunction, it is stated that the Authority also failed to determine that a grant of auxiliary consumption during start-up is necessary for the following reasons:*

- i. *When the startup process of the unit initiates, the grid auxiliary is required to operate allied equipment that operates to help the startup and operation of the Boiler, Turbine, and Generator till the synchronization process at 10 MW loads with the national grid;*
- ii. *Unit load gradually increases subject to the permissibility of units with all parameters within permissible limits;*
- iii. *The changeover of the grid auxiliary source that utilizes to operate allied equipment takes place at a 70 MW load;*

iv. *It is incumbent upon the Authority to determine Tariff, Startup costs, Fuel adjustment costs etc. in accordance with the Regulation of Generation, Transmission, and Distribution of Electric Power Act, 1997 (the "Act") and the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998 ("Tariff Rules"). For determining the same, various important factors need to be considered such as (i) indexation of tariff, (ii) inflation factor, (iii) fuel cost component, (iv) fixed cost component, and (v) financial cost component; However, in the impugned determination, all these factors have been ignored.*

v. *The impugned determination is not well reasoned. Furthermore, by not making a fair determination, the impugned determination has violated Articles 4, 10-A, and 25 of the Constitution of Pakistan.*

vi. *Furthermore, the impugned determination is not in conformity with Rule 17 of the Tariff Rules, as economic factors like devaluation of currency and inflation were blatantly ignored.*

vii. *Keeping in view the viability and necessity of the petitioner's requests and proposals, the Authority's Determination was in haste, without consideration of all relevant facts, and detrimental to the larger public interest.*

4. The Petitioner prayed for the following relief to the Authority:

- i. *The effective date of the startup cost tariff may please be allowed with effect from 26 November 2010*

OR

The effective date of the startup cost tariff may please be allowed with effect from 19 October 2018;

- ii. *Treatment of HSD cost in the Start-up*

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iii. *The Treatment of Auxiliary drawn in the Start-up*

5. The hearing regarding this matter took place in April 2023. Arguments heard, Record perused.
6. The deliberation on the aforementioned issues is outlined as follows:

A. Effective Date:

- i. NEPRA vide its decision dated September 2022 had allowed startup costs to JPCL since October 19, 2020 (i.e the date of submission of application to NEPRA for allowing the startup costs/Tariff modification petition dated October 19, 2020).
- ii. As mentioned above JPCL in the Review Motion requested the applicability of start-up costs as November 26, 2010, onwards or October, 19, 2018 onwards.
- iii. The Authority deliberated that the tariff modification, which included the request for allowance of Startup Charges, was submitted to NEPRA on October 19, 2020. It was noted that prior to this date, JPCL had not claimed any startup charges nor had it raised the matter with NEPRA. The Authority also highlighted that the latest tariff awarded to JPCL was in September 2015, and until the modification petition of October 2020, JPCL did not file a petition to NEPRA for the determination of its tariff components. Furthermore, it was emphasized that settlements for JPCL from 2014 until the modification petition of 2020 were based on the earlier determined tariff of FY 2014.

B. Treatment of HSD Cost in Startup:

- i. The Authority in its decision dated September 2022 had not allowed the cost of HSD. The Authority cited that these components had previously been permitted to JPCL as part of the variable component of its tariff, referencing the Authority's decision dated September 12, 2014. Consequently, the cost was not approved in the impugned decision.
- ii. Additionally, concerning the revision of VOM, the Authority noted that the request pertains to tariff determination/modification, which falls outside the scope of reviewing startup costs/charges. Nonetheless, for clarity regarding O&M indexation/revision, it was noted that the petitioner did not file any tariff determination petition to NEPRA after the tariff petition of September 2015 until the modification petition of 2020. Subsequent adjustments were made based on the previously determined tariff.

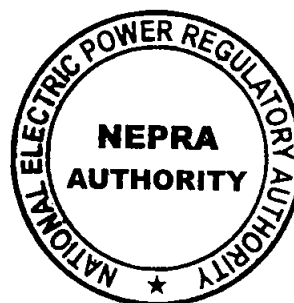
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C. Treatment of Auxiliary drawn in Startup:

- i. The petitioner in the Review Motion requested the Cost of the estimated grid Auxiliary drawn for startup purposes.
 - ii. The Authority noted that the auxiliary drawn in the start-up mode had been previously adjusted or accounted for through the variable O&M tariff permitted to JPCL, as referenced in the Authority's decision dated September 12, 2014. Thereafter, this adjustment was not reiterated in the subsequent decision dated 21 September 2022.
7. The Regulation 3(2) of the Review Regulations provides that any party aggrieved from any order of the Authority and who, from the discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of the record or from any other sufficient reasons, may file a motion seeking review of such order.
8. The Authority notes that the submissions made by the Petitioner were thoroughly deliberated and considered in its previous order dated 21 September 2022. The Petitioner has not presented any new or substantial evidence that was not previously examined by the Authority during the decision-making process. Furthermore, the Petitioner has failed to identify any errors or mistakes that are evident from the record, nor have they provided any compelling reasons that were not previously considered by the Authority. Additionally, the Petitioner has not presented any sufficient grounds that were not already taken into account by the Authority in its earlier decision.

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Order:

9. The Authority after detailed deliberations and in its collective and joint wisdom decided with consensus to reject the Motion for Leave for Review (MLR) filed by JCPL against the Order of the Authority dated 21 September 2022, in the matter of the request for Approval of Start-up Cost for Cold, Warm and Hot Start of JPCL units and accordingly decided to maintain its earlier decision.

Authority

Maithar Niaz Rana

(Maithar Niaz Rana (nsc))
Member

Engr. Maqsood Anwar Khan

(Engr. Maqsood Anwar Khan)
Member

Rafique Ahmed Shaikh

(Rafique Ahmed Shaikh)
Member

Amina Ahmed

(Amina Ahmed)
Member

Waseem Mukhtar

(Waseem Mukhtar)
Chairman

