



**Registrar**

# **National Electric Power Regulatory Authority**

## **Islamic Republic of Pakistan**

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No. NEPRA/R/Director(Tech)/LAG-03/ 7287-91

May 17, 2024

Subject: **Order of the Authority in the matter of Review Motion filed by NPGCL against 'Order of the Authority dated: September 2022 in the matter of NPGCL'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 04 Pages) in the matter of Review Motion filed by NPGCL against 'Order of the Authority dated: September 2022 in the matter of NPGCL'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, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad

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

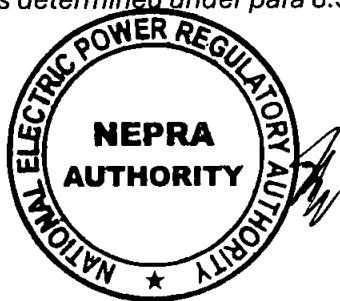
**Background & Introduction:**

1. Northern Power Generation Company Limited (hereinafter referred to as "NPGCL" or the "petitioner") in its tariff petition filed on March 06, 2015, requested approval from the Authority for startup charges for its plants, aligning with the practices of IPPs. The Authority agreed in principle to allow startup charges to NPGCL plants. The Authority in the decision dated October 19, 2016, decided "*the start-up cost should be in line with the Independent Power Producers and separate invoice should be raised based on actual cost in accordance with the Power Purchase Agreement*"
2. In accordance with the decision issued by the Authority, NPGCL formally submitted a request on October 31, 2018, for the determination of startup costs. Subsequently, in November 2018, the Authority mandated NPGCL to have its claimed expenses verified by CPPA-G. Following this verification, the startup costs that were mutually agreed upon by CPPA-G and NPGCL were officially submitted to NEPRA, accompanied by detailed calculations and documentation.
3. The Authority in the matter of "NPGCL's Request for Approval of Start-up Costs for Cold, Warm and Hot Start of its Units" issued its decision on September 21, 2022. NPGCL, 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:**

4. The petitioner filed the review motion on the following grounds:
  - a. *NPGCL filed a Tariff Petition before the Honorable Authority on March 06, 2015, wherein NPGCL requested startup charges under the head of VOM as per section 3.6 of the petition, meaning thereof the issue was taken up by NPGCL in the tariff petition of March 2015.*
  - b. *The Authority discussed the matter in para 17.3 and 17.4 of the determination issued dated January 22, 2016, and allowed VOM of Rs. 0.13/kWh keeping startup cost as part of VOM. Meaning thereof startup charges were agreed in principle by NEPRA on 22.01.2016 and the said tariff granted by NEPRA was effective from July 01, 2014.*
  - c. *NPGCL filed a review petition dated 29.01.2016 and requested to benchmark rate of each startup as per para 60 of the review petition. Subsequently, the Authority while considering the request of NPGCL and issuing its determination dated October 19, 2016, agreed with the stance of NPGCL and allowed to pass on the actual cost of each startup, as determined under para 8.5.3 of the determination. However, the Authority*

2



directed both the petitioner and CPPA-G to deal in line with PPA. It is worth mentioning that the effective date of the determination issued on 19.10.2016 was July 01, 2014.

- d. Accordingly, as per the provisions of paragraph 8.5.3 of the tariff determination and in accordance with Article 7.4(b)(v) read with Clause 14.2(g) part-III of schedule-6 of the Power Purchase Agreement dated 20.09.2015, NPGCL submitted its claim of each startup (based on actual cost of each startup) to NEPRA, for the financial year 2014-15, 2015-16, 2016-17 and 2017-18 on October 31, 2018. This was merely actual cost calculations incurred in each startup w.e.f July 2014 to June 2018 and was submitted to NEPRA for determination of each instance, in line with the determination dated October 19, 2016 wherein NEPRA had already agreed in principle to allow startup cost claim as the right of the petitioner. NEPRA while replying on November 28, 2018 directed NPGCL to get the claim verified from CPPA-G and then submit the verified claim to NEPRA for approval.
- e. Accordingly, CPPA-G and NPGCL developed a mechanism for startup charges and CPPA-G submitted it to NEPRA for approval, w.e.f 2014 to onwards. Till then the effective date had no dispute and was July 01, 2014. However, while passing on the final determination, the Authority apparently has mistakenly written the effective date as October 31, 2018, whereas the same is to be written as July 01, 2014.
- f. Whenever the complete complex "TPS Muzaffargarh" is under standby/shutdown situation and the first unit of the complex is to be started, the mini boiler has to be taken in service for the production of required steam for atomization of HSFO lines and heating HSFO. The startup is termed as "initial startup of the Complex". The fuel used for the mini boiler is HSD. The same has been recommended to NEPRA by CPPA-G in the agreed mechanism for startup cost between NPGCL and CPPA-G.
- g. Reference rate HSD = 90 Rs/litre. The cost being incurred by NPGCL, duly recommended by CPPA-G is a legitimate right and may be passed on to NPGCL.

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

- i. Removal of the anomaly of the effective date of startup charges to be July 01, 2014 instead of October 31, 2018.
- ii. Determination regarding costs occurred for "initial startup of the complex duly recommended by CPPA-G.

6. The hearing regarding this matter took place on April, 04, 2023. Arguments heard, record perused.

7. The deliberation on the aforementioned issues is outlined as follows:

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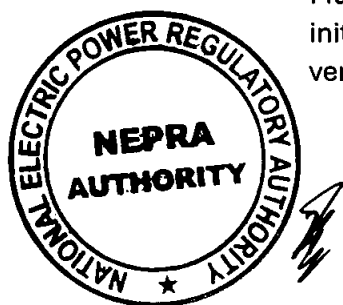


**A. Effective Date:**

- i. NEPRA vide its decision dated September 2022 had allowed startup costs to NPGCL effective from October 31, 2018. Subsequently, NPGCL in its Review Motion requested for the retroactive allowance of Startup costs commencing from July 1, 2014.
- ii. The record has been perused, revealing that in 2015, the petitioner sought the inclusion of the startup charges as a part of Variable O&M, which was allowed by the Authority. In the proceedings of the Review Motion, upon NPGCL's application, the Authority agreed to categorize the startup charges separately, consistent with the treatment of IPPs.
- iii. In compliance with the direction of the Authority, NPGCL submitted detailed claims for startup costs for fiscal years 2014-15 to 2017-18. NEPRA further mandated the petitioner to have these costs verified by CPPA-G and subsequently submit them for formal approval, which was duly executed by the petitioner.
- iv. Consequently, the Authority finds it justified to grant the allowance of startup costs retrospectively from July 1, 2014.

**B. HSD Cost – 'initial startup of the complex'**

- i. NEPRA in its decision did not include the expense of 28,000 liters of HSD consumption of auxiliary/mini boiler for TPS Muzaffargarh.
- ii. NPGCL, in its petition, requested HSD cost on initial start-up of the facility. It is important to note that while fuel is not typically consumed during a standard startup process, it becomes necessary during the initial startup of a unit at TPS Muzaffargarh when the entire complex is on standby, and the first unit is being initiated using (HSFO). It is further observed that the cost/claim has also been verified by CPPA-G in its submissions made earlier to NEPRA – detailed below:



Auxiliary/Mini Boiler	
HSD Consumption (Litres)	Total Cost of Aux. Boiler startup (Rs.)
28,000	2,520,000

**Reference rate HSD = 90 Rs/litre**

8. Based on the above findings, the Authority observes that the costs claimed by NPGCL are deemed prudent. This determination is based on the consideration of all the relevant evidence and submissions provided by the parties during the hearing process. The Authority

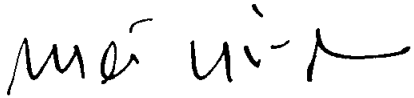
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acknowledges the complexities involved in the matter but finds that the evidence presented by NPGCL sufficiently justifies the claimed costs.

**Order:**

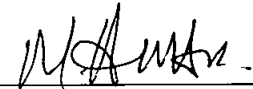
In light of the above deliberations the Authority and in its collective and joint wisdom decided with consensus as hereunder:

- i. Approved the effective date as July 01, 2014, instead of the earlier approved date of October 31, 2018, as requested by NPGCL from which it claimed start-up costs.
- ii. Approved the HSD costs of the Auxiliary/Mini boiler for the initial startup of the complex for the unit of TPS Muzaffargarh with effect from the above-mentioned effective date when the whole complex is standby and its first unit is to be started on HSFO.
- iii. CPPA-G is directed to ensure verification of events of HSD costs as stated in Para 7 (ii) above.
- iv. The Authority further decided that all the reference values used for the calculation of startup charges rate and CV of the fuel and Energy Purchase Price will be applicable/adjusted as per actual as stated in an earlier order dated September 21, 2022.

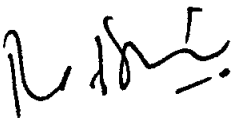


(Mathar Niaz Rana (nsc))  
Member

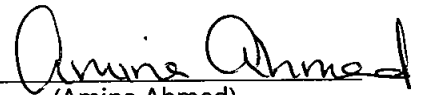
**Authority**



(Engr. Maqsood Anwar Khan)  
Member



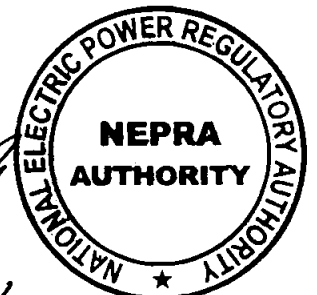
(Rafique Ahmed Shaikh)  
Member



(Amina Ahmed)  
Member



(Waseem Mukhtar)  
Chairman



17/05/24