Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/SA(M&E)/LAM-01/ 18802 September 16, 2026

Chief Executive Officer,
Central Power Purchasing Agency (Guarantee) Limited
(CPPA-G),Shaheen Plaza, 7-West, Fazal-e-Haq Road,
Islamabad.

Subject: **ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO CENTRAL POWER PURCHASING AGENCY-GUARANTEE LIMITED UNDER REGULATION 4(8) & 4(9) OF THE NEPRA (FINES) REGULATIONS, 2021**

Please find enclosed herewith the Order of the Authority alongwith Dissent Note of Mr. Waseem Mukhtar, Chairman (NEPRA) (total 10 Pages) in the subject matter for information and necessary action.

Enclosure: **Order of the Authority**

(Syed Zawar Haider)
Director

National Electric Power Regulatory Authority

In the matter of Show Cause Notice issued to Central Power Purchasing Agency-Guarantee Limited under Regulation 4(8) & 4(9) of the NEPRA (Fines) Regulations, 2021

Order

1. The Central Power Purchasing Agency-Guarantee Limited (hereinafter referred to as the "Power Purchaser" or "CPPA-G") is a Company incorporated under the Companies Ordinance, 1984 and is functioning as the market operator to carry out market operations under the NEPRA (Market Operator Registration, Standards and Procedure) Rules, 2015 (hereinafter referred to as the "Market Rules") since June 2015.

2. Pursuant to Section 35 of the NEPRA Act read with Rule 5 of the Market Rules, the Authority approved the Commercial Code submitted by CPPA G for discharge of its functions in accordance with the Market Rules.

3. Schedule-II of the Market Rules prescribes the operations and responsibilities to be performed and discharged by the market operator, including generation invoice verification on the basis of meter reading and terms of the respective Power Purchase Agreements, billing to the DISCOs, collection from the DISCOs and settlement to the market participants as per the Commercial Code.

4. Clause 6 of the Commercial Code provides invoicing mechanism by CPPA-G for generation companies pursuant to the terms reflected in Power Purchase Agreements and particularly Clause 6.1.4(i)(a) deals with invoice verification by CPPA-G of all generation companies and requires CPPA-G to deduct the exact amount of Liquidated Damages (hereinafter referred to as the "LDs") to calculate and generate the accurate invoice for each billing period.

5. Power Purchase Agreement (hereinafter referred to as the "PPA") was entered into by the Power Purchaser with the Pakistan Water and Power Development Authority (hereinafter referred to as the "WAPDA") on 24.01.2011.

6. Article 9 of the PPA sets the terms in respect of LDs and obligation of the Power Purchaser to invoice the generation companies on account of such LDs.

7. The quarterly reports submitted by WAPDA in respect of its generation facilities for the FY 2018-19, under NEPRA Performance Standards (Generation) Rules 2009, were reviewed and it was observed that a number of units/machines of different power stations

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NATIONAL ELECTRIC POWER REGULATORY AUTHORITY NEPRA AUTHORITY of WAPDA availed higher outage hours than allowed limit as specified in the PPA. In view of the above, CPPA-G was directed vide letter dated 17.02.2020, to share the details of LDs imposed on WAPDA on account of availing higher outages by the units/machines of its hydel power stations than allowed limit as specified in the PPA during the FY 2018-19 as well as all preceding years. However, CPPA-G vide its letter dated 27.02.2020, submitted that it has already requested WAPDA to provide the outages allowance for each generation unit allowed in the PPA in order to send the same to ISMO (formerly NPCC) for its verification.

8. Similarly, CPPA-G was directed vide letter dated 28.07.2020, to provide reasons regarding non-imposition of LDs on WAPDA. However, CPPA-G vide its letter dated 12.08.2020, submitted that it is analyzing the data provided by WAPDA and an update will be shared with NEPRA once the analysis is completed. Since no update was received from CPPA-G despite lapse of the considerable time period, therefore, CPPA-G was once again directed vide letter dated 16.10.2020, to provide the details of LDs imposed on WAPDA. In response, CPPA-G vide its letter dated 26.10.2020, submitted that it has finally sent the data received from WAPDA to ISMO for its verification. CPPA-G further submitted that once the verification from ISMO is received, it will be in a position to calculate and impose the LDs on WAPDA for the period 2011-12 to 2018-19 and the same will be shared with NEPRA accordingly.

9. Since CPPA-G did not share any such details with NEPRA despite repeated correspondence, therefore, CPPA-G was directed vide letter dated 24.03.2021, to comply with the direction of the Authority and share the details of LDs imposed on WAPDA for the FY 2018-19 as well as all preceding/succeeding years. In response, CPPA-G vide its letter dated 01.04.2021, submitted that despite pursuing the subject matter with ISMO for the last six (06) months, ISMO has only submitted the desired verification to the extent of Tarbela power station for the period 2011-2013 and Mangla & Ghazi Barotha power stations for the period 2011-2016 and stated that working on remaining periods and projects is in process and same will be submitted within couple of weeks. CPPA-G further submitted that it has already started working on the ISMO's verified data for above-mentioned projects and will issue LDs invoices for these projects. CPPA-G further submitted that once the verification from ISMO for remaining projects is received, it will be in a position to calculate and impose the LDs on remaining WAPDA projects for the period 2011-12 to 2018-19 and will share the same to the Authority accordingly.

10. In view of the foregoing, CPPA-G was directed vide letter dated 10.06.2021, to complete the process of imposition of LDs on WAPDA and submit a compliance report within fifteen (15) days. However, CPPA-G vide its letter dated 24.06.2021, submitted that since it has not yet received the desired verification of outages data from ISMO for remaining projects, therefore, it is not in a position to calculate the LDs. In this regard, a discussion meeting of the Authority with the professionals of CPPA-G, WAPDA and ISMO was also held on 01.09.2021 at the NEPRA Head Office, Islamabad, wherein, the issue of non-imposition of LDs by CPPA-G on WAPDA was discussed in detail. Accordingly, CPPA-G was directed vide letter dated 17.09.2021 followed by reminder dated 29.10.2021 and final notice dated 14.12.2021, to provide its written comments on the said issue. In response,

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CPPA-G vide its letter dated 27.12.2021 submitted that it has not yet issued any LDs invoice to WAPDA and the reason for not issuing the same was also explained to the Authority.

11. In view of the above, the Authority observed that the response received from CPPA-G clearly indicates that it has not yet imposed the LDs on WAPDA despite repeated directions of the Authority, prima facie, contrary to the principle laid down under Article 9.2(a) of the PPA. Hence, the Authority observed that CPPA-G has, prima facie, failed to perform its operations and discharge its responsibilities in accordance with Schedule-II of the Market Rules read with Clause 6 of the Commercial Code and Article 9.2(a) of the PPA. In view of the foregoing, the Authority decided to initiate legal proceedings against CPPA-G under NEPRA (Fines) Regulations, 2021 (hereinafter referred to as the "Fine Regulations, 2021").

Explanation to CPPA-G:

12. Accordingly, an Explanation dated 08.03.2022 was issued to CPPA-G under Regulation 4(1) & 4(2) of the Fine Regulations, 2021. The salient features of the Explanation are as follows:

   i. *The quarterly reports submitted by WAPDA in respect of its generation facilities for the FY 2018-19, under NEPRA Performance Standards (Generation) Rules, 2009, were reviewed and it was observed that a number of units/machines of different power stations of WAPDA availed higher outage hours than allowed limit as prescribed in the PPA; and*

   ii. *CPPA-G was directed vide letter dated 17.02.2020, to share the details of LDs imposed on WAPDA on account of availing higher outages by the units/machines of its hydel power stations than allowed limit as specified in the PPA during the FY 2018-19 as well as all preceding years. However, CPPA-G vide its letter dated 27.02.2020, submitted that it has already requested WAPDA to provide the outages allowance for each generation unit allowed in the PPA in order to send the same to NPCC for its verification; and*

   iii. *CPPA-G was directed vide letter dated 28.07.2020, to provide reasons regarding non-imposition of LDs on WAPDA. However, CPPA-G vide its letter dated 12.08.2020, submitted that it is analyzing the data provided by WAPDA and an update will be shared with NEPRA once the analysis is completed; and*

   iv. *No update was received from CPPA-G despite lapse of the considerable time period. Therefore, CPPA-G was once again directed vide letter dated 16.10.2020, to provide the details of LDs imposed on WAPDA. In response, CPPA-G vide its letter dated 26.10.2020, submitted that it has finally sent the data received from WAPDA to NPCC for its verification. CPPA-G further submitted that once the verification from NPCC is received, it will be in a position to calculate and impose the LDs on WAPDA for the period 2011-12 to 2018-19 and the same will be shared with NEPRA accordingly; and*

   v. *CPPA-G did not share any such details with NEPRA despite repeated correspondence. Therefore, CPPA-G was directed vide letter dated 24.03.2021, to comply with the direction of the Authority and share the details of LDs imposed on WAPDA for the FY 2018-19 as well as all preceding/succeeding years. In response, CPPA-G vide its letter dated*

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01.04.2021, submitted that despite pursuing the subject matter with NPCC for the last six (06) months, NPCC has only submitted the desired verification to the extent of Tarbela power station for the period 2011-2013 and Mangla & Ghazi Barotha power stations for the period 2011-2016 and stated that working on remaining periods and projects is in process and same will be submitted within couple of weeks; and

vi. *CPPA-G further submitted that it has already started working on the NPCC's verified data for above-mentioned projects and will issue LDs invoices for these projects. CPPA-G further submitted that once the verification from NPCC for remaining projects is received, it will be in a position to calculate and impose the LDs on remaining WAPDA projects for the period 2011-12 to 2018-19 and will share the same to the Authority accordingly; and*

vii. *CPPA-G was directed vide letter dated 10.06.2021, to complete the process of imposition of LDs on WAPDA and submit a compliance report within fifteen (15) days. However, CPPA-G vide its letter dated 24.06.2021, submitted that since it has not yet received the desired verification of outages data from NPCC for remaining projects, therefore, it is not in a position to calculate the LDs; and*

viii. *A discussion meeting of the Authority with the professionals of CPPA-G, WAPDA and NPCC was held on 01.09.2021 at the NEPRA Head Office, Islamabad, wherein, the issue of non-imposition of LDs by CPPA-G on WAPDA was discussed in detail. In this regard, NPCC was directed vide letter dated 17.09.2021 to provide its written comments on the said issue. In response, NPCC vide its letter dated 24.09.2021, submitted that it has provided the verified data of outages to CPPA-G in respect of Tarbela, Mangla, Ghazi Barotha, Chashma, Warsak, Duber Khwar, Allai Khwar and Jinnah hydel power stations up to 2021. Regarding small hydel power stations, NPCC was of the view that the same are considered as "must run" as per available hydrology and the requisite data is not maintained by NPCC except daily energy provided by the stations; and*

ix. *CPPA-G was directed vide letter dated 17.09.2021 followed by reminder dated 29.10.2021 and final notice dated 14.12.2021, to provide its written comments on the issue of non-imposition of LDs on WAPDA. In response, CPPA-G vide its letter dated 27.12.2021 submitted that it has not yet issued any LDs invoice to WAPDA and the reason for not issuing the same was also explained to the Authority; and*

x. *The response received from CPPA-G clearly indicates that it has not yet imposed the LDs on WAPDA despite repeated directions of the Authority.*

CPPA-G's Response:

13. In response, CPPA-G submitted its reply vide letter dated 31.03.2022. The Authority after detailed deliberations rejected the response submitted by CPPA-G against the above Explanation giving reasons for such rejection vide Order dated 22.09.2022.

Show Cause Notice to CPPA-G:

14. Accordingly, a Show Cause Notice dated 22.09.2022 was issued to CPPA-G under Regulation 4(8) & 4(9) of the Fine Regulations, 2021, based on violations alleged in the Explanation.

CPPA-G's Response:

15. In response, CPPA-G submitted its reply vide letter dated 12.10.2022. The salient features of the response submitted by CPPA-G are as follows:

   i. LDs amount for five (05) WAPDA power stations (of total Capacity 6,355 MW) for which allowance is given in Schedule-II of the PPA, comes to Rs. 17.584 billion.

   ii. LDs amount for eleven (11) small WAPDA power stations (of total Capacity 236 MW) could not be calculated due to the reason that NPCC did not have outages details.

   iii. LDs amount for five (05) WAPDA power stations (Tarbela 4th Extension, Duber Khwar, Allai Khwar, Khan Khwar and Jinnah having accumulated Capacity of 1,829 MW) couldn't be finalized as they were commissioned after signing the PPA and no Outages Allowance exists in the PPA; draft Amendment No. 4 includes such allowance, with LDs recalculated at Rs. 14.162 billion (with allowance) or Rs. 22.160 billion (without allowance).

   iv. LD invoice issuance is withheld per earlier letter (31.03.2022); CPPA-G is fulfilling contractual obligations, but short payments from DISCOs—due to socio-economic/political factors, poor recoveries, inefficiency, and transmission losses—cause delays and LPIs.

   v. CPPA-G acknowledges its obligation to issue LD invoices for generator underperformance but cites DISCOs' poor payment performance as the cause for delayed payments to WAPDA, which could trigger LPI claims of Rs. 95 billion (up to 30.06.2021) and Rs. 20 billion annually thereafter.

   vi. LPI impact is much higher than LDs; issuing LDs to WAPDA would prompt LPI claims, and passing Rs. 95 billion LPI to consumers would be difficult since Rs. 256 billion interest from DISCOs hasn't been passed on, adding to circular debt; ongoing short receipts could sustain Rs. 20 billion/year LPI burden.

   vii. LD invoices will likely be disputed by WAPDA, and CPPA-G will dispute any LPI invoices; such disputes between public entities are undesirable as they increase costs and could negatively affect consumer tariffs; CPPA-G proposes NEPRA facilitate an amicable solution with WAPDA.

   viii. Proposed PPA Amendment No. 4 introduces "Secured Outages" (no Capacity Payment during rehabilitation/refurbishment/replacement periods), which should reduce LD imposition; NEPRA's plan to shift WAPDA's small hydel plants to Take-and-Pay would also address undue capacity payments during long outages.

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Hearing:

16. The Authority considered the response submitted by CPPA-G and decided to provide an opportunity of hearing to it under Regulation 4(11) of the Fine Regulations, 2021. Accordingly, hearing in the matter was held on 29.11.2022, wherein, the representatives of CPPA-G participated and made their submissions.

17. Subsequently, the Authority decided to hold a discussion meeting with CPPA-G and WAPDA on the subject matter before proceeding further. Accordingly, the discussion meeting was held on 21.03.2023, wherein, the representatives of CPPA-G and WAPDA participated and made their submissions.

Re-Hearing:

18. Since the constitution of the Authority changed since last hearing, the Authority decided to conduct re-hearing in the matter. Accordingly, hearing in the matter was held on 18.08.2025, wherein, the representatives of CPPA-G participated and made the following submissions:

    i. LDs amount for five (05) WAPDA power stations (Ghazi Barotha, Mangla, Tarbela, Warsak and Chashma having total Capacity 6,355 MW) for which allowance is given in Schedule-II of the PPA, comes to Rs. 30 billion (approx. as on 30.06.2024).

    ii. LDs amount for five (05) WAPDA power stations (Tarbela 4th Extension, Duber Khwar, Allai Khwar, Khan Khwar and Jinnah having accumulated Capacity of 1,829 MW) for which no allowance is available in Schedule-II of the PPA, comes to Rs. 47 billion (approx. as on 30.06.2024).

    iii. CPPA-G acknowledges its obligation to issue LD invoices for generator underperformance but cites DISCOs' poor payment performance as the cause for delayed payments to WAPDA, which triggered LPI claims of Rs. 175 billion (approx. as on 30.06.2024).

    iv. LPI impact is much higher than LDs; issuing LDs to WAPDA would prompt LPI claims, and passing Rs. 175 billion LPI to consumers would be difficult.

    v. LD invoices will likely be disputed by WAPDA, and CPPA-G will dispute any LPI invoices; such disputes between public entities are undesirable as they increase costs and could negatively affect consumer tariffs.

    vi. As per the PPA, LDs are charged at 110% of the fixed charge rate, which includes components such as revenue gap and interest on loans. These elements are intended to recover costs related to prior periods. Consequently, the LDs applicable in the current period also encompass these components, implying that WAPDA will not

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recover the past period costs, while an additional 10% is further imposed on such past costs.

vii. In a revenue-based tariff framework, LDs and LPI are recognized as expense and income, respectively. On a net basis, WAPDA's capacity tariff will be adjusted downward, whereas LPI will have a direct impact on the circular debt.

viii. As per the direction of the Authority, CPPA-G conducted Capacity Tests for all WAPDA power stations. CPPA-G started deducting Capacity Payments for plants demonstrating less available capacity on account of Secured Outages. So far, CPPA-G has deducted Rs. 4,658 million from WAPDA's Capacity Payments on account of Secured Outages.

Analysis/Findings of the Authority:

19. The Authority has carefully examined the record of proceedings, the explanation submitted by CPPA-G in response to the Show Cause Notice, and the submissions made by the representatives of CPPA-G during the hearings held in this matter. Having done so, the Authority is of the considered view that the response of CPPA-G is unsatisfactory, legally unsustainable, and does not absolve it of its contractual and regulatory obligation to impose LDs on WAPDA in terms of the PPA.

20. CPPA-G's own submissions confirm that LDs amounting to approximately Rs. 77 billion, in respect of ten major plants, remain unimposed despite the PPA's unambiguous requirement that LDs be assessed and levied annually at the close of each Agreement Year. This is not a case of inadvertent delay but of sustained, multi-year non-compliance with a core contractual obligation. The Authority finds that the imposition of LDs is not a discretionary function contingent upon CPPA-G's financial convenience; it is a mandatory contractual duty owed to the power sector and, ultimately, to the consumer.

21. CPPA-G's attempt to link non-enforcement of LDs to payment defaults by DISCOs is misconceived and is rejected. The obligation to impose LDs arises independently of, and is not conditional upon, CPPA-G's own liquidity position or its receivables from downstream entities. The PPA contains no provision suspending or excusing LD enforcement on account of CPPA-G's cash-flow constraints. To the extent that Late Payment Interest (LPI) has accrued against CPPA-G, this is a consequence of CPPA-G's own failure to make timely payments upon receipt of invoices, and is a matter distinct from, and cannot be set up as a defence to, its obligation to enforce LDs against the generator.

22. The Authority does not accept the contention that imposing LDs would invite further LPI claims from the generator, or that this apprehension justifies continued inaction. LDs are a contractual remedy for underperformance and are not optional. Where a generator disputes the imposition of LDs, the PPA itself provides a dispute resolution mechanism, and it is open to the parties to avail the same. The possibility of a dispute arising between public sector entities is not, in itself, a legal or technical ground to withhold enforcement of a validly accrued contractual right. The Authority views this line of reasoning as indicative

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of administrative convenience being placed above the enforcement of consumer and system interests, which cannot be countenanced.

23. CPPA-G's argument that LPI exceeds LDs in magnitude, and that this should inform the decision not to charge LDs, conflates two legally and conceptually distinct obligations. LDs address generator non-performance and are directly relevant to system reliability; LPI arises from CPPA-G's own delay in payment. The Authority finds no basis in the PPA, or in regulatory principle, for treating these as mutually offsetting. Presenting the quantum of LPI as a reason to forgo LDs has the effect of masking, rather than justifying, non-compliance.

24. The submission that LDs, computed at 110% of the applicable fixed charge rate inclusive of historical cost components, would deprive CPPA-G of recovery for past periods, is without merit. These are terms that were negotiated and mutually agreed upon by the parties to the PPA, with full knowledge of their punitive character, which is by design intended to deter excessive and unauthorized outages. CPPA-G cannot, at the enforcement stage, seek to reinterpret or resile from contractual terms merely because their application now entails significant financial consequence.

25. The Authority notes CPPA-G's submission that treating LDs as an expense and LPI as income would adversely affect its capacity tariff and contribute to circular debt. While the Authority is not unmindful of the systemic implications of circular debt, this is a policy-level concern that cannot be permitted to override or dilute compliance with clear contractual provisions. Permitting selective enforcement of PPA clauses based on their downstream financial impact would set a precedent inimical to the sanctity of contracts and the predictability of the regulatory framework, and is accordingly rejected as a valid basis for non-enforcement.

26. The Authority further notes that CPPA-G has, in fact, deducted Capacity Payments amounting to Rs. 4,658 million on account of Capacity Tests linked to Secured Outages. This demonstrates that CPPA-G possesses the institutional and operational capability to enforce contractual provisions when required or directed to do so. This fact materially undermines the credibility of its stated inability, or reluctance, to similarly enforce LDs, and reinforces the Authority's finding that the non-imposition of LDs was a matter of choice and administrative default rather than genuine incapacity.

27. CPPA-G's submission that LDs in respect of eleven smaller plants could not be computed due to the unavailability of outage data with the System Operator is, in the Authority's view, an admission of internal coordination and data-management failure rather than a justification for non-compliance. The maintenance of accurate and timely outage data is fundamental to the functioning of the power system and to the enforcement of the PPA, and its absence is a systemic failure attributable to CPPA-G. It cannot operate to excuse CPPA-G from its underlying obligation to impose LDs.

28. For the reasons recorded above, the Authority finds that CPPA-G has, over a sustained period, failed to discharge its mandatory obligation under the PPA to impose LDs on

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WAPDA, and that the justifications advanced in response to the Show Cause Notice, whether grounded in DISCO payment defaults, apprehended LPI exposure, comparative magnitude of LPI, retrospective financial impact, circular debt concerns, or data unavailability are administrative and financial in character and do not constitute valid legal or contractual grounds for non-enforcement. The Authority is further of the view that this conduct reflects an institutional failure of compliance and governance on the part of CPPA-G, rather than any legitimate protection available to it under the PPA. Accordingly, the Authority rejects the response of CPPA-G to the Show Cause Notice and holds CPPA-G liable to the imposition of fine, for the reasons set out above.

Decision:

29. Keeping in view the relevant provisions of the NEPRA Act, Rules and Regulations, other applicable documents, submissions of CPPA-G and available record, the Authority observes that CPPA-G has constituted violation of Schedule-II of the Market Rules read with Clause 6 of the Commercial Code and Article 9.2(a) of the PPA by failing to impose LDs on WAPDA on account of availing higher outages by some of its hydel power stations than allowed limit as specified in the PPA. Therefore, the Authority decides to impose a fine of ten million Rupees on CPPA-G.

30. Accordingly, CPPA-G is directed to pay the fine of ten million Rupees in designated bank of the Authority within a period of fifteen (15) days after the date of issuance of this order and forward a copy of the paid instrument to the Registrar Office for information, failing which the Authority shall recover the amount due under Section 41 of the NEPRA Act read with relevant provisions of the Fine Regulations, 2021 as arrears of the land revenue.

Authority

Engr. Maqsood Anwar Khan
Member

Amina Ahmed
Member

Amina Ahmed

My dissent is attached

Waseem Mukhtar
Chairman

NEPRA AUTHORITY

Announced on 16th Sep, 2026 at Islamabad.

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DISSENT NOTE

I respectfully disagree with the other Honorable Members of the Authority. The record placed before the Authority indicates that the potential Late Payment Interest (LPI) claims of Rs. 175 billion by WAPDA substantially exceeds the Liquidated Damages (LDs) claims of Rs. 77 billion to be imposed by CPPA-G. I am, therefore, of the considered opinion that the imposition of LDs at this stage will likely trigger a significantly larger LPI claim from WAPDA. The resulting net financial burden would ultimately be parked in circular debt and would not serve the broader interest of the power sector.

(WASEEM MUKHTAR)
CHAIRMAN