



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/DG(M&E)/LAT-01/15548

October 11, 2024

Managing Director
National Transmission and Despatch Company (NTDC)
414-WAPDA House
Lahore

Subject: **SHOW CAUSE NOTICE UNDER REGULATION 4(8) & 4(9) OF THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (FINE) REGULATIONS, 2021.**

WHEREAS, the National Electric Power Regulatory Authority (hereinafter referred to as the "Authority" or "NEPRA") established under Section 3 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act") is mandated to regulate the provision of electric power services; and

2. **WHEREAS**, pursuant to Section 17 of the NEPRA Act (now section 16 after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a Transmission License (No. TL/01/2002, dated 31/12/2002) to National Transmission and Dispatch Company Limited (hereinafter referred to as the "Licensee") to engage in the transmission business as stipulated in its Transmission License; and

3. **WHEREAS**, pursuant to Article 19 of the Transmission License read with Section 18 (2) (e) of the NEPRA Act, the Licensee shall carry out the functions of system operator for dispatch of all generation facilities that shall make their generation facilities available to the Licensee pursuant to Section 15 (4) of the NEPRA Act (now section 14B (4) after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), except those which have been allowed to operate as Small Power Producers; and

4. **WHEREAS**, pursuant to Section 23G of the NEPRA Act (after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a System Operator License (No. SOL/01/2023, dated 21/03/2023) to the Licensee to act as a system operator within the territorial limits as stipulated in the said License; and

5. **WHEREAS**, the Authority issued an Explanation to the Licensee under Regulation 4(1) & 4(2) of the NEPRA (Fine) Regulations, 2021 (hereinafter referred to as the "Fine Regulations, 2021") on 12th December, 2023. The basis of Explanation to the Licensee included the following:

5. **WHEREAS**, the power system blackout occurred on 09.01.2021 at 23:40 Hrs which plunged the whole country into darkness and the system was completely restored on 10.01.2021 at 19:40 Hrs after 20 hours approximately. NEPRA, being the regulator of power sector, took serious notice of the above incident and constituted an Inquiry Committee (IC) to probe into the matter. The IC submitted the inquiry report which was considered by the Authority; and

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6. **WHEREAS**, in view of the aforesaid inquiry report, legal proceedings were initiated against different generation licensees on account of delay in synchronization with the national grid following the blackout and non-submission of operating procedures manual as per requirement of Rule 16 of NEPRA Licensing (Generation) Rules, 2000; and

7. **WHEREAS**, during the course of legal proceedings, hearings in the matter were held on 6, 7 & 8 September, 2022 and the Licensee also attended the aforesaid hearings. During hearings, the Authority inter alia directed the Licensee to:

- i) To finalize the Operating Procedures of all power plants in coordination with relevant stakeholders;
- ii) To conduct a comprehensive study regarding essential requirement of black start facility at different power plants vis-à-vis financial impact involved versus the cost of not having appropriate black start facility in the system; and

8. **WHEREAS**, the aforesaid Authority's directions were conveyed to the Licensee vide letter dated September 15, 2022 and was required to submit a compliance report within one (01) month of the receipt of the said letter; and

9. **WHEREAS**, it is noteworthy to mention that the Authority during Public Hearing regarding Fuel Charges Adjustment (FCA) of XWAPDA DISCOs held on 28th February 2023, took serious notice of the non-submission of the required compliance report by the Licensee regarding non-finalization of Operating Procedures Manual and non-signing of black start procedures with relevant power plants; and

10. **WHEREAS**, in addition to above, vide letter dated March 15, 2023, the Licensee was also directed to submit a concrete plan along with timelines regarding:

- i) Finalization of the Operating Procedures with all the power plants clearly addressing the issue of additional time (if any) required by the power plants for synchronization with the National Grid following a total/partial system collapse;
- ii) Activation/commissioning of the black start facility available at different power plants;
- iii) Minimum essential requirement of black start facility at different power plants based on a comprehensive study along with the associated cost vis-à-vis the financial implications of not having the appropriate black start facility in the system as per the requirements of Grid Code.

6. **AND WHEREAS**, the response of the "Explanation" was given by the Licensee vide its letter No. GMT/NTDC/T-39 (BDGPH)2403-08 dated 27/12/2023, wherein the Licensee has stated that it has not committed the said violations on account of reasons mentioned therein; and

7. **WHEREAS**, the explanation furnished by the Licensee was duly examined and considered by the Authority in terms of Regulations 4(7) of the Fine Regulations, 2021 and the Authority observed that the Licensee has not submitted satisfactory explanation and passed an order on 11.10.2024 recording reasons for such rejection; and

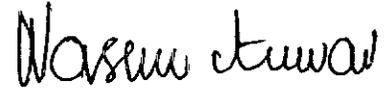
8. **WHEREAS**, the Authority is constrained to believe that the violations mentioned at Para 5 above have in fact occurred for which a penalty up to Rs. 200,000,000/- (Two Hundred Million)

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plus a further penalty up to Rs. 100,000/- (One Hundred Thousands) for each day of default could be imposed.

9. **NOW THEREFORE**, the Licensee is hereby called upon to show cause within fifteen (15) days of receipt of this notice as to why a penalty up to Rs. 200,000,000/- (Two Hundred Million) plus a further penalty up to Rs. 100,000/- (One Hundred Thousands) for each day of default should not be imposed upon the Licensee.

10. Please take notice that in case your reply is not received in this office within fifteen (15) days of the receipt of this Show Cause Notice, it shall be presumed that you have nothing to say in your defense and the matter shall be placed before the Authority for proceedings in the matter on the basis of available record.


(Wasim Anwar Bhinder)



National Electric Power Regulatory Authority

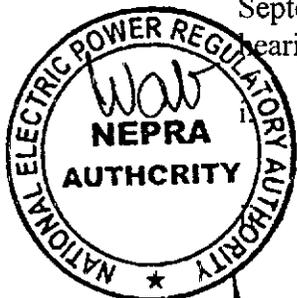
In the matter of Explanation issued to M/s National Transmission and Dispatch Company Limited under Regulation 4(1) & 4(2) of the NEPRA (Fine) Regulations, 2021

Order

1. Pursuant to Section 17 of the NEPRA Act (now section 16 after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a Transmission License (No. TL/01/2002, dated 31/12/2002) to National Transmission and Dispatch Company Limited (hereinafter referred to as the "Licensee") to engage in the transmission business as stipulated in its Transmission License.
2. Pursuant to Article 19 of the Transmission License read with Section 18 (2) (e) of the NEPRA Act, the Licensee shall carry out the functions of system operator for dispatch of all generation facilities that shall make their generation facilities available to the Licensee pursuant to Section 15 (4) of the NEPRA Act (now section 14B (4) after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), except those which have been allowed to operate as Small Power Producers.
3. Pursuant to Section 23G of the NEPRA Act (after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a System Operator License (No. SOL/01/2023, dated 21/03/2023) to the Licensee to act as a system operator within the territorial limits as stipulated in the said License.
4. A power system blackout occurred on 09.01.2021 at 23:40 Hrs which plunged the whole country into darkness and the system was completely restored on 10.01.2021 at 19:40 Hrs after 20 hours approximately. NEPRA, being the regulator of power sector, took serious notice of the above incident and constituted an Inquiry Committee (IC) to probe into the matter. The IC submitted the inquiry report which was considered by the Authority.
5. In view of the aforesaid inquiry report, legal proceedings were initiated against different generation licensees on account of delay in synchronization with the national grid following the blackout and non-submission of operating procedures manual as per requirement of Rule 16 of NEPRA Licensing (Generation) Rules, 2000.
6. During the course of legal proceedings, hearings in the matter were held on 6, 7 & 8 September, 2022 and the Licensee also attended the aforesaid hearings. During hearings, the Authority inter alia directed the Licensee to:

To finalize the Operating Procedures of all power plants in coordination with relevant stakeholders.

To conduct a comprehensive study regarding essential requirement of black start facility at different power plants vis-à-vis financial impact involved versus the cost of not having appropriate black start facility in the system.



7. The aforesaid Authority's directions were conveyed to the Licensee vide letter dated September 15, 2022 and was required to submit a compliance report within one (01) month of the receipt of the said letter.
8. Further, it is noteworthy to mention that the Authority during Public Hearing regarding Fuel Charges Adjustment (FCA) of XWAPDA DISCOs held on 28th February 2023, took serious notice of the non-submission of the required compliance report by the Licensee regarding non-finalization of Operating Procedures Manual and non-signing of black start procedures with relevant power plants.
9. In addition to above, vide letter dated March 15, 2023, the Licensee was also directed to submit a concrete plan along with timelines regarding:
- Finalization of the Operating Procedures with all the power plants clearly addressing the issue of additional time (if any) required by the power plants for synchronization with the National Grid following a total/partial system collapse.
- Activation/commissioning of the black start facility available at different power plants.
- Minimum essential requirement of black start facility at different power plants based on a comprehensive study along with the associated cost vis-à-vis the financial implications of not having the appropriate black start facility in the system as per the requirements of Grid Code; and
10. The response of the Licensee vide its letters dated September 28, 2022 and March 27, 2023 revealed that the Licensee prima facie, has failed to comply with the abovementioned directions of the Authority, that constituted violations of the applicable documents in terms of Regulation 4 of the NEPRA (Fines) Regulations, 2021 (hereinafter referred to as the "Fine Regulations, 2021"). In view of the foregoing, the Authority decided to initiate legal proceedings against the Licensee under the Fine Regulations, 2021.

Explanation:

11. Accordingly, an Explanation dated 12.12.2023 was issued to the Licensee under Regulation 4(1) & 4(2) of the Fine Regulations, 2021. The salient features of the Explanation are as follows:

WHEREAS, the National Electric Power Regulatory Authority (hereinafter referred to as the "Authority" or "NEPRA") established under Section 3 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act") is mandated to regulate the provision of electric power services; and

2. *WHEREAS, pursuant to Section 17 of the NEPRA Act (now section 16 after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a Transmission License (No. TL/01/2002, dated 31/12/2002) to National Transmission and Dispatch Company Limited (hereinafter referred to as the "Licensee") to engage in the transmission business as stipulated in its Transmission License; and*

3. *WHEREAS, pursuant to Article 19 of the Transmission License read with Section 18 (2) (e) of the NEPRA Act, the Licensee shall carry out the functions of system operator for dispatch of all generation facilities that shall make their generation facilities available to the*



Licensee pursuant to Section 15 (4) of the NEPRA Act (now section 14B (4) after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), except those which have been allowed to operate as Small Power Producers; and

4. **WHEREAS**, pursuant to Section 23G of the NEPRA Act (after promulgation of Regulation of Generation, Transmission and Distribution of Electric Power Amendment Act 2018), the Authority has granted a System Operator License (No. SOL/01/2023, dated 21/03/2023) to the Licensee to act as a system operator within the territorial limits as stipulated in the said License; and

5. **WHEREAS**, the power system blackout occurred on 09.01.2021 at 23:40 Hrs which plunged the whole country into darkness and the system was completely restored on 10.01.2021 at 19:40 Hrs after 20 hours approximately. NEPRA, being the regulator of power sector, took serious notice of the above incident and constituted an Inquiry Committee (IC) to probe into the matter. The IC submitted the inquiry report which was considered by the Authority; and

6. **WHEREAS**, in view of the aforesaid inquiry report, legal proceedings were initiated against different generation licensees on account of delay in synchronization with the national grid following the blackout and non-submission of operating procedures manual as per requirement of Rule 16 of NEPRA Licensing (Generation) Rules, 2000; and

7. **WHEREAS**, during the course of legal proceedings, hearings in the matter were held on 6, 7 & 8 September, 2022 and the Licensee also attended the aforesaid hearings. During hearings, the Authority inter alia directed the Licensee to:

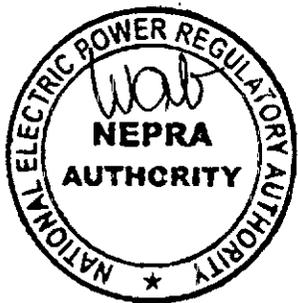
- i) To finalize the Operating Procedures of all power plants in coordination with relevant stakeholders;
- ii) To conduct a comprehensive study regarding essential requirement of black start facility at different power plants vis-à-vis financial impact involved versus the cost of not having appropriate black start facility in the system; and

8. **WHEREAS**, the aforesaid Authority's directions were conveyed to the Licensee vide letter dated September 15, 2022 and was required to submit a compliance report within one (01) month of the receipt of the said letter; and

9. **WHEREAS**, it is noteworthy to mention that the Authority during Public Hearing regarding Fuel Charges Adjustment (FCA) of XWAPDA DISCOs held on 28th February 2023, took serious notice of the non-submission of the required compliance report by the Licensee regarding non-finalization of Operating Procedures Manual and non-signing of black start procedures with relevant power plants; and

10. **WHEREAS**, in addition to above, vide letter dated March 15, 2023, the Licensee was also directed to submit a concrete plan along with timelines regarding:

- i) Finalization of the Operating Procedures with all the power plants clearly addressing the issue of additional time (if any) required by the power plants for synchronization with the National Grid following a total/partial system collapse;
- ii) Activation/commissioning of the black start facility available at different power plants;
- iii) Minimum essential requirement of black start facility at different power plants based on a comprehensive study along with the associated cost vis-à-vis the



financial implications of not having the appropriate black start facility in the system as per the requirements of Grid Code; and

11. *WHEREAS, the response of the Licensee vide its letters dated September 28, 2022 and March 27, 2023 revealed that the Licensee prima facie, has failed to comply with the directions of the Authority as mentioned in para 6 to 9, which constitutes violations of the applicable documents in terms of Regulation 4 of the NEPRA (Fines) Regulations, 2021; and*

12. *WHEREAS, the Licensee is required to follow the provisions of NEPRA Act, Rules & Regulations made thereunder, license, Grid Code and other applicable documents and any violation thereof attracts appropriate proceedings against the licensee including but not limited to imposition of fines under NEPRA (Fine) Regulations, 2021; and*

13. *NOW THEREFORE, in view of the above, Licensee is hereby called upon under Regulation 4 (1) & (2) of the NEPRA (Fine) Regulations, 2021 to either admit or deny the occurrence of violations as mentioned above and in case of your failure to respond within fifteen (15) days of receipt thereof, the Authority shall proceed in accordance with law including but not limited to imposition of fine.*

Licensee's Response:

12. In response, the Licensee submitted its reply vide letter dated 27.12.2023. The same has been summarized as follows:

- i. **Finalization of the Operating Procedures with all the power plants clearly addressing the issue of additional time (if any) required by the power plants for synchronization with the National Grid following a total/partial system collapse:**

Additional time required to synchronize a generating unit with Grid System was not considered in any Regulation, Standard, Code or PPA before January 2021 blackout incident. Subsequent to the blackout incident, NTDC/NPCC proposed a category wise additional time requirement for synchronization of a generating unit in event of a complete supply failure instance at respective generating unit. It is also worth mentioning that most of generating units have agreed to this office's stipulated time limit in this regard.

As per the terms of PPA, it is the mandate of Operating Committee (OC) to agree and sign operating procedure. Composition of the OC is such, that System Operator/NPCC (SO) is one of the six members of respective OC. Although, SO strives its best to agree upon operating procedures with IPPs, however, in the presence of PPA it becomes difficult for SO to bind any power plant to timely agree and sign respective operating procedures. SO has urged CPPA-G & respective power plants to close out open items of PPAs, respective schedules and operating procedures. In this regard it is requested to please bind Power Purchaser to initiate enforcement mechanism against the power plants which are not agreeing to Technical Limits as per the Grid Code and applicable regulations and are hesitant in signing PPA schedules and operating procedures.

Additionally, SO has developed the SOP for restoration of power system after total or partial blackout/collapse/shutdown which was approved on 07 March, 2022 by MD NTDC and has shared with all relevant stakeholders.



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- ii. **Activation/commissioning of the black start facility available at different power plants and minimum essential requirement of black start facility at different power plants based on a comprehensive study along with the associated cost vis-à-vis the financial implications of not having the appropriate black start facility in the system as per the requirements of Grid Code:**

With respect to Activation of Black Start facility (hereinafter referred to as the "BS facility"), it is mentioned that this office has developed Test Protocol for testing of BS facilities. Subsequently BS facility test schedule has been developed for testing of BS facilities. Additionally, all BS facility plants were communicated to share healthiness certificate of BS facilities on monthly basis with SO.

With respect to implementation of BS facility on additional units, this office has identified Nandipur, Foundation, Sapphire, Orient and Halmore power plants for this purpose considering their geographical locations and least modification in plant equipment due to availability of dead bus energization provisions. Accordingly, these plants have conducted Pre-feasibility studies for activation of BS facilities in close coordination with SO. SO has supported the plants by providing technical data for the line charging study to be conducted by relevant OEMs of respective plants. Accordingly, commercial proposals have been submitted by these plants and is under further process by CPPA-G/NEPRA.

Analysis/Findings of the Authority:

13. The Authority has reviewed the submissions of the Licensee and observes as follows:

- i. **Finalization of the Operating Procedures with all the power plants clearly addressing the issue of additional time (if any) required by the power plants for synchronization with the National Grid following a total/partial system collapse:**
- a. The Licensee has submitted that it has proposed a category wise additional time requirement for synchronization of a generating unit following a blackout and most of the power plants have agreed to it. In this regard, the Authority observes that some of the power plants have signed operating procedures, however, it does not mention that whether it was signed prior to the blackout dated 09-01-2021 or otherwise.
- b. Similarly, the Authority observes that that none of the power plants mentioned therein have submitted any operating procedure that addresses the issue of additional time (except Bhikki, Balloki and Haveli Bahadur Shah) for synchronization with the grid following a blackout.
- c. Furthermore, the Licensee has submitted that the OC is mandated to finalize operating procedures, in accordance with PPA and the Licensee is one the six members of the relevant OC, hence, it is difficult to bind any power plant to agree and sign the operating procedure on time. The Authority considered the aforesaid submission of the Licensee and observes that there exist disputed items that hinders the process of finalization of operating procedures, however, PPA chalks out a



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comprehensive mechanism for finalization of operating procedures and in case of any dispute, PPA provides a process for resolution of disputes under relevant sections pertaining to "Resolution by Parties", "Determination by Expert" and "Arbitration" respectively. The Authority observes that the Licensee's response is silent in this regard and has failed to follow the procedure as laid down in the PPA, which indicates failure of the Licensee to dispose of its obligations responsibly.

- d. Regarding the point of binding the power purchaser by NEPRA to initiate enforcement mechanism against the power plants to finalize the technical limits, the Authority has already initiated legal proceedings against CPPA-G for non-finalization of the operating procedures being the signatory of the OC.
- e. Moreover, the Authority while assessing the Licensee's submission regarding development of system restoration SOP following a total or partial blackout/collapse/shutdown, observes that no documentary evidence has been shared to ascertain, whether, it accounts for the category wise additional time for synchronization with the grid or otherwise.
- f. In addition, the Authority observes that even the PPA for K2/K3 is still not signed, since there exist disputed items pertaining to Schedule 5 (technical limits) of the PPA. Similarly, PPAs of nuclear power plants (C1, C2, C3, & C4) have been signed, however, the operating procedures are not came under discussion.
- g. Likewise, the Authority observes that in case of hydel power plants, the operating procedures for New Bong Escape and Star Hydro have been finalized and signed, however, the response does not reveal that whether the issue of additional time for synchronization with grid in the event of partial/total blackout has been addressed or otherwise. Similarly, the operating procedures for Tarbela, Tarbela Ext 4, Mangla, Warsak, Malakand-III, Gulpur and Karot are under discussion owing to reasons as mentioned by the Licensee lacking any expected timelines. In this regard, the Authority is of the view that the Licensee should follow the procedure as prescribed in the PPA for finalization of the same.

ii. **Activation/commissioning of the black start facility available at different power plants and minimum essential requirement of black start facility at different power plants based on a comprehensive study along with the associated cost vis-à-vis the financial implications of not having the appropriate black start facility in the system as per the requirements of Grid Code:**



- a. The Authority examined the submissions of the Licensee and observes that the response covers only Orient, Sapphire, Halmore and Foundation, whereas, no detail has been shared regarding Rousch and Engro Power Gen.
- b. Further, the Authority has noted that requirement of additional BS facility at Nandipur has also been raised by the Licensee, however, it was not included in its previous response dated 27-03-2023, and rather it indicated Punjab Thermal for additional BS facility. The Authority is of the view

that it is evident from the response that no systemic approach is adopted by the Licensee for the essential requirement of BS facilities and that is the reason that the Authority has directed repeatedly to carry out a comprehensive study in the matter along with its financial implications, however, the Licensee has failed to do so.

- c. Furthermore, the Licensee has stated that Orient, Sapphire, and Halmore have submitted commercial proposals to CPPA-G for activation of their BS facilities. In this regard, the Authority observes that in case a BS facility is available at a power plant, it shall remain active at all times and being part of the complex, any additional cost in this regard is not justified.

For the reasons stated above the Authority is of the view that the arguments put forward by the Licensee do not merit consideration.

Decision:

14. In view of the above, the Authority is of the considered opinion that the Licensee has failed to provide any satisfactory reply to the Explanation issued to it and therefore decided to issue a Show Cause Notice to the Licensee in terms of Regulation 4(8) & 4(9) of the NEPRA (Fine) Regulations, 2021.

Authority

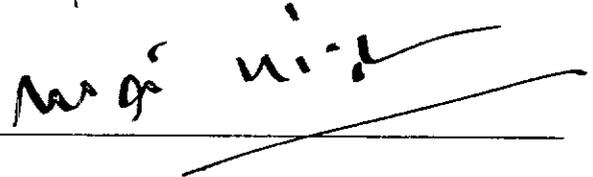
Rafique Ahmed Shaikh
Member (Technical)



Engr. Maqsood Anwar Khan
Member (Licensing)



Mathar Niaz Rana (nsc)
Member (Tariff and Finance)



Amina Ahmed
Member (Law)



Waseem Mukhtar
Chairman



Announced on 16.10, 2024 at Islamabad.

