



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

No. NEPRA/R/LAG-30/CPAG-2017 /302

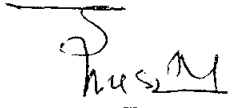
January 3, 2018

Chief Executive Officer
Central Power Purchasing Agency Guarantee Limited (CPPA-G)
ENERCON Building, Sector G-5/2,
Islamabad

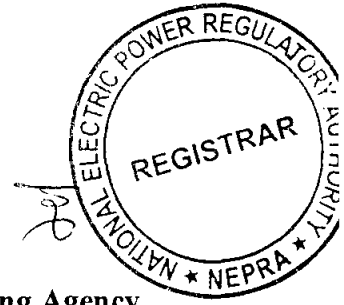
Subject: **Decision of the Authority regarding Status of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) as a Deemed Authorized and Registered Market Operator**

Enclosed please find herewith the subject Decision of the Authority (04 Pages) regarding the subject matter for information, record & further necessary action.

Encl: As above


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(Syed Safer Hussain)

National Electric Power Regulatory Authority
(NEPRA)



Decision of the Authority regarding status of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) as a Deemed Authorized and Registered Market Operator

CPPA-G as Market Operator

CPPA-G is a Company incorporated under the Companies Ordinance, 1984 and is functioning as the market operator to carry out market operations in accordance with the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 (the "Market Rules"), since June 2015. Under Rule 5 of the Market Rules CPPA-G is deemed to be authorized and registered as the market operator to commence and conduct the market functions for a period of two years.

This deemed authorization/registration of CPPA-G was for a period of two years from the commencement of Market Rules (June 2015- June 2017) and during this period it was required to apply for registration in accordance with the provisions of the Market Rules.

Application of CPP-G for Registration under Rule 3 of the Market Rules

CPPA-G applied for registration as market operator under Rule 3 of the Market Rules on April 14, 2017. The Authority considered the matter and admitted the same for further processing. Accordingly, notice of admission was published in one Urdu and one English newspaper. Further, separate letters were also sent to 375 relevant stakeholders including IPPs, GENCOs, DISCOs, TRANSCO and other public and private institutions.

Concerns of IPPs

The Authority received comments from IPPs wherein several concerns were raised, particularly the followings:

- Design of the competitive electricity market and its implementation in view of the ground realities of Pakistan power sector;
- Lack of consultation with IPPs on electricity market design;
- Requisite amendments in commercial procedures under the Commercial

Code;

- Financial strength of CPPA-G to operate the market and
- Legal status of CPPA-G to act as a market operator.

Submissions of CPPA-G

Comments of stakeholders were forwarded to CPPA-G for its response. In reply CPPA-G made submissions which are summarized as under:

a. Electricity Market Model

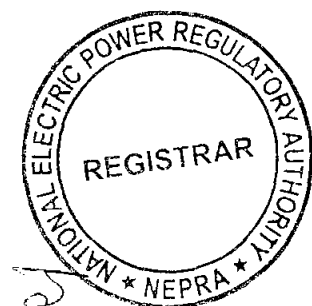
With respect to future market model CPPA-G has given the strategy comprising of four (04) phases. Phase-I includes (a) capacity building of main power sector entities, (b) high-level market model design and preparation of the draft Competitive Trading Bilateral Contract Market (CTBCM) Plan in-consultation with key stakeholders of the power sector including Ministry of Energy (Power Division), NEPRA, NTDC, DISCOs and K-Electric. CPPA-G envisaged Phase-II to be the approval phase during which to its understanding these documents will be in public domain and all other stakeholders including generation companies will be consulted before according approval. Therefore, all concerns related to financial security, legal and regulatory framework and contractual arrangement will be addressed before the market model is approved and a new market is created.

b. Commercial Code

CPPA-G has submitted that it was required to follow the same procedures for settlement, billing and payment as were followed by CPPA of NTDC, for a transition period not longer than two (02) years after issuing of the Commercial Code i.e. June 2017. At the end of that period new procedure described in clause 8.2 to 8.9, 9.2, 9.3 and 9.4 shall come into effect. In this regard, CPPA-G has submitted that the draft new commercial procedures shall be prepared by CPPA-G and submitted to NEPRA for approval later. CPPA-G has further requested to enhance the period for implementation of new billing settlement and payment system by mid of 2018.

c. Extending status of Deemed Authorized/Registered Market Operator

Agreeing to suggestion of HUBCO, an independent power producer, CPPA-G has requested the Authority to extend the status of CPPA-G as



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deemed Market Operator until the final decision regarding the registration of CPPA-G is made by the Authority.

Rule 5 of the Market Rules

Under Rule 5 of the Market Rules, CPPA-G was authorized and registered as the market operator to commence and conduct the market functions for a period of two years from the commencement of the Market Rules. This deemed authorization/registration of CPPA-G was for a period of two years from the commencement of Market Rules and during this period it was required to apply for registration in accordance with the provisions of the Market Rules. Relevant part of Rule 5 of the Market rules is reproduced as under:

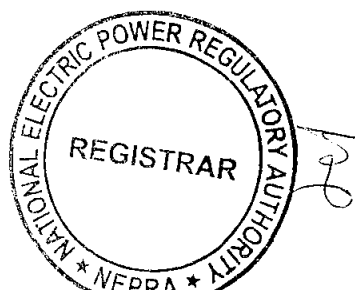
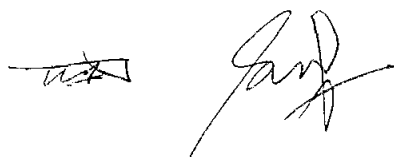
5. Market operator authorization. —(1) Notwithstanding anything contained in these rules, for a period of two years from the commencement of these rules, CPPA-G shall be deemed to be authorized and registered as the market operator under these rules to commence and conduct the market operations and during this period shall apply for registration in accordance with the provisions of these rules.....

In terms of abovementioned Rule-5 of the Market Rules, it has been argued that the deemed authorization/registration of CPPA-G has expired in June 2017.

Decision of the Authority


The Authority is conscious of the fact that this is unique case in power sector of Pakistan. For the first time, an entity has applied to be registered as a Market Operator to perform the market functions particularly developing a plan for a competitive power market in Pakistan. This requires proper understanding of matter, due diligence & deliberation and comprehensive input from all the stakeholders/potential market participants.

The Authority has received serious concerns from the stakeholders. CPPA-G has also made request to the Authority to submit revised Commercial Code at a later stage and extension of existing commercial procedures till 2018. Further, CPPA-G has requested the authority to extend the status of CPPA-G as deemed Market Operator until the final decision regarding the registration of CPPA-G is made by the Authority.

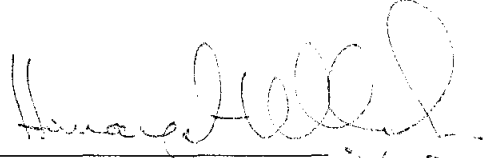


In view of foregoing, the Authority through this interim order has decided to extend the status of CPPA-G as “deemed authorized/registered” market operator till June 2018 or final decision of the Authority in the matter whichever is earlier. Further, all functions carried out by CPPA-G as a market operator during the period from June 2017 till date shall be considered valid under the status of deemed authorized/registered market operator.


Authority




Syed Masood ul Hasan Naqvi
(Member)



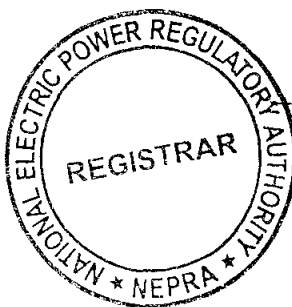
Himayat Ullah Khan
(Member) 26.12.17.

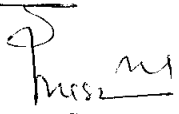


Saif Ullah Chattha
(Vice Chairman/Member) 29.12.2017



Fariq Suddozai
(Chairman)





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