



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-366/CPA-G-2016/17413-17415

November 12, 2018

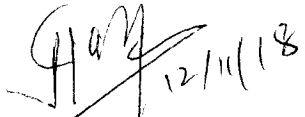
Subject: Determination of the Authority in the matter of Application filed by Central Power Purchasing Agency (Guarantee) Limited (CPA-G) for Determination of its Market Operator Fee for FY 2017-18

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority (31 pages) in Case No. NEPRA/TRF-366/CPA-G-2016.

2. The 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.

Enclosure: As above


(**Hafeez Ullah Khan**)

Secretary
Ministry of Energy (Power Division)
Government of Pakistan
A Block, Pak Secretariat,
Islamabad.

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



National Electric Power Regulatory Authority
(NEPRA)

DETERMINATION OF MARKET OPERATOR FEE

FOR THE FY 2017-18

UNDER

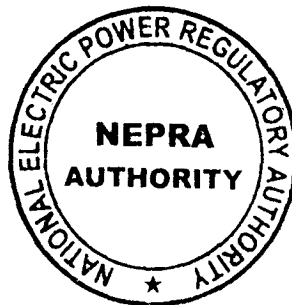
NEPRA TARIFF STANDARDS & PROCEDURE RULES - 1998

OF

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED (CPPA-G)

Islamabad

November 12, 2018



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**DETERMINATION OF THE AUTHORITY IN THE MATTER OF APPLICATION FILED BY
CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED (CPPA-G) FOR
DETERMINATION OF ITS MARKET OPERATOR FEE FOR THE FY 2017-18**

CASE NO. MOF-01

PETITIONER

Central Power Purchasing Agency (Guarantee) Limited (CPPA-G)

NEECA Building, G-5/2, Islamabad.

INTERVENER

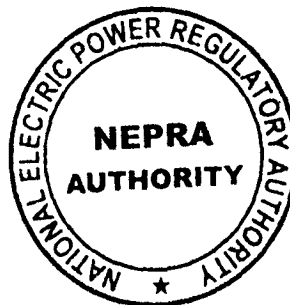
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COMMENTATOR

NIL

REPRESENTATION

- Chief Financial Officer
- Chief Legal Officer
- Chief Information Officer



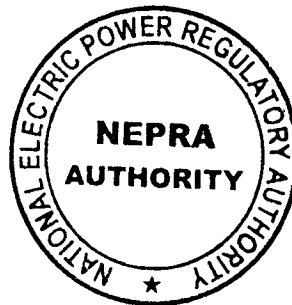
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ABBREVIATIONS

CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
FY	Financial Year
GOP	Government of Pakistan
MoWP	Ministry of Water and Power
NTDCL	National Transmission & Despatch Company Limited
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PEPCO	Pakistan Electric Power Company
SRO	Statutory Regulatory Order
T&T	Transmission and Transformation Losses



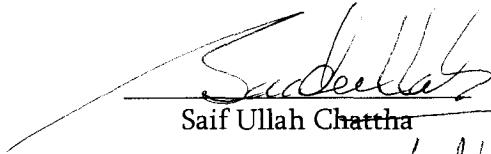
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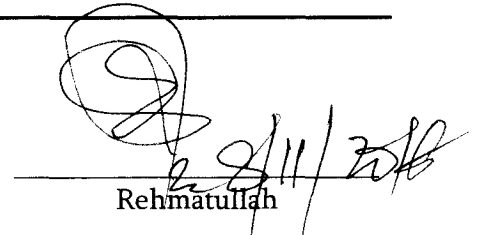
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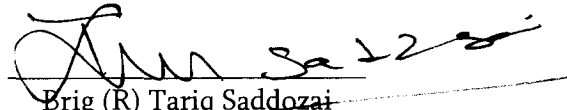


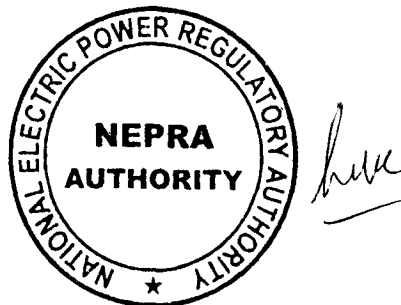
The Authority, in exercise of the powers conferred on it under Section 7(3) (a) read with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, Tariff (Standards and Procedure) Rules, 1998 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by the parties, issues raised, evidence/record produced during hearings, and all other relevant material, hereby issues this determination.

AUTHORITY


Saif Ullah Chattha
Member 1.11.2018


Rehmatullah
Vice Chairman

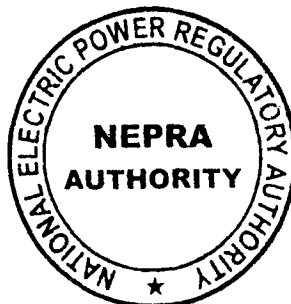

Brig (R) Tariq Saddozai
Chairman



1. BACKGROUND

- 1.1. CPPA-G, hereinafter called "the Petitioner", filed its petition for determination of its Market Operator Fee for the FY 2017-18 in terms of Rule 3 and Sub-Rule 7 of the Tariff Standards & Procedure Rules-1998 ("Rules") and in line with the Chapter 11 of the approved Commercial Code vide letter no. CPPA-G/2016/CEO/1963 dated 13 February, 2018.
- 1.2. CPPA-G in its Market Operation Fee Petition has requested the following reliefs for the FY 2017-18:
- To approve the Market Operation Fee @ Rs.3.5665 per kW/month.
 - To incorporate an amount of Rs.257.51 million and Rs.230 million in the head of PYA and other income respectively, while assessing the revenue requirement of the company.
 - To allow immediate application of the requested Market Operations Fee under Sub-Rule 7 of Rule 4 of the NEPRA (Tariff Standards and Procedures) Rules, 1998.
 - Any other relief which the Authority deems fit in the circumstances may also be granted.
- 1.3. Here it is pertinent to mention that Rule-5 (1) of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "**Market Rules**") states that 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.
- 1.4. CPPA-G accordingly filed the application for Registration as Market Operator vide letter no. CPPA-G/2016/CEO/SMD/8486-87 dated April 12, 2017 before the Authority. The Authority vide its decision dated January 03, 2018 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. The Authority decided as under;

"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."



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2. PROCEEDINGS

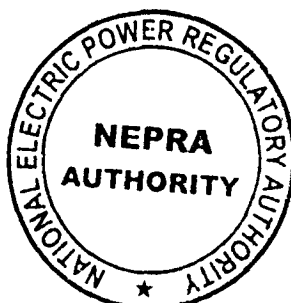
- 2.1. In terms of rule 4 of the Rules, the Petition was admitted by the Authority on February 27, 2016. While admitting the same, the Authority considered Petitioner's request for the immediate application of the proposed fee, under rule 4 (7) of the Rules, noted that market operator fees determined by the Authority for the FY 2016-17 is already being charged by the Petitioner during the period under consideration, therefore the request of the Petitioner for immediate application of the proposed fee is not logical at this point of time and does not merit consideration.
- 2.2. The notice of admission / hearing was published in the newspapers on March 29, 2018 whereby hearing in the matter was scheduled to be held on April 12, 2018 at NEPRA Tower Islamabad. Separate notices of Admission and Hearing were also sent to the interested parties under Rule 4(5)(6) of the Tariff Rules 1998.

3. Filing of objections/ comments:

- 3.1. Despite issuing separate notices to the key stakeholders and publication of notices in the national newspapers, neither any comments were filed nor any intervention request was received.

4. Issues of the Hearing

- 4.1. On the basis of the pleadings, following issues were framed to be considered during the hearing and for presenting oral and documentary evidence;
- i. Whether the petitioner has complied with the directions of the Authority given in the earlier market operation fee determination?
 - ii. Whether the requested General Establishment Cost is justified?
 - iii. Whether the requested Administrative Costs, Repair & Maintenance, Insurance, Finance Charges are justified?
 - iv. Whether the requested capital expenditure is reasonable and justified?
 - v. Whether the requested amounts of Prior Year Adjustment and Other Income is justified?
 - vi. Whether the request of the Petitioner to actualize administrative cost based on financial statement for the FY 2017-18 is justified?
 - vii. Any other issue that may come up during the hearing.



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5. **Hearing**

- 5.1. Hearing in the matter was held on April 12, 2018 at NEPRA Tower Islamabad which was attended by the Petitioner and other stakeholders i.e. media, general public etc.
- 5.2. On the basis of the pleadings, record/evidence produced during the course of hearing and afterwards, the issue-wise findings of the Authority are given hereunder:

6. **Issue # 1 Whether the petitioner has complied with the directions of the Authority given in the earlier market operation fee determination?**

- 6.1. The Authority gave certain directions to the Petitioner in its Market Operation Fees determination for the FY 2016-17, which are discussed hereunder;

6.2. **To share the demand forecasting model before submission of its next tariff petition**

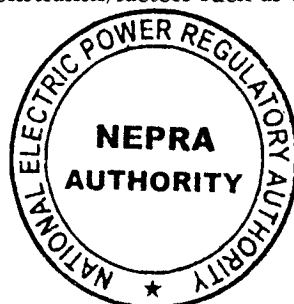
- 6.2.1. The Petitioner in this regard submitted that two demand forecasts models have been prepared:

- i. Power Market Survey (PMS): This model is used for medium-term forecast. By getting data from DISCOs, facilitating them and training them, this model has been completed. Ten individual reports by DISCOs and one consolidated report has been prepared and submitted before the Regulator for obtaining regulatory approval through this office letter number CPPA-G/2017/CEO/SMD/8876-91 Dated August 22nd, 2017.
- ii. Econometric (Regression Based): This model is used for long-term forecasts based on econometric indices. The first draft of the report was completed with the assistance of CPPA-G consultant. The report has been reviewed by independent consultants and shall be submitted by NTDC shortly.

- 6.2.2. CPPA-G further submitted that in-order to institutionalize the forecasting function in respective entities, Market Implementation Monitoring Group (MIMG) has prepared a plan that will address the people, process, and technology and equipment aspect. This plan has been consulted with DISCOs, NTDC, NEPRA and K-Electric through a workshop on Energy and Demand Forecasting. MIMG has incorporated the feedback by the participants in the plan. The implementation of this plan will enable the DISCOs (for medium term) and NTDC (for long term) to run and sustain this important function.

6.3. **To share Basket Price Assessment Model and Market Simulation Model before submission of its next tariff petition.**

- 6.3.1. The Petitioner on the issue stated that simplified basket price model and market simulation model has been prepared. However, the model is being further optimized taking into account some constraints/factors such as transmission network, the hydrology



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etc. CPPA-G has evaluated different Market Modeling tool options and is in the process of initiating the procurement. The Authority having considered the submission of CPPA-G and keeping in view the complexities of the model appreciates the efforts being made to prepare the model. However, the Authority feels that the preparation process should be expedited and the model should be shared with NEPRA as soon as it is prepared.

6.4. **To submit Quarterly Progress report on the PPA Bifurcation**

6.4.1. The Petitioner on the issue mentioned that in the context of competitive power market development, three prompt strategies have been adopted in this regard.

- The Tripartite Agreement already approved by ECC will be utilized for new power procurement until mid of 2018.
- The bi-furcated PPA draft has been prepared and is under internal review. Once approved by ECC it is anticipated to be utilized for new generation contracts that may happen between mid of 2018 to June 2020 i.e. the Commercial Operations Date (COD) of the Competitive Trading Bilateral Contract Market (CTBCM).
- CPPA with the assistance of ADB's consultants, during this transition time period, will also prepare CTBCM and get approved the Market Based bi-furcated PPAs that will come in action from June 2020 i.e. with COD of CTBCM.

6.4.2. In order to remain updated on the progress the Petitioner is hereby directed to continue sharing its progress in this regard on quarterly basis.

6.4.3. The Authority further in its earlier determination dated January 05, 2017 directed CPPA-G to submit the quarterly progress report in the following matters,

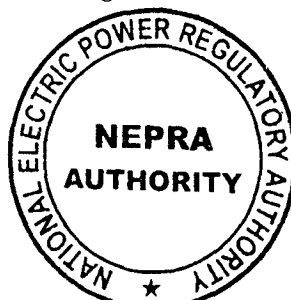
- HR Development
- ERP Implementation
- Market Development

6.4.4. The Petitioner partially complied with the direction of the Authority as it did not submit the required reports on quarterly basis.

6.4.5. The Authority feels that the petitioner need to ensure full compliance of its direction. In view thereof the Petitioner is once again directed to ensure compliance of Authority's direction.

6.5. **To enter into a formal arrangement with NTDCL wherein a mechanism for calculation of impact of excess losses over & above the Authority's allowed limit be clearly stipulated**

6.5.1. The Petitioner submitted that it has taken up the matter on "Excess Transmission losses incurred by NTDCL over and above the targets set by the Authority" with NTDCL and provided the copy of the draft agreement. The Authority directs the Petitioner



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to finalize the agreement without further delay and submit a copy of the same to the Authority.

6.6. **Comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard**

6.6.1. The Petitioner submitted that circular debt report was provided to the Authority vide letter dated August 3rd 2017 pertaining to the quarters ending Sep. 2016, Dec. 2016 and Mar. 2017. The Authority noted that CPPA-G did not provide any further reports thereafter, whereas, it was required to provide a comprehensive report on the issue every quarter, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard. The Authority therefore again directs CPPA-G to ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard.

6.7. **To submit its Annual Report as soon as possible and include complete details of payable and receivables of the company**

6.7.1. The Petitioner in the petition submitted that annual report of FY 2015-16 and FY 2016-17 is in the finalization process. The Petitioner, however attached the initialed copies of its accounts for the FY 2015-16 & FY 2016-17. Later on the Petitioner submitted a signed copy of its Annual Report for the FY 2016-17. However, the report submitted by the Petitioner did not include the Auditors report and notes to the financial statements. The Authority directs the Petitioner to provide a complete copy of its annual report for the FY 2016-17 including therein the complete detail of payable and receivables of the company. Similarly for the future periods the Report shall be submitted without any delays.

6.8. **To prepare and get approved a Competitive Trading Bilateral Contract Market (CTBCM) Plan by June 2017**

6.8.1. In this regard, it is submitted that the CPPA-G CTBCM vide letter dated 2nd March 2018. The CTBCM was placed on the Authority's website on 18th May 2018 for solicitation of comments and feedback. All responses received by the Authority were compiled and forwarded to the CPPA-G for comments and response.

7. **Issue# 2 Whether the requested General Establishment Cost is justified?**

7.1. The Petitioner has requested General Establishment cost of Rs.752.07 million for FY 2017-18. As per the Petitioner, the General Establishment Cost includes Pay & allowances, employee's benefits, trainings & capacity building and outsourcing consultancy services. The Petitioner submitted that its actual expenditure under



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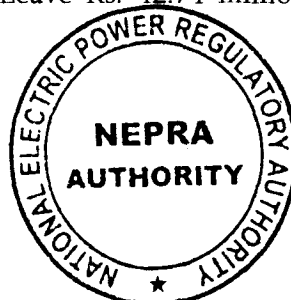
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this head for the FY 2016-17 is Rs. 455.42. The summary of the requested amount is given below;

General Establishment Cost	FY 2016-17		Min. Rs. FY 2017-18
	Determined	Act	Requested
Pay & Allowances	467.00	413.35	662.94
Training & Capacity Building	15.00	14.79	40.70
Outsourcing Consultancy Services	43.09	27.28	48.43
Total	525.09	455.42	752.07

7.2. Pay & Allowances

- 7.2.1. The Petitioner for the FY 2017-18 has requested an amount of Rs.662.94 million under the head of Pay & Allowances. The Petitioner stated that the Authority while determining the Market Operation Fee (MOF) for the FY 2016-17 allowed an amount of Rs.467 million for pay & allowances, whereas, its actual expenditures for the said period is Rs. 413.35 million owing to the prolonged hiring process for the 81 vacant positions.
- 7.2.2. The Petitioner while justifying the increase of around Rs.196 million over the amount allowed for the FY 2016-17 i.e. Rs.467 million, submitted that for the FY 2016-17, the amount of Rs.97.5 million allowed for the 81 vacant positions was based on six months' salary as the positions were expected to be filled by the mid of FY 2016-17. Now the hiring process is almost complete, therefore, the pay and allowances of newly filled positions have been estimated for the entire FY 2017-18.
- 7.2.3. The Petitioner further stated that 10% annual increment in pay and allowances of eligible employees has been incorporated for FY 2017-18.
- 7.2.4. The Petitioner also stated that the Authority at para 24.13 of its MOF determination for the FY 2016-17 dated January 5, 2017 allowed an amount of Rs.47.85 million for purchase of vehicle for employees of grade G-9 and above, however, later the management of CPPA-G decided to allow vehicle monetization allowance for G-9, G-10 & G-11 cadre officers instead of providing vehicles. The Petitioner accordingly requested the Authority to allow the same.
- 7.2.5. The Petitioner also requested an amount of Rs. 23.35 million as one basic pay bonus to the eligible employees of the CPPA-G by stating that similar organizations in the Government sector are also paying bonus to their employees.
- 7.2.6. The Petitioner further mentioned that the requested Pay & Allowances also includes employees benefits in shape of EOBI fund of Rs1.56 million, Health Insurance Rs. 12.36 million, Gratuity Fund Rs. 36.54 million, Provident Fund Rs. 13.80 million, Earned Leave Rs. 42.74 million, Honoraria Rs. 2.00 million and



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pension contribution of 51 deputation employees i.e. Rs. 9.97million for FY 2017-18.

7.2.7. The petitioner in view of the foregoing requested an amount of Rs. 662.94 million under the head of Pay & Allowances to be adjust based on its actual expenses for the FY 2017-18 as PYA (upward / downward as the case may be) once the financial statements for FY 2017-18 are available.

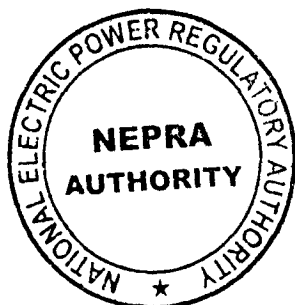
7.2.8. Afterwards, the Petitioner vide email dated July 02, 2018 provided its actual six months expenses for the FY 2017-18 as tabulated below;

Description	FY 2017-18
	<i>Jul-Dec</i>
<u>General Establishment Costs</u>	
Pay & Allowances	201.35
Contractual Employees/Daily Wages	8.02
Employee Benefits	37.30
Bonus	0.01
Subtotal	246.67

7.2.9. Subsequently, the Petitioner vide email dated July 03, 2018, provided information regarding impact of fresh hiring made after December 2017 and amount pending to be charged to the actual costs provided earlier as detailed below;

Rupees								
S.No	Cadre	Post Filled	Lumpsum Package	Monthly	Estimated Salaries for the Period	Other Benefits Per Employee / Half Year	Other Benefits Total	Total Amount
1	CPPA-G9	3	341,863	1,025,589	6,153,534	631,005	1,893,015	8,046,549
2	CPPA-G8	8	202,125	1,617,000	9,702,000	504,690	4,037,520	13,739,520
3	CPPA-G6	17	101,063	1,718,071	10,308,426	403,628	6,861,668	17,170,094
4	CPPA-G5	1	64,969	64,969	389,813	109,127	109,127	498,939
5	Daily Wages	4	25,000	100,000	600,000		-	600,000
Total		33		4,525,629	27,153,773	2,910,459	12,901,329	40,055,102

Details	Rs.
Bonus	18,115,640
Leave Encashment	19,000,000
Pension	9,000,000
Gratuity	16,691,740
Total	62,807,380



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- 7.2.10. Considering the fact that the FY 2017-18 has already lapsed, the Authority in order to make fair assessment of the Petitioner's Pay & Allowances for the FY 2017-18, decided to analyze the actual expenditure of the Petitioner in this regard. The Petitioner was accordingly directed to provide its actual expenditure for the FY 2017-18. The Petitioner, however, only provided its actual expenses for the period July to December 2017, whereby its actual expenses under the head of Pay & Allowances are Rs.246.67 million.
- 7.2.11. The Authority, in order to work-out the cost for the entire year, has decided to double the cost incurred by the Petitioner up-to Dec 2017, thus, resulting in total cost of Rs.493.34 million under the head Pay and Allowances for the employees working as on Dec 2017 for the FY 2017-18. Further, the impact of Bonus, Leave Encashment, Pension and Gratuity for those employees, for the FY 2017-18, amounting to Rs.62.807 million, as mentioned by the Petitioner, is also allowed. Thus, total cost of employees working as on Dec 2017 comes out to Rs. 556.147 million for the entire FY 2017-18.
- 7.2.12. For the additional 33 employees hired by CPPA-G after December 2017, the Petitioner requested an amount of Rs. 40.06 million, however, as per our working, the said cost works out as Rs. 26.583 million as detailed below;

								Rupees
S.No	Cadre	Post Filled	Lunsum Package	Monthly	Estimated Salaries for the Period	Other Benefits Per Employee / Half Year	Other Benefits Total	Total Amount
1	CPPA-G9	3	341,863	1,025,589	5,127,945	269,973.28	809,920	5,937,865
2	CPPA-G8	8	202,125	1,617,000	8,085,000	186,965.63	1,495,725	9,580,725
3	CPPA-G6	17	101,063	1,718,071	8,590,355	93,483.28	1,589,216	10,179,571
4	CPPA-G5	1	64,969	64,969	324,844	60,096.09	60,096	384,940
5	Daily Wages	4	25,000	100,000	500,000	-	-	500,000
Total		33		4,525,629	22,628,144	1,872,528	3,954,957	26,583,100

- 7.2.13. In view of the above, the Petitioner is hereby allowed a total amount of Rs.582.74 million as tabulated below under the head of Pay & Allowance and other benefits for the FY 2017-18;



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Description	Rs.in mln
Pay & Allowance Jul- Dec 17	246.67
Pay & Allowance Jan-June 18	246.67
Additional Hiring	26.58
Bonus	18.12
Leave Encashment	19.00
Pension	9.00
Gratuity	16.69
Total	582.74

7.2.14. Regarding request of the Petitioner to allow vehicle monetization allowance for G-9, G-10 & G-11 cadre officers instead of vehicles, the Authority considers this an operational issue, to be decided/ approved by the BoD of the Petitioner. As stated by the Petitioner, the management of CPPA-G has allowed vehicle monetization allowance for G-9, G-10 & G-11 cadre officers, instead of providing vehicles, therefore, the Authority also while assessing the Pay & Allowances for the FY 2017-18 has incorporated the impact of the same in the amount being allowed.

7.2.15. Regarding request of the Petitioner for actualization of the allowed costs, the same has been discussed as a separate issue.

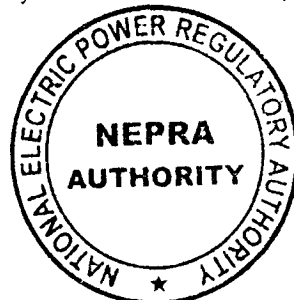
7.3. Training & Capacity Building

7.3.1. The Petitioner initially requested an amount of Rs.40.70 million under training & capacity building as detailed below;

Description	Amount (Mln. Rs.)
Local Trainings	8.490
Foreign Trainings	20.210
Workshops (Market development sessions)	12.00

7.3.2. The Petitioner stated that it is going through the restructuring and market development process for which numerous training and capacity building programs are required. The Petitioner afterwards vide letter dated April 18, 2018 submitted to curtail the amount requested under Training and Capacity Building by Rs. 20.70 million and the same be added under the Rent, Rate & Taxes to meet the expenses of additional space required by CPPA-G.

7.3.3. Considering the fact that the FY 2017-18 has already lapsed, the Authority in order to make fair assessment of the Petitioner's Training & capacity building cost for the FY 2017-18, decided to analyze the actual expenditure of the Petitioner in this regard. The Petitioner was accordingly directed to provide its actual expenditure for the FY 2017-18. The Petitioner, however, only provided its actual expenses for the period July to December 2017, whereby its actual expenses are



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Rs.4.84 million. The Authority keeping in view the Petitioner's past trend and actual expenditure incurred from Jul to Dec. 2017, has assessed an amount of Rs.9.68 million for the FY 2017-18.

7.4. Outsourcing Services & Consultancy

7.4.1. The Petitioner regarding the Outsourcing Services & Consultancy cost initially requested an amount of Rs.48.43 million, as mentioned below;

Description	Rs. In million
Financial Forecast Consultant	6.4
Demand Forecast Consultant	6.4
Market Simulation Model Consultant	7.2
Advisor Treasury	5.0
Advisor IT	5.8
Advisor HR	2.6
Change Management Consultant	4.0
Individual Consultant	2.0
Janitorial & Security Services	8.7
Total	48.4

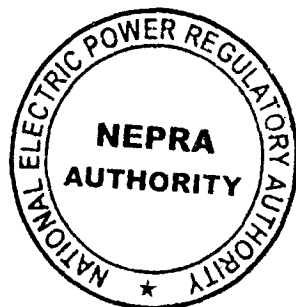
7.4.2. The Petitioner further requested to actualize the allowed cost (upward / downward) based on financial statements of FY 2017-18.

7.4.3. Afterwards, the Petitioner vide letter dated April 18, 2018 requested to curtail the amount requested for Outsourcing Consultancy Services by Rs.8.43 million and the same be added under the Rent, Rate & Taxes to meet the expenses of additional space required by CPPA-G.

7.4.4. Here it is pertinent to mention that the Petitioner was allowed an amount of Rs.43.09 million for Outsourcing Services & Consultancy for the FY 2016-17, against which is actual expenditure remained at around Rs.27.28 million. The Petitioner while justifying the lesser expenditure submitted that share of ADB's grant for these activities increased thus reducing the burden on the end customers.

7.4.5. Considering the fact that the FY 2017-18 has already lapsed, the Authority in order to make fair assessment of the Petitioner's Outsourcing Services & Consultancy cost for the FY 2017-18, considered the actual expenditure of the Petitioner in this regard. As per the Petitioner its actual expenditure for the first six months of the FY 2017-18 under this head is Rs.15.15 million. The Authority keeping in view the Petitioner's past trend and actual expenditure incurred from Jul to Dec. 2017, has assessed an amount of Rs.30.30 million for the FY 2017-18.

7.4.6. Regarding request of the Petitioner for actualization of the allowed costs, the same has been discussed as a separate issue.



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8. Issue#3 Whether the requested Administrative, Repair & Maintenance, Insurance and Finance Costs are justified?

8.1. The Petitioner has requested Rs. 103.80 million under the head of Administrative, Repair & Maintenance, Insurance and Finance Costs as per the following break-up;

Description	Rs. In million
Adminstrative Costs	82.10
Repair & Maintenance	19.12
Insurance	0.18
Finance Charges	2.40
Total	103.80

8.2. The Administrative Costs, as per the Petitioner, includes rent, rate and taxes, electricity bill charges and water charges, telephone bills, courier and internet charges, office supplies and other expenses, entertainment, Sports & Recreation, advertisement and publication, travelling expenses, professional fee and other related miscellaneous expenses. The Petitioner also provided break-up of the amount of Rs.82.10 million requested under administrative costs as given hereunder;

Administrative Costs	Rs. Mln
Rent Rate & Taxes	23.10
Power Light etc.	6.28
Telephone Fax & Postage Telegram etc.	9.82
Office Supplies & Other Expenses	6.60
Subscription & Periodicals	0.14
Representation & Entertainment	0.30
Sports & Recreation	2.50
Advertisement & Publication	3.12
Travelling Expenses	18.70
Professional Fee & BOD Fee	11.38
General Misc. Expenses (Audit Fee)	0.17
Total	82.10

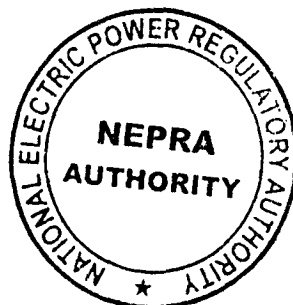
8.3. Regarding Rent, Rate & Taxes, the Petitioner stated that it is related to the building rent, occupied by CPPA-G to carry out its operations. Presently, as per the Petitioner, it is carrying out its operations in four offices that includes (a) ENERCON Building Islamabad @ Rs. 0.73 million per month (b) Shaheed-e-Millat Office Islamabad @ Rs. 0.12 million per month (c) Wapda House Lahore @ Rs.1.0 million per month and (d) MF Treasury office Napier Road Lahore @ Rs 0.23 million per month estimated for 3 months of FY 2017-18).



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- 8.4. Here it is pertinent to mention that the Authority allowed an amount of Rs.30.80 million for rent, rate and taxes for the FY 2016-17, against which the Petitioner's actual expenses were Rs. 22.04 million. The main reason for decrease in expenses as stated by the Petitioner being the merger of various offices into single office, except, two site offices at Lahore, which are still being occupied due to operational reasons.
- 8.5. However, afterwards, the Petitioner vide letter dated April 18, 2018 requested to reduce the amount claimed under the head of Training & Capacity Building and Outsourcing Consultancy Services by Rs. 20.70 million and Rs. 8.43 million respectively and the same amount be allowed under Rent, Rate & Taxes to meet the expenses of additional space required by CPPA-G, thereby the Petitioner requested an amount of Rs. 52.23 million under the head of Rent, Rate & Taxes. Subsequently, the Petitioner vide letter dated June 06, 2018 submitted that it is relocating its office to new building due to space issues which will enable it to run/perform its operation more smoothly and efficiently and consequently revised its rent, rates & taxes figure to Rs. 90 million.
- 8.6. The Petitioner has requested an amount of Rs.6.28 million under the head Power, Light and Water, which as per the Petitioner, have been projected keeping in view the monthly average expenditure and includes electricity, water & gas charges.
- 8.7. Regarding Telephone, Internet & Postage etc., the Petitioner while justifying the requested amount of Rs.9.28 million stated that the Board/ management of CPPA-G has approved mobile phone facility for officers from grades G-06 to G-11 which would costs around Rs.5 million p.a. Further, annual estimated costs for telephone charges, office internet and courier charges is around Rs.0.97 million, Rs.3.3 million and Rs.0.48 million respectively.
- 8.8. For the remaining heads of Administrative Expenses; the Petitioner has requested an amount of Rs.42.90 million and stated that it includes office supplies, entertainment, sports & recreation, subscription & periodicals, advertisement & publications, travelling fee, professional fee and general miscellaneous expenses, which are essential in nature and are incurred to carry out routine operations of the CPPA-G. A summary of the amount claimed by the Petitioner for the FY 2017-18 and its actual expenses vis a vis amount allowed for the FY 2016-17 is as under;

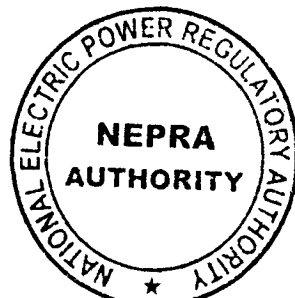


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Administrative Costs	FY 2016-17		FY 2017-18
	Determined	Actual	Requested
Office Supplies & Other Expenses	5.01	4.80	6.60
Subscription & Periodicals	0.13	0.02	0.14
Representation & Entertainment	0.13	0.12	0.30
Sports & Recreation	-	-	2.50
Advertisement & Publication	-	-	3.12
Travelling Expenses	17.00	16.58	18.70
Professional Fee & BOD Fee	10.00	9.89	11.38
General Misc. Expenses (Audit Fee)	0.15	0.09	0.17
Total	32.42	31.49	42.90

- 8.9. The Petitioner further requested that the administrative expenses may be actualized (upward / downward) based on financial statements of FY 2017-18.
- 8.10. Considering the fact that the FY 2017-18 has lapsed, the Authority decided to analyze the actual expenditure of the Petitioner for the FY 2017-18 in this regard. The Petitioner, however, only provided its actual expenses for the six months period i.e. from July to December 2017.
- 8.11. As per the detail provided by the Petitioner, its actual expenses under the head of rent, rates & taxes is Rs.19.65 million. Afterwards the Petitioner vide email dated July 03, 2018 stated that for the remaining six months, the actual cost incurred during July to Dec. 2017 may be enhanced by Rs.1.514 million, thus, resulting in total cost of Rs.40.81 million for the FY 2017-18.
- 8.12. The Authority, in view of the fact that the Petitioner did not relocate its office to new building during the FY 2017-18 and remained housed in the existing premises, has decided to double the actual cost incurred by the Petitioner up-to Dec 2017 and by adding therein the additional amount of Rs.1.514 million, as requested by the Petitioner, the total amount works out as Rs.40.81 million. The same is hereby allowed to the Petitioner under the head of Rent, rates & taxes for the FY 2017-18.
- 8.13. Similarly, for the head of Power, Light and Water, the Petitioner reported its actual expenditure for first six months of FY 2017-18 as Rs.0.83 million. Afterwards, the Petitioner vide email dated July 03, 2018 stated that for the remaining six months, the actual cost incurred from July to Dec 2017 may be enhanced by Rs. 2.58 million, thus resulting in total cost of Rs. 4.24 million.
- 8.14. The Authority, in view thereof, has decided to double the actual cost incurred by the Petitioner up-to Dec 2017 and by adding therein the additional amount of Rs.2.58 million as requested by the Petitioner, the total amount works out as Rs.4.24 million. The same is allowed to the Petitioner under the head of Power, Light and Water for the FY 2017-18. Here it is pertinent to mention that the Petitioner's actual expenses under this head for the FY 2016-17 were around Rs.4.41 million against the Authority's allowed cost of Rs.5.00 million



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- 8.15. Regarding Telephone, Internet & Postage etc. the Authority keeping in view the Petitioner's actual expenses from Jul to Dec. 2017 i.e. Rs.2.84 million, has decided to allow an amount of Rs.5.69 million for the FY 2017-18. The Petitioner's actual expenses under this head for the FY 2016-17 were Rs.2.01 million against the allowed amount of Rs.4.21 million.
- 8.16. For the remaining administrative heads, the Petitioner vide emails dated July 2 & 3, 2018 submitted that its actual expenses from Jul to Dec 2017 are Rs. 16.33 million and for the remaining six months, the actual cost incurred from July to Dec 2017 may be enhanced by Rs. 0.7 million, thus resulting in total cost of Rs. 32.65 million.
- 8.17. The Authority, considering the cost of Rs.32.65 million being reasonable has decided to allow the same for the remaining administrative heads for the FY 2017-18. Here it is pertinent to mention that the Petitioner's actual expenses under these heads for the FY 2016-17 were around Rs.31.49 million.
- 8.18. The request of the Petitioner for actualization of the allowed costs has been discussed as a separate issue.

8.19. **Insurance and Financial Charges**

8.19.1. Regarding insurance and financial charges, the Petitioner submitted that insurance charges pertain to payment of insurance premium of miscellaneous assets @3%, whereas financial charges are the normal bank charges against total transactions/projected payments of over Rs.1.5 trillion. The Petitioner accordingly requested Rs.0.18 million and Rs.2.40 million as insurance and financial charges respectively. Subsequently the Petitioner vide email dated July 02, 2018 submitted that its actual financial charges for the first six months expenses of the FY 2017-18 is Rs. 0.54 million.

8.19.2. Considering the Petitioner actual cost of Rs. 0.54 million till December 2017, the Authority has decided to also allow the same cost for the remaining six months, thus, a total cost of Rs.1.08 million is allowed as financial charges for the FY 2017-18. Regarding Insurance Charges, the Authority considering the request of the Petitioner of Rs.0.18 million, as reasonable and allows the same.

8.20. **Repair and Maintenance**

8.20.1. The Petitioner regarding Repair & Maintenance expenses explained that it includes repair and maintenance of furniture, office equipment and vehicles. It also includes purchase of printer & photocopier toners, fuel, oil & lubricants, annual fee and token taxes of vehicles. The Petitioner further stated that it has fourteen (14) pool vehicles for office use, which are old and need one-time complete general maintenance for the smooth running. However, once this



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complete general maintenance is done, the cost under this head would decrease in next financial year. Subsequently the Petitioner vide email dated July 02, 2018 submitted that its actual six months expenses for the FY 2017-18 is Rs. 4.49 million.

8.20.2. Considering the Petitioner's actual cost of Rs. 4.49 million till December 2017, and the fact that FY 2017-18 has already lapsed, the Authority has decided to allow the same amount for the remaining six months as well. Accordingly, the Petitioner is allowed an amount of Rs.8.898 million under the head of Repair & maintenance for the FY 2017-18.

9. **Issue #4 Whether the requested capital expenditure is reasonable and justified?**

9.1. The Petitioner has requested an amount of Rs.25.85 million for Capital expenditure to be carried out during the FY 2017-18 for the following heads;

- I.T Equipment & Software
- Office Space Renovation
- New Vehicles
- Other (Furniture & Fixtures)

9.2. The Petitioner provided the following details of its requested Capital Expenditure:

Description	Mln. Rs.
	FY 2017-18 Requested
ERP	-
IT Equipment & Software	6.85
Office Space Renovation	10.00
New Vehicles	4.00
Others (Furniture & Fixtures)	5.00
Total	25.85

9.3. The Petitioner provided the following justification of the requested amounts;

a) **IT Equipment & software.**

IT equipment & Software i.e. Laptops for employees, printers for office work and purchase of registered software for smooth working of the office. The cost of I.T equipment is planned on the basis of new induction and future requirements of employees in CPPA-G. The estimated amount of the activity planned in this regard during the FY 2017-18 is Rs. 6.85 million.



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b) Office Space Renovation

The office space renovation includes existing space, incremental cost & renovation of the office. Currently CPPA-G has shifted to a new office and its staff strength is continuously increasing, leading to continuous change in the accommodation area and increase in partition work for adjustment of the newly inducted employees. The estimated amount in this head is Rs.5.00 million. However, during hearing of the instant Petition, the Petitioner revised the requested amount under to Rs. 10 million.

Subsequently, the Petitioner vide letter dated June 06, 2018 revised its requested amount of office space renovation to Rs. 150 million, by providing the reason that it is relocating to a new office building.

c) New Vehicles

The vehicles are required to strengthen the logistic support and improvement in the resource utilization and field work efficiency of CPPA-G. The estimated cost of vehicles to be procured for official use is Rs.4.00 million for the FY 2017-18.

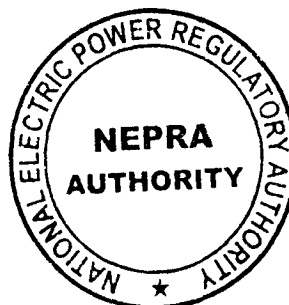
d) Others (Furniture & Fixtures)

Expenditures under this head is required for the improvement of the working environment, better look of office and providing better working conditions. The amount under this head is planned to be Rs.5.00 million for the FY 2017-18.

In view of the above, the Petitioner requested a total CAPEX of Rs.168.85 million as detailed below;

Description	Requested		
	Petition	Revised	Revised vide Letter
	FY-18	FY-18	FY-18
CAPEX (Mln. Rs.)	20.85	25.85	168.85
ERP			
IT Equipment & Software	6.85	6.85	6.85
Office Space Renovation	5.00	10.00	150.00
New Vehicles	4.00	4.00	4.00
Others (Furniture & Fixtures)	5.00	5.00	5.00

9.4. The Authority is aware of the fact that CPPA-G is involved in procurement of electric power on behalf of the DISCOs, Billing to & Collection from DISCOs, settlement to the Market Participants as per the Commercial Code and Management of cash flows & other relevant banking functions for the purposes of



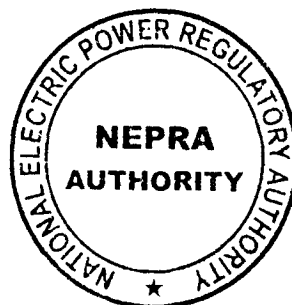
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collection and disbursement. The Authority understands that in order to be more effective, transparent and efficient, the Petitioner needs to continuously invest in IT and software tools. Accordingly, the Authority has decided to allow the Petitioner the requested amount of Rs.6.85 million under the head of IT Equipment & Software, keeping in view the prospective benefits i.e. transparency & control over transactions, timely verification & accurate invoicing, facilitation in settlement among the market participants etc.

- 9.5. The Petitioner has also requested a CAPEX of Rs.5 million for Furniture & Fixtures and Rs.4 million for new vehicles for the FY 2017-18. The Authority keeping in view the fact that CPPA-G is in the process of setting up its office and also hiring new employees, considers the amount of Rs. 5 million for furniture & fixture as reasonable and allows the same.
- 9.6. Regarding Rs.4 million requested for purchase of new vehicles, the Authority observed that the Petitioner has already 14 pool vehicles for office use, as stated above, for which an amount of around Rs.9 million has also been allowed under Repair & maintenance. Further, the said vehicles have also not been purchased by the Petitioner during the FY 2017-18. Accordingly, the said amount is not allowed in the instant petition.
- 9.7. Regarding amount of Rs.150 million for office space renovation, the Authority noted that the Petitioner has not relocate to the new office building during the FY 2017-18 against which this amount has been requested. Therefore, there is no justification for allowing the said cost.
- 9.8. In view of the foregoing, the Petitioner is hereby allowed a total CAPEX of Rs.11.85 million comprising of Rs.6.85 million for IT Equipment & Software and Rs.5 million for furniture & Fixtures for the FY 2017-18.
10. **Issue #5 Whether the requested amounts of Prior Year Adjustment & Other Income is justified?**
- 10.1. The Petitioner has requested an amount of Rs. 257.51 million under the head of Prior Period Adjustment for the period June 2015, FY 2015-16 and FY 2016-17. The Petitioner submitted that the Authority in its Market Fee determination dated January 05, 2017 allowed an amount of Rs. 581.70 million net of other income, to meet the revenue requirement for the FY 2016-17. The Petitioner provided the following working of its PYA for the period June 2015, FY 2015-16 and FY 2016-17and FY 2016-17;



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Description	Min. Rs.	Rs./kW/M	MDI	Min. Rs.
FY 2014-15				
Determined				42.07
Recovery from NTDC				12.36
				29.71
O&M Expenses				
Determined	42.07			
Actual	42.40			0.33
Other Income				
Determined	-			
Actual	(29.71)			(29.71)
Tax				
Determined	-			
Actual / Provisional	11.29			11.29
PYA for FY 2014-15				11.62

Description	Min. Rs.	Rs./kW/M	MDI	Min. Rs.
FY 2015-16				
Determined				117.79
Recovery from NTDC				40.63
				77.16
O&M Expenses				
Determined	388.65			
Actual	368.05			(20.60)
CAPEX				
Determined	8.58			
Actual	6.92			(1.66)
Other Income				
Determined	(279.44)			
Actual	(356.60)			(77.16)
Tax				
Determined	-			
Actual / Provisional	118.99			118.99
PYA for FY 2015-16				96.73



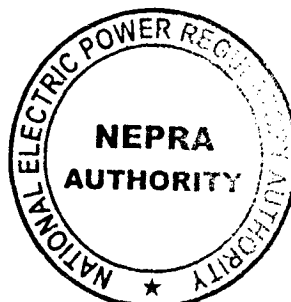
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Description	MIn. Rs.	Rs./kW/M	MDI	MIn. Rs.
FY 2016-17				
Determined		2.5191	19,243	581.71
Recovery		2.5191	20,493	619.48
				(37.77)
O&M Expenses				
Determined	616.79			
Actual	<u>542.00</u>			(74.79)
CAPEX				
Determined	244.35			
Actual	37.13			
*Capex Pending	<u>159.37</u>			47.85
* Excluding vehicles				
Other Income				
Determined	(279.44)			
Actual	<u>(202.75)</u>			76.69
Tax				
Determined	-			
Actual / Provisional	<u>137.19</u>			137.19
PYA for FY 2016-17				149.16
Total PYA FY 15,16 & 17				257.51

- 10.2. Subsequently the Petitioner during the hearing revised the figure of PYA for FY 2016-17 to Rs.53.46 million from the previously claimed amount of Rs. 149.16 million and provided the following revised calculations of PYA for the FY 2016-17;

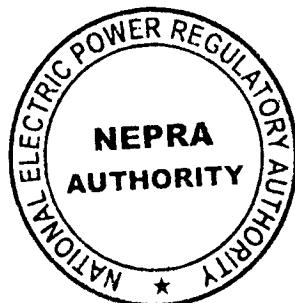


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Description	Mln. Rs.	Rs./kW/M	MDI	Mln. Rs.
FY 2016-17				
Determined	2.5191		19,243	581.71
Recovery	2.5191		20,493	619.48
				(37.77)
O&M Expenses				
Determined	616.79			
Actual	<u>542.00</u>			(74.79)
CAPEX				
Determined	244.35			
Actual	37.13			
Capex Pending	<u>159.37</u>			(47.85)
Excluding vehicles				
Other Income				
Determined	(279.44)			
Actual	<u>(202.75)</u>			76.69
Tax				
Determined	-			
Actual / Provisional	<u>137.19</u>			137.19
PYA for FY 2016-17				53.46

- 10.3. The Petitioner has revised its total PYA for June 2015, FY 2015-16 and FY 2016-17 to Rs. 161.81 million instead of Rs. 257.51 million.
- 10.4. The Petitioner subsequently vide letter dated July 12, 2018, revised its tax liability to Rs.147.874 million against the already claimed amount of Rs.267.47 million in its PYA. However, the Authority noted that the actual sum of the amounts as per the aforementioned letter works out as Rs.147.944 million.
- 10.5. The Petitioner while justifying PYA of Rs.267.47 million on account of Tax included in the total PYA, submitted that the Authority, in para 23.4 of its determination, decided to consider the amount of tax as pass through, as and when it would be incidental. The Petitioner in this regard submitted that the Auditors M/s Riaz Ahmad & Company, Chartered Accountants, have made provisions for taxation, for the Market Operation Fee (MOF) as Agency Commission, taxable under Final Tax Regime (FTR) @ 12% of the Fee and for the Profits on Bank Accounts to be taxed at Normal Tax Regime (NTR). This has resulted in the heavy provision of taxation.
- 10.6. The Petitioner regarding investment of Rs.175.82 million allowed under the head of ERP implementation during the FY 2016-17, submitted that it has spent an amount of Rs.23.53 million and the remaining amount of Rs. 152.29 will be utilized in FY 2017-18. The Petitioner accordingly requested to allow the

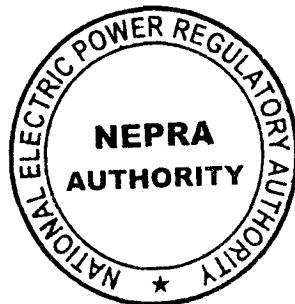


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remaining amount of Rs.159.37 million as PYA for utilization under the head of CAPEX for the FY 2017-18.

- 10.7. The Authority carried out a detailed analysis of the Petitioner's working of PYA and noted that the Petitioner was directed to recover its assessed Market Fee for the month of June 2015 and FY 2015-16 from NTDCL, however, the Petitioner in its PYA working has only assumed recovery of Rs. 12.36 million and Rs.40.63 million from NTDCL for the month of June 2015 and FY 2015-16 against the Authority's assessed amounts of Rs. 42.07 million and Rs. 117.79 million respectively. The remaining amounts have been adjusted against extra Other income received by the Petitioner during these period. The Authority, however, as per its determination dated January 05, 2017, has decided to consider the Other Income as additional amount instead of adjusting the same against the amount to be recovered from NTDCL by the Petitioner.
- 10.8. Further, the Petitioner in its working adjusted the entire O&M costs as per actual, whereas, the Authority in the determination allowed only General & Establishment expenses to be adjusted downwards, based on actual results and Power & Light cost for the FY 2016-17 to be adjusted as per actual. The Authority has adjusted the same accordingly.
- 10.9. Regarding PYA on account of Tax, the Authority observed that the Petitioner paid an amount of Rs.108.353 million during the FY 2017-18, therefore, the said amount has been included as part of the revenue requirement of the Petitioner for the FY 2017-18, instead of allowing the same as PYA. The remaining amount of Rs.39.59 million has been considered as part of PYA.
- 10.10. In view of the foregoing, a negative PYA of Rs.155.38 million has been worked out for the Period June 2015, FY 2015-16 and FY 2016-17 as detailed below;



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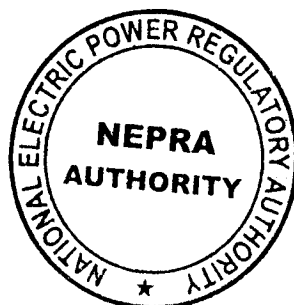


		Rs. in Mn
June 2015		
Fees determined		42.07
Fees to recovered from NTDC		42.07
Unrecovered		-
General Establishment Costs		
Determined	30.52	
Actual	<u>30.52</u>	-
Other Income		
Determined	0.00	
Actual	<u>(29.71)</u>	(29.71)
Total PYA for June 2015		(29.71)

		Rs. in Mn
FY 2015-16		
Fees determined		117.79
Fees to be recovered from NTDC		117.79
Unrecovered		-
General Establishment Costs		
Determined	313.70	
Actual	<u>297.77</u>	(15.93)
Other Income		
Determined	(279.44)	
Actual	<u>(356.60)</u>	(77.16)
CAPEX		
Determined	8.58	
Actual	6.92	(1.66)
Total PYA for FY 2015-16		(94.75)

		Rs. in Mn
FY 2016-17		
Fees determined		581.70
Fees recovered (Avg. MDI 20,595.4 MW @ Rs. 2.5191)		622.59
Over Recovered		(40.89)
General Establishment Costs		
Determined	467.00	
Actual	<u>409.11</u>	(57.89)
Power Light etc.		
Determined	5.00	
Actual	<u>4.41</u>	(0.59)
Other Income		
Determined	(279.44)	
Actual	<u>(202.75)</u>	76.69
CAPEX		
Determined	244.35	
Actual	37.13	
CAPEX Pending	<u>159.37</u>	(47.85)
Withholding tax deducted by Banks		39.59
Total PYA for FY 2016-17		(30.93)

PYA for June 2015	(29.71)
PYA for FY 2015-16	(94.75)
PYA for FY 2016-17	(30.93)
Total PYA	(155.38)



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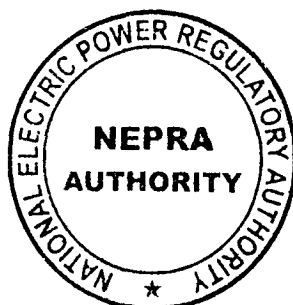
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- 10.11. Regarding other income, the Petitioner has requested an amount of 230 million for the FY 2017-18. The Authority considering actual income of Rs.202.75 million for the FY 2016-17, considers the projection made by the Petitioner for the FY 2017-18 as reasonable; hence accepted, subject to actualization.
- 10.12. Based on the assessments made in the preceding paragraphs the Market Operation fee of CPPA-G for the FY 2017-18 is assessed as per the following details;

Rs. in Mln	
Description	FY-18
General Establishment Costs	622.72
Pay & Allowances	582.74
Trainings and Capacity Building	9.68
Outsources consultancy Expenses	30.31
Administrative Costs	84.09
Rent Rate & Taxes	40.81
Power Light etc.	4.24
Telephone Fax & Postage Telegram etc.	5.69
Others	33.35
Repair & Maintenance	8.98
Tax Paid	108.35
Insurance & Financial Charges	1.26
Prior Year Adjustment (PYA)	(155.38)
Less: Other income	(230.00)
CAPEX	11.85
Total Revenue Requirement	451.87

11. **Issue #6 Whether the request of the Petitioner to actualize administrative cost based on financial statement for the FY 2017-18 is justified?**
- 11.1. The Petitioner in the petition has requested for actualization of its Pay & allowances costs, Administrative Expenses and Outsource Services & Consultancy costs. The Authority considering the fact that the Petitioner is a non-profit organization, has decided to actualize all the costs including CAPEX and other income, once the Audited accounts of the Petitioner for the FY 2017-18 are available.
12. **Issue #7 Any other Issue - Whether to consider the Petitioner's request to extend the Market Operation Fee determined for the FY 2017-18 for the FY 2018-19 as well, subject to trueing up?**
- 12.1. The Petitioner vide letter dated April 18, 2018 requested the Authority that its Market Operation Fee requested for the FY 2017-18 may kindly be extended for the FY 2018-19 as well, subject to true up.



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12.2. The Authority observed that CPPA-G's deemed authorization extended vide order dated 03-01-2018 has lapsed as of June 30, 2018. In addition, CPPA-G's application for registration as Market Operator under Rule 3 of the Market Rules is pending before the Authority. In view thereof, the Authority has decided not to accede to the request of the Petitioner to extend the fees determined for the FY 2017-18 for the FY 2018-19.

13. **ORDER**

- I. The Central Power Purchasing Agency Guarantee (CPPA-G) is hereby allowed to charge such fee on such terms and conditions as provided hereunder:
- II. Central Power Purchasing Agency Guarantee (CPPA-G), for provision of Market Operator and allied services, is allowed to recover its assessed tariff for the FY 2017-18 on the following rates, based on actual average monthly MDI of 22,695 MW for the FY 2017-18.

Market Operator Fee (MOF) = Rs. 1.6592/kW/month

- III. CPPA-G shall charge the DISCOs, a transfer charge for procuring power from approved generating companies and its delivery to DISCOs for a billing period as under;

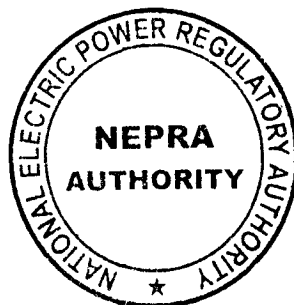
$$TP = CTP_{(Gen)} + UOSC_{(Trans)} + MOF + ETP_{(Gen)}$$

Where:

- TP = Transfer Price to XWDISCOs or any other Market Participant
- $CTP_{(Gen)}$ = Capacity Transfer Price to XWDISCOs or any other Market Participant in Rs./kW/Month
- $UOSC_{(Trans)}$ = Use of System Charge to XWDISCOs or any other Market Participant in Rs./kW/Month
- MOF = Market Operator Fee to XWDISCOs or any other Market Participant in Rs./kW/Month
- $ETP_{(Gen)}$ = Energy Transfer Price to XWDISCOs or any other Market Participant in Rs./kWh

$$CTP_{(Gen)} = \frac{GenC}{PD(sys)}$$

$$UOSC = \frac{USCF}{PD(sys)}$$



Where:

GenC = Summation of the Capacity Cost pertaining to generation in Rupees for a billing period minus the amount of liquidated damages received during that billing period.

$USCF_{(Trans)}$ = NTDC transmission charge in Rupees for a billing period.

MOF = CPPA-G market operator charges in Rupees for a billing period.

PD(sys) = Peak Demand of the System recorded during a billing period in kW.

Note : To calculate the CTP ,UOSC and MOF in Rupees for each XWDISCOs or any other Market Participant for a billing period, the rate of CTP, UOSC and MOF will be further multiplied by the particular XWDISCO or any other Market Participant demand recorded at the time of system peak in kW.

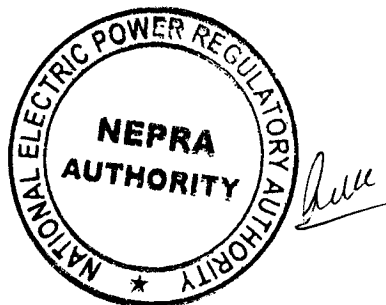
ETP = $\frac{GenE}{EUs}$

Where:

GenE = Total Energy charge in Rupees during a billing period.

EUs = Energy units (kWh) recorded at the Common Delivery Metering Points of all the DISCOs or any other Market Participant during a billing period.

- IV. CPPA-G shall, for the purpose of clarity intimate to all XWDISCOs or any other Market Participant the generation part of the Transfer Charge, during a billing period, by deducting from the Transfer Charge, the Transmission Charge or Use of System Charges of NTDC and the Market Operator fee of CPPA-G.
- V. The following generation entities and extraneous sources of import of electricity stand approved who would be providing electric power to CPPA-G for onward delivery to the XWDISCOs or any other Market Participant;
- All Hydroelectric Generating Stations owned and operated by WAPDA.
 - Chashma Nuclear Power Generating Station.
 - All IPPs selling power to WAPDA under a long-term contract for which sovereign guarantees have been provided by the Federal Government.
 - The thermal generation companies formed out of unbundling of WAPDA for a period up-to 01.07.2009 or till the Competitive Market Operation Date determined by the Authority (whichever is later).



- v. Other generation entities (in the public sector, private sector or under public-private partnership, initiated, sponsored or developed by the Federal Government or any Provincial Government) approved by NEPRA to provide power to CPPA-G for onward delivery to the XWDISCOs or any other Market Participant for a specific period.
- vi. Sources of electricity imported from another country or the territory of Azad Jammu and Kashmir under an approval of the Federal Government for provision of power to meet the demand of any or all of the XWDISCOs or any other Market Participant as approved by NEPRA.
- vii. Electricity purchased by CPPA-G from any generation company within Pakistan through Power Purchase Agreement pursuant to NEPRA Interim Power Procurement Regulations, 2005.

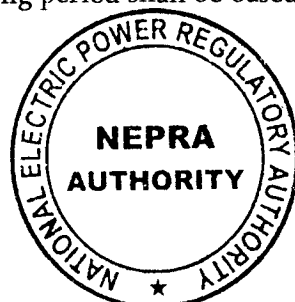
14. TERMS AND CONDITIONS:

Definitions:

- Billing Period means a period determined by NEPRA for the purpose of charging the transfer charge to DISCOs in respect of power delivered. The billing period for the purpose of applying a transfer charge shall be on a one month basis (starting 24:00 hrs of the 1st day of the month and ending 12:00 hrs on the last day of the month) till a shorter billing period is specified by NEPRA through a Competitive Trading Arrangement Transitional Order.
- Competitive Market Operation Date = Date as defined under article 7(2) of the License granted to NTDCL.
- CPPA-G means a company performing the functions listed in clause 5 of the Commercial Code 2015 and Authorized by the Authority as Market Operator under the Market Rules.
- Delivery metering point means the interconnection point at the grid stations where power is delivered by NTDCL to DISCOs, BPCs connected directly to the transmission system or other users of the transmission system and where relevant meters are installed to measure such power delivered.

IPPs = Independent Power Producers established under the Federal Government's Power Policy of 1994 or earlier.

System Peak Demand = The highest system peak demand recorded during a billing period measured over successive periods of 30 minute interval at the receiving metering point of the DISCOs or user of the transmission system. Maximum demand measuring apparatus used for recording the maximum system peak demand during a billing period shall be based on a 30 minutes interval reset basis.



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- Month means a calendar month according to the Gregorian calendar.
- Power Factor: the rate expressed as a percentage of the kilowatt hours to the kilovolt hours consumed during a billing period.

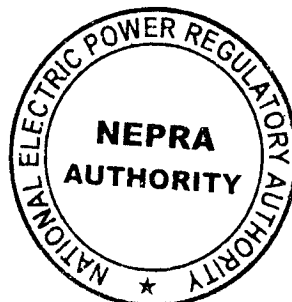
14.1. Other Terms and Conditions

- Power Factor Penalty: The DISCOs shall maintain an average power factor during a billing period at the delivery metering point of at least 85% lagging. In the event of the said Power Factor falling below 85% in a billing period the concerned DISCO shall pay to NTDCL a penalty as determined by the Authority for general applicability on the recommendation of NTDCL and after consultation with the generation and distribution licensees.
- In order to ensure least cost generation, NTDCL shall strictly follow the merit order while operating the power plants.
- The order part, the Terms & Conditions and Direction of the Authority of the determination are intimated to the Federal Government for notification in the official gazette under Section 31(7) of the NEPRA Act.

15. DIRECTIONS OF THE AUTHORITY

The directions of the Authority in the proceedings of the instant petition have been reproduced as under;

- To share its complete model regarding Basket Price Assessment Model and Market Simulation Model with the Authority before December 31, 2018.
- To continue sharing its progress on PPA Bifurcation and HR Development on quarterly basis.
- To submit progress of its ERP project implementation every quarter to the Authority
- To finalize the agreement with NTDCL without further delay and submit a copy of the same to the Authority.
- To ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard.
- To provide a complete copy of its annual report for the FY 2016-17 including therein the complete detail of payable and receivables of the company. Similarly reports for future periods the Report shall also be submitted accordingly and without delays.



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