



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/PAR-142/13250-13252
March 9, 2021

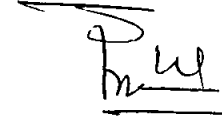
Subject: Decision of the Authority in the matter of Request filed by Central Power Purchasing Agency (Guarantee) Limited for Procurement of Power from 102 MW Gulpur Hydropower Project of Mira Power Ltd. (Case No. NEPRA/PAR-102) dated 28.10.2015)

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (05 Pages) in Case No. NEPRA/PAR-142.

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



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(Syed Safer Hussain)

Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat
Islamabad

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



**DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST FILED BY
CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED FOR
PROCUREMENT OF POWER FROM 102 MW GULPUR HYDROPOWER
PROJECT OF MIRA POWER LIMITED [CASE # NEPRA/PAR-142] DATED
28.10.2015**

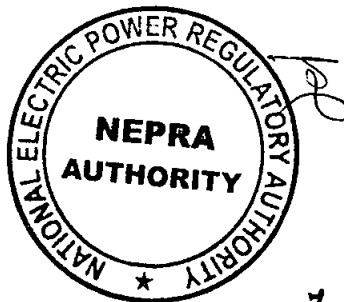
1. Mira Power Limited (the “Company”, “MPL”) through the Central Power Purchasing Agency (Guarantee Limited) (“CPPAG” or the “Buyer”) filed a tariff modification petition in light of Regulations 3(2A) and 3(2) of the NEPRA (Import Of Electric Power) Regulations, 2017 (Annex-I). The Company seeks to modify NEPRA decision regarding its 102 MW Gulpur Hydropower Project (the “Project”) located in Azad Jammu & Kashmir dated October 28, 2015 (the “Decision”) According to the Company it has achieved COD on March 10, 2020
2. MPL informed that certain cost components need to be modified to arrive at a just, fair and informed determination pursuant to one-time adjustment of Reference Tariff and accordingly, this Application is being filed before the Authority for its consideration. In view of the foregoing, the MPL requested to (i) admit the Application under the Import Regulations and other applicable laws; (ii) decide the instant Application of the Company on merits; and (iii) entertain the request of the MPL to consider the grounds, fresh facts and evidence mentioned herein.

GROUND

3. MPL informed that it is entitled to various adjustments (including adjustments due to variation in the USD/PKR exchange rate) pursuant to the PPA (dated 3 September 2015 between MPL and the Power Purchaser, as approved by the Authority, vide its Decision (defined above), including a one-time adjustment in the Reference Tariff components at the Commercial Operations Date pursuant to Section 1.1(d) of Schedule 1 of the PPA which provides as follows:

“The methods for calculating adjustments for price index changes and foreign exchange rate variations against the reference values, key assumptions of the Reference Tariff and adjustments of Reference Tariff at Commercial Operations Date are set forth in Part V.”

4. Adjustments on Commercial Operations Date is covered in Annex – V (Adjustments on Commercial Operation Date) of Schedule 1 (Tariff, Indexation and Adjustment) of the PPA. Section 6 of Annex – V (Adjustments on Commercial Operation Date) of Schedule 1 (Tariff, Indexation And Adjustment) of the PPA provides as follows:





“6. Adjustments due to variation in US\$/Rupee parity

Actual variation in US\$/ Rupee parity for payments made in foreign currency will be allowed through an adjustment in total Reference Project Cost and Reference Tariff;The relevant component of the Reference Tariff set out in Annex I shall be revised on the Commercial Operations Date to incorporate the variation related to changes in the US\$/Rupee rate during construction period.”

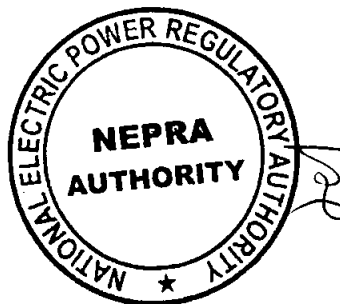
5. MPL is of the opinion that the one-time adjustment in the Reference Tariff at Commercial Operations Date typically involves thorough scrutiny by NEPRA and completion of numerous legal and procedural formalities under the relevant NEPRA laws. It is processed by NEPRA after the Commercial Operations Date according to the verified Project Cost. According to MPL it has been observed that this process of scrutiny and verification takes a lot of time (sometimes even more than a year) and has unfortunately negatively impacted and resulted in major cash flow issue for a number of IPPs.
6. MPL further informed that it has made claims to the Power Purchaser for extensions of time under the PPA due to various Force Majeure Events that occurred during the construction phase of the Project. Such claims are currently being evaluated and under discussion between the parties. Subject to finalization of the said claims regarding the extension of time, it is expected that the currently declared COD (i.e. 10 March 2020) shall be revised by the Power Purchaser. Owing to such pending claim, the Company is currently unable to prepare/process the consolidated application for a one- time adjustment in the Reference Tariff at COD.
7. MPL stated that its current tariff allowed (Rs 9.46 per kWh or US Cent 9.02 per kWh) was at exchange rate of 104.85 while COD (March 11, 2020) exchange rate was 158.5. According to MPL it has created a huge gap between its cash inflows and outflows due to the drastic devaluation of Pakistani Rupee against US Dollar and it seriously affects MPL's ability to pay its liabilities (including payments to our lenders). Due to such gap, MPL could not pay its first two repayments of approx. USD 17.3 million and the same were arranged through sponsors' loan which needs to be repaid. Now the third repayment is due on January 4, 2021 and MPL expects to face the shortfall of approx. USD 28.5 million by the time of third repayment. If the situation continues, the Company would not only be unable to continue with its operations but also would be exposed to the risk of default under the Financing Documents. Hence, this Application for modification to the Decision.

MODIFICATION SOUGHT

8. In light of the foregoing, MPL stated that to avoid significant injustice, MPL respectfully prays to NEPRA to allow to modify or revise the **Reference Exchange Rate** as provided for in para 9 of the Annex-IV (*Key Assumptions of Reference Tariff*) of the Power Purchase Agreement as follows:

For: Rs. 104.85 and Rs. 101

Read: Rs. 158.5 (Wednesday 11 March 2020)





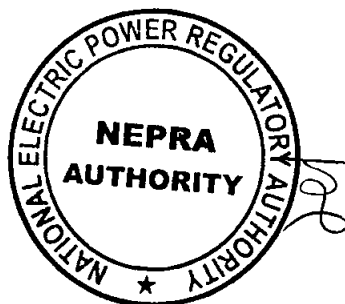
9. MPL argued that the timely modification in the Reference Exchange Rate will give the Company margin to manage its liabilities under its Financing Documents until the tariff is fully adjusted, and will help reduce the gap of its default thereunder. Essentially, this would enable MPL to avoid default under its Financing Documents. Subsequent to the adjustment, the revised tariff components shall be as follows:

Tariff Components	Reference Tariff	Revised Tariff
Variable Charge (Rs/kWh)		
Variable O&M-Local	0.0441	0.0441
Water Use Charge	0.1500	0.1500
Fixed Charge (Rs/kW/M)		
Fixed O&M- Local	155.7488	155.7488
Fixed O&M – Foreign	190.3595	298.7325
Insurance	132.6762	208.2097
Debt Service	2,349.8036	3,552.1588
Return on Equity	1,168.0420	1,765.7097
Return on equity during construction (ROEDC)	267.1510	403.8477

10. The petition was admitted by the Authority on December 15, 2020 and considering the scope of revision the Authority framed the following issue for proceeding:

Whether MPL's request to modify the tariff approved in the PPA dated 03.09.2015 to the extent of the exchange rate from 104.85 to 158.5 is justified?

11. An advertisement was published on January 14, 2021 seeking comments on the petition and the general public was also informed to attend the hearing which was held on January 20, 2021 which was attended by the representatives of MPL, CPPAG, and Punjab Power Development Board. During the hearing, CPPAG representative stated that only the debt servicing component should be updated from the current 104.85 exchange rate to 158.5 and not the entire tariff. No written comments or interventions have been received on the instant petition
12. The Authority noted that as a part of COD adjustments, project cost including tariff components are adjusted in pursuance to the project cost adjustment mechanism prescribed in the Decision including the basis of revision in exchange rates and other parameters. Since the plant has already achieved COD therefore, the applicable adjustment to be governed under the terms of the Decision is due. However, for such revision to take effect, a COD adjustment is required to be filed which —the parties to the PPA, the buyer and the Seller informed through this application— is delayed. In the instant case, the Authority was informed that MPL has made claims to the Power Purchaser for extensions of time under the PPA due to various Force Majeure Events that occurred during the construction phase of the Project. Such



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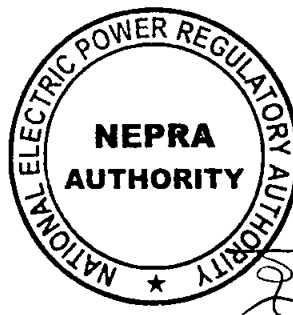
claims, according to the MPL are currently being evaluated and under discussion between the parties. Subject to finalization of the said claims regarding the extension of time, it is expected that the currently declared COD (i.e. 10 March 2020) shall be revised by the Power Purchaser. According to MPL, owing to such pending claim, the Company is currently unable to prepare / process the consolidated application for a one- time adjustment in the Reference Tariff at COD.

13. The Authority further noted that the necessary adjustments, not made will accumulate and will be due in bulk once COD adjustment is filed and decision made therein, which may create an emergent liability for CPPAG. Therefore, in view of the above, the Authority has decided to grant an interim relief by adjusting the relevant components on account of exchange rate. The Authority however noted that instead of 158.5, and exchange rate of 158.25 should be used which is the day of COD i.e., March 10, 2020. The Authority however, direct the parties to the PPA to resolve their issues pertaining to delay in COD and approach NEPRA for COD adjustment within 6 months of the date of this decision.
14. Therefore, pursuant to the decision of the Authority dated 28th October 2015 in the matter of request filed by Central Power Purchasing Agency (Guarantee) Limited for approval of negotiated tariff/signed Power Purchase Agreement regarding procurement of power from Mira Power Limited's 102 MW Gulpur Hydropower Project (Case No NEPRA/PAR-142), the tariff components of MPL has been indexed to the extent of applicable exchange rate variation as indicated in the table below:

TABLE-I

Tariff Components	Reference Tariff	Revised Tariff
Variable Charge (Rs/kWh)		
Variable O&M-Local	0.0441	0.0441
Water Use Charge	0.1500	0.1500
Fixed Charge (Rs/kW/M)		
Fixed O&M- Local	155.7488	155.7488
Fixed O&M – Foreign	190.3595	298.2613
Insurance	132.6762	207.8813
Debt Service	2,349.8036	3,546.5560
Return on Equity	1,168.0420	1,762.9250
Return on equity during construction (ROEDC)	267.1510	403.2107

15. The indexation allowed shall be subject to adjustment, in the light of final decision of the Authority w.r.t MPL's COD tariff adjustment for which application shall be filed within 6 months of the date of this decision.



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16. The above referred revised tariff components indicated as Annex-I is to be notified in the official gazette, in terms of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

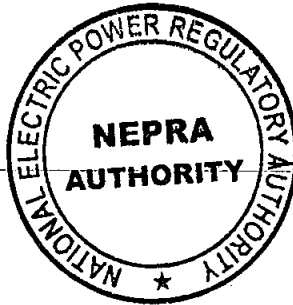
AUTHORITY

Engr. Rafique Ahmed Chakki
Member

Saif Ullah Chattha
Member

5-3-2021

Rehmatullah Baloch
Member

Tauseef H. Farooqi
Chairman
29 03 21