



**Registrar**

# **National Electric Power Regulatory Authority**

## **Islamic Republic of Pakistan**

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No. NEPRA/R/ADG(Tariff)/TRF-611/CPPA-G/2023-24/ 12571-75

August 11, 2025

Subject: **Decision of the Authority in the matter of MLR filed by CPPA-G against Determination of Market Operation Fee for the FY 2023-24**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 09 Pages) in Case No. NEPRA/TRF-611/CPPA-G/2023-24.

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 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of the NEPRA Act.

Enclosure: **As above**

  
(Wasim Anwar Bhinder)

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

**Copy to:**

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad



## **Background**

- 1.1. The Central Power Purchasing Agency-Guarantee,, hereinafter referred to as "the Petitioner or CPPA-G", filed a petition for the determination of its Market Operator Fee (MoF) for the FY 2023-24, pursuant to Rule 3 Sub-Rule 7 of the Tariff Standards & Procedure Rules-1998 ("the Rules") read with the Chapter 11 of the approved Commercial Code. The Authority, decided the Petition vide determination dated 27.06.2024.
- 1.2. CPPA-G, aggrieved by the decision of the Authority, filed a Motion for Leave to Review (MLR), which was subsequently admitted by the Authority. The Petitioner raised the following points in its MLR;
  - i. Actualization of Pay & Allowances and Benefits
  - ii. Restructuring of Pay Scales
  - iii. Consultancy Services - Business Process Restructuring Consultants for MOD
  - iv. Consultancy Services - Tech no commercial Consultant
  - v. Consultancy Services - Engagement of Headhunting Firm
  - vi. IT Services
  - vii. Prior Year Adjustment

## **2. Proceedings**

- 2.1. Given that the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to the Petitioner to present its case and uphold the principles of natural justice, decided to conduct a hearing in the matter. The hearing was duly scheduled for January 30, 2025, and notice of admission / hearing was sent to CPPA-G. The hearing was attended by the CEO CPPA-G, accompanied by its technical and financial team.

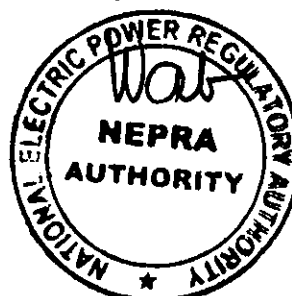
## **3. Issues of the Hearing**

- 3.1. Based on the submissions made by the Petitioner in the Review Petition, during the hearing, and after careful consideration of the available record/ information, a point-by-point discussion is provided below: ;

## **4. Actualization of Pay & Allowances and Benefits**

The Petitioner submitted that over 70% of total Market Operation Fee cost is attributed to the employee-related expenses, including Pay, allowances and Benefits). The Authority, in its previous determinations regarding Market Operation Fee allowed the actualization of pay & allowances, once the Petitioners Audited Financial Statements are available. Therefore, based on prior decisions relating to the Market Operation Fee till FY 2022, it is clear that Authority is already cognizant of the fact that allowing Pay and Allowances on actual basis is mandatory for smooth operations of the organization.

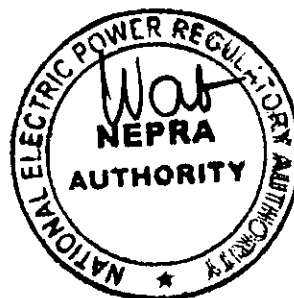
- 4.1. The Petitioner further submitted that CPPA-G's employee structure consists of approximately 75% of professional staff, who are well trained and responsible for managing power purchase



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invoices worth around Rs 4 trillion. It is very challenging for the organization to retain such employees due to their high demand in the market. CPPA-G is continuously making efforts to offer competitive pay structure to its employees. Moreover, the proposed pay structure is approved by the BoD of CPPA-G, which includes government nominated representatives. The BoD after due diligence, only approves those changes in the pay structure which are essential for smooth operations of the organization, therefore, it is essential to keep pay and allowances head as a passthrough item.

- 4.2. In view thereof, the Petitioner requested to allow actualization of expenditure related to Pay & Allowances and benefits cost based on the audited financial statements of FY 2023-24, as and when available since these expenses are legitimate and essential in nature and any reduction in these expenses would result in disruption of operational activities of CPPA-G.
- 4.3. **Restructuring of Pay Scales**
- 4.3.1. Regarding restructuring of Pay scales, CPPA-G requested an amount of Rs. 234 million for the FY 2023-24.
- 4.3.2. The Petitioner, in support of its request, submitted that the initial pay scales of CPPA-G were approved by the Board of Directors on June 28, 2016. Since then, there have been no revisions in CPPA-G's salary structure. The inflationary compensation for CPPA-G employees was fixed at 5% until 2021, whereas inflation from 2016 to 2023 was approximately 84%. This lack of adjustment has led to a significant increase in employee turnover and talent shortage issues, as other power sector companies revised their pay structures over the same period to remain competitive.
- 4.3.3. Additionally, the Petitioner submitted that other government entities were offering lucrative retirement benefits such as pensions, medical coverage, company-owned vehicles or transport services, fuel, free electricity supply, multiple performance and occasional bonuses, Leave Fare Assistance (LFA) etc. Furthermore, the Government employees are provided with a Disparity Reduction Allowance of 25% + 15% and an Executive Allowance of 150% of their basic salary, benefits which had not been extended to CPPA-G employees. As a result, CPPA-G has faced significant challenges in aligning its pay scales with the market and in retaining critical resources. Since FY 2018 to Dec 2023, around 78 highly skilled employees of CPPA-G tendered their resignation and joined other national and international institutions due to huge differences in salary packages and during the same period more than 450 No Objection Certificates (NOCs) issued to employees to pursue attractive opportunities in the Power Sector, highlighting a significant retention issue. These employees are highly talented, trained, experienced, and critical for maintaining operational efficiency and avoiding disruptions.
- 4.3.4. The Petitioner submitted that implementing pay scale revisions only for new appointees would create disparities among new and existing employees, exacerbating internal inequities and dissatisfaction among current staff, who are skilled and already had endured financial losses over seven years. To mitigate this situation, a comprehensive analysis was conducted, considering existing salaries across various grades. Therefore, a uniform pay scale revision was deemed necessary to ensure fairness and consistency across the organization was presented to



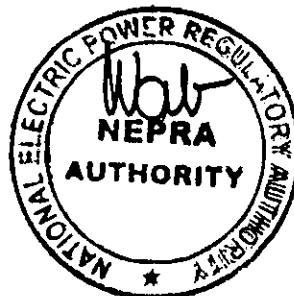
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BoD and same was approved by the CPPA BoD for fostering a positive work environment for new and existing employees.

- 4.3.5. The petitioner submitted that under the State-Owned Enterprises (Governance and Operations) Act 2023, the Board shall be given autonomy and independence to discharge its functions. As per the Articles of Associations, of CPPA-G, the Board is empowered to determine the remuneration, terms and conditions, and powers of appointees and (if required) from time to time.
- 4.3.6. Subsequently CPPA-G stated that it has implemented the Board's decision regarding the revision in the pay structure and decision of the Authority came-after-a 10 months of filing MoF for FY 2023-24 and it will create huge salary disparity among new and existing employees, Furthermore, it may also open the litigation from employees if CPPA-G turned down the monetary benefit of employees which have already been materialized.
- 4.3.7. Following the salary revision in January 2024, CPPA-G has not received any resignations, and there has been an influx of quality applicants in recent recruitment drives. This demonstrates the positive impact of the pay scale revision on employee retention and attraction.
- 4.3.8. The Petitioner accordingly requested to allow an amount of Rs.234 million for the Restructuring of Pay Scales for all CPPA-G employees to maintain our operational efficiency, competitiveness, and ability to attract and retain best human capital.
- 4.3.9. The Authority has carefully considered the submissions made by the Petitioner. The Authority noted that the Petitioner was not allowed cost on account of restructuring of pay & allowances for its existing employees vide Authority's decision dated 27.06.2024, which lead to a shortfall between the amount allowed vis a vis actual cost. As per the Audited accounts of the Petitioner for the FY 2023-24, its actual cost of pay & allowance exceeds the allowed amount by Rs.304 million, which primarily is on account of restructuring of pay & allowances. Although, the Authority did not allow this cost earlier, as the Petitioner was supposed to get this cost approved in its MoF prior to its implementation. However, it is also a fact that the MoF petition for the FY 2023-24 was decided in June 2024, whereas CPPA-G's BoD approved the restructuring w.e.f. January 2025, thus resulting in a considerable time gap. Considering the fact that, restructuring of Pay & Allowances has already been approved by the BoD of CPPA-G and was accordingly implemented by CPPA-G, the Authority has decided to allow cost for restructuring of Pay & Allowances this time. However, in future no such cost would be allowed unless CPPA-G gets it approved, prior to its implementation, through its Market operation Fee.
- 4.3.10. Accordingly, CPPA-G is allowed an amount of Rs.309.9 million on account of actualization and restructuring of Pay & Allowances and employee benefits, for the FY 2023-24. The amount so allowed would be made part of PYA, while determining the MoF for the FY 2024-25.

## 5. Consultancy Services

- 5.1. Regarding Consultancy services, CPPA-G requested an amount of Rs 64 million as part of its MoF, however, the Authority allowed Rs.2.5 million in this regard. The Petitioner has accordingly requested the Authority to reconsider its decision for the following consultancy services:

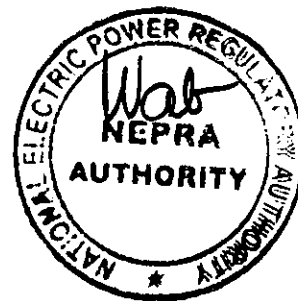


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**5.2. Business Process Restructuring Consultants for MOD**

- 5.2.1. CPPA-G requested an amount of Rs.8.4 million for the Business Process Re-engineering (BPR) consultant for the FY 2023-24 in its original petition for the Market Operator Fee. The Petitioner highlighted that BPR consultant played a pivotal role in the last two years. The consultant previously had the responsibility of Business Analyst for MMS Phase I & Phase II Projects, acted as a mediator between the business functions team and IT team, and developed the requirement specifications for the MMS application implementation. Furthermore, the consultant successfully rolled out the Agile Project Management framework, which resulted in better application development, reduced the development, time, and improved product quality.
- 5.2.2. Additionally, the Petitioner submitted that considering previously successful delivery and future requirements on more complex tasks, BPR consultant was required to be re-hired. The consultant joined CPPA-G on 02 April-2024 for a period of two years and is already working on several critical projects. Directed by the CPPA-G Board of Directors to benchmark the MMS against established global market systems, the consultant is leading this initiative as a technical expert and developing comprehensive framework for the benchmarking. He is also the lead business analyst for the development of the CPPA Technical Department's invoice verification and LD invoice project, which the Board has directed to automate. Given the complexities involved in automating technical invoice verification and its integration with NPCC and IPPs, these modules will be developed in multiple phases. Additionally, the consultant is working on integrating the MMS and ERP with, the website and developing various APIs for data integration.
- 5.2.3. As per CPPA-G, the consultant has developed a Process Assessment Framework and will conduct process quality assessments across all CPPA functions. He will also prepare periodic reports on Business Process Quality Assessment, complete with recommendations. Furthermore, he is responsible for managing change requests and hotfix requirements for MMS applications. The consultant will serve as the primary point of contact for ERP application changes related to MO processes, review MO Process Manuals following relevant updates and revisions, and continuously improve these complex processes. He will also review job descriptions for all employees, integrating them with the business process framework and facilitating Agile and Serum practices for managing IT projects and digital transformation. Previously employed at USAID with a monthly salary of Rs 1.2 million, the consultant joined CPPA-G at salary of Rs 1 million per month starting from April 24. Keeping in view of detail justification and contractual obligation of CPPA-G, the petitioner has requested to allow an amount of Rs. 3 million for the BPR Consultant.
- 5.2.4. The Authority observed that all the required software are now operational and CPPA-G has also hired required professionals at market-based salaries, to deal with the upcoming opening up of competitive market and to perform its functions as MO and SPA. Moreover, dry run of the market has already been completed, which reflects that all required software and IT procedures are now operational, leading to start of CTBCM shortly. Therefore, the Authority does not see any justification for allowing a separate Business Process Restructuring Consultant. Accordingly, request of the Petitioner to allow an amount of Rs.3 million for Business Process Restructuring Consultant is declined.

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**5.3. Techno Commercial Consultant:**

- 5.3.1. In its MOF for FY 2023-24, CPPA-G initially requested an amount of Rs. 15.6 million for the Techno Commercial Consultant. The Authority did not see any justification for hiring a techno commercial consultant and therefore the request of the Petitioner to hire a techno-commercial consultant was declined.
- 5.3.2. Now, CPPA-G in its MLR has submitted that it encountered a range of complex challenges involving international arbitration proceedings and disputes related to different power purchase agreements with IPPs, which includes but not limited to:
- ✓ International Arbitration proceedings concerning the Star Hydro project.
  - ✓ International Arbitration proceedings related to the Laraib Energy hydro power project.
  - ✓ Disputes with Zorlu Energy over energy shortfall, Net Primary Metered Volume (NPMV), and Bonus, Disputes with Orient Power concerning Liquidated Damages (LDs) and associated interest charges.
  - ✓ Arbitration involving K-Electric.
  - ✓ The Government of Pakistan's Solarization initiative.
  - ✓ Privatization of Government-owned entities, notably NPPMCL
  - ✓ Digitalization of records from WPPO, predecessor organization of CPPA-G
  - ✓ Arbitration with 12 Independent Power Producers (IPPs)
- 5.3.3. These cases were at advance stage, significantly necessitating the allocation of dedicated resources to safeguard CPPA-G's interests effectively. Despite the potential financial implications, the existing resources of CPPA-G were unable to provide the necessary human support due to their substantial workload.
- 5.3.4. Recognizing the urgency and complexity of these issues, the management requested the HR, Legal and Nomination Committee to accord approval for the engagement of a consultant through open competition from the Market. This strategic decision aimed to enhance CPPA-G's capacity to handle intricate legal and operational challenges, ensuring that the organization could navigate these critical matters with expertise and diligence.
- 5.3.5. Subsequently, CPPA-G engaged the services of a Techno Commercial Consultant through open competition for a period of one year and the Consultant has already delivered his deliverables at the conclusion of the designated period and subsequently the services of the consultant were discontinued in April, 2024. Thereafter, the Techno Commercial Consultant has not been employed.
- 5.3.6. Keeping in view of detail justification and contractual obligation of CPPA-G, the Petitioner has requested to allow an amount of Rs. 15.6 million for the Techno Commercial Consultants.
- 5.3.7. On the point of hiring Techno Commercial Consultant, the Authority observed that Petitioner has around 34 finance professionals, which are specifically employed to perform the required Techno-Commercial functions, in light of NEPRA Tariff determinations & respective PPA/EPA. The Authority also allowed CPPA-G, in its previous MoF determinations, cost for BPR consultant to lead and manage the automation of ERP/ back-office functions for CPPA-G and MO. Hence, with the implementation of ERP, data exchange portal and other related software, deal with billing, settlement and payment mechanisms, CPPA-G's capability to operate more



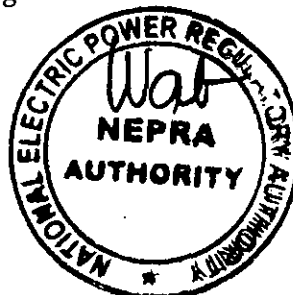
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effectively, transparently and provide timely information to all participants has considerably improved. The Authority further considers that in case any input is required on solarization initiatives for the Government's renewable energy goals and to liaison with the Privatization Commission for smooth privatization of government-owned power projects, the Federal Government may itself hire services of a Techno-Commercial Consultant. In view thereof, the Authority has decided not to accept the request of the Petitioner to allow cost for Techno Commercial Consultant.

**5.4. Engagement of Headhunting Firm:**

- 5.4.1. CPPA-G in the MOF petition requested an amount of Rs. 2.1 million for the Headhunting Firm for the FY 2023-24. However, the Authority did not allow cost for the headhunting firm.
- 5.4.2. CPPA-G in its MLR has submitted that it operates within a dynamic and specialized environment where most of our positions require highly qualified professionals. While we maintain an efficient HR department responsible for various functions, the decision to engage third-party services stemmed from critical factors including enhancing transparency, ensuring impartiality in our recruitment processes.
- 5.4.3. Initially, a testing firm was engaged to receive the applications against vacant positions at all levels and to conduct the written test for entry level positions. However, due to the significant challenges encountered related to low applicant rate and quality issues, and delays in the testing process particularly regarding the recruitment for mid to senior-level positions, prompted the CPPA-G management to engage a credible recruitment firm through a competitive process. The headhunting firm, engaged since 2021, specializes in executive search and has significantly contributed towards ensuring the transparency for mid to senior-level positions. This decision aligns with our commitment to adhering to the highest standards of transparent governance and merit-based recruitment.
- 5.4.4. It is important to note that CPPA-G's HR and Admin Department is staffed by a team of highly skilled professionals proficient in managing diverse portfolios crucial to organizational operations, including Recruitment and Selection, Training & Development, Organizational Development, Compensation and Benefits, Performance Management System Procurement, and Fleet & Facility Management. The department's comprehensive expertise and diligent oversight ensure effective administration and strategic management of human and operational resources, contributing operational efficiency and organizational excellence.
- 5.4.5. While CPPA-G maintains internal recruitment capabilities, the decision to engage a third-party firm was driven by complaints about the recruitment process from multiple forums. This decision aimed to mitigate risks associated with external scrutiny, including government audits and complaints registered with regulatory bodies such as the National Accountability Bureau (NAB), Federal Ombudsperson, Prime minister portal and to safeguard the process from the undue influence at any stage by anyone. Involving an independent firm has ensured impartiality and adherence to best practices in recruitment. Furthermore, partnering with a specialized headhunting firm provided CPPA-G access to a broader network and qualified candidate pool not readily accessible through traditional channels. This strategic approach



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supports CPPA-G's commitment to securing the best resources-for sustainable--management-of-Pakistan's -power- sector.

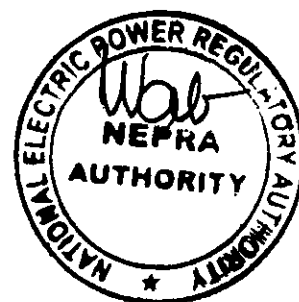
- 5.4.6. The third-party services enhance the transparency and fairness of our recruitment processes by introducing stringent checks and balances that complement the due diligence conducted by our internal HR team. This collaborative approach ensures all candidates are evaluated objectively based on merit, thereby mitigating concerns related to partiality or procedural capacity. Keeping in view of detail justification and contractual obligation of CPPA-G, the Authority is requested to allow an amount of Rs. 2.1 million for the Headhunting Firm.
- 5.4.7. On the point of hiring of Headhunting Firm, the Authority, observed that CPPA-G has around 13 professionals are part of its HR & Admin team. As mentioned by CPPA-G itself, its HR and Admin Department is staffed by a team of highly skilled professionals proficient in managing diverse portfolios crucial to organizational operations, including Recruitment and Selection, Training & Development, Organizational Development, Compensation and Benefits, Performance Management System Procurement, and Fleet & Facility Management, therefore, hiring of an additional consultancy firm for the purpose of recruitment/ headhunting, is not understandable. The Petitioner needs to improve its inhouse recruitment process in order to ensure transparency and fairness in the selection, to avoid complaints from different forums. Otherwise, there may not be a justification for having a large in-house HR team. In view thereof, the Authority does not see any justification for hiring of a head hunting firm, the request of the Petitioner is thus declined.

## 6. IT Services

- 6.1. CPPA-G initially in its MoF Petition requested an amount of Rs.95 million on account of IT services for the FY 2023-24. The Authority allowed an amount of Rs.83 million for the same. CPPA-G has stated that IT infrastructure is backbone of its business operations. It supports critical services such as the ERP System, Market Management System, integration with other power sector organizations, data management, cybersecurity, and software development. These functions are vital for our day-to-day operations and overall business continuity. A reduction in the IT operational expenditure budget will halt critical operations, compromise our security posture, and disrupt service delivery to our stakeholders. We have already optimized and streamlined our spending, further reduction will undermine the integrity of our operations. The reduction in IT budget will critically impact our ability to maintain essential business functions smoothly, as this is related to licensing and associated services that are already in production. Keeping in view the above, CPPA-G has requested to allow an amount of Rs. 12 million for I.T Services.
- 6.2. The Authority vide decision dated 27.06.2024 allowed an amount of Rs.114 million under the head of Repair & Maintenance including IT services as under:

Repair & Maintenance (Mln. Rs.)	114
Repair and Maintenance	6
Vehicle Expenses Repair, Fuel & Oil	25
R&M of I.T Services	83

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- 6.3. Additionally, the Authority decided that the allowed amounts shall be considered as upper cap under each head, subject to downward adjustment only, once the Audited accounts of the Petitioner for the FY 2023- 24 are available.
- 6.4. As per the Audited Accounts of the petitioner, its total expenditure under the head of Repair & Maintenance head is Rs.116.8 million. Thus, there is no significant variation (2.4%), under this head when compared with the allowed amount. Based on the above, the Authority does not see any justification to allow any additional amount to CPPA-G under the head of R&M. The request of the Petitioner is thus declined.

7. **Prior Year Adjustment (PYA)**

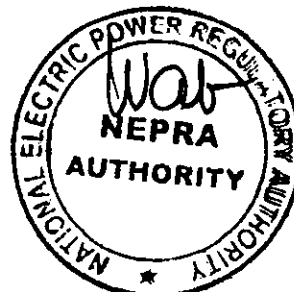
**Legal Charges**

- 7.1. CPPA-G in the MLR has requested an amount of Rs. 243 million in the head of prior year adjustment of legal charges. Initially, CPPA-G in its Petition requested an amount of Rs. 743.16 million in legal charges for the FY 2023-24, against which the Authority allowed Rs.500 million vide its determination dated 27.06.2024, with the direction to provide complete information by CPPA-G in terms of case wise detail and the cost thereof for the total amount of Rs.743 million.
- 7.2. CPPA-G provided the required details, including international arbitrations, along with their current status and submitted that any additional information shall also be provided to the Authority as and when required.
- 7.3. Keeping in view the above, the Authority has decided to allow the provisionally withheld the amount of Rs.243.16 million on account of legal charges. The amount so allowed would be made part of PYA, while determining the MoF for the FY 2024-25.

**Other Adjustments**

- 7.4. The petitioner in its MLR has submitted that the remaining PYA, except legal charges, pertain to salaries & wages, administrative cost, repair & maintenance, I.T services and CAPEX etc. The Petitioner requested to allow the actualization of expenditure based on the audited financial statements of FY 2022-2, since these expenses are legitimate and essential in nature and any reduction in these expenses would result in disruption of operational activities of CPPA-G.
- 7.5. The Authority while deciding the MOF petition of CPPA-G for the FY 2022-23, decided that amount allowed under the head of General Establishment, R&M, Insurance & Financial Charges and CAPEX, excluding other income & tax, shall be considered as upper cap under each head, subject to downward adjustment only, once the Audited accounts of the Petitioner for the FY 2022- 23 are available.
- 7.6. In view thereof, the request of the Petitioner to allow any cost over and above the already allowed amounts based on the Audited financial statements for the FY 2022-23 is declined.
8. Based on the assessments made in the preceding paragraphs, the Market Operation fee of the Petitioner for the FY 2023-24 after incorporating the impact of Restructuring of Pay & Allowance of Rs.309.9 million and Rs.243.16 million on account of Legal Charges, has been worked Out as under;

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Decision of the Authority in the matter of MLR filed by CPPA-G against determination of Market Operation Fee for the FY 2023-24


Description	Determined FY 2023-24	Requested in Review Motion FY 2023-24	Allowed in Review Motion FY 2023-24	Revised Determined FY 2023-24
Net Revenue Requirement	673	1,344	553	1,226
Avg. MDI (MW)	27,288	27,288	27,288	27,102
Rs. /kW/M	2.06	4.10	1.69	3.77


9. The decision of the Authority is intimated to the Federal Government for notification in the official gazette under Section 31(7) of the NEPRA Act.

AUTHORITY

Rafique Ahmed Shaikh  
Member

  
Engr. Maqsood Anwar Khan  
Member

  
Amina Ahmed  
Member

  
Waseem Mukhtar  
Chairman

