



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-506/QESCO-2019/43987-43989
December 8, 2020

Subject: **Determination of the Authority in the matter of Petition filed by Quetta Electric Supply Company Ltd. (QESCO) for the Determination of its Supply of Power Tariff for the FY 2018-19 [Case # NEPRA/TRF-506/QESCO-2019]**

Dear Sir,

Please find enclosed herewith subject Determination of the Authority along with Annex-I, I-A, II, III, IV & V (44 Pages) in Case No. NEPRA/TRF-506/QESCO-2019.

2. The Determination 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.
3. The Determination of the Authority along with Annex-I, I-A, II, III, IV & V is to be notified in the official Gazette.

Enclosure: As above

(Muhammad Ramzan)

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.

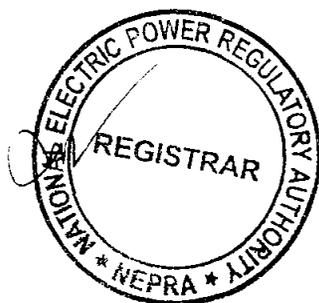
(iii). Regarding the "statement of the reasons in support of the modification", PAEC submitted that as per the generation licence, it is entitled to sell its surplus power to the concerned utility i.e. Faisalabad Electric Supply Company Limited (FESCO), any other DISCO or Central Power Purchasing Agency (Guarantee) Limited-CPPAG. In this regard, FESCO referred the matter to CPPAG for Power Purchase Agreement (PPA) however, CPPAG regretted the request to purchase surplus power from the coal based generation facility. Now PAEC intends to supply surplus power to PAEC establishments as Bulk power Consumers (BPC) located in jurisdiction of different XW-DISCOs, through wheeling by adopting the relevant Regulations in the matter.

(iv). About the "statement of impact on the tariff, quality of service and the performance by the licensee of its obligations under the licence", PAEC submitted that the tariff, quality of service, and performance and obligations of the licensee under the Generation Licence will not be affected by the proposed modification.

(C). Processing of Modification

(i). After completion of all the required information as stipulated under the Regulation-10(2) and 10(3) of the Licensing Regulations, the Registrar published the communicated LPM in one (01) English and one (01) Urdu daily newspaper on November 12, 2019, informing the general public, interested/affected parties and other stakeholders about the said LPM as required under the Regulation-10(4) of the Licensing Regulations.

(ii). The Registrar also invited comments of the relevant Govt. Ministries, their attached Departments, representative organizations and individual experts etc. for the assistance of the Authority, by sending separate letters to the said stakeholders dated November 12, 2019, in favor or against the communicated LPM as stipulated in Regulation-10(9) of the Licensing Regulations.



(D). Comments of Stakeholders

(i). In response to the above, the Authority received comments from four (04) stakeholders including CPPAG, Pakistan Nuclear Regulatory Authority (PNRA), FESCO and National Transmission & Despatch Company Limited (NTDCL). National Transmission & Despatch Company Limited (NTDCL). The comments offered by the said stakeholders are summarized in the following paragraphs: -

- (a). CPPAG submitted that it has not given any consent for the project. The procurement needs to be evaluated in the criteria of IGCEP of NTDC;
- (b). PNRA stated that the referred case does not fall in its purview however, allowing the surplus will be beneficial to PAEC as it will cause saving to national exchequer;
- (c). FESCO remarked that PAEC plans selling surplus available to it through wheeling in the jurisdiction of different distribution companies. In this regard, FESCO had earlier highlighted various issues pertaining to wheeling including (a). Non-Recovery of Cost of Losses; (b). Avoiding Cross Subsidy; (c). settlement of Imbalances is not related to DISCO(S); (d). Non-Recovery of Use of System Charges of NTDC; (e). Non-Recovery of Stranded Cost; (f). Issues of Banked Energy; and (g). Hybrid Consumers. No further comments can be offered at this stage;
- (d). NTDC in its comments expressed its no objection to



the LPM of PAEC.

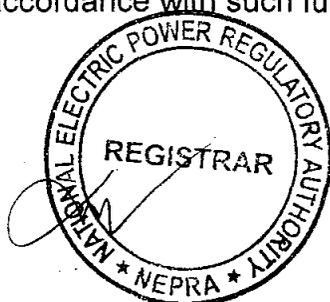
(ii). The Authority considered the above comments of the stakeholders and in view of the observations of CPPAG and FESCO, considered it appropriate seeking perspective of the licensee/PAEC. In reply to the said, PAEC on the comments of CPPAG submitted that its generation facility is an existing Captive Power Plant (CPP) which has no nexus with IGCEP. About the comment of FESCO, it was submitted that issues highlighted are under discussion at various forum and are under consideration of the Authority but the same do not pertain to its LPM.

(iii). The Authority considered the above submissions of PAEC and decided to proceed further in the matter, as stipulated in the NEPRA Licensing (Generation) Rules, 2000 (the "Generation Rules") and the Licensing Regulations.

(E). Evaluation/Findings

(i). The Authority examined the entire case in detail including the already granted licence, communicated LPM, comments of stakeholders and rejoinders from the Licensee. In this regard, the Authority observed that it granted a generation licence (No. SGC/120/2017, dated August 31, 2017) for its 50.00 MW local/Imported Coal based generation facility/Thermal Power Plant at KCP Complex Jauharabad, District Khushab, in the Province of Punjab for supplying to the concerned utility as well as for self-use.

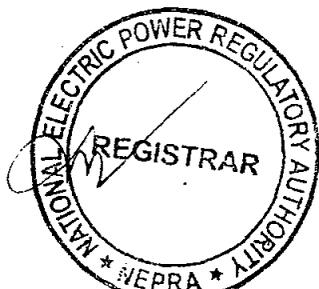
(ii). According to the communicated LPM under consideration, the company/Licensee/PAEC now plans supplying to eleven (11) BPC(s) as stipulated under Section-22 of the NEPRA Act. In this regard, the Authority in terms of Section-26 of the NEPRA Act read with Regulation-10(5) of the Licensing Regulations, is empowered to modify an existing licence of a licensee subject to and in accordance with such further changes as it may deem fit, if in the opinion



of the Authority such modification (a). does not adversely affect the performance by the licensee of its obligations; (b). does not cause the Authority to act or acquiesce in any act or omission of the licensee in a manner contrary to the provisions of the NEPRA Act or the rules or regulations made pursuant to it; (c). is or is likely to be beneficial to the consumers; (d). is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the licence; and (e).is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to the consumers keeping in view the financial and technical viability of the licensee.

(iii). In consideration of the above, the Authority observes that (a). the proposed LPM will not adversely effect the performance of the licensee of its obligations under its generation licence considering the fact it has surplus available with it for supplying to the proposed BPC(s); (b). the LPM will not cause it to act or acquiesce in any act or omission of the licensee in a manner contrary to the provisions of the NEPRA Act or the rules or regulations made pursuant to it; (c). the LPM is likely to be beneficial to the BPC(s) as it will be having continuous supply of reliable electric power from the licensee; (d). the LPM is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the licence; and (e).is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to the BPC(s) keeping in view the financial and technical viability of the licensee.

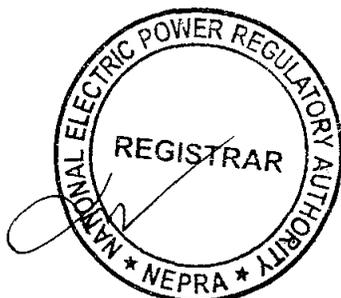
(iv). In consideration of the above, the Authority has considered the comments of the stakeholders and has observed that CPPAG and FESCO have raised certain observations which needs to be addressed. In its comments CPPAG submitted that (a). it has not given any consent for the project; (b). the procurement needs to be evaluated in the criteria of IGCEP of NTDC. In this regard, the Authority confirms that the generation facility of PAEC has already been set up and operational for some time supplying to its own installations and have surplus available which it plans supplying to different installations as BPC(s)



for which LPM has been submitted. In this regard, the Authority hereby confirms for the processing of the LPM and for wheeling, there is no requirement of having a consent from CPPAG. Regarding the other observation of CPPAG that procurement is to be evaluated in terms of the criteria of IGCEP, it is clarified that the generation facility of PAEC is already existing therefore, the same is not to be dealt in terms of the IGCEP as the same is applicable for new projects to be considered.

(v). The Authority has observed that FESCO in its comments has raised various observations including (a). non-recoverable cost of losses; (b). UoSC of NTDC and Fee of CPPA-G; (c). impact of Cross Subsidy and non-payment of Capacity Charges; (d). Problems with Banked Energy; (e). roles of Settlement and Dispatch of Power Plant; (f). settlement of differences within Distribution Companies [i.e. DISCO(s)]; (g). issues relating to imposition of LD(s); and (h). wheeling through multiple DISCO(s).

(vi). In consideration of the above, it is clear that points highlighted by FESCO are mostly related to the tariff structure on wheeling whereas rest of the observations are generally addressed in the related agreement pertaining to wheeling of energy. On the issues of cost related issues of wheeling, the Authority has already started a consultative process with all the stakeholders to address the same suitably in the determination for tariff for DISCO(s) which the Authority has either admitted or will be admitting. The Authority can even consider initiating suo-moto proceedings for those DISCOs for which it had determined Multi Year Tariff. Regarding issues other than cost/tariff on wheeling, the Authority considers that such issues are related to Energy Wheeling Agreement and the same may be addressed there at the time of execution of such agreements. In consideration of the above, the Authority considers that all the observations of CPPAG and FESCO stands addressed.



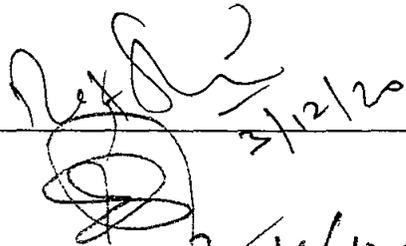
(F). Approval of LPM

(i). In view of the above, the Authority is satisfied that the Licensee has complied with all the requirements of the Licensing Regulations pertaining to the modification. Therefore, the Authority in terms Section-26 of the NEPRA Act read with Regulation-10(11) of the Licensing Regulations approves the communicated LPM without any changes.

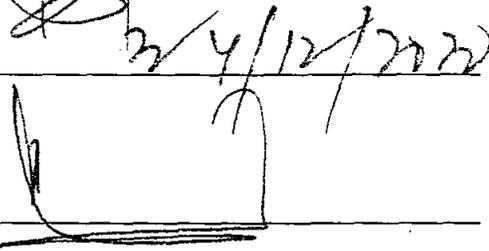
(ii). Accordingly, the Generation Licence (No. SGC/120/2017, dated August 31, 2017) granted to PAEC is hereby modified. The changes made in the generation licence are attached as annexure to this determination. The approval of the LPM is subject to the provisions contained in the NEPRA Act, relevant rules framed there under, terms & conditions of the generation licence and other applicable documents.

Authority

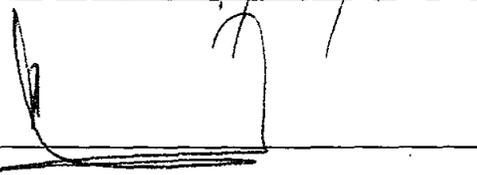
Rafique Ahmed Shaikh
(Member)


27/12/20

Rehmatullah Baloch
(Member)


27/4/12/2022

Engr. Bahadur Shah
(Member)



Saif Ullah Chattha
(Member/Vice Chairman)


4.12.2020

Tauseef H. Farooqi
(Chairman)

