



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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

No. NEPRA/TRF-271/NPGCL-2014/15831-15833  
August 29, 2019

Subject: **Decision of the Authority in the matter of Motion for Leave for Review filed by Northern Power Generation Co. Ltd. (NPGCL) against Decision of the Authority dated 14<sup>th</sup> April, 2015 - (Case No. NEPRA/TRF-271/NPGCL-2014)**


Dear Sir,

Please find enclosed herewith subject decision of the Authority (04 Pages) in Case No. NEPRA/TRF-271/NPGCL-2014.

2. The decision is being intimated to the Federal Government for the purpose of notification of adjustment in the approved tariff through the official Gazette pursuant to Section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

3. The Order of the Authority's Decision shall be notified in the official Gazette.

Enclosure: As above

  
29 08 19  
( Syed Safeer Hussain )

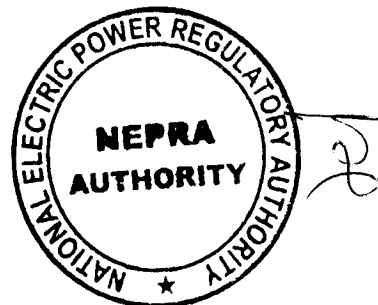
Secretary,  
Ministry of Energy (Power Division),  
Government of Pakistan  
'A' Block, Pak Secretariat,  
Islamabad.

CC:

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

**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR  
REVIEW FILED BY NORTHERN POWER GENERATION COMPANY LIMITED  
(NPGCL) AGAINST DECISION OF THE AUTHORITY DATED 14<sup>TH</sup> APRIL 2015**

1. The Northern Power Generation Company Limited (NPGCL) submitted a petition dated 20th May 2014 for determination of generation tariff for Combined Cycle Power Plant (CCPP) for its Nandipur power project. The determination of the Authority in the matter was issued on 14th April 2015. NPGCL filed a motion for leave for review vide its letter dated 24th April 2015 against the aforesaid determination. The decision of the Authority in the matter of Motion for Leave for Review was issued on 27th January, 2016 wherein the Authority in addition to RFO based tariff, allowed a separate tariff for Gas/RLNG fuel. Subsequently, the Federal Government through the then Ministry of Water & Power filed a reconsideration request dated April 14, 2016 against the determination and the decision of the Authority. The GoP reconsideration request was also disposed of through NEPRA decision dated September 02, 2016.
2. The Northern Power Generation Company Limited hereinafter referred to as “**the Petitioner**” or “**NPGCL**”, in pursuant to Rule 3 (2) of the NEPRA (Review Procedure) Regulation 2009, submitted Motion for Leave for Review “**MLR**” dated 21<sup>st</sup> December 2018 for review of fuel price adjustment mechanism for variation in the price of gas/RLNG prescribed in the decision of the Authority dated 27th January, 2016 hereinafter referred as the “**Impugned Decision**”. The Authority considered that generally a second review is inadmissible under the law and that the instant review is time barred. The Authority noted that the instant case is peculiar because the MLR decision allowed the conversion of the plant to Gas/RLNG and prescribed fuel cost component adjustment formula for the first time which has the omission of HHV-LHV adjustment factor detailed in the ground for review below. Therefore, technically the Petitioner should be having an opportunity to identify error(s), if any and request the Authority for correction. In view of the above extenuating circumstances, and to advance the ends of justice and without being quoted as a precedent, the Authority decided to admit the review motion and condone the delay in February 21, 2019. It was also decided to provide an opportunity of hearing to the parties to the proceedings; accordingly hearing in the matter was conducted on 3rd April 2019. Notices of Hearing in the matter were issued on 22nd March 2019 inviting comments from stakeholders who were party to original proceeding, i.e., CPPA-G (Power Purchaser) and Anwar Kamal Law Associate (Commentator). In response to notices, no comments were received.
3. The Petitioner filed MLR on the following grounds:
  - i- The Petitioner submitted that after the determination of tariff, initially the CCPP, Nandipur was operating on HSFO. Subsequently, upon completion of gas conversion the project started generating electricity on RLNG. So, there is a delay in the filing of this MLR. The MLR is entirely for the commercial viability of a project constructed for the benefit of consumers, taxpayers, and the country. In the past NEPRA has realized this fact and condoned the delay in filing of the Review request so as to decide the same on the merits.
  - ii- According to the Petitioner, the Fuel Cost Component (FCC) has been done on the basis of Lower Heat Value (LHV) of Gas/RLNG. The reference (HHV) gas price of Rs. 864.03/MMBTU was adjusted for HHV-LHV factor of 1.107553 and the reference (LHV) price of 956.97/ MMBTU was used for calculation of fuel cost component. Similarly, the revised gas price was also required to be adjusted for HHV-LHV factor, however, the same could not be reflected in the notified adjustment mechanism and needs to be corrected. The definition of the revised price appeared in



the mechanism as “the new price of Gas/RLNG to be notified by the competent Authority/OGRA” needs to be replaced with “the new price of Gas/RLNG to be notified by the competent Authority/OGRA adjusted for HHV-LHV conversion factor of 1.107553”. According to the Petitioner, due to this omission, Nandipur power plant is facing huge loss on account of FCC.

4. On the basis of the above, the prayer of the Petitioner is as under:

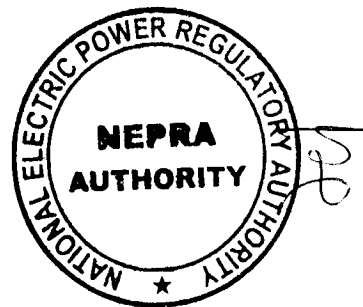
- i- Give adjustment of the impact of HHV-LHV conversion factor through expressly mentioning in the order part of the Review Determination dated 27<sup>th</sup> January 2016, so that no discrimination or delusion augment in this regard and CCPP, Nandipur of NPGCL may be able to claim the invoices at par with other power producers and recover the actual cost of generation.
- ii- Furthermore, at point No. 69(vii) of the determination dated 27<sup>th</sup> January 2016, the heading “Fuel Price Variation (RFO)” may be replaced with “Fuel Price Variation (Gas/RLNG)”

5. On the basis of Petitioner’s Grounds for filing MLR, the following issues were framed for the proceedings:

- i) Whether to give adjustment of the impact of HHV-LHV conversion factor?
- ii) Whether the heading “Fuel Price Variation (RFO)” may be replaced with “Fuel Price Variation (Gas/RLNG)” at Para 69 (vii) of the determination dated 27<sup>th</sup> January 2016?

### Hearing

6. While admitting the MLR, it was also decided to provide an opportunity of hearing to the parties to the (original tariff) proceedings; accordingly hearing in the matter was scheduled on 3rd April 2019. Notices of Hearing in the matter were issued on 22nd March 2019 inviting comments from stakeholders who were party to original proceeding, i.e., CPPA-G (Power Purchaser) and Anwar Kamal Law Associate (Commentator). In response to notices, no comments were received.
7. During hearing, the Petitioner submitted that due to HHV-LHV adjustment oversight in the Impugned Decision, the Nandipur power plant is not being able to recover the full cost of generation hence, the Petitioner requested the Authority to rectify the same. The Petitioner also pointed a typo in the title of the Fuel Price Variation (RFO) and requested RFO to be replaced with Gas/RLNG.
8. During the hearing the Authority was informed of the delay in filing COD adjustment request by the Petitioner which was required to be filed within 30 days of achieving COD. The Authority took cognizance of the delay and directed the Petitioner to submit the same within three months’ time failing which the Authority shall take action under the applicable law.



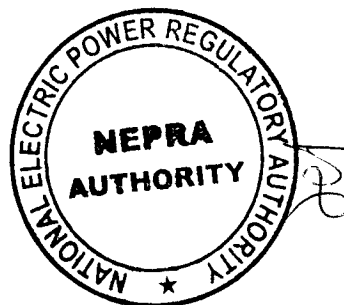
**Consideration of the Views of the Petitioner, Analysis, Findings and Decision on the Issues**

- i) Whether to give adjustment of the impact of HHV-LHV conversion factor? &
  - ii) Whether the heading “Fuel Price Variation (RFO)” may be replaced with “Fuel Price Variation (Gas/RLNG)” at Para 69 (vii) of the determination dated 27<sup>th</sup> January 2016?
9. The thermal efficiency of the subject power plant on gas/RLNG has been determined on the Lower Heat Value (LHV) basis and accordingly the reference fuel cost component (FCC) on RLNG was also determined on LHV basis. Since Oil & Gas Regulatory Authority (OGRA) determines and announce the price of RLNG on High Heat Value (HHV) basis, the HHV price needs to be adjusted for HHV-LHV factor which in the instant case was fixed at 1.107553. For adjustment of the FCC for variation in RLNG fuel price, the reference gas price used was on LHV basis. Likewise, the revised gas price defined in the prescribed mechanism was also required to be adjusted for HHV-LHV factor, however, the same was omitted. The Petitioner’s contention is correct and needs to be rectified. Accordingly, the Authority has decided to modify the definition of the revised gas price by adding the words “adjusted for HHV-LHV factor of 1.107553”
10. With regards to the second issue, the title of the prescribed mechanism in the Impugned Decision also needs correction and RFO is required to be replaced with Gas/RLNG as rightly pointed out by the Petitioner.
11. In view of the above, para 69 (vii) of the Impugned Decision is hereby replaced with the following:

**Fuel Price Variation (Gas/RLNG)**

The Variable Charge Part of the tariff on Gas/RLNG relating to fuel cost shall be adjusted on account of the fuel price variations according to the mechanism given below:

FC (Rev)	=	$FC (Ref) \times FP (Rev) / FP (Ref)$
Where:		
FC (Rev)	=	Revised fuel cost component on Gas/RLNG
FP (Rev)	=	The new price of Gas/RLNG to be notified by the competent Authority/OGRA adjusted for HHV-LHV factor of 1.107553
FP (Ref)	=	Reference Gas/RLNG price of Rs. 956.97/MMBtu



## Order

The Authority in exercise of its powers conferred under Section 7(2)(g) read with Section 31 of the NEPRA Act and Rule 16(10) of the Tariff Rules hereby grants the instant review motion on the following terms:

Para 69 (vii) of the "Decision of the Authority in the matter of Motion for Leave for Review against the Decision of the Authority dated 14-04-2015 regarding Tariff Petition filed by Northern Power Generation Company Ltd. (NPGCL) Case No. NEPRA/TRF-271/NPGCL-2014" dated January 27, 2016 shall be substituted with the following:

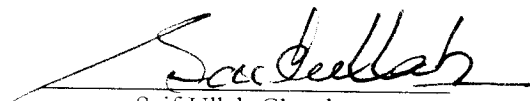
### Fuel Price Variation (Gas/RLNG)

The Variable Charge Part of the tariff on Gas/RLNG relating to fuel cost shall be adjusted on account of the fuel price variations according to the mechanism given below:

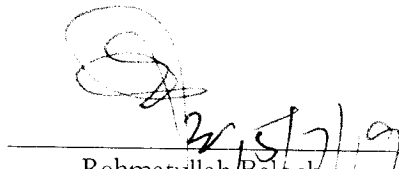
FC (Rev)	=	FC (Ref) × FP (Rev) / FP (Ref)
Where:		
FC (Rev)	=	Revised fuel cost component on Gas/RLNG.
FP (Rev)	=	The new price of Gas/RLNG to be notified by the competent Authority/OGRA adjusted for HHV-LHV factor of 1.107553
FP (Ref)	=	Reference Gas/RLNG price of 956.97/MMBtu

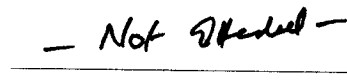
12. The above Order of the Authority shall be notified in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

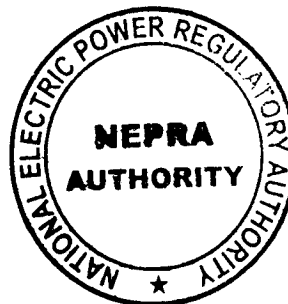
### AUTHORITY

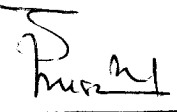
  
Saif Ullah Chattha  
Member  
12.7.2019

  
Rafique Ahmed Shaikh  
Member  
20/7/19

  
Rehmatullah Baloch  
Member  
20/7/19

  
Engr. Bahadur Shah  
Vice Chairman



  
29 08 19