



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-542/NPGCL-2020/1390-1392
January 12, 2021

Subject: **Decision of the Authority regarding Immediate Application of Tariff filed by Northern Power Generation Company Ltd. (NPGCL) on account of Reduction in Return on Equity (RoE) of CCPP Nandipur under Rule 4(7) of NEPRA (Tariff Standards and Procedure) Rules, 1998 (Case No. NEPRA/TRF-542/NPGCL-2020)**

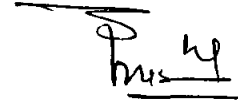
Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (04 pages) in Case No. NEPRA/TRF-542/NPGCL-2020.

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 is to be notified in the official Gazette.

Enclosure: As above


12 01 21
(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 REGARDING IMMEDIATE APPLICATION OF
TARIFF FILED BY NORTHERN POWER GENERATION COMPANY LIMITED ON
ACCOUNT OF REDUCTION IN ROE OF CCPP NANDIPUR UNDER RULE 4(7) OF
NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES 1998**

1. INTRODUCTION

- 1.1. Northern Power Generation Company Limited ("NPGCL" or the "Petitioner") has set up a dual fuel fired combined cycle power plant at Nandipur, District Gujranwala in the province of Punjab. The plant is capable of operating on Gas/RLNG and RFO. The net capacity of the plant is 411.35 MW on RFO and 450.48 on gas/RLNG. The Power plant achieved commercial operations on 23rd July 2015.
- 1.2. The tariff in respect of CCPP Nandipur was determined on April 14, 2015 for 30 years. Review Motion in the matter was decided on January 27, 2016 and decision of reconsideration request was issued on September 02, 2016. The tariff was notified vide SRO No. 634(I)/2017 dated 10th July 2017.

2. FILING OF MODIFICATION PETITION

- 2.1. NPGCL vide letter No. NPGCL/CEO/TRF-271/4088 dated 16th October 2020 filed a Petition for Modification/Revision of reference tariff for the subject power plant in pursuant to NEPRA Tariff (Standards and Procedure) Rules 1998. Salient features of the modification petition are as under:

- i. Reference and requested tariff w.e.f. COD of 23rd July 2015 is as under:

Tariff Component	Reference Tariff	Requested Tariff
	Rs/kW/hr	
On RFO:		
Capacity Purchase Price (1-15 Years)	2.3930	2.7932
Capacity Purchase Price (16-30 Years)	1.2840	1.2612
Fuel Cost Component	7.5246	7.6126
Variable O&M	0.4800	0.4800
Total (1-15 Years)	10.3976	10.8858
Total (16-30 Years)	9.2886	9.3538
On Gas/RLNG:		
Capacity Purchase Price (1-15 Years)	2.1906	2.7151
Capacity Purchase Price (16-30 Years)	1.1274	1.1938
Fuel Cost Component	7.3803	7.6126
Variable O&M	0.3435	0.3435
Total (1-15 Years)	9.9144	10.6712
Total (16-30 Years)	8.8512	9.1499
RoE Component:	@ 15%	@ 10%
CPP – ROE on RFO	1.0915	0.7277
CPP- ROE on Gas/RLNG	1.0283	0.6856

- ii. To allow gas connection infrastructure cost of Rs. 2,808.7 million.



- iii. To allow cost of plant conversion on Gas of Rs. 5,427.6 million against assessed amount of Rs. 2089.9 million.
- iv. To allow spare parts cost of Rs. 1,798.6 million against assessed amount of Rs. 1,436.9 million.
- v. To allow duties & taxes of Rs. 2,365.3 million against assessed amount of Rs. 2,009.9 million
- vi. To allow fuel testing cost of Rs. 3,938.3 million against assessed amount of Rs. 812.7 million.
- vii. To allow power dispersal cost of Rs. 832.3 million duly verified by NTDC.
- viii. To allow non- EPC cost for buildings of Rs. 657.9 million against assessed amount of Rs. 363.8 million.
- ix. To allow O&M Contractor mobilization cost of Rs. 649.2 million against assessed amount of Rs. 515.0 million.
- x. To allow actual EPC cost payable of Rs. 2,547.94 million against assessed cost of Rs. 2,203.47 million.
- xi. To allow project resumption cost of PKR 4,531.08 million in EPC cost.
- xii. To allow 3% premium on KIBOR without sharing the saving with the power purchaser/consumers.
- xiii. To allow one-time adjustment in Heat Rate for efficiency loss adjusting factors.
- xiv. To allow increase of 7 Paisa per unit in Fixed O&M charge.
- xv. To allow increase of 9 Paisa per unit in cost of working capital on gas.
- xvi. To allow reduction in Return on Equity Charge from 15% to 10%.

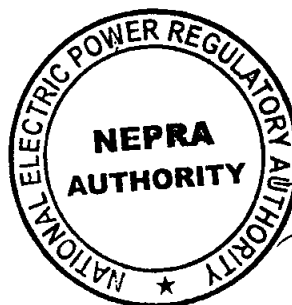
3. APPLICATION FOR INTERIM RELIEF

- 3.1. NPGCL vide letter No. CEO/MZG/1730(7) dated 8th December 2020 requested interim relief in reference tariff component of ROE in compliance of CCoE decision dated 27th August 2020 for reduction in ROE as per Rule 4(7) of NEPRA Tariff (Standards and Procedure) Rules, 1998 reproduced as under:

"The Authority may, while admitting a petition, allow the immediate application of the proposed tariff subject to an order for refund for the protection of consumers, or for the satisfactory security to be provided for refund, while the proceedings as pending before the Authority"

- 3.2. The requested revision is provided as under:

Ref. Tariff annual NEO on Gas	(GWh)	3,946.18
Reference Tariff Return on Equity-Gas	(Rs./kW/h)	0.7760
Annual ROE Charge	(Mln.Rs)	3,062.24



Rate of ROE	%	15%
Ref. Equity Investment (Equity+ROEDC)	(Mln.Rs)	20,414.90
Revised rate of ROE	%	10%
Revised annual ROE Charge	(Mln.Rs)	2,041.49
Revised Reference Tariff ROE-Gas	(Rs./kW/h)	0.5173

4. ANALYSIS & DECISION

- 4.1. CCOE vide its decision No. CCE-46/13/2020 dated 27th August 2020 decided to reduce return on equity of GENCOs to 10% and asked GENCOs to get necessary approvals from NEPRA. In pursuance of the CCOE decision, NPGCL filed tariff modification petition inter alia the reduction in ROE tariff component.
- 4.2. As per the approved tariff, the equity investment in the project is US\$ 146.27 million (Rs. 15,066.31 million) on gas fuel. Return on Equity component of Rs. 0.7760/kW/h was approved comprising ROEDC of Rs. 0.2033/kW/h and ROE of Rs. 0.5725/kW/h. ROEDC component was calculated on the basis of ROEDC of US\$ 51.14 Million. The assumed exchange rate was Rs. 103/USD.
- 4.3. In line with the decision of the CCOE, 10% ROE works out Rs. 1,506.63 million on equity investment of Rs. 15,066.31 million. This ROE translates into ROE component of Rs. 0.3818/kW/h on gas fuel as provided below:

Description	Unit	Approved
Reference Equity Investment	Rs. (Mlns)	15,066.31
Return on Equity	%	10%
Annual RoE Charge	Rs. (Mlns)	1,506.63
Ref. Tariff annual NEO on Gas	GWh	3,946.18
RoE Component	Rs./kW/h	0.3818

- 4.4. The Authority has considered the request of NPGCL for interim tariff under Rule 4(7) and considered that it is in the consumer interest. Accordingly, the Authority decided to approve ROE component of Rs. 0.3818/kW/h purely on provisional basis and shall be subject to adjustment/refund, if necessary, in the light of final decision of the Authority in the subject tariff modification petition.

5. ORDER

- I. Northern Power Generation Company Limited is hereby allowed provisional application of following revised ROE tariff component for its combined cycle power plant at Nandipur for operation on gas fuel subject to final decision and an order of refund for the protection of the consumers, while the proceedings are pending before the Authority in the matter of tariff modification petition:

Description	Unit	Tariff
ROE	Rs./kW/h	0.3818




II. The revised tariff component shall take effect from the date of issuance of the instant decision.

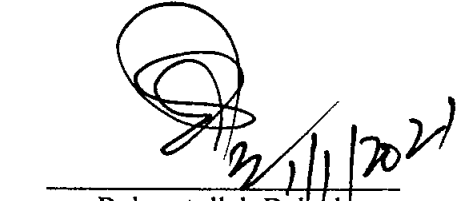
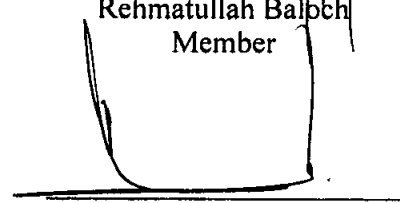
6. NOTIFICATION


6.1. The above Order of the Authority is intimated to the Federal Government for notification in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

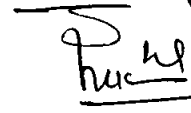
AUTHORITY


Saif Ullah Chattha
Member 30.12.2020


Engr. Rafique Ahmed Shaikh
Member


Rehmatullah Baloch
Member

Engr. Bahadur Shah
Member


Tauseef H. Farooqi
Chairman


12.01.21
