



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-327/HEPL-2015/17972-17974  
November 19, 2018

Subject: **Decision of National Electric Power Regulatory Authority in the matter of Tariff Adjustments at Commercial Operations Date (COD) of Hawa Energy (Private) Ltd. [Case No. NEPRA/TRF-327/HEPL-2015]**

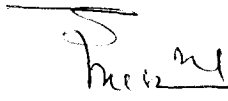
Dear Sir,

Please find enclosed herewith the subject Decision of the Authority along with Annexure-I (07 pages) in Case No. NEPRA/TRF-327/HEPL-2015.

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.

3. Order of the Authority at paragraph 4 of the Decision is to be notified in the official Gazette.

Enclosure: As above

  
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( Syed Safeer 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 NATIONAL ELECTRIC POWER REGULATORY AUTHORITY IN THE MATTER OF TARIFF  
ADJUSTMENTS AT COMMERCIAL OPERATIONS DATE (COD) OF HAWA ENERGY PRIVATE LIMITED  
(HEPL) CASE NO. NEPRA/TRF-327/HEPL-2015**

**INTRODUCTION**

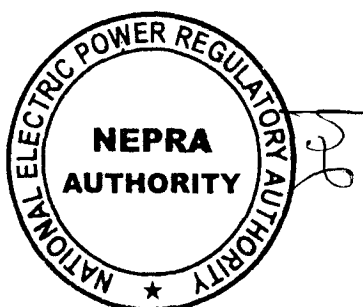
1. Hawa Energy (Pvt.) Limited (hereinafter referred to as "HEPL") on July 01, 2015 filed an application for unconditional acceptance of upfront tariff for wind power generation projects determined by the Authority on June 24, 2015. The Authority considering the request from HEPL and after fulfillment of requirements of NEPRA Upfront Tariff (Approval & Procedure) Regulations 2011 awarded the upfront tariff to HEPL on August 10, 2015. The determined upfront tariff was Rs. 10.6048/kWh (US Cents 10.4481/kWh) with few openers to be adjusted after attaining the commercial operations.
2. HEPL submitted that it had achieved financial close on August 8, 2016 and the same was confirmed by AEDB vide letter No. B/3/1/HAWA/11 dated August 8, 2016. Later HEPL attained the commercial operations on March 15, 2018 and the same was confirmed by CPPAG vide letter No. DGMT-III/MT-IX/HEPL/16/6861-71 dated March 20, 2018. Accordingly HEPL submitted its request for adjustment of relevant components of its tariff at commercial operations date (hereinafter referred to as "COD") vide letter dated March 28, 2018.
3. Following two adjustments were allowed in the upfront tariff determination dated June 24, 2015 vide Order para 4 (xii) and 4 (xiii);
  - i. Adjustment on account of savings in cost of debt
  - ii. Adjustment on account of variations in LIBOR/KIBOR
4. After the review of the source documents and information submitted by HEPL, the Authority has decided to allow the above adjustments in the reference tariff of HEPL as follows:

i. Adjustment on account of savings in cost of debt

In the upfront tariff determination dated August 10, 2015, the Authority had assessed tariff on the basis of 3 months LIBOR of 0.2706% plus a premium of 450 basis points. In case negotiated spread less than the referred limits, the savings in the spread over LIBOR is to be shared by the power purchaser and the power producer (HEPL) in the ratio of 60:40 respectively.

HEPL vide its COD Tariff Adjustment request submitted that it entered into a financing agreement dated July 11, 2016 with Overseas Private Investment Corporation (OPIC) with a total commitment of USD 95.300 million. HEPL also submitted that it has negotiated the spread of 400 points (4%) with the financier (OPIC).

Considering above, the Authority has decided to allow a spread of 400 points (4.00%) along with 40% saving in cost of debt resulting in a total spread of 420 points (4.20%) allowed.



ii. Adjustment on account of variations in LIBOR/KIBOR

In the Upfront Tariff Determination dated August 10, 2015, the Authority had assessed interest during construction of USD 0.080 million per MW. The interest during construction is to be reassessed after commercial operations date for the allowed construction period of eighteen months, starting from the date of financial close, on the same computation basis, by applying 3 months LIBOR of last day of the preceding quarter (plus allowed spread thereon), on the basis of phasing for debt injection considered in the computation of upfront tariff.

HEPL submitted a cumulative claim of USD 4.565 million on account of IDC after incorporating variations in LIBOR.

As per the mechanism defined in the tariff determination, the Authority has decided to allow an IDC component of USD 4.454 million after incorporating the variations in LIBOR restricting IDC within the construction period of eighteen months.

**ORDER**

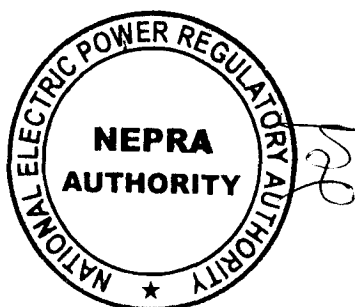
5. Pursuant to section 7, read with section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, HEPL (the applicant) is allowed to charge the following specified/approved tariff for delivery of electricity to the power purchaser;

**COD STAGE TARIFF ON BOO BASIS**

Years	O & M	Insurance	Return on equity	Principal repayment of debt	Interest	Total tariff
1	1.5039	0.6349	3.6217	4.3472	2.3211	12.4288
2	1.5039	0.6349	3.6217	4.5448	2.1235	12.4288
3	1.5039	0.6349	3.6217	4.7515	1.9168	12.4287
4	1.5039	0.6349	3.6217	4.9675	1.7008	12.4288
5	1.5039	0.6349	3.6217	5.1933	1.4750	12.4288
6	1.5039	0.6349	3.6217	5.4294	1.2389	12.4288
7	1.5039	0.6349	3.6217	5.6762	0.9920	12.4287
8	1.5039	0.6349	3.6217	5.9343	0.7340	12.4287
9	1.5039	0.6349	3.6217	6.2040	0.4643	12.4288
10	1.5039	0.6349	3.6217	6.4861	0.1822	12.4288
11 to 20	1.5039	0.6349	3.6217	-	-	5.7605
Levelized – Rs./kWh.						10.5733
Indexation	PKR/US \$ & US CPI	PKR/US \$	PKR/US \$	PKR/US \$	PKR/US \$ & LIBOR	

Levelized tariff discounted at 10% per annum works out to US cents 10.4170/kWh.

- i) This tariff is applicable for wind power generation only.



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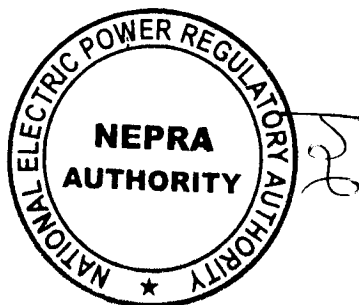
- ii) This tariff will be limited to the extent of net annual energy generation supplied to the power purchaser up to 35% net annual plant capacity factor. Net annual energy generation supplied to the power purchaser in a year, in excess of 35% net annual plant capacity factor will be charged at the following tariffs

<b><u>Net annual plant capacity factor</u></b>	<b><u>% of the prevalent tariff</u></b>
Above 35% to 36%	75%
Above 36% to 37%	80%
Above 37%	100%

- iii) The power purchaser will not take the wind risk; the applicant will be required to account for this risk.
- iv) In the tabulated above tariff no adjustment for certified emission reductions has been accounted for. However, upon actual realization of carbon credits, the same shall be distributed between the power purchaser and the applicant in accordance with the applicable GOP Policy for Development of Renewable Energy for Power Generation, 2006, as amended from time to time.
- v) The targeted maximum construction period after financial close is 18 months. No adjustment will be allowed in this tariff to account for financial impact of any delay in project construction. However, the failure of the applicant to complete construction within 18 months of financial close will not invalidate the tariff granted to it.
- vi) This tariff will be applicable for a period of twenty (20) years from the commencement of commercial operations.
- vii) The terms and conditions specified herein form an integral part of this tariff.
- viii) This tariff has been worked out on the basis of information provided by the applicant regarding its loan structure i.e. 100% foreign loan and will not be subject to any further change, regardless of any subsequent change(s) in the financing structure, etc., except for the application of relevant indexations/adjustments as detailed below in this order.
- ix) Indexations/adjustment

The tariff allowed to applicant, will remain unchanged throughout the tariff control period, except for the adjustments due to indexations/adjustment detailed in this order. The indexations of O & M, return on equity, principal repayment of debt and interest will be allowed on quarterly basis on 1<sup>st</sup> July, 1<sup>st</sup> October, 1<sup>st</sup> January and 1<sup>st</sup> April. Insurance component will be adjusted annually. The mechanism of indexations/adjustment will be as under:

- a) Indexations applicable to O & M:



$$OM_{(FREV)} = OM_{(FREF)} * US\ CPI_{(REV)} / US\ CPI_{(REF)} * ER_{(REV)} / ER_{(REF)}$$

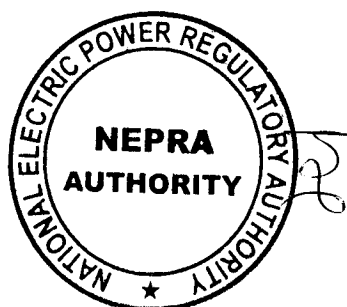
Where:

$OM_{(FREV)}$	=	The revised applicable O&M tariff component indexed with US CPI and exchange rate parity
$OM_{(FREF)}$	=	The reference O&M tariff component for the relevant period
$US\ CPI_{(REV)}$	=	The revised US CPI (all urban consumers) based on latest available information with respect to US CPI (notified by US Bureau of Labor Statistics)
$US\ CPI_{(REF)}$	=	Reference US CPI (all urban consumers)-current reference 233.707 US CPI (all urban consumers) for the month of January, 2015 as notified by the US Bureau of Labor Statistics
$ER_{(REV)}$	=	Revised TT & OD selling rate of US Dollar as notified by the National Bank of Pakistan as at the last day of the preceding quarter
$ER_{(REF)}$	=	Reference TT & OD selling rate of US dollar - current reference 101.50

b) Adjustment of insurance component

The actual insurance cost for the minimum cover required under contractual obligations with the power purchaser not exceeding 1% of Rs. 194.67 million per MW (US \$ 1.9179 million per MW) will be treated as pass-through. Insurance component of reference tariff shall be adjusted annually as per actual, upon production of authentic documentary evidence by the applicant, according to the following formula:

AIC	=	$Ins_{(Ref)} / P_{(Ref)} * P_{(Act)}$
Where		
AIC	=	Adjusted insurance component of tariff
$Ins_{(Ref)}$	=	Reference insurance component of tariff
$P_{(Ref)}$	=	Reference premium @ 1% of Rs.194.67 million
$P_{(Act)}$	=	Actual premium per MW of installed capacity or 1% of US \$ 1.9179 million converted into Pak Rupees on exchange rate prevailing on the 1 <sup>st</sup> day of the insurance coverage period, whichever is lower



c) Indexations applicable to return on equity

$$ROE_{(FREV)} = ROE_{(FREF)} * ER_{(REV)} / ER_{(REF)}$$

Where:

$ROE_{(FREV)}$  = The revised applicable return on equity tariff component indexed with exchange rate parity

$ROE_{(FREF)}$  = The reference return on equity tariff component for the relevant period

$ER_{(REV)}$  = Revised TT & OD selling rate of US Dollar as notified by the National Bank of Pakistan as at the last day of the preceding quarter

$ER_{(REF)}$  = Reference TT & OD selling rate of US dollar – current reference 101.50

d) Indexations applicable to debt

Foreign debt and its interest will be adjusted on quarterly basis, on account of revised TT & OD selling rate of US Dollar, as notified by the National Bank of Pakistan as at the last day of the preceding quarter, over the applicable reference exchange rate.

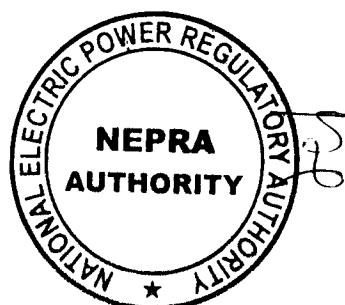
e) Indexations applicable to interest after achieving COD

$$\Delta I = P_{(REV)} * (LIBOR_{(REV)} - 0.2706\%) / 4$$

Where:

$\Delta I$  = The variation in interest charges applicable corresponding to variation in 3 months LIBOR.  $\Delta I$  can be positive or negative depending upon whether 3 months LIBOR<sub>(REV)</sub> per annum > or < 0.2706%. The interest payment obligation will be enhanced or reduced to the extent of  $\Delta I$  for each quarter under adjustment.

$P_{(REV)}$  = is the outstanding principal (as indicated in the attached debt service schedule to this order at Annex I), on a quarterly basis at the relevant quarterly calculations date. Quarter 1 shall commence on the commercial operations date (i.e. the first figure will be used for the purposes of



calculation of interest for the first quarter after  
commercial operations date).

LIBOR<sub>(REV)</sub> = Revised 3 months LIBOR rate as at the last day of  
the preceding quarter

**Note:** Above described indexations/adjustments will be approved and announced by the  
Authority within fifteen days of the applicant's request for indexations/adjustments in  
tariff in accordance with the requisite mechanisms stipulated herein.

x) **Other Terms and Conditions of Tariff:**

a. **General:**

- General assumptions, which are not covered in this decision, determination of  
the Authority in the matter of upfront tariff for wind power generation dated  
June 24, 2015 and National Electric Power Regulatory Authority Upfront Tariff  
(Approval & Procedure) Regulations, 2011, may be dealt with as per the  
standard terms of the Energy Purchase Agreement.


5. The order at paragraph 4 is recommended for notification by the Federal Government in the official gazette in  
accordance with Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power  
Act, 1997.

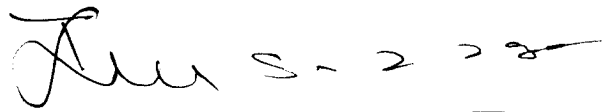
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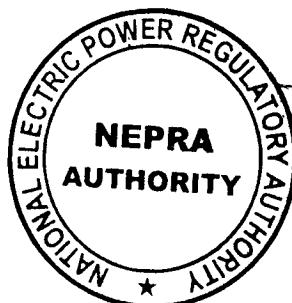
**AUTHORITY**

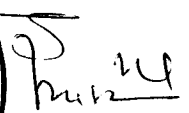
  
(Saif Ullah Chattha)  
Member

15.11.2018

  
24/11/2018  
(Rehmatullah Baloch)  
Member/ Vice Chairman

  
(Brig (R) Tariq Sadozai)  
Chairman



  
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**Hawa Energy (Private) Limited**  
**Debt Servicing Schedule**

Relevant Quarter	Base amount (USD)	Principal Repayment (USD)	Interest (USD)	Balance Principal (USD)	Total Debt Service Million (USD)	Principal Repayment of debt Rs./kw/h	Interest Rs./kw/h
1	80,426,655	1,605,631	898,889	78,821,024	2,504,519	4.3472	2.3211
2	78,821,024	1,623,576	880,943	77,197,448	2,504,519		
3	77,197,448	1,641,722	862,797	75,555,727	2,504,519		
4	75,555,727	1,660,070	844,449	73,895,656	2,504,519		
5	73,895,656	1,678,624	825,895	72,217,032	2,504,519	4.5448	2.1235
6	72,217,032	1,697,385	807,134	70,519,647	2,504,519		
7	70,519,647	1,716,356	788,163	68,803,290	2,504,519		
8	68,803,290	1,735,539	768,980	67,067,751	2,504,519		
9	67,067,751	1,754,936	749,583	65,312,815	2,504,519	4.7515	1.9168
10	65,312,815	1,774,550	729,969	63,538,265	2,504,519		
11	63,538,265	1,794,384	710,135	61,743,881	2,504,519		
12	61,743,881	1,814,439	690,080	59,929,442	2,504,519		
13	59,929,442	1,834,718	669,801	58,094,725	2,504,519	4.9675	1.7008
14	58,094,725	1,855,223	649,296	56,239,501	2,504,519		
15	56,239,501	1,875,958	628,561	54,363,543	2,504,519		
16	54,363,543	1,896,925	607,594	52,466,618	2,504,519		
17	52,466,618	1,918,126	586,393	50,548,492	2,504,519	5.1933	1.4750
18	50,548,492	1,939,564	564,955	48,608,928	2,504,519		
19	48,608,928	1,961,241	543,278	46,647,687	2,504,519		
20	46,647,687	1,983,161	521,358	44,664,526	2,504,519		
21	44,664,526	2,005,326	499,193	42,659,200	2,504,519	5.4294	1.2389
22	42,659,200	2,027,739	476,781	40,631,461	2,504,519		
23	40,631,461	2,050,402	454,118	38,581,060	2,504,519		
24	38,581,060	2,073,318	431,201	36,507,742	2,504,519		
25	36,507,742	2,096,490	408,029	34,411,252	2,504,519	5.6762	0.9920
26	34,411,252	2,119,922	384,597	32,291,330	2,504,519		
27	32,291,330	2,143,615	360,904	30,147,715	2,504,519		
28	30,147,715	2,167,573	336,946	27,980,142	2,504,519		
29	27,980,142	2,191,799	312,720	25,788,343	2,504,519	5.9343	0.7340
30	25,788,343	2,216,296	288,223	23,572,047	2,504,519		
31	23,572,047	2,241,066	263,453	21,330,981	2,504,519		
32	21,330,981	2,266,113	238,406	19,064,868	2,504,519		
33	19,064,868	2,291,441	213,078	16,773,427	2,504,519	6.2040	0.4643
34	16,773,427	2,317,051	187,468	14,456,376	2,504,519		
35	14,456,376	2,342,947	161,572	12,113,429	2,504,519		
36	12,113,429	2,369,133	135,386	9,744,295	2,504,519		
37	9,744,295	2,395,612	108,907	7,348,684	2,504,519	6.4861	0.1822
38	7,348,684	2,422,387	82,133	4,926,297	2,504,519		
39	4,926,297	2,449,460	55,059	2,476,837	2,504,519		
40	2,476,837	2,476,837	27,682	-	2,504,519		

