No. NEPRA/R-SA(Tariff)/TRF-411/SRE-I/2017/9428-9430
March 27, 2020


Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (04 Pages) in the matter of Motion for Leave for Review filed by M/s. Shaheen Renewable Energy-I (Pvt.) Limited against the Tariff Decision dated February 12, 2019 in Case No. NEPRA/TRF-411/SRE-I/2017, for information.

Enclosure: As above

(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 MOTION FOR LEAVE FOR REVIEW FILED BY M/S SHAHEEN RENEWABLE ENERGY-I (PVT) LIMITED AGAINST THE TARIFF DECISION DATED FEBRUARY 12, 2019

1. M/s Shaheen Renewable Energy-1 (Pvt.) Ltd. ("SREPL-I", "the petitioner", "the company") vide letter dated July 12, 2019 filed subject motion for leave for review ("review motion") with National Electric Power Regulatory Authority ("NEPRA", "the Authority") under rule 16(6) of the NEPRA (Tariff Standards and Procedure) Rules, 1998 read with NEPRA (Review Procedure) Regulations, 2009. In the instant review motion, the petitioner has requested the Authority to allow one year time to achieve Financial Close ("FC") from the date of review decision issued by NEPRA dated February 12, 2019. ("Review Decision" or "the Impugned Decision").

2. SREPL-I is a company setup to develop a 51 MW wind power project. It is noted that NEPRA awarded generation license to SREPL-I on January 07, 2017. The Authority approved levelized tariff of Rs. 5.2985/kWh (US Cent 4.4154/kWh) to SREPL-I vide tariff determination dated August 20, 2018 ("Tariff Determination"). In Tariff Determination, the time of six months was allowed to the petitioner to achieve FC. Aggrieved with Tariff Determination, the petitioner filed motion for leave for review ("1st Review Motion") requesting for re-evaluation of a number of technical and financial parameters including the request for extension in time of achieving FC. The Authority issued Review Decision/Impugned Decision on February 12, 2019 while approving levelized tariff of Rs. 5.5731/kWh (US Cents 4.6442/kWh). The time of FC was extended to one year in the Impugned Decision to be reckoned from the date of Tariff Determination, i.e. August 20, 2018. Accordingly, the petitioner was required to achieve FC by August 20, 2019 failing which the approved tariff would have expired.

3. Now SREPL-I has filed the subject review motion against the Impugned Decision requesting the Authority to reckon the allowed time of one year for achieving FC from the date of Review Decision. In the subject review motion, the petitioner also requested to condone the delay in filing the said motion.

4. The Authority considered the subject review motion on October 24, 2019. To deliberate on the merits of the case, the Authority decided to condone the delay in filing of subject review motion.
and admitted the same. The Authority decided to hold hearing on this matter and notices thereof were sent to SREPL-I, Central Power Purchasing Agency Guarantee Limited (CPPAGL), Ministry of Energy (MoE) and Alternative Energy Development Board (AEDB) on December 10, 2019. The hearing was held on December 18, 2019 which was attended by the petitioner. In response to aforesaid notices, AEDB submitted comments on the subject review motion.

5. In the subject review motion and during the hearing held on December 18, 2019, SREPL-I submitted that the Authority initially allowed it a period of six months from the date of Tariff Determination for achieving FC. The company filed 1st Review Motion requesting the Authority, inter alia, to allow twelve month time for achieving FC from the date of gazette notification of tariff. SREPL-I submitted that NEPRA issued tariff determinations of twelve other wind power projects on November 19, 2018 and allowed them time of one year to achieve FC from the date of their tariff determinations. It stated that the Authority issued Impugned Decision on February 12, 2019, i.e. after three months of issuance of aforesaid 12 tariff determinations. In the Impugned Decision, the Authority although increased the time to achieve FC to 12 months for SREPL-I; however, reckoned that period from the date of Tariff Determination instead of Impugned Decision. Due to delay in issuing Impugned Decision, the Authority effectively allowed only six months (from 12th February 2019 to 20th August 2019) to SREPL-I for achieving FC. The petitioner submitted that it requested the Authority vide its letter dated March 18, 2019 to reconsider its decision regarding time to achieve FC as allowed in Impugned Decision, however, it did not receive any response thereon and therefore it filed the subject review motion. The petitioner submitted that tariff awarded to SREPL-I is materially same as the tariff awarded to twelve other wind power projects on November 2018, therefore, SREPL-I derives no additional benefit if twelve month time to achieve FC is allowed from Impugned Decision and that would also not affect the consumers. During the hearing, the petitioner submitted that the financial institutions offering debt financing were waiting for the Impugned Decision and the time allowed to the project for achieving FC left it vulnerable to non-bankability. It also submitted that as SREPL-I has linkage with the Armed Forces which causes financial institutions to require certainty as to what would be the final tariff of the project.

6. AEDB vide its letter dated December 20, 2019 submitted that Cabinet Committee on Energy ("CCoE") has placed SREPL-I in category-II of renewable energy projects. According to this
letter, if the tariff determinations of projects lying in category-II have been done since more than one year or if the tariff validity period has elapsed then NEPRA would be requested for review of the tariff to make it consistent with the current market environment/conditions and consumer interest. Stating above, AEDB requested to review the tariff of SREPL-I.

Analysis and Decision of the Authority

7. The Authority has noted that the only ground the petitioner has put forth is that it was given time of one year to achieve FC and that time was reckoned from past date, i.e. from the date of Tariff Determination whereas other projects were given time of one year from the date of their tariffs. In other words, SREPL-I has stated that the time given to it was not sufficient to achieve FC. In this regard, it has been noted that similar time was allowed to another wind power project namely Master Green Energy Limited and it achieved the FC in the given timeline. Viewing that one project has achieved FC in the given timeline, it cannot be accepted that the time to achieve FC was insufficient. The argument of the petitioner of reluctance of the lenders to finance the project is something specific to the project and extending the given timeline based on project specific things may not be considered appropriate and justified.

8. Further, the Authority has noted that the prices of solar and wind technologies have been decreasing continuously over the last few years. This is the reason that the Authority specifies the time of achieving FC in the tariff determinations (wind and solar) in order to ensure that projects are developed on prevailing prices of equipment. Projects being developed lately should be on the reduced prices of equipment prevalent at that point of time. Extension of FC time would be tantamount to granting tariff to SREPL-I based on the equipment prices of 2018 which may not be considered prudent.

9. As commented by AEDB, the petitioner may consider filing a new tariff petition with NEPRA under NEPRA (Tariff Standards and Procedure) Rules, 1998 for the determination of new tariff.
Order

10. The Authority considers that the request of the petitioner for the extension in the timeline of achieving FC is not maintainable. In view thereof, the instant review motion is hereby disposed of.

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AUTHORITY

(Saif Ullah Chattha)
Member 13.3.2020

(Rafique Ahmed Shaikh)
Member

(Eng. Bahadur Khan)
Member

(Rehmatullah Baloch)
Vice Chairman

(Tauseef H. Farooqi)
Chairman

NEPRA AUTHORITY