



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-260/PPDCL-2014/15888-15890

November 23, 2016

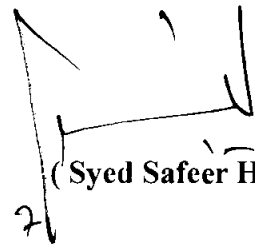
**Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by M/s. Punjab Power Development Company Ltd. for its Marala Hydropower Project against Tariff Determination Dated June 30, 2015 [Case # NEPRA/TRF-260/PPDCL-2014]**

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. Punjab Power Development Company Ltd. for its Marala Hydropower Project against Tariff Determination dated June 30, 2015 in Case # NEPRA/TRF-260/PPDCL-2014, for information.

Enclosure: As above

Secretary  
Ministry of Water & Power  
'A' Block, Pak Secretariat  
Islamabad

  
( Syed Safer Hussain )  
23/11/16

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 M/S PUNJAB POWER DEVELOPMENT COMPANY  
LIMITED FOR ITS MARALA HYDROPOWER PROJECT AGAINST TARIFF  
DETERMINATION DATED JUNE 30, 2015**

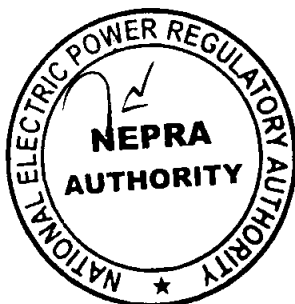
CASE NO. NEPRA/TRF-260/PPDCL-2014

1. M/s Punjab Power Development Company Limited (hereinafter referred to as "PPDCL" or the "Petitioner") filed a Motion for Leave for Review (hereinafter referred to as the "Review Motion") on July 9, 2015 under Rule 16 (6) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998 (hereinafter referred to as the "Rules") read with other applicable laws, against the Tariff Determination dated June 30, 2015 (hereinafter referred to as the "Determination").
2. Brief facts of the case are that the Petitioner filed a tariff petition under Rule 3 of the Rules for determination of its generation tariff before National Electric Power Regulatory Authority (hereinafter referred to as the "Authority"). After admission of the petition, a hearing was conducted wherein the Petitioner explained technical details of the project, costs claimed by it under different heads and requested for grant of tariff applied for in the tariff petition. The Authority after consideration of the arguments of the Petitioner, documentary evidence produced by the Petitioner, comments of the stakeholders and evidence and information otherwise available with the Authority, determined the tariff of the Petitioner through the Determination.
3. The Petitioner filed the Review Motion stating, *inter alia*, that:
  - i. Tariff be based on energy generation estimates of 43.87 GWh instead of 50.50 GWh;
  - ii. Cost of Inter-connection amounting to Rs. 2.333 million may be allowed;
  - iii. Project Development cost of Rs. 29.78 Million may be allowed;
  - iv. Carbon Credit Consultancy cost amounting to Rs. 4.812 million may be allowed;
  - v. Management Consultancy cost amounting to US\$ 0.152 Million plus Rs. 35.8373 Million along with its price escalation and dollar indexation of its foreign component may be allowed;
  - vi. Financial Charges may be allowed on actual basis;
  - vii. O&M Cost amounting to Rs. 117.84 Million may be allowed;



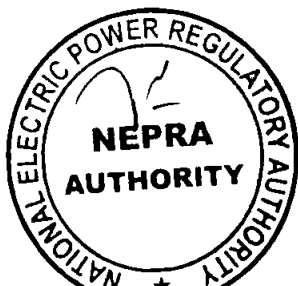


- viii. Equity Redemption may be allowed;
  - ix. Pre-COD sale of electricity at applicable tariff minus debt servicing component may be allowed;
  - x. Two-part tariff as claimed in the tariff petition may be allowed.
4. To consider contentions of the Petitioner and to provide it an opportunity to explain its point of view, hearings in the matter were held on September 08, 2015 and July 27, 2016 in Islamabad, which were attended by the representatives of the Petitioner. During the hearing held on September 08, 2015, the Petitioner reiterated its written submissions and requested to review the Determination. The hearing held on July 27, 2016, was summoned particularly to discuss the issue of energy generation estimates of this project, which has been designed based on future anticipated hydrology of the Upper Chenab Canal (hereinafter referred to as "UCC") after its remodeling.
5. Arguments heard. Record perused.
6. Regulation 3(2) of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009 (hereinafter referred to as the "Review Regulations") provides that any party aggrieved from any order of the Authority and who, from the discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record or from any other sufficient reasons, may file a motion seeking review of such order. Further Regulation 3(7) of the Review Regulations read with Rule 16 (9) of the Rules provides that the motion for leave for review may be refused by the Authority if it considers that the review would not result in the withdrawal or modification of the order. The Authority notes that the Petitioner has failed to bring any new and important matter of evidence, which was not considered by the Authority at the time of passing of the Determination and has also failed to point out any mistake or error apparent on the face of the record. The fact of the matter which is also evident from the perusal of the Determination is that the Review Motion is just a reiteration of the submissions made in the tariff petition and all material facts and documents were in the knowledge of the Authority and the record clearly shows that the Authority issued the Determination after consideration of all material facts and documents. Therefore, the instant Review Motion does not necessitate any modification of the Determination of the Authority. However, the Authority considers it necessary to clarify certain issues which have been addressed in the original determination but were highlighted once again in the Review Motion, as discussed hereunder.





7. The Petitioner has submitted that the Authority has based the tariff on gross generation estimates of 50.50 GWh, whereas the correct generation estimate as per the detailed design of the project is 43.87 GWh. The Authority hereby clarifies that it is cognizant of the fact that the project may only be able to generate net electrical output of 43.39 GWh annually with the existing average hydrology, however, this project has been designed in anticipation of remodeling of the UCC, whereafter the project will be able to achieve net annual electrical output of 49.995 GWh (based on gross energy of 50.50 GWh as per the detailed design and 1% allowed auxiliary). The same has therefore been used as the basis of the Tariff Determination. In addition to the aforementioned, the Authority considers it important to clarify here that notwithstanding the fact that the tariff of the project is based on net annual energy generation of 49.995 GWh, however, in the PPA the reference hydrological conditions, correction curves as well as the month-wise benchmark energy generation and other relevant details in the context of liquidated damages will be based on average historical hydrological flows rather than predicted hydrological flows based on remodeling of the UCC. The purpose of this clarification is that the PPA should specify that in a pre-remodeling of UCC scenario, the threshold for application of liquidated damages for shortfall in net electrical output shall be 43.39 GWh annual generation (based on gross energy of 43.83 GWh as per detailed design and 1% allowed auxiliary) rather than 49.995 GWh annual generation.
8. The Petitioner further submitted that the cost of interconnection may be allowed at this stage as part of EPC cost. The Authority considers it appropriate to clarify here that the cost of inter-connection has not been disallowed by the Authority but rather deferred till COD adjustments of tariff. Therefore, the Authority has decided to maintain its earlier decision in the Determination. However, the Authority has noted that the construction of inter-connection and related works is the responsibility of the power purchaser, i.e. CPPA-G/ DISCO, and the power dispersal facility should be ready before COD of the project; otherwise, penalty, if any, may be imposed on the power purchaser as per the standard terms of PPA/EPA. Further, in accordance with the Renewable Energy Policy, 2006 the initial expenditure incurred by the power producer, if any, in this regard may be reimbursed by the power purchaser to the power producer.
9. The Petitioner also submitted that the Authority allowed Test Energy and Pre-COD sale of Energy in Upfront Tariff determinations and the same may be allowed to the Project subject to the terms and conditions of PPA, at the applicable tariff excluding principal repayment of debt component and interest component. The Authority

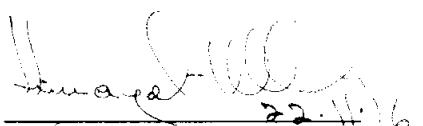






considers that the Pre-COD sale of electricity should be in accordance with the terms and rate specified in the standard PPA.

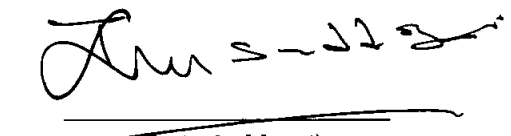
10. In view of the above, the Authority is of view that the instant Review Motion is not maintainable on the grounds reiterated by the Petitioner in terms of Regulation 3(2) of the Review Regulations read with Rule 16(9) of the Rules. Accordingly, the instant Review Motion does not merit further consideration and is hereby dismissed with the above clarifications.

**AUTHORITY**

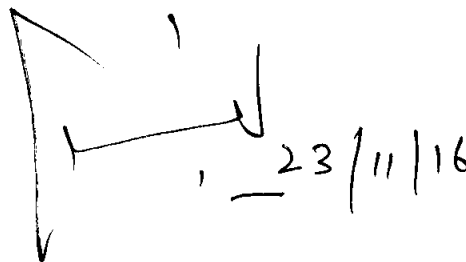
  
(Himayat Ullah Khan)  
Member

  
(Syed Masood ul Hassan Naqvi)  
Member

  
(Major (Rtd.) Haroon Rasheed)  
Member

  
(Tariq Saddozai)  
Chairman



  
23/11/16