



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Tariff)/TRF-479/HNDS-2019/ 1156-60

January 24, 2025

Subject: **Decision of the Authority in the matter of Quarterly Indexation/Adjustment of Tariff for HNDS Energy Limited**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority along with **Annex-I**, Decision of Mr. Mathar Niaz Rana (nsc), Member (NEPRA) and Additional note of Mr. Rafique Ahmed Shaikh, Member (NEPRA) (total 03 pages) regarding quarterly indexation/adjustment of tariff for the quarters **January-March 2024 to October-December 2024** on account of N-CPI (General), Exchange Rate and LIBOR variations in respect of HNDS Energy Limited in Case No. NEPRA/479/HNDS-2019.

2. The Decision is being sent to the Federal Government for intimation under Proviso (ii) of Section 31(7) of NEPRA Act, before its notification by NEPRA pursuant to the said Proviso of Section 31(7) of NEPRA Act, 1997.

Enclosure: **As above**

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
4. Chief Executive Officer, HNDS Energy (Pvt.) Ltd., G-30/4, KDA Scheme No.5, Block 8, Clifton, Karachi



**INTERIM DECISION OF THE AUTHORITY IN THE MATTER OF QUARTERLY
INDEXATION/ ADJUSTMENT OF TARIFF FOR HNDS ENERGY LIMITED**

Pursuant to the decision of the Authority dated February 21, 2020 in the matter of tariff decisions of HNDS Energy Limited (HNDS) notified vide S.R.O No 200(I)/2021 dated February 16, 2021, the relevant tariff components are required to be indexed/adjusted according to the stipulated mechanism therein.

2. HNDS filed request for interim relief for indexation of the relevant tariff components in respect of quarters from January-March, 2024 to October-December, 2024 on account of N-CPI (General), exchange rate (PKR/USD) and LIBOR variations for approval of the Authority.

3. The Authority in its collective and joint wisdom considering all aspects decided with consensus as under; which will be hereafter called as decision of the Authority in the matter

"Indexation/adjustment from Jan-Mar 2024 to Oct-Dec 2024 quarters have been made in the tariff components in accordance with the requisite indexation/adjustment mechanism stipulated in the decision(s) of the Authority. The revised components are indicated in Annex-I which shall be immediately applicable".

4. The indexation allowed is on interim basis and shall be subject to adjustments, if necessary, in the light of the final decision of the Authority with respect to HNDS COD tariff adjustment.

5. The adjusted/ indexed tariff attached as **Annex-I** is to be notified in the official Gazette in accordance with the provision of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

6. CPPA-G to ensure that all the payments are consistent with tariff determination.

AUTHORITY

M. Niaz Rana

(Mathar Niaz Rana (nsc))
Member

Engr. Maqsood Anwar Khan

(Engr. Maqsood Anwar Khan)
Member

Additional note.
Rafique Ahmed Shaikh
(Rafique Ahmed Shaikh)
Member



Amina Ahmed
(Amina Ahmed)
Member

Waseem Mukhtar

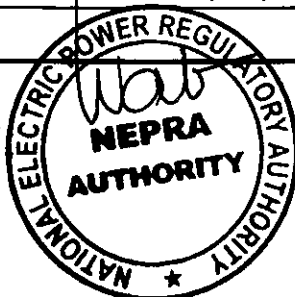
(Waseem Mukhtar)
Chairman

① Should be concluded within six months.
2. In case, petitioner fails to provide documents within six months, the case shall be decided as per available documents.
If decision is attached *M. Niaz Rana*
1/3

HNDS Energy Limited
Quarterly Indexation/Adjustment of Tariff

Tariff Components	Reference Tariff	Revised Jan-Mar 2024	Revised Apr-June 2024	Revised Jul-Sep 2024	Revised Oct-Dec 2024
Date of decision	February 21, 2020				
	(Rs./kWh)				
O&M-Local	0.7368	1.4237	1.4623	1.4329	1.4753
Return on Equity	1.3379	2.4321	2.3985	2.4011	2.3946
Return on Equity during Construction	0.0758	0.1378	0.1359	0.1360	0.1357
Principal Repayment of debt-Foreign	0.8904	1.6186	1.5962	1.5980	1.5937
Interest-Foreign	1.1568	3.3831	3.3107	3.3086	3.0430
Principal Repayment of debt-Local	1.4408	1.4408	1.4408	1.4408	1.4408
Interest-Local	1.1148	1.1148	1.1148	1.1148	1.1148
Total	6.7533	11.5509	11.4592	11.4322	11.1979
Indexation Values					
N-CPI (General)	131.010	253.150	260.010	254.78	262.32
Exchange Rate	155.35	282.40	278.50	278.8	278.05
LIBOR-3 month	1.9084%	5.5930%	5.5598%	5.5862%	4.8537%
Outstanding Principal-Foreign (USD)	12,539,793	12,539,793	12,397,079	12,252,169	12,105,027
Outstanding-Principal Local (Rs.)	1,948,056,845	1,948,056,845	1,912,159,804	1,875,724,306	1,838,742,277
Benchmark Energy (kWh)-Quarterly		25,480,650	25,480,650	25,480,650	25,480,650

Based on the data declared by HNDS



DECISION OF MEMBER TARIFF

INTERIM QUARTERLY INDEXATION/ADJUSTMENT OF TARIFF COMPONENTS FOR HNDS ENERGY LIMITED FOR THE QUARTERS JANUARY-MARCH 2024 TO OCTOBER-DECEMBER 2024

Interim reliefs on COD should be granted to IPPs only under exceptional circumstances affecting their financial sustainability and operations, and only after documenting the reasons. As there is no provision for interim relief of COD in the Tariff Standard and Procedure Rules, 1998. The argument that everything not explicitly prohibited by law should be allowed in the decisions of the Authority is imperfect. While this legal argument may have some validity in criminal law, it does not apply to commercial and regulatory law, where decisions have financial implications and affect regulatory operations. The record has shown that once full indexation and COD demands are granted as interim relief, IPPs are often reluctant to provide the necessary details to complete COD adjustments and finalize the COD tariff, as this usually results in a reduction of their tariff adjustment against their reference tariff

In case of Karot Hydropower, the Authority has decided to allow interim indexation of tariff components i.e. O&M, Water Use Charge and debt servicing components and restricted the ROE and ROEDC components at revised reference for the quarter Jan-Mar 2024 till June 2024 for ensuring the submission of audit report and other required information by the Karot HPP.

Since substantial evidence indicates that IPPs delay the finalization of COD stage tariff adjustments after receiving full interim relief in the form of indexation, especially when negative adjustments are involved, and these amounts may be recovered to consumers, I am not in favor of granting complete interim relief. Instead, I suggest that while indexation may be applied from the COD date, the ROE and ROEDC components should be provided based on the reference tariff.



Mathar Niaz Rana

Mathar Niaz Rana (nsc)

Member Tariff