



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-350/HSPL-2016/9796-9798
May 31, 2019

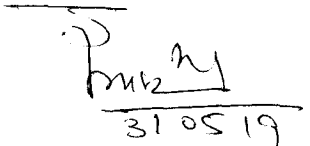
Subject: Decision of National Electric Power Regulatory Authority in the matter of Motion for Leave for Review filed by Harappa Solar (Private) Limited (HSPL) against Decision of the Authority dated 20.11.2018 [Case No. NEPRA/TRF-350/HSPL-2016]

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (04 Pages) in Case No. NEPRA/TRF-350/HSPL-2016.

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. The Order of the Authority shall be notified in the official Gazette.

Enclosure: As above


(Syed Safer 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 HARAPPA SOLAR (PVT.) LIMITED (HSPL) AGAINST
DECISION OF THE AUTHORITY DATED NOVEMBER 20, 2018**

Background

1. Harappa Solar (Pvt.) Limited (HSPL) was awarded the Upfront Tariff of December 16, 2015 vide Authority's decision dated February 26, 2016 for its proposed 18 MW solar PV power plant at Harappa, Sahiwal.
2. HSPL achieved Commercial Operations Date (COD) on October 14, 2017 and accordingly submitted its request for adjustment of relevant components of its tariff at COD through letter dated November 17, 2017.
3. The Authority vide decision dated November 20, 2018 approved the COD stage tariff for HSPL in pursuance to mechanism prescribed in the Authority's tariff decision dated February 26, 2016. Being aggrieved, HSPL filed subject review motion on March 22, 2019.

Proceedings

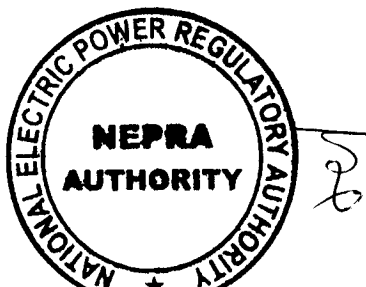
4. The Authority admitted the subject review motion in its meeting on April 04, 2019 and conducted a hearing on this matter on May 09, 2019. HSPL in its motion has requested the Authority for the review of the following parameters:
 - i. Revision of Local & Foreign Debt Mix
 - ii. Non-indexation of RoE & O&M
 - iii. State Bank Scheme
 - iv. Correction of typographical error
5. Brief of the grounds submitted by the petitioner, during the hearing and in writing, for the review of the listed above parameters is produced below:



- i. Revision of Local & Foreign Debt Mix: HSPL requested the Authority to revise the foreign debt amount from USD 7.8 million (as used in the COD decision) to USD 8.2 million. The petitioner has submitted that it has actually secured the foreign debt to the extent of USD 8.2 million and the said amount is registered with the State Bank of Pakistan (SBP).
- ii. Non-Indexation of O&M and RoE: HSPL submitted that O&M and RoE components of its tariff have not been indexed as part of COD-stage decision. HSPL also submitted that non-indexation of tariff components i.e RoE and O&M is a deviation from settled precedent decisions of the Authority.
- iii. State Bank Scheme: HSPL submitted that an interest amount (differential of K+3% and SBP rate of 6%) of Rs. 5.972 million for the operational period from October 01, 2017 to June 30, 2018 should be considered under quarterly indexation request of HSPL.
- iv. Typographical Error: The petitioner requested for correction for couple of typo errors in the COD decision with respect to the values of exchange rate and LIBOR values.

Analysis and Decision of the Authority

6. The Authority has noted that as per Regulation 3 (2) of the Review Regulations, a review motion is competent only upon 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.
7. It was noted that the Authority has computed the tariff of the petitioner based on percentages of foreign and local debt as disbursed by the company till COD. Increasing the share of foreign loan, as requested by the petitioner, shall result in increase of tariff and that portion shall be exposed to the variations of exchange and base rate variations. The argument of the petitioner for the provision of higher foreign debt merely because it is registered with SBP is not convincing. It was considered that as opposed to using actual foreign debt, the actual amount of local debt, having higher proportion and lower cost,



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could have been used which would have resulted in a relatively lower tariff than approved by the Authority. Therefore, the Authority is of the view that the basis/computation used for the approval of debt mix is justified and does not warrant any change.

8. Regarding the request of the petitioner with respect to approving tariff based on updated indices, it is noted that the scope of COD adjustment does not cover such indexations. The required adjustments, in accordance with the prescribed mechanism, shall be approved through quarterly decisions as done in the recent cases of all wind and solar power projects.
9. The Authority decided to disallow the differential cost (K+3% - 6%) pertaining to the operational period of HSPL and no new evidence/ground has been submitted for the review thereof; hence, no change is being made in this regard.
10. However, the Authority found that the values of LIBOR (0.31%) and PKR/USD exchange rate (105.25) as used in the COD decision were erroneous and decided that the same shall be considered as LIBOR of 1.03% and PKR/USD exchange rate of 105.025.

Order

11. In view of the above, the Authority considers that the review motion filed by the petitioner does not warrant any change in the approved tariff. However, following typographical errors have been corrected in the COD decision of HSPL:
 - i. At page 3, under para 8.1.4 of decision, in the table the exchange rate variation during the construction period to the EPC cost, under the column of exchange rate allowed at COD, "Rs. 105.25" to be substituted by Rs. 105.025" .
 - ii. At page 10, para 9(III)(iii) of decision dated Nov 20, 2018, under the head of 'INDEXATION OF LIBOR VARIATION'; the formula using the reference LIBOR rate of "0.31%" be substituted with "1.03%" .
12. In light of above, the review motion is disposed of.



13. The above Order of the Authority shall be notified in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

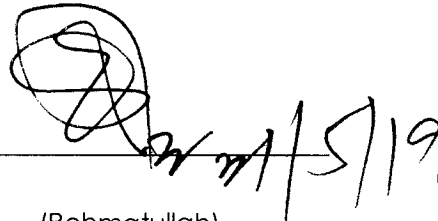
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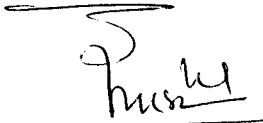
(Rafique Ahmed Shaikh)
Member



(Saif Ullah Chattha)
Member 31.5.2019


31/5/19

(Rehmatullah)
Member/ Vice Chairman


31.05.19.

