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National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-90/FPCDL-2007/11019-11021
December 20, 2012

Subject: **Decision of the Authority in the Matter of Change of Index for Indexation of Fixed and Variable O&M (Local) Components of Tariff for Foundation Power Company (Daharki) Ltd. (Case No. NEPRA/TRF-90/FPCDL-2007) - Intimation of Decision of Tariff pursuant to Section 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)**

Dear Sir,

Please find enclosed herewith the decision of the Authority (02 pages) regarding Change of Index for Indexation of Fixed and Variable O&M (Local) Components of Tariff for Foundation Power Company (Daharki) Ltd. in Case No. NEPRA/TRF-90/FPCDL-2007.

2. The decision is being intimated to the Federal Government for notification in the official Gazette pursuant to Section 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

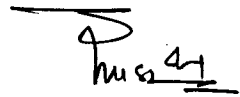
3. Please be informed that the SRO No. 1267(I)/2008 dated 13th December, 2008 is required to be modified to the extent as detailed in para 6 of the subject decision of the Authority.

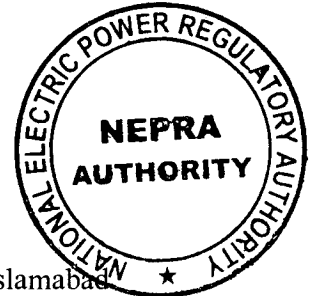
Enclosure: As above

Secretary,
Ministry of Water & Power,
Government of Pakistan
Islamabad.

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad


(Syed Safeer Hussain)





**DECISION OF THE AUTHORITY IN THE MATTER OF CHANGE OF INDEX FOR
INDEXATION OF FIXED AND VARIABLE O&M (LOCAL) COMPONENTS OF TARIFF**

1. Pursuant to Paragraph 19(VII)(a) of the Authority's decision dated 13th June 2008 in the case of Foundation Power Company (Daharki) Limited, the Fixed and Variable O&M (Local) components of tariff are subject to indexation on the basis of variation in WPI (Manufactures) which was notified vide SRO No. 1267(I)/2008 dated 13th December 2008 in the Official Gazette.
2. Pakistan Bureau of Statistics (PBS) discontinued the issuance of WPI (Manufactures) with effect from August 2011. In case an index ceases to be available, Section 12 of Part V of Schedule I of the Power Purchase Agreement provides that "the parties shall request NEPRA to determine an alternative index. Such determination when made available, shall be binding on the parties for the purpose of such index hereunder. Pending the determination by NEPRA, the last available value of such index shall be used for all relevant purposes hereunder. Upon the determination of such index by NEPRA, either party shall revise all payment made during the pendency of alternative index and shall be paid without any interest to the owing party."
3. Subsequent to the request of the IPPs for replacement of suitable index for WPI (Manufactures), the Authority initiated a consultative process with the stakeholders and a meeting was held on 31st January 2012 at NEPRA Main Office. The meeting was participated by IPPs, PPIB, CPPA and Ministry of Water & Power.
4. As a result of consultative process and to work out suitable alternative index, the Authority constituted an in-house committee to analyze the financial impact of alternative indexes i.e. WPI (General), CPI (General) and WPI (selected items). After detailed deliberations, the Authority decided to adopt CPI (General) published by PBS as replacement of WPI (Manufactures)- *discontinued since August 2011* for indexation of the Fixed O&M (Local) component of tariff. The stakeholders were informed vide letter No. NEPRA/R/TRF-100/5626-28 dated 20th June 2012 with four weeks time for their comments/suggestions, if any. No comments were received from the stakeholders within the stipulated time. Accordingly, the stakeholders were informed vide letter No. TRF-100/6812-14 dispatched on 3rd August 2012 that the decision of CPI as replacement of WPI (Manufactures) be considered as final.
5. In pursuance of the decision of the Authority to adopt CPI (General) as replacement of WPI (Manufactures)- *discontinued since August 2011* for indexation of the Fixed O&M (Local) component of tariff, the new reference fixed and variable O&M components of tariff and the reference CPI (General) value in the case of Engro Powergen Qadirpur Limited is as under:

Reference CPI (General) for July 2011	Reference Variable O&M Local)	Reference Fixed O&M Local)
154.72	Rs. 0.0578/kWh	Rs. 0.1347/kW/Hour



6. In view of the above, the SRO No. 1267(I)/2008 dated 13th December 2008 is required to be modified to the extent of indexation/adjustment mechanism of Fixed and Variable O&M (Local) components in the official Gazette as per the following revised indexation/adjustment mechanisms:

Fixed O&M

$$F. O\&M_{(Rev)} = O\&M_{(Ref)} \times CPI_{(Rev)} / CPI_{(Ref)}$$

Where:

$$F. O\&M_{(Rev)} = \text{Revised Fixed O\&M component of tariff}$$

$$F. O\&M_{(Ref)} = \text{Reference Fixed O\&M component of tariff adjusted till July 2011} \\ \text{Rs. 0.1347/kW/Hour}$$

$$CPI_{(Rev)} = \text{Revised CPI (General) index as published by Pakistan Bureau of Statistics}$$

$$CPI_{(Ref)} = \text{Reference CPI (General) of 154.72 for July 2011}$$

Variable O&M

$$V. O\&M_{(Rev)} = O\&M_{(Ref)} \times CPI_{(Rev)} / CPI_{(Ref)}$$

Where:

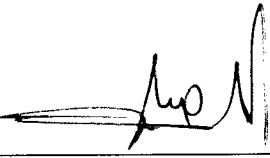
$$V. O\&M_{(Rev)} = \text{Revised Variable O\&M component of tariff}$$

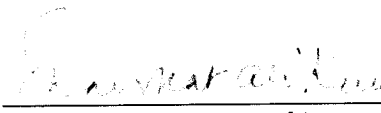
$$V. O\&M_{(Ref)} = \text{Reference Variable O\&M component of tariff adjusted till July 2011} \\ \text{Rs. 0.0578/kWh.}$$

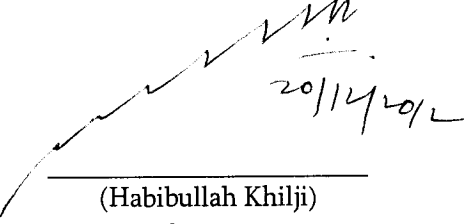
$$CPI_{(Rev)} = \text{Revised CPI (General) index as published by Pakistan Bureau of Statistics}$$

$$CPI_{(Ref)} = \text{Reference CPI (General) of 154.72 for July 2011}$$

Authority


(Khawaja Muhammad Naeem)
Member


(Shoukat Ali Kundi)
Member


(Habibullah Khilji)
Chairman

