



Registrar

# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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No. NEPRA/R/ADG(TRF)/TRF-600/KAPCO-2023/20856-59

December 09, 2025

Subject: **DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY KOT ADDU POWER COMPANY LIMITED (KAPCO) AGAINST AUTHORITY'S DECISION DATED SEPTEMBER 23, 2025 IN THE MATTER OF REFERENCE GENERATION TARIFF**  
[Case No. NEPRA/TRF-600/KAPCO-2023]

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 12 Pages) alongwith Additional Note of Mr. Rafique Ahmad Shaikh, Member(NEPRA) in the subject matter in Case No. NEPRA/TRF- 600/K APCO-2023.

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 within 30 calendar days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: **As above**

(Wasim Anwar Bhinder)

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

**Copy to:**

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet 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, Kot Addu Power Co. Ltd. (KAPCO) 5-B/3, Gulberg-III, Lahore.

**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY KOT ADDU POWER COMPANY LIMITED (KAPCO) AGAINST AUTHORITY'S DECISION DATED SEPTEMBER 23, 2025 IN THE MATTER OF REFERENCE GENERATION TARIFF**

**1. INTRODUCTION**

- 1.1 Kot Addu Power Company Limited (KAPCO) owns a 1600 MW combined cycle power plant located at Kot Addu, Punjab. The Authority granted Generation Licence (No. PGL/020/2004 dated September 22, 2004) to KAPCO for a period of 17 years which expired on September 1, 2021. KAPCO vide letter dated June 24, 2021 requested for extension of its Generation Licence term. Therefore, the Authority vide its decision dated September 08, 2022 extended the term up to September 21, 2024 i.e. Further, the Authority vide its decision dated April 18, 2025 granted Concurrence to KAPCO for a period of up to 03 years.
- 1.2 KAPCO entered into a Power Purchase Agreement (PPA) with WAPDA for sale of electric power from its 1600 MW multi-fuel based thermal generation facility at Muzaffargarh. The said PPA was for a period of 25 years commencing from June 27, 1996 which expired on June 26, 2021. On February 15, 2021 the PPA was novated to CPPA-G as Power Purchaser. As per third amendment in PPA dated February 11, 2021 signed between KAPCO and WAPDA the term of PPA was extended for 485 days effective from June 27, 2021 which expired on October 24, 2022.
- 1.3 Keeping in view the system constraints, KAPCO was retained in the system as per approved IGCEP. KAPCO filed a tariff petition for determination of generation tariff and switchyard charges, which was returned for being deficient in information. KAPCO again filed the tariff petition on March 08, 2023. The Authority approved interim tariff on August 04, 2023. KAPCO submitted an addendum to the Tariff Petition dated 12 February, 2025 revising key terms and conditions. On the request of KAPCO, the Authority approved a revised interim tariff on April 09, 2025. The Tripartite Power Purchase Agreement (TPPA) was signed between CPPA-G, NGC and KAPCO on June 04, 2025. The Authority vide decision dated September 23, 2025 approved reference generation tariff of KAPCO.

**2. FILING & GROUNDS OF REVIEW**

- 2.1. Being aggrieved, KAPCO filed Motion for Leave for Review (MLR) on October 06, 2025 (PUC) on following grounds:
- i. Limitation of Tariff till September 2025
  - ii. Disallowance of Recovery of Switchyard Charges
  - iii. Indexation of Cost of LSFO inventory procured under expired PPA with Merit Order price
  - iv. Price fluctuation and GST to be allowed as part of Cost of Working Capital
  - v. Rectification of error in Variable O&M
- 2.2. The Authority admitted the MLR on October 28, 2025.



### 3. HEARING

- 3.1. The hearing was scheduled on November 07, 2025. Notices of Hearing were issued to Ministry of Energy, CPPA-G, NGC, ISMO, MEPCO and KAPCO on October 29, 2025. Hearing in the matter was held as per schedule which was attended by the representatives of CPPA-G, NGC, ISMO, MEPCO and KAPCO.

### 4. COMMENTS FROM STAKEHOLDERS

- 4.1. CPPA-G, ISMO, NGC, MEPCO and MoE (Power Division) also submitted comments/recommendations for allowing extension in the term of tariff before filing of the motion for leave for review and the same shall be discussed under the relevant issue.
- 4.2. CPPA-G was directed during the hearing to submit its written comments in the matter. CPPA-G vide its letter dated November 17, 2025 filed the comments in the matter which shall be discussed under the relevant issue.
- 4.3. MEPCO vide its letter dated 18<sup>th</sup> November 2025 requested following:
- Status and expected timelines of Vehari & Nagshah Grid Stations, installation of 96 MVAR Switched Shunt Capacitors at 4 existing grid stations and addition of Transformer at Muzaffargarh Grid Station.
  - KAPCO should be on take and pay basis and this cost should be borne by NGC or charged through pool.

### 5. DISCUSSION, ANALYSIS AND DECISION ON EACH GROUND OF REVIEW

- 5.1. The detailed discussion, analysis and decision on each ground of review is provided hereunder:

#### i. Limitation of Tariff only till September 2025

- 5.2. According to KAPCO, the Impugned Determination, in particular paragraph 24(VII), states that the tariff for 495MW (gas/RLNG) and 478 MW (LSFO) has only been allowed till September, 2025. Further any extension for such tariff has been made contingent on an approved IGCEP/PAP. It is submitted in this regard that the aforesaid aspect of the determination appears to be premised on the misconceived impression that the approved Indicative Generation Capacity Expansion Plan (IGCEP) 2022-2031 was reflective of the ground realities at the time that the determination was passed about three years later. To the contrary, the information available before the Authority and subsequent developments disclose the following:

- Power Acquisition Plan (PAP 2022-27) issued in May 2024, expressly recognizes that 500 MW from KAPCO would remain necessary beyond FY 2025-26 until critical transmission projects are completed. In response to certain observations regarding KAPCO, the Authority noted as follows:



*"It is pertinent to mention that in the IGCEP 2022-31, NTDC had submitted that the requirement of KAPCO beyond its PPA expiry will be assessed in the TSEP, after which competent forum will be approached, with consensus among concerned stakeholders i.e., NTDC, CPPA-G and KAPCO, for extension or otherwise and the same will be considered in the next iteration of the IGCEP. Although there is no approved TSEP at this point of time, the Authority has reviewed the draft TSEP submitted by the NTDC for approval of the Authority on November 30, 2022, and it has been observed that 500 MW from KAPCO will be required till FY 2025-26 after which it may not be required owing to, inter-alia, upgradation of Vehari 220/132 kV Substation to 500kV and availability of Nagshah 220/132 kV Substation in FY 2025-26. In view of this, the Authority is of the considered opinion that the inclusion of KAPCO due to transmission constraints is justified and the extension in the existing power purchase agreement of KAPCO as proposed in the PAP is allowed."*

- Failure to take into account this formal recognition of the continued dependence on KAPCO Generation Facility due to pending upgradation projects constitutes a material error liable to be reviewed.
- The Draft Transmission System Expansion Plan (TSEP) 2025 - 2035, published by the Authority in August 2025, reaffirmed this dependence, noting that these transmission projects remain pending and that KAPCO's availability remains critical in the following terms:

*"...timely completion of Vehari 500 kV and Nagshah 220/132 kV grid stations is instrumental in eradicating dependence of secure system operation on KAPCO or other generation in the vicinity. Therefore, these projects should be expedited on priority basis."*

- Significantly, the IGCEP recently submitted by the ISMO, and published on the Authority's website, envisages retirement of KAPCO in financial year 2029.
- It has further come to the attention of KAPCO that consequent to the notice for suspension of PPA issued by KAPCO, various entities including National Grid Company of Pakistan Limited, Independent System & Market Operator of Pakistan (Guarantee) Limited have highlighted serious concerns in respect of the adverse impact on system stability and secure system operations. In particular, suspension of the PPA has been identified as being of particular concern as it may create operational and commercial complexities including critically hampering continuity of supply to MEPCO.

5.3. According to KAPCO, it is evident that the relevant documents that specifically deal with the generation capacity and expansion thereof envisage extension in the term of the TPPA. They depict that not only the generation capacity offered by KAPCO has been optimized by IGCEP, rather essentially required for the stability of the network and grid for safe and reliable supply of electricity to the consumers. The National Electricity (NE) Policy clearly requires the procurement of electricity to be in accordance with IGCEP and TSEP, which are to be followed



and implemented by all stakeholders. Accordingly, KAPCO requested the Authority to review its decision in the matter.

- 5.4. The following comments were submitted by the stakeholders prior to the filing of subject MLR by KAPCO:

Stakeholder	Submissions
CPPA-G (letter dated October 03, 2025)	<ul style="list-style-type: none"> <li>It is pertinent to highlight that KAPCO is included in the new IGCEP, which is presently under consideration of the Authority. Accordingly, in view of the difficulties faced by MEPCO's consumers and overall Grid stability, it is respectfully requested that the relaxation of aforementioned conditions of IGCEP and PAP in case of KAPCO may kindly be considered as a special case. Alternatively, guidance from the Authority on any other viable solution to address the prevailing situation will be highly appreciated.</li> </ul>
ISMO (letter dated October 02, 2025)	<ul style="list-style-type: none"> <li>Subsequent to the subject suspension of TPPA, operation of generating units at the complex has been discontinued. However, while the switchyard is still energized, its unavailability would critically hamper the continuity of supply to MEPCO demand in the region. It is therefore requested that the matter of extension of tariff for KAPCO may please be considered in light of above-mentioned comments and the IGCEP 2025-35. Moreover, until the issue is finalized, KAPCO may kindly be allowed to operate its generating units and switchyard through an appropriate interim arrangement, to enable its utilization as per Economic Merit Order and ensure continuity of supply to MEPCO region.</li> </ul>
NGC (letter dated October 02, 2025)	<ul style="list-style-type: none"> <li>The suspension of the TPPA at this juncture may adversely affect both system operations and supply security. The matter, therefore, shall be considered giving due weightage to ISMO's and MEPCO's technical positions, as well as the contractual and technical requirements of NGC under the TPPA, so that continuity of supply and a smooth transition of switchyard facilities to NGC can be ensured in line with the overall sectorial requirements.</li> </ul>
MEPCO (letter dated October 02, 2025)	<ul style="list-style-type: none"> <li>The situation is highly alarming as discontinuation of supply from KAPCO will create a substantial shortfall in MEPCO's system. Presently, MEPCO is drawing about 330 MW of supply from the 220/132 kV switchyard of KAPCO, through which 13 No. 132 kV Grid Stations are being fed. Any disruption in this supply source will, not only disturb the stability of MEPCO's network but will also result in severe load shedding and hardships for the consumers at large.</li> </ul>
Ministry of Energy (letter dated October 10, 2025)	<ul style="list-style-type: none"> <li>The Power Division endorses the proposal submitted by MEPCO, CPPA-G &amp; NGC with the issue of retention of KAPCO may please be considered to ensure continuity of supply to MEPCO region and ensure availability of the plant for dispatch in peak hours.</li> </ul>



- 5.5. During the hearing, the representative of NGC submitted that they are in process of upgrading Vehari grid station from 220 KV to 500 KV and the upgradation will be completed by end of 2027, therefore, the 3 years term has been negotiated with KAPCO. There is a need of KAPCO's generation plant and switchyard facility in the region due to retirement of PAKGEN power plant. Moreover, as per the agreement, KAPCO will hand over its switchyard to NGC after three years which is in the beneficial for the system.
- 5.6. During the hearing, the representative of ISMO made following submissions:
- The Switchyard of KAPCO is required for feeding demand in the MEPCO region. The generation plant of KAPCO is required due to two constraints in the region.
  - The first constraint is overloading of two 500 KV autotransformers of Multan and Muzaffargarh during the summer peak hours. To overcome the overloading of these transformers, generation plant in this region is required. Since Lalpir and Pakgen have been retired, KAPCO's generation plant is required to mitigate overloading of 500 KV autotransformers of Multan and Muzaffargarh.
  - The second constraint is overloading of KAPCO's own auto transformers of 220 to 132 KV. Due to this overloading, the MEPCO area is not properly feed through KAPCO's yard. Therefore, as a remedial measure, KAPCO's generation unit on 132 KV side is operated to directly feed 132 KV MEPCO load.
  - For this reason, 494 MW generation of KAPCO is distributed in such a way that its two units are on 220 KV and one unit is on 132 KV.
  - NGC has been submitting a constraint removal plan to NEPRA on monthly basis. The constraint on 500 KV side will be mitigated through 500 KV Vehari and transmission augmentation of Multan and Muzaffargarh by installing an additional 500 KV autotransformer in each grid. To overcome overloading at KAPCO's switchyard, NGC has provided two higher capacity autotransformers to KAPCO for installation. The testing and commissioning of these transformers is in process.
  - The 220 KV Nagshah was alternate for KAPCO's switchyard. Since KAPCO's switchyard is to be handed to NGC, the urgency of Nagshah has been mitigated but Nagshah will be required to feed extended future growth of MEPCO.
  - In the last IGCEP, KAPCO was not optimized and included due to constraints. KAPCO is also added in the newly filed IGCEP due to constraints.
- 5.7. During the hearing, the representative of MEPCO submitted that KAPCO requirement is due to system's constraints. KAPCO's switchyard feed 13 grids of MEPCO. Unavailability of KAPCO's switchyard will create emergency situation and may lead to excessive loadshedding in the region.
- 5.8. CPPA-G vide letter dated November 17, 2025 submitted following comments in the matter:



NEPRA vide letter dated March 06, 2025 informed that CPPA and NTDC may enter into the PPA with KAPCO in line with the approved IGCEP 2022-31 dated 01-02-2023 and the PAP of DISCOs dated 20-05-2024. Any extension of the agreement term beyond the timeframe mentioned in IGCEP 2022-31 and the PAP of DISCOs will be subject to approval of the project in the IGCEP and the upcoming PAP in accordance with relevant provision of the National Electricity Policy, National Electricity Plan and the Procurement Regulations.

Accordingly, in line with above and on approval of Authority, Tripartite Power Purchase Agreement (TPPA) was signed with KAPCO on 03-06-2025 which became effective on 13-09-2025 at 0000 hrs.

Based on approved IGCEP 2022-31, PAP of DISCOs, Tariff Determination dated 23-09-2025 and the terms of TPPA, KAPCO TPPA was suspended w.e.f. 01-10-2025 at 0000 Hrs.

Consequently, MEPCO and ISMO has approached CPPA vide letters dated 30-09-2025 and 29-09-2025 respectively, highlighting that KAPCO plant is contributing to congestion management of 500/220 kV Grid station of NGC and further equipped with a Black Start Capability, which is helpful in case of Black out. MEPCO submitted that suspension of KAPCO will create substantial shortfall in its system, which is supplying power to 13 number 132 kV Grid Station of MEPCO.

Furthermore, ISMO, NGC and MEPCO vide letters dated 02-10-2025 also approached NEPRA to consider the resumption of KAPCO TPPA for system constraints. CPPA vide letter dated 03-10-2025 requested NEPRA to consider the problem in MEPCO & NGC network and respectfully requested Authority to relax the conditions mentioned in NEPRA's letter 06-03-2025 to resume the suspended TPPA.

It is apprised that IGCEP 2025-35 (as published on NEPRA website) has been submitted to NEPRA for review and approval, wherein KAPCO has been considered till FY 2029.

In view of the foregoing, the Authority may deem it appropriate to consider the following actions to allow for the lifting of suspension of the TPPA:

- a) de linking the Term of the TPPA with IGCEP and PAP as referred in NEPRA letter dated 06.03.2025.
- b) amending the Order part of Tariff Determination dated 23-09-2025 to cover the tariff period as provided in TPPA.

It is important to note that there is no Capacity Payment obligation on part of power purchaser during the suspension period of TPPA.

- 5.9. The submissions of the Petitioner and stakeholders have been examined. Para 9.4 of the Determination of the Authority dated September 23, 2025 is reproduced hereunder:



*"Therefore, in line with the approved IGCEP, approved PAP and revised request of KAPCO, the Authority has decided to allow tariff for 495MW (gas/RLNG) and 478MW (LSFO) till September 2025 which shall be subject to extension on the basis of approved IGCEP/PAP. The maximum term of the tariff shall be 03 years in line with the TPPA."*

- 5.10. It would be pertinent to mention that ISMO has submitted that KAPCO was being operated as per the Economic Merit Order on RLNG/LSFO to displace operation of costlier RFO plants during peak hours. Moreover, the plant has also contributed to congestion management of 500/220 kV Auto T/Fs at New Multan and Muzaffargarh grid stations, during summer months. Most importantly, the 220/132 kV Interconnector T/Fs and 132 kV switchyard are being utilized for stable and reliable supply to MEPCO region. Furthermore, KAPCO P/H possesses Black Start capability, which is vital for expediting power system restoration in case of a blackout. Keeping in view these comments and draft IGCEP 2025-35, ISMO requested to allow KAPCO to operate through an appropriate interim arrangement to enable its utilization as per Economic Merit Order and ensure continuity of supply to MEPCO region. Other stakeholders i.e. MOE (PD), CPPA-G, MEPCO and NGC have also recommended allowing operation of KAPCO.
- 5.11. It is noted that, unlike other projects that are selected in the IGCEP through the least-cost optimization process to meet system demand, KAPCO has not been included in the draft IGCEP 2025-35 through this optimization exercise. Instead, it has been retained in the draft plan, solely due to system constraints and operational considerations. Accordingly, the regulatory and policy requirements for the projects that they must be first optimized in approved IGCEP to proceed for further milestones (tariff, license/concurrence. PPA etc.), do not strictly apply in this case. Given the system constraints necessitating its continued operation, KAPCO will not be adjudicated for optimization during the IGCEP proceedings, and shall, therefore, remain part of the approved IGCEP. Nevertheless, the period for which KAPCO will be required shall be determined during these proceedings. In view of the above, the Authority has decided to provisionally extend KAPCO's tariff term, which shall be applicable for the term to be approved by the Authority in the IGCEP.
- 5.12. During this interim period, KAPCO shall be entitled to receive payments as per the approved tariff. Upon approval of the IGCEP along with inclusion of KAPCO, the term of tariff shall automatically be extended till the expiry date to be mentioned in the IGCEP or 3 years as per TPPA, whichever is earlier.
- 5.13. **Disallowance of Recovery of Switchyard Charges**
- 5.14. According to KAPCO, it has kept the switchyard facility available for utilization by both NGC and MEPCO, beyond the expiry of the original PPA, at the specific request of NGC. KAPCO has provided all requisite details regarding the expenses incurred for such purpose which has not been disputed by the Authority. The disallowance of recovery of such charges, incurred by KAPCO in good faith and in the larger interest at the request of NGC, especially without any dispute as to the amount claimed, is unreasonable, arbitrary, unfair and unjust. Section 31(3) (a) of the NEPRA Act requires the Authority to determine a tariff that ensures recovery of prudently incurred costs. It has neither been disputed by the NGC nor the Authority that KAPCO has incurred these costs. It is also a matter of record that the said Switchgear is



essentially required by the NGC for ensuring system stability. The ISMO also submitted before the Authority that KAPCO's switchyard is required to feed 132KV transmission lines of MEPCO in the region.

5.15. KAPCO further submitted that in paragraph 12.14 of the Impugned Determination, the Authority has noted that KAPCO should have negotiated payment mechanism with NGC. In this respect, it has been ignored that the Switchyard forms part and parcel of the Complex. Throughout the term of the PPA, the costs associated with the Switchyard have remained the part of the generation tariff, including O&M costs for the Switchyard. KAPCO agreed to make available the Switchyard for NGC keeping in view the requests from the Government, CPPA-G, NGC and consumer interest. There seems to be no justifiable reason for exclusion of this cost from the generation tariff. Accordingly, KAPCO requested the Authority to review its decision in the matter.

5.16. During the hearing, the representative of CPPA-G submitted that it was discussed previously that no payments can be honored in the absence of any agreement. The cost of switchyard is now built in the generation tariff of KAPCO and it will receive such cost till the time it will remain operational.

5.17. CPPA-G vide letter dated November 17, 2025 submitted following comments in the matter:

*"It is requested that the matter may kindly be dealt after obtaining comments from NGC & ISMO and in accordance with the valuable guidance of the Authority."*

5.18. The issue was also deliberated during the hearing, however, no comments were submitted by NGC or ISMO.

5.19. The submissions of the petitioner have been reviewed. The requested switchyards charges of Rs. 1.6 billion pertain to the period from October 2022 to December 2024 when there was no PPA in place. As also highlighted by CPPA-G, the cost of switchyard is now built in the generation tariff of KAPCO and it will receive such cost as long as it will remain operational.

5.20. Para 12.14 of the Authority's Impugned Determination dated September 23, 2025 is reproduced hereunder:

*The switchyard services were provided to NGC/system operator and the reimbursement for these services should be made by NGC. Moreover, KAPCO should have negotiated payment mechanism with NGC before providing these services. Furthermore, KAPCO did not include reimbursement of these charges in its revised terms proposed through its letter dated January 01, 2025. Accordingly, the Authority has decided to disallow the same*

5.21. As provided above, the issue was appropriately deliberated in the Determination dated September 23, 2025. Considering the fact that KAPCO has not provided any new information in this respect, the Authority has decided to maintain its earlier decision in the matter.



**ii. Indexation of Inventory cost of LSFO stock procured under expired PPA with Merit Order price**

5.22. According to KAPCO, the Impugned Determination the Authority has held that the inventory cost of LSFO stock procured under the outgoing/expired PPA shall be considered as lower of actual average price or market price or merit order price, if applicable. It is humbly submitted that fuel cost is a pass through of fuel acquisition cost for all thermal IPP's in Pakistan. Fuel inventory carrying cost is compensated via working capital cost while inventory acquisition cost is compensated as a pass-through item in FCC. The Determination is accordingly not in line with industry practice and unfairly transposes the fuel price risk on KAPCO. Accordingly, such indexation is discriminatory and against norms applicable for similar IPPs. It is also highlighted that merit order is prepared based on the current fuel price and needs to be updated as per the actual notified price notification on fortnightly basis for that fortnightly economic merit order.

5.23. CPPA-G vide letter dated November 17, 2025 submitted following comments in the matter:

*"Apparently, the petitioner has objected to the inclusion of Merit Order price and CPPA-G agrees with the petitioner in this regard. Accordingly, it is requested to consider lower of following:*

- a) Cost of actual fuel consumed for generation; or*
- b) Prevailing market price*

*Moreover, the Authority is requested to devise an appropriate mechanism to avoid major deviations in the fuel price submitted to NEPRA for adjustment and the fuel price provided in the Merit Order."*

5.24. The submissions of the petitioner and CPPA-G have been examined. Para III(i) of the Order Part of the Authority's Determination dated September 23, 2025 is reproduced hereunder:

*"The inventory cost of LSFO stock procured under the outgoing/expired PPA shall be considered as lower of actual average price or market price or merit order price, if applicable."*

5.25. Considering the comments of CPPA-G, the Authority has decided to allow cost of LSFO inventory procured under the expired PPA as lower of actual average price or prevailing market price for fuel consumed for generation during the relevant period. Procurement of fuel under the new PPA shall be assessed on the basis of actual cost in line with the industry practice.

**iii. Cost of Working Capital**

5.26. According to KAPCO, in Paragraph No. 20.7 of the Impugned Determination, the Authority has allowed Cost of Working Capital of Rs. 472.57 million, which is subject to quarterly adjustment on the basis of 3 months KIBOR, actual cost of SBLC maximum of 1% and actual fuel inventory with maximum of 7 days RFO inventory at 100% load factor. Accordingly, the Authority has linked the Cost of Working Capital with fuel inventory with a maximum of 7 days RFO inventory. In this regard, no mechanism has been laid down for adjustment of the



Cost of Working Capital on quarterly basis as per price of the delivered fuel. It is submitted that the Determination is liable to be reviewed to adjustment of the Cost of Working Capital on the basis of price of the fuel delivered. Further, the General Sales Tax (GST) is paid on LSFO, therefore, the Cost of Working Capital should also be given with GST. In view of applicable petroleum and climate levy, it is imperative to allow the adjustment of cost of working capital with delivered price in order to maintain 7 days fuel inventory.

5.27. CPPA-G vide letter dated November 17, 2025 submitted following comments in the matter:

*"CPPA is of the view that GST should not be included in the Cost of working capital."*

5.28. The submissions of the Petitioner have been reviewed. The Authority approved reference Cost of Working Capital (CWC) component of KAPCO on the basis of LSFO price of Rs. 165,000/Ton (excluding sales tax). The Authority did not allow quarterly adjustment of LSFO price in line with the mechanism followed in case of RFO plants.

5.29. It would be pertinent to highlight that, previously, sales tax on fuel was allowed in computation of reference CWC component of RFO plants. However, the Authority vide its decision dated May 27, 2025 revised CWC components of RFO plants by, inter alia, excluding sales tax on fuel. Therefore, CWC component of KAPCO was computed on the basis of LSFO price excluding sales tax.

5.30. Being consistent with other power plants, the Authority has decided to maintain its earlier decision in the matter.

#### iv. Variable O&M

5.31. According to KAPCO, it requested approval of separate variable O&M components for EB-I and EB-II, without differentiation based on the type of fuel. However, in the approved tariff table, the variable O&M components have been specified based on the type of fuel rather than by block.

5.32. CPPA-G vide letter dated November 17, 2025 submitted following comments in the matter:

*"As highlighted by the petitioner, it seems that there is a typographic error in Paragraph 24 of the determination as the petitioner has requested Block-wise tariff rather than fuel wise tariff, necessary correction may be made."*

5.33. The submissions of the petitioner and CPPA-G have been examined. Typographical error exist in the order part of the Impugned Determination which resulted in erroneous sum totals and needs to be corrected. Accordingly, the Authority has decided to revise the tariff table as under:

Description	RLNG	LSFO
<b>Energy Purchase Price (Rs./kWh):</b>		
<b>Fuel Cost Component</b>		
Energy Block-I	28.0173	29.3071
Energy Block-II A	30.5644	31.7398



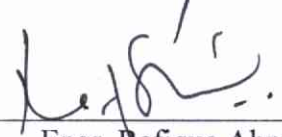
Description	RLNG	LSFO
<b>Variable O&amp;M (Local)</b>		
Energy Block-I	0.9431	0.9431
Energy Block-II A	1.0841	1.0841
<b>Total EPP Block-I</b>	<b>28.9604</b>	<b>30.2502</b>
<b>Total EPP Block-II A</b>	<b>31.6484</b>	<b>32.8239</b>
<b>Capacity Purchase Price (Rs./kW/h):</b>		
Fixed O&M	0.5419	0.5612
Cost of Working Capital	0.1090	0.1129
Insurance	0.0587	0.0608
ROE	0.2721	0.2818
<b>Total CPP</b>	<b>0.9818</b>	<b>1.0167</b>
<b>Total CPP @ 87.2% (Rs./kWh)</b>	<b>1.1259</b>	<b>1.1659</b>
<b>Total Tariff (Rs./kWh):</b>		
<b>Block-I</b>	<b>30.0863</b>	<b>31.4162</b>
<b>Block-II A</b>	<b>32.7743</b>	<b>33.9899</b>

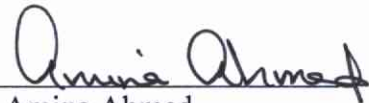
### NOTIFICATION

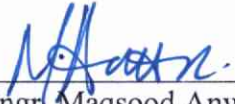
The above Order of the Authority is intimated to the Federal Government for notification in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.


### AUTHORITY

I reiterate my position  
in the matter.

  
Engr. Rafique Ahmed Shaikh  
Member

  
Amina Ahmed  
Member

  
Engr. Maqsood Anwar Khan  
Member

  
Waseem Mukhtar  
Chairman





**Additional Note of Member (Technical) – Interim Tariff Request filed by KAPCO**

It is a well-established fact that the installed generation capacity in the CPPAG system, as of June 2024, totalling around 42,512 MW, including around 25000 MW of thermal generation, exceeds the current demand. The utilization of thermal generation capacity in the past two financial years, FY 2023 and FY 2024, remained at around 32% and 29%, respectively. Furthermore, a significant portion of this surplus capacity available in pool is more cost-effective than the proposed interim tariff by KAPCO. Additionally, it is important to note that this is not the first time the case for extending the operation of KAPCO power plant has been presented to the Authority. Previously, the Authority approved an extension of 485 days for this plant.

It is important to note that, when reviewing the Generation License for KAPCO on September 8, 2022, for a period of three years, the Authority explicitly directed the NTDC and MEPCO to resolve the identified technical issues within this timeframe. These issues were causing KAPCO to operate in violation of the Economic Merit Order (EMO). Unfortunately, despite the clear direction from the Authority, and with only six months remaining in the three-year period, the situation has not improved as required.

It is relevant to highlight that, on one hand, all stakeholders are working diligently to eliminate costly "Take or Pay" generation capacity. On the other hand, the extension for operation of KAPCO's more expensive generation capacity is being proposed on a "Take or Pay" basis, citing transmission and grid constraints. Moreover, it is worth mentioning that the 4,000 MW HVDC line, built to transfer cheaper generation from the south to the north, is operating at a low utilization rate (around 38 % during FY 2024) despite the full capacity payment charges being paid for.

The failure to address these issues has resulted in a situation where the country is unable to optimally utilize its more economical and indigenous energy resources in the South, primarily due to the limitations of the transmission system. Consequently, we find ourselves reinvesting in outdated and inefficient generation capacity, further exacerbating the problem.

These facts highlight significant flaws in both the planning and execution of power generation and transmission system projects. It is unfair to shift the burden of these inefficiencies onto electricity consumers, particularly when these issues stem from inadequate planning and execution by the power transmission company.

In light of the responsibilities outlined for power transmission company, including NTDC and DISCOs in NEPRA Act and Applicable Documents, I am of the considered opinion that the interim tariff should be granted to this company strictly on a "Take and Pay" basis. However, whenever this plant operates in violation of the Economic Merit Order (EMO), the differential cost between the available cheaper generation and the cost of generation from the plant operated in violation of EMO should not be passed on to electricity consumers. Instead, this cost should be borne by the entities responsible for providing a constraints-free transmission system.

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In the presence of available surplus and more economical 'Take or Pay' generation capacity, granting concurrence to KAPCO under the same 'Take or Pay' regime may impose an additional and unnecessary financial burden on the power sector. Therefore, I am of the considered opinion that any concurrence should be extended strictly on a 'Take and Pay' basis. For a clearer understanding of my dissenting position, a detailed note on the KAPCO tariff decision is attached herewith.

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