



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-548/PTPL-2020/9703-9705
February 24, 2021

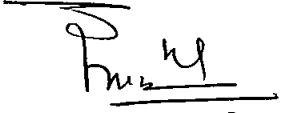
Subject: **Determination of the Authority in the matter of Petition for Revision of Tariff Determination filed by Punjab Thermal Power (Pvt.) Ltd. for Reduction of Return on Equity (ROE) Component (Case # NEPRA/TRF-548/PTPL-2020)**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority (04 pages) in Case No. NEPRA/TRF-548/PTPL-2020.

2. The Determination 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's Determination is to be notified in the official gazette.

Enclosure: As above


24 02 21
(Syed Safeer 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.



DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FOR REVISION OF TARIFF DETERMINATION FILED BY PUNJAB THERMAL POWER (PVT) LTD FOR REDUCTION OF RETURN ON EQUITY (ROE) COMPONENT

1. INTRODUCTION

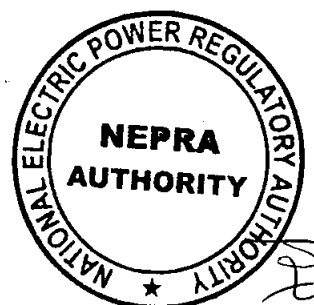
1.1. Punjab Thermal Power (Private) Limited (PTPL) is wholly owned company of the Government of Punjab (GoPb) incorporated under the Companies Act, 2017 to act as an IPP to set up a combined cycle power project of 1,263.20 MW (net 1,242.70 MW) on Regasified Liquefied Natural Gas (RLNG) as the primary fuel and High-Speed Diesel (HSD) as back-up fuel at District Jhang, Punjab. The Generation tariff of PTPL was approved by the Authority on December 26, 2017. Review motion in the matter was decided on June 7, 2018.

2. FILING OF TARIFF REVISION PETITION

2.1. PTPL vide letter No. PTPL/CEO/3199/2021 dated January 12, 2021 filed petition for revision of tariff determination for reduction of Return on Equity (ROE) component in pursuant to the CCoE decision No. CCE/46/13/2020 dated 27-08-2020 which was ratified by the Cabinet in case No. 648/35/2020 dated September 8 2020. The decision was conveyed by Ministry of Energy (Power Division) vide letter No. IPPs-10(18)/2020 dated 6th October 2020. According to the decision, the ROE of the Government owned power projects (RLNG IPPs) have been reduced from 16% IRR with dollar indexation to 12% IRR with dollar indexation along with direction to approach NEPRA for revision of ROE component by submission of tariff revision petition. The petitioner's ROE component was calculated on the basis of 15% IRR. Existing and requested revised ROE components on the basis of 12% IRR are as under:

Plant	ROE Levelized (Rs/kW/h)			
	Existing		Requested	
	RLNG	HSD	RLNG	HSD
Punjab Thermal Power (Pvt) Ltd	0.3330	0.3825	0.2674	0.3071

- 2.2. The Petitioner submitted that all other components of the tariff determinations shall remain same. The ROE component has been reduced to 12% IRR w.e.f. the date when government decision was conveyed to the Petitioner i.e. October 6, 2020.
- 2.3. According to the Petitioner since the project is under construction and has yet to achieve its COD, hence the above figures are based on reference tariff determined by NEPRA which are subject to adjustments and actualization at the time of COD tariff true up.
- 2.4. In view of the above submissions, the Petitioner requested that while accepting this petition, the learned Authority may kindly modify the determination to the extent of revision of ROE component to 12% IRR from 15% IRR.



3. ADMISSION

- 3.1. The Authority admitted the petition on January 20, 2021 and hearing in the matter was decided to be held on January 27, 2021 through video link on Zoom. Notice of Admission/Hearing was also published in the newspaper on January 21, 2021 inviting comments from the stakeholders. Individual notices were also sent to various stakeholders on January 21, 2021.

4. HEARING

- 4.1. Hearing in the matter was held on January 27, 2021 through Zoom. Hearing was attended by representatives of PTPL, OGRA, PPDB, NPPMCL and CPPA-G

5. COMMENTS OF THE STAKEHOLDERS

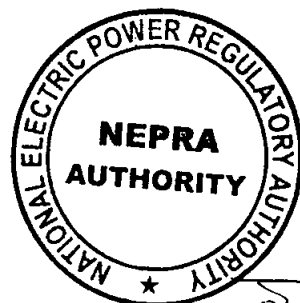
- 5.1. In response to the notice of admission, Mr. Arooj Asghar submitted comments on January 25, 2021, which are summarized hereunder:

- i. ROE should be calculated on the basis of CAPM; and
- ii. Dollar indexation on Rupee equity should not be allowed as projects are funded by the provincial government in Pak Rupee. US Dollar indexation be only allowed to these projects in case the projects are privatized to foreign investors in future.

- 5.2. In the opinion of the Authority, through the instant proceedings, the ROE is not being determined again, rather reduction therein is being made in light of the decision of the Federal Government. Nevertheless, it is informed that time to time the Authority has determined equity returns for different power generation technologies based on CAPM (using the then prevailing parameters), coupled with other considerations such as development of indigenous resources, promotion of clean energy, local industry conditions. For example, the equity returns of 17% were allowed to wind energy projects back in 2011 when no project was operational. Now the returns have been reduced to the level of 12-13% in the tariffs recently approved by NEPRA mainly because 1,240 MW wind capacity have been installed. With respect to dollar indexation, it is to be kept in view that under the applicable power policies, dollar indexation on equity is allowed irrespective of equity being foreign or local. However, CCoE has decided that in case of privatization, the local investor shall be allowed 17% equity return, without dollar indexation.

6. ANALYSIS, FINDINGS AND DECISION

- 6.1. The Authority allowed 15% IRR on equity investment to PTPL. Accordingly, on the basis of equity of US\$ 176.940 million and ROEDC of US\$ 42.29 million, the Authority approved the reference ROE component of Rs. 0.3330/kW/h on RLNG and Rs. 0.3825/kW/h on HSD.





6.2. The relevant Para of the CCOE decision pertaining to Government owned RLNG IPPs is reproduced as under:

“To compare the Returns on Equity of Govt owned RLNG IPPs with the other Government owned Projects, the Return is reduced to 12% IRR with dollar indexation. The projected reduction in RLNG projects will be Rs. 6.71 bln. Currently the projects owned by the NPPMCL (Federal Government Owned Plants) are in the privatisation list and bidding process is near to finalization stage. Post privatization the returns will be dependent on the new investors in case of local investor’s returns will be 17% without dollar indexation using US\$ to Rupee parity at Rs. 148 per US\$, however, foreign equity will get 12% with dollar indexation...”

6.3. In line with the decision of the CCOE, the Authority has decided to reduce IRR on equity from 15% to 12%. Accordingly, the ROE component of Rs. 0.3330/kW/h on RLNG operations and Rs. 0.3825/kW/h on HSD operations provided in paragraph 4(I) of the decision dated June 7, 2018 is modified and is being replaced with Rs. 0.2562/kW/h on RLNG operations and Rs. 0.2943/kW/h on HSD operations calculated on the basis of revised ROEDC of US\$ 33.38 million, equity investment of US\$ 176.940 million and IRR on equity of 12%. The revised components shall be subject to dollar indexation. The revised ROE components of tariff shall be adjusted for variation in actual equity investment and actual equity injection at the time of COD tariff adjustment in accordance with the adjustments stipulated in the earlier approved/notified tariff. Since the project is in the construction phase, the revised tariff shall be effective from COD.

6.4. The subject project is currently not in the privatization process. The Petitioner has not requested for ROE component for local investor in the post privatization scenario, therefore, the same has not been considered and assessed at this stage. ROE component for local investor in the post privatization scenario shall be determined upon filing of tariff petition by the Petitioner

7. SUMMARY OF TARIFF

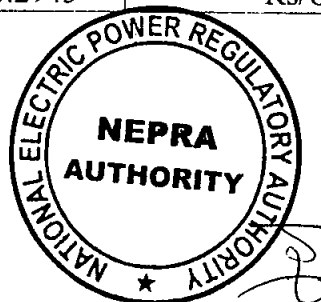
7.1. On the basis of the decisions taken in the preceding paragraphs, summary of the approved tariff components is provided hereunder:

Description	RLNG	HSD
ROE Component (Rs./kW/h)	0.2562	0.2943

8. ORDER

I. The Authority hereby approve and modify the reference tariff dated June 7, 2018 of Punjab Thermal Power (Private) Limited 1,242.70 MW (net) Power Project on RLNG and 1,081.80 MW (net) on HSD at Jhang for delivery of electricity to the power purchaser to the extent of following tariff components:

Description	RLNG	HSD	Indexation/Adjustment
ROE Component (Rs./kW/h)	0.2562	0.2943	Rs/US\$







- II. The modified tariff components shall take effect from COD.
- III. The revised ROE components of tariff shall be adjusted for variation in actual equity investment and actual equity injection at the time of COD tariff adjustment in accordance with the adjustments stipulated in the earlier approved/notified tariff.

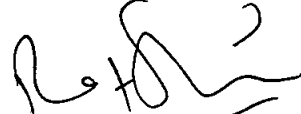
9. **NOTIFICATION**


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.

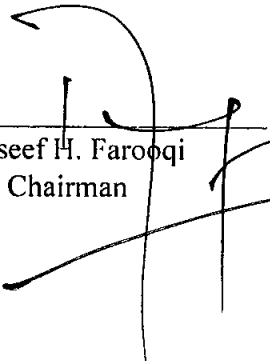
AUTHORITY


Saif Ullah Chattha 16.2.2021
Member


Rehmatullah Baloch 22/2/21
Member


Engr. Rafique Ahmed Shah 19/2/21
Member


Engr. Bahadur Shah
Member


Tauseef H. Farooqi
Chairman

