



REGISTRAR

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No.NEPRA/TRF-81/SHYDO-2007/11251-11253

October 10, 2013

Subject: Decision of the Authority in the Matter of Change of Index for Indexation of Fixed O&M (Local) and Water Use Charges Components of Tariff for Malakand-III Hydropower Project (SHYDO)

Dear Sir,

Please find enclosed herewith the decision of the Authority (02 pages) regarding periodic indexation/adjustment of tariff of Sarhad Hydel Development Organization in Case No. NEPRA/TRF-81/SHYDO-2007.

2. The decision is being intimated to the Federal Government for the purpose of notification of adjustment in the approved tariff through 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 note that the SRO 1117(I)/2010 dated December 09, 2010 is required to be modified to the extent as detailed in para 5 of the subject decision of the Authority.

Enclosure: As above

(Syed Safer Hussain)

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, Islamabad.



DECISION OF THE AUTHORITY IN THE MATTER OF CHANGE OF INDEX FOR INDEXATION OF FIXED O&M (LOCAL) AND WATER USE CHARGES COMPONENTS OF TARIFF FOR MALAKAND-III HYDRO POWER PROJECT (SHYDO)

1. Pursuant to Paragraph III (a) and (b) of the Order of the Authority dated 27th September 2010 notified vide SRO 1117(I)/2010 dated December 09, 2010 in the case of Malakand-III hydropower project, the Fixed O&M (Local) and Water Use Charge components of tariff are subject to indexation on the basis of variation in WPI (Manufactures).

2. Pakistan Bureau of Statistics (PBS) discontinued the issuance of WPI (Manufactures) with effect from August 2011. 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.

3. 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.

4. In pursuance of the decision of the Authority to adopt CPI (General) as replacement of WPI (Manufactures) for indexation of the Fixed O&M (Local) component of tariff, the new reference Fixed O&M (Local) and Water Use Charges components of tariff and the reference CPI (General) values in the case of Malakand-III Hydropower Project are as under:

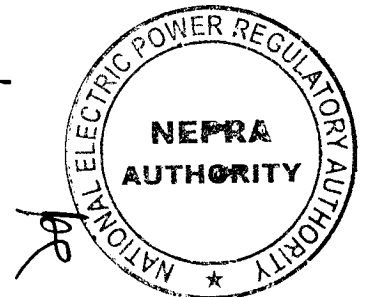
Reference CPI (General) for July 2011	Reference Water Use Charges	Reference Fixed O&M (Local)
154.72	Rs. 0.2167/kWh	Rs. 0.1218/kWh

5. In view of the above, the SRO 1117(I)/2010 dated December 09, 2010 is required to be modified to the extent of indexation/adjustment mechanism of Fixed O&M and Water Use Charges components in the official Gazette as per the following revised indexation/adjustment mechanisms:

(a) (i) Fixed O&M

$$F O\&M_{(LREV)} = 0.1218 * CPI_{(REV)}/154.72$$

$$F O\&M_{(PREV)} = 0.2169 * US CPI_{(REV)}/208.49 * ER_{(REV)}/60$$





Where;

- F O&M _(LREV) = Revised applicable Fixed O&M Local Component of the Fixed Charges indexed with CPI.
- F O&M _(PREV) = Revised applicable Fixed O&M Foreign Component of the Fixed Charges indexed with US CPI and Currency Fluctuation.
- CPI _(REV) = Revised Consumer Price Index (General) as published by Pakistan Bureau of Statistics.
- CPI _(REF) = Reference CPI (General) of 154.72 for July 2011.
- US CPI _(REV) = Revised US Consumer Price Index (All Urban Consumers) notified by the Bureau of Labor Statistics.
- US CPI _(REF) = 208.49 US CPI notified by Bureau of Labor Statistics (All Urban Consumers) for the month of September 2007.
- ER _(REV) = The Revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan.

(b) Water Use Charge

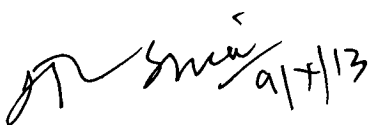
Water Use Charge will be paid on units delivered basis and will be indexed with Consumer Price Index (General) annually from date of COD. The first such adjustment shall be made after one year of commercial operation from COD.

$$WUC_{(REV)} = 0.2167 * CPI_{(REV)} / CPI_{(REF)}$$

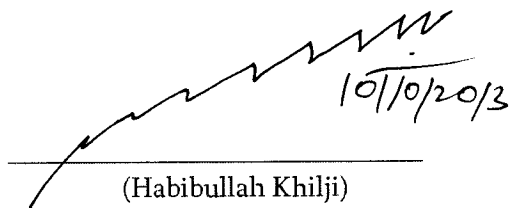
Where;

- WUC _(REV) = Revised Water Use Charge component indexed with Consumer Price Index (General).
- CPI _(REV) = Revised Consumer Price Index (General) as published by Pakistan Bureau of Statistics.
- CPI _(REF) = Reference CPI (General) of 154.72 for July 2011.

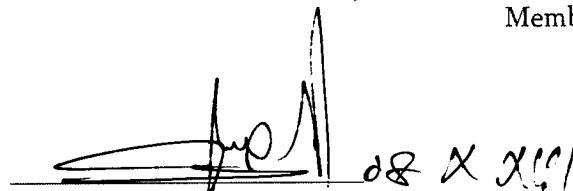
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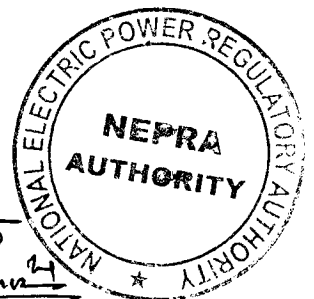



(Major (Rtd.) Haroon Rasheed)
Member



(Habibullah Khilji)
Member


(Khawaja Muhammad Naeem)
Chairman




10-X-13