



# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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**Registrar**

No. NEPRA/R/ADG(Trf)/TRF-80/SPL-2007/ 7224-28

May 27, 2025

**Subject: Decision of the Authority in the matter of joint application filed by Central Power Purchasing Agency (Guarantee) Limited and Saif Power Limited for reduction in tariff Components**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 06 pages) in the matter of joint application filed by Central Power Purchasing Agency (Guarantee) Limited and Saif Power Limited for reduction in tariff Components in Case No. NEPRA/TRF-80/SPL-2007.

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 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*  
(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak 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, Saif Power Ltd., 4<sup>th</sup> Floor, Kashmir Commercial Complex (KCC), Fazal-ul-Haq Road, Block-E, Blue Area, Islamabad



**DECISION OF THE AUTHORITY IN THE MATTER OF JOINT APPLICATION FILED BY CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED AND SAIF POWER LIMITED FOR REDUCTION IN TARIFF COMPONENTS**

**1. INTRODUCTION**

- 1.1. Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) and Saif Power Limited (SPL) signed Amendment Agreements on February 28, 2025 to reduce consumer end tariff. As per clause 3.1 of the agreement, the parties have jointly developed tariff adjustment applications as a necessary condition to bring into effect the agreed contractual amendments.

**2. FILING OF APPLICATION**

- 2.1. CPPA-G vide letter dated March 10, 2025 filed the joint application for reduction in tariff components pursuant to the Amendment Agreement. The Authority admitted the application on March 17, 2025.

**3. GROUNDS OF APPLICATION**

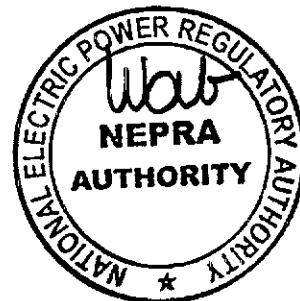
- 3.1. CPPA-G and IPPs have agreed on following terms and conditions for reduction of tariff components:
- a) Indexation of O&M Component
  - b) Cost of Working Capital
  - c) Insurance
  - d) Foreign ROE and ROEDC
  - e) Hybrid Take and Pay model
  - f) Termination of the Arbitration Submission Agreement

**4. HEARING**

- 4.1. Public Hearing in the matter was held on March 24, 2025. Notice of Admission/Hearing and individual notices were published/issued on March 18, 2025. The hearing was attended by the representatives of CPPA-G, IPP and other stakeholders.

**5. CONSIDERATION OF THE VIEWS OF THE STAKEHOLDERS, ANALYSIS AND DECISION ON IMPORTANT ISSUES**

- 5.1. The issue wise discussion, submissions of stakeholders, analysis and findings are provided in the succeeding paragraphs:





**a) Indexation of O&M Components**

**i. Local O&M**

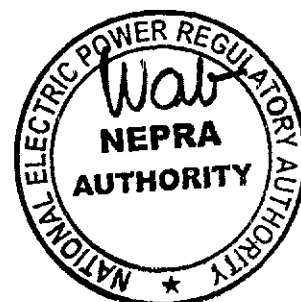
- 5.2. According to the application, the Fixed and Variable O&M – Local shall be indexed with lower of (a) five percent (5%) per annum or (b) the actual average National Consumer Price Index (NCPI) for the preceding twelve months.

**ii. Foreign O&M**

- 5.3. According to the application, the Fixed and Variable O&M – Foreign shall be indexed as per the existing mechanism provided that the PKR / USD depreciation shall be allowed only to the extent of 70% of actual depreciation per annum. In case the PKR appreciates against USD in a year, then 100% of such appreciation shall be passed on to the consumers.
- 5.4. According to the application, the indices used in the quarterly indexation determined by NEPRA for the period July – September 2024 shall prevail.
- 5.5. The submissions of the petitioners have been examined. The applications did not clearly specify regarding application of abovementioned mechanism i.e. whether the reference O&M components and indices would be fixed or floating for future indexations. Under current mechanism, the reference values were fixed at the time of COD tariff which have been indexed at each quarter. However, in case of floating references, indexed component and indexed values of each quarter would become reference values for the subsequent quarter.
- 5.6. The issue was raised during the hearing and the Authority directed CPPA to submit written clarification in the matter. CPPA-G was reminded vide emails dated April 03, 2025 and April 09, 2025 to submit its response on application of indexation mechanism of O&M components with 5% per annum increase or CPI whichever is lower and for foreign components on the basis of exchange rate w.r.t fixed reference component or floating reference component. CPPA-G vide email dated April 11, 2025 submitted following response:

*"During the negotiations, it was mutually agreed that the reference components of the Tariffs would be maintained on a "floating basis". This approach was deliberately adopted to mitigate the impact of compounding. Indexation To be made on quarterly basis."*

- 5.7. CPPA-G, via email dated April 11, 2025 also submitted an illustration on O&M indexation, suggesting that quarterly indexation be allowed on the basis of actual NCPI and exchange rate until it cumulatively reaches the maximum annual cap of 5% in NCPI and 70% in Rupee depreciation against US Dollar. Thereafter, no further indexation should be allowed for the remaining quarters of the year. As mentioned above, CPPA-G also proposed that the reference components and indices should remain floating to mitigate the impact of compounding.





- 5.8. It would be pertinent to mention that under the proposed floating reference mechanism, both the reference and revised indices would change in each quarter, therefore, it would not be possible to accurately implement the agreed indexation mechanism within the maximum limits.
- 5.9. Considering the above and in order to mitigate the impact of compounding, the most appropriate approach is to fix the reference O&M component and the corresponding NCPI for a period of one year. The reference component shall be indexed on quarterly basis until either the cumulative increase reaches the maximum limit of 5% or average annual NCPI value, whichever shall be lower. The final indexed component and average NCPI for the preceding year shall serve as the reference for the subsequent year.
- 5.10. Similarly, foreign O&M components shall be indexed quarterly on the basis of 70% of the cumulative rupee devaluation against US dollar. In case rupee appreciates against US Dollar, 100% of the same shall be passed on to the consumers. The reference values for the entire year shall remain fixed. The final indexed component and exchange rate at the end of the year shall serve as the reference for the subsequent year.
- 5.11. The revised indexation mechanism shall be effective from November 01, 2024.

**b) Cost of Working Capital (CWC)**

- 5.12. As per the application, the Sales Tax, currently included in the existing CWC component shall be removed and the current spread above KIBOR of 2% has been revised as 1%. The revised CWC components in future shall be indexed at KIBOR + 1%.
- 5.13. The submission of the applicant has been examined. The requested CWC component is based on 3-Months KIBOR of 20.24% as on June 28, 2024. The comparison of requested and approved CWC component for July – September 2024 quarter is provided hereunder:

Fuel	Approved (Rs./kW/h)	Requested (Rs./kW/h)	Difference
Gas	0.0656	0.0537	-18%
HSD	0.1406	0.1151	-18%

- 5.14. Considering the above, the Authority has decided to approve the revised CWC component of Rs. 0.0537/kW/h on gas and Rs. 0.1151/kW/h on HSD which shall be indexed quarterly, on the basis of KIBOR +1% spread. The revised component and indexation shall be effective from November 01, 2024.

**c) Insurance**

- 5.15. As per the application, from the next Agreement Year, the maximum limit of insurance component shall be capped at 0.9% of allowed EPC Cost as per existing mechanism.
- 5.16. The submission of the applicants has been reviewed. Currently, maximum cap of insurance component is 1.35% of the allowed EPC cost., however, the actual insurance cost remains within the maximum allowed limited. The revised insurance cap is in favour of consumers,





therefore, the Authority has decided to revise the maximum limit of insurance to 0.90% of the allowed EPC cost which shall be applicable from the next agreement year.

**d) Foreign ROE Component**

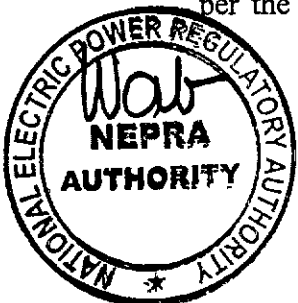
- 5.17. According to the application, the foreign component of ROE and ROEDC as determined by NEPRA for the Oct-Dec 2024 quarter shall be recomputed based on 17% rate of return, at the fixed exchange rate of PKR 168 / USD. Thereafter, there shall be no exchange rate indexation. The requested ROE (foreign) component is Rs. 0.1482/kW/h and ROEDC (foreign) is Rs. 0.0462/kW/h.
- 5.18. CPPA-G vide letter No CEO/CPPAG/2025/97 dated March 28, 2025 submitted that as per the MOUs and the Amendment Agreement signed between the IPPs and CPPA-G, the ROE and ROEDC components of the tariff were revised to 17% fixed at Rs. 168 per USD. However, it was subsequently discovered that redemption part of the equity could not be taken into account while calculating the revised ROEDC component in the tariff petition of SPL. It is therefore requested to consider the redemption model approach while calculating the ROEDC component of tariff to ensure consistency with NEPRA's guidelines and alignment with the agreed terms in the Amendment Agreement.
- 5.19. The submission of the applicants has been reviewed. It would be pertinent to mention that 82.92% equity of SPL is foreign. The current application seek revision only in the return on foreign equity, therefore, there will be no change in the return on local equity.
- 5.20. Considering the abovementioned letter of CPPA, the foreign ROEDC component of SPL has been recomputed by using redemption model on the basis of 17% return and exchange rate of Rs.168/US\$ that works out Rs. 0.0418/kW/h against requested component of Rs.0.0462/kW/h.
- 5.21. The comparison of requested and existing (Oct-Dec 2024) foreign ROE and ROEDC components is provided hereunder:

Description	Existing	Requested	Difference
	Rs. /kW/h		
ROE (Foreign)	0.1731	0.1482	(16%)
ROEDC (Foreign)	0.0540	0.0418	
Total	0.2271	0.1900	

- 5.22. Considering the above, the Authority has decided to revise the foreign ROE and ROEDC components of SPL on the basis of return of 17% and fixed exchange rate of Rs. 168/US\$. The revised components will remain fix without any indexation and shall be applicable w.e.f. November 01, 2024.

**e) Hybrid Take and Pay Model**

- 5.23. The Parties agreed to implement a 'Hybrid Take-and-Pay Model'. IPP will be entitled to 35% of ROE and ROEDC components of tariff as part of CPP which will be computed as per the existing terms of the PPA. In case the Despatched and Delivered Net Electrical





Output (NEO) exceeds 35% of the total contract capacity in terms of kWh, then IPP will be entitled to receive ROE and ROEDC components of tariff which shall be calculated on the actual NEO exceeding 35% of the total contract capacity in terms of kWh and IPP shall claim the differential CPP accordingly.

5.24. The arrangement has been mutually agreed between CPPA-G and IPP which is in the interest of the consumer, therefore, the Authority has decided to approve the same.

**f) Termination of the Arbitration Submission Agreement**

5.25. The GoP agreed to unconditionally and irrevocably withdraw and extinguish all claims against IPPs under the Arbitration Submission Agreement (ASA). The GoP and IPPs are in process of sending joint communication to the tribunal established under the ASA for termination / relinquishment of the arbitration.

5.26. The submission of the applicants has been examined. During the hearing, CPPA-G submitted that it has made recovery of past excessive profits on account of fuel and O&M, therefore, the issue of past savings has been settled and a mechanism has already been in place for future savings in fuel and O&M.

5.27. The Arbitration Submission Agreement was agreed between CPPA-G and IPPs. Therefore, the termination of the same does not pertain to NEPRA.

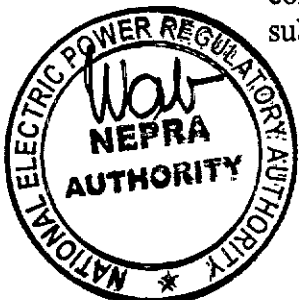
**6. ORDER**

I. The Authority hereby modify and approve its earlier decisions in the matter of Saif Power Limited to the extent of following:

Tariff Components	Unit	Tariff	
		Gas	HSD
ROE (Foreign)	Rs. /kW/h	0.1482	
ROEDC (Foreign)		0.0418	
Cost of Working Capital		0.0537	0.0537

II. The O&M indexation mechanism is also modified to the following extent:

- Local O&M components (Variable and Fixed) shall be indexed on quarterly basis until either the cumulative increase reaches the maximum limit of 5% or average annual NCPI value, whichever shall be lower. The reference values for the entire year shall remain fixed. The final indexed component and average NCPI for the preceding shall serve as the reference for the subsequent year.
- Foreign O&M components (Variable and Fixed) shall be indexed quarterly on the basis of 70% of the cumulative rupee devaluation against US dollar. In case rupee appreciates against US Dollar, 100% of the same shall be passed on to the consumers. The reference values for the entire year shall remain fixed. The final indexed component and exchange rate at the end of the year shall serve as the reference for the subsequent year.



89



- c) The indices used in the quarterly indexation determined by NEPRA for the period July – September 2024 shall prevail as reference for the first year's indexation.
- III. The indexation of Cost of Working Capital component will be on the basis of KIBOR + spread of 1%.
- IV. The revised tariff components along with revised indexations shall be effective from November 01, 2024.

### 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

Engr. Rafique Ahmed Shaikh  
Member

Amina Ahmed  
Member

Engr. Maqsood Anwar Khan  
Member

Waseem Mukhtar  
Chairman

