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No. NEPRA/TRF-125/SECL-2009/11031-11033

December 20, 2012

Subject: **Decision of the Authority in the Matter of Change of Index for Indexation of Fixed O&M (Local) Components of Tariff for Sapphire Electric Company Ltd. (Case No. NEPRA/TRF-125/SECL-2009) - 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 Sapphire Electric Company Ltd. in Case No. NEPRA/TRF-125/SECL-2009.

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. 298(I)/2012 dated 19th March, 2012 is required to be modified to the extent as detailed in para 6 of the subject decision of the Authority.

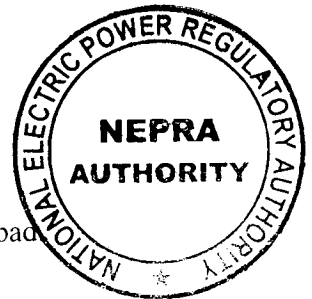
Enclosure: As above

(Syed Safeer Hussain)

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

CC:

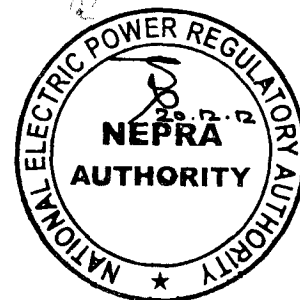
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad



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

1. Pursuant to Paragraph 11(III)(a) of the Authority's decision dated September 21, 2011 in the case of Sapphire Electric Company Limited (hereinafter "SECL"), the Fixed O&M (Local) component of tariff is subject to indexation on the basis of variation in WPI (Manufactures) which was notified vide SRO No. 298(1)/2012 dated 19th March 2012 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 O&M component of tariff and the reference CPI (General) value in the case of Sapphire Electric Company Limited is as under:

Reference CPI (General) for July 2011	Reference Fixed O&M (Local) July 2011
154.72	Rs. 0.0762/kW/Hour



6. In view of the above, the SRO No. 298(1)/2012 dated 19th March 2012 is required to be modified to the extent of indexation/adjustment mechanism of Fixed O&M (Local) component in the official Gazette as per the following revised indexation/adjustment mechanism:

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

Where:

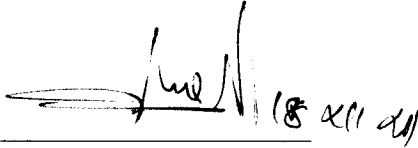
F. O&M_(Rev) = Revised Fixed O&M component of tariff

F. O&M_(Ref) = Reference Fixed O&M component of tariff adjusted till July 2011
Rs. 0.0762/kW/Hour

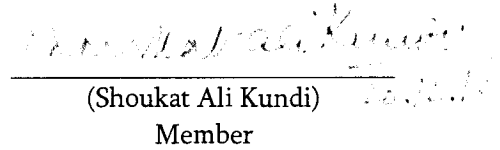
CPI_(Rev) = Revised CPI (General) index as published by Pakistan Bureau of Statistics

CPI_(Ref) = Reference CPI (General) of 154.72 for July 2011

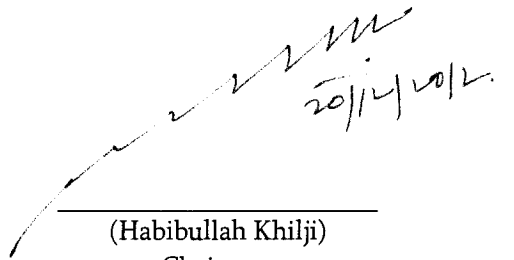
Authority



(Khawaja Muhammad Naeem)
Member



(Shoukat Ali Kundi)
Member



(Habibullah Khilji)
Chairman

