



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Tariff)/TRF-362/K-Electric-2016/15177-15179
June 19, 2020

Subject: **Decision in the matter of Review Motion filed by Sindh Nooriabad Power Company-II (SNPC-II) regarding Monthly FCA and Quarterly Adjustments Decisions of K-Electric Ltd. for the period from July 2016 to June 2019 (Case No. NEPRA/TRF-362/K-Electric-2016)**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (04 Pages) in the matter of Review Motion filed by Sindh Nooriabad Power Company-II (SNPC-II) regarding Monthly FCA and Quarterly Adjustments Decisions of K-Electric Ltd. for the period from July 2016 to June 2019 in Case No. NEPRA/TRF-362/K-Electric-2016.

2. The subject Decision of the Authority 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.

Enclosure: As above

Syde Hussain
19 06 20

(Syed Safer Hussain)

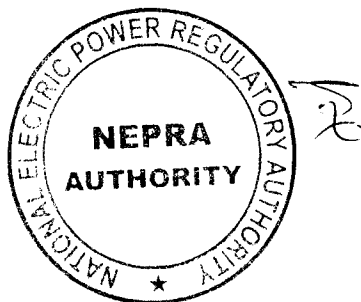
Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat,
Islamabad

CC:

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

**DECISION IN THE MATTER OF REVIEW MOTION FILED BY SINDH NOORABAD POWER
COMPANY-II (SNPC-II) REGARDING MONTHLY FCA AND QUARTERLY ADJUSTMENTS
DECISIONS OF K-ELECTRIC FOR THE PERIOD FROM JULY-16 TO JUNE-19**

1. As per the mechanism for monthly, quarterly and annual adjustments provided in the Multi Year Tariff (MYT) determination of K-Electric Limited (herein referred to as "K-Electric or KE") dated July 05, 2018, notified in the official Gazette vide SRO No. 576(1)/2019 dated May 22, 2019, the Authority has to review and revise the approved tariff on account of monthly, quarterly and annual adjustments.
2. Pursuant to notification of its MYT, K-Electric, filed its adjustment requests on account of monthly fuel charges from July 2016 to June 2019 and Quarterly on account of Power Purchase Price (PPP), indexation of O&M costs, adjustment of T&D losses etc. from July 2016 to March 2019.
3. The Authority issued its decisions in the matter of K-Electric's Fuel Charges Adjustments (FCA) for the period July 2016 to June 2019 vide decision dated December 27, 2019 and Quarterly adjustments for the period from July 2016 to March 2019 vide decision dated December 31, 2019.
4. SNPC-II (herein referred to as "Petitioner") against the aforementioned decisions of the Authority, filed Motion for Leave for Review (MLR) vide letter dated January 21, 2020, received in the office of Registrar NEPRA on January 24, 2020, wherein the Petitioner, *inter alia*, raised the following points:
 - i. The Petitioner submitted that as per the adjustment decisions, the Authority has excluded an amount of Rs.2,316.151 million from its consideration as (i) allegedly, the Petitioner's COD adjustment request has not been filed and (ii) purportedly, the Petitioner's tariff was the subject of a NAB investigation.
 - ii. The Petitioners, with respect to the alleged non-filing of its CoD adjustment request, submitted that the statement is incorrect as the same has been filed with the Authority vide letter no. SECY/NEPRA/2019/242 dated November 27, 2019. Regarding NAB investigation, the Petitioner submitted that they are not aware of any NAB investigation on the tariff awarded to it and, in fact, NAB has never approached the Petitioner regarding tariff awarded to it by the Authority.
 - iii. The Petitioner submitted that the Authority has unilaterally revised the tariff to the Petitioner's detriment and raised the following issues;
 - a. The Authority has unilaterally adjusted the per-COD energy price by around Rs.2 million

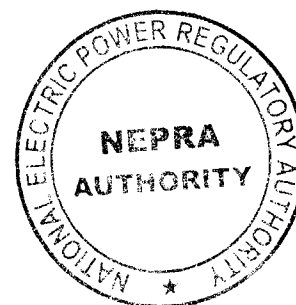


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without allowing the Petitioner an opportunity to speak against the adjustment.

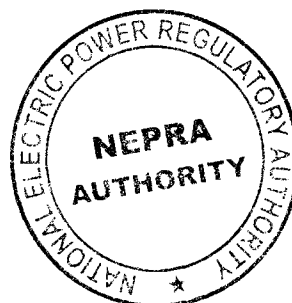
- b. The Authority has unilaterally reworked the losses allowed to the Petitioner by a reduction of Rs.0.553 million without allowing the Petitioner an opportunity to speak against the adjustment.
- c. The Authority has excluded the capacity charges of the Petitioner to the tune of Rs.2,313.527 million from its consideration on account of (i) the incorrect belief that the Petitioner's CoD adjustment not being filed and (ii) a purported NAB investigation.
- d. The Authority has unilaterally reworked the losses allowed to the Petitioners by a reduction of Rs.0.071 million.
- iv. The Petitioner also submitted that exclusion of Rs.2,313.527 million from its capacity charges, except indexations on Variable and Fixed O&M charges, will place the Petitioner in a dire situation, as such losses will severely compromise its cash flows and render it unable to meet its immediate payment obligation & maintain operations. Further, the non-payment of Debt servicing component will render it unable to pay its debt servicing.
- v. The Petitioner accordingly requested to accept the Review Motion and the impugned decisions of the Authority, to the extent of para 26 and 29 of the decision dated December 27, 2019 and para 18, 19 and 22 of the decision dated December 31, 2019 be set aside.
- vi. Until a decision is made on this Review Motion, the Authority may direct K-Electric:
 - a. not to make any recoveries from the Petitioner on account of the impugned Decisions;
 - b. not to reduce capacity payments on account of the Impugned decisions and to make full capacity payments for the month of December 2019, and onwards, to the Petitioner till such time that the final decision is taken by the Authority
 - c. to release capacity payment for December 2019 before 31 January 2020 so as to enable the Petitioner to make payments to lenders and avoid a financial crisis for the Petitioner.
 - d. to allow an opportunity of hearing
 - e. the impugned decisions be modified accordingly

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Proceedings- Admission & Hearing

5. The MLR was admitted by the Authority on February 12, 2020, wherein the Authority also decided to provide the Petitioner an opportunity of hearing in the matter.
6. The hearing in the matter was held on February 21, 2020 at NEPRA Tower Islamabad; Notices thereof, were sent to the Petitioner, K-Electric and parties to the proceedings.
7. The hearing was attended by CEO and CFO of the Petitioner along-with their Legal counsel and representative of K-Electric.
8. The representative of K-Electric, submitted that K-Electric has already made payments of around Rs.4 billion to both SNPC and SNPC-II, and in case of non-recovery of the said cost through tariff, K-Electric's commitment to its fuel suppliers and other IPPs would be affected, which would have huge repercussions. K-Electric accordingly requested the Authority to allow the deducted amounts as pass through.
9. The Authority considered the concerns raised by the Petitioner, whereby it is submitted that non payment of capacity payments, especially the debt and insurance servicing components would result in cash flow issues and may lead to the closure of the projects. However, at the same time, the Authority also considered the proceedings against two directors relevant to the Petitioner Company at NAB, which requires detailed deliberations by NEPRA Authority.
10. Therefore, the Authority has decided;
 - a. to re-determine/ modify the tariff awarded to the petitioner vide decision dated August 04, 2017, for which separate proceedings shall be carried out by the Authority. The Petitioner, is accordingly directed, in terms of Section 44 of NEPRA Act, to provide complete details in this regard.
 - b. to provisionally allow the Petitioner its debt servicing and Insurance component, as per its reference generation tariff dated August 04, 2017. Accordingly, an amount of Rs.1,841.83 million out of total amount of Rs.2,313.527 million pertaining to both SNPC and SNPC-II, disallowed by the Authority vide decision dated December 31, 2019, in the matter of K-Electric's quarterly tariff adjustment for the period from July 2016 to March 2019 is hereby allowed provisionally. The amount being allowed shall be included in the subsequent quarterly tariff adjustments of K-Electric. Any over /under allowed amount in this regard shall be adjusted, in line with the re-determined/ modified generation tariff of the Petitioner.

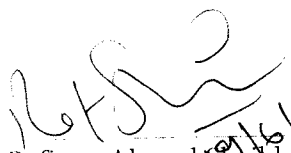



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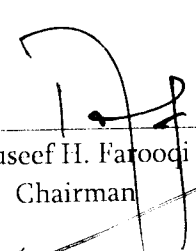
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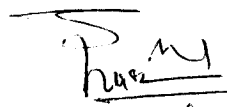

Saif Ullah Chattha
Member
19.6.2020


Rehmatullah Baloch
Member


Rafique Ahmed Shaikh
Member
19/6/20


Engr. Bahadur Shah
Vice Chairman
19/6/2020


Tauseef H. Farooqi
Chairman


19.06.20

