



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/TRF-460/TEPL-2018/10795-10797
June 21, 2019

Subject: Provisional Approval of Tariff – Tariff Petition filed by Tapal Energy (Private) Ltd. for approval of Generation Tariff for RFO Based Power Plant of 126 MW (Gross) at Karachi [Case # NEPRA/R/TRF-460/TEPL-2018]

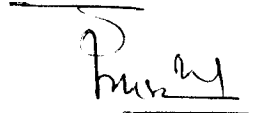
Dear Sir,

Please find enclosed herewith the subject Provisional Approval of the Authority (04 Pages) in Case No. NEPRA/TRF-460/TEPL-2018.

2. The Provisional Approval/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.

3. The Order of the Authority's Provisional Approval shall be notified in the official Gazette.

Enclosure: As above


21.06.19
(Syed Safeer Hussain)

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

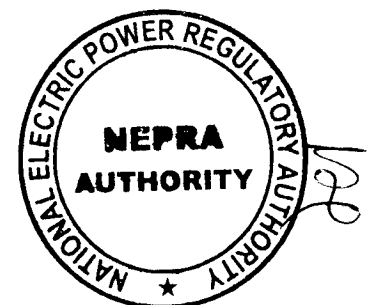
CC:

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

**PROVISIONAL APPROVAL OF TARIFF -TARIFF PETITION FILED BY TAPAL
ENERGY (PRIVATE) LIMITED FOR APPROVAL OF GENERATION TARIFF FOR RFO
BASED POWER PLANT OF 126 MW (GROSS) AT KARACHI.**

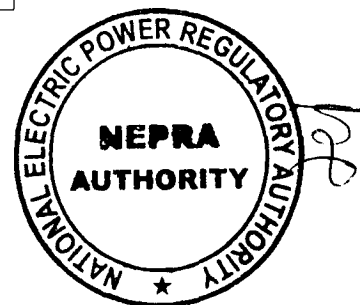
1. TAPAL ENERGY (PRIVATE) LIMITED (the “**Petitioner**”), filed a petition for extension of its PPA with KE (the power purchaser) for a period of 5 years, starting from June 20, 2019 to June 19, 2024 as existing PPA shall expire on June 19, 2019 (the “**Petition**”). The Authority admitted the subject Petition, advertised the salient features of the Petition on March 16, 2019 and also invited stakeholders’ comments through individual letters sent on March 20, 2019. Accordingly, in view of the comments of the stakeholder’s, issues were framed for the proceedings by the Authority. In order to provide an opportunity for the stakeholders to comment on the framed issues, the Authority also decided to hold a hearing on June 17, 2019 at Karachi. Subsequently, the hearing was rescheduled to June 18, 2019 and accordingly stakeholders were informed through written notices and also through advertisement in the national newspapers.
2. While the Petition was being considered by the Authority, the Petitioner through its letter dated May 22, 2019 (received on May 28, 2019) requested the Authority that since the Authority is yet to determine its tariff and the expiration of PPA is fast approaching, it is therefore requesting NEPRA for the grant of the provisional tariff for the interim period. The Petitioner emphasized that a provisional tariff in this situation will avoid any interruption of power to KE from June 20, 2019 onwards. KE also shown similar concerns and supported the Petitioner’s request for allowing a provisional tariff for the interim period till the Authority announce its decision on the Petition. For the interim period, the Petitioner requested the same tariff, which has been proposed in the Petition, the detail of which is given below:

| Description | Tariff |
|---|----------------|
| Energy Charge (Rs. /kWh): | |
| Fuel cost component | 9.3681 |
| Variable O&M (Local) | 0.2421 |
| Variable O&M (Foreign) | 0.6785 |
| Total | 10.2887 |
| Capacity Charge @ 100% PF (Rs. /kW/hour): | |
| Fixed O&M (Local) | 0.3932 |
| Cost of working capital | 0.1554 |
| Insurance | 0.0817 |
| Return on Equity | 0.5175 |
| Total | 1.1478 |
| Total Tariff (Rs. /kWh) | 11.4365 |
| Total Tariff (US Cents/kWh) | 10.3498 |



3. The issue of allowing provisional tariff was also brought before the Authority during the hearing held on June 18, 2019 by both the Petitioner and its power purchaser (KE). During the hearing, all the stakeholders other than KE showed strong reservations on the extension of the PPA term for further five years and requested NEPRA not to extend the term as the plant is old, inefficient and rely on dirty and expensive fuel (RFO). The stakeholders requested that many efficient power plants have been added into the national grid which are currently underutilized, therefore, in the overall interest of the country, the equivalent power of 123.5MW should be provided to KE by national grid.
4. Keeping in view the concerns raised by the stakeholders, the Authority vide its letter No. NEPRA/SAT-II/TRF-460/10495-10496 dated 18th June 2019 advised Ministry of Energy (Power Division) to direct CPPA-G to look into the matter and reply whether 123.5 MW power can be made available to KE by the National Grid. CPPA vide its letter No. CPPA-G/2019/CEO/7307-11 dated 19th June 2019 submitted that provision of electricity as indicated in the above referred letter requires comprehensive joint study by CPPA, NTDC and KE and CPPA will coordinate with all the related entities to analyze and recommend whether the National Grid will have additional surplus capacity to supply 123 MW power to KE. CPPA further submitted that until the above analysis is completed and in order to avoid any interruption of power to KE consumers, KE may be allowed to procure power from Tapal Energy on Take & Pay basis and shall be dispatched on the basis of KE's merit order without any sovereign guarantees commitment by GoP.
5. The Authority has considered the request of Petitioner, comments of KE, other stakeholders and the reply of CPPA-G. The Authority considers that an abrupt interruption in the supply of power will not be in the interest of the consumers. It was also considered that the issues framed for the tariff determination proceedings are very important and it will have far reaching effect on all those power plants approaching the expiry of their PPAs signed under 1994 policy. Thus, the analysis of the issues framed for tariff determination proceedings will require more time and deliberations.
6. Keeping in view all above, the Authority has decided to approve the request for allowing provisional tariff for four months or the final decision of the Authority on the pending Petition whichever is earlier. The provisional tariff is as under:

| Tariff Components | Rs./kWh |
|---------------------|---------|
| Fuel Cost Component | 13.8341 |



| | |
|---------------------|----------------|
| O&M | 0.3360 |
| Total Tariff | 14.1701 |

7. The provisional tariff shall be subject to followings conditions:

- i- Tariff shall be on Take & Pay basis.
- ii- The fuel cost component has been worked out on the basis of RFO price of Rs. 62,586.93/ton including transportation charges, LHV calorific value of 38,557.40 Btu/Kg. and LHV heat rates of 8,522.67 Btu/kWh. The fuel cost component shall be subject to adjustment for variation in fuel prices.
- iii- The FCC shall also be adjusted on actual fuel consumption basis (grams/kWh) or 221.0384 grams/kWh whichever is lower. For this purpose, the Petitioner shall provide the authentic documentary evidence, including fuel procurement invoices, fuel consumption, power generated at bus bar, actual CV, transportation cost etc.

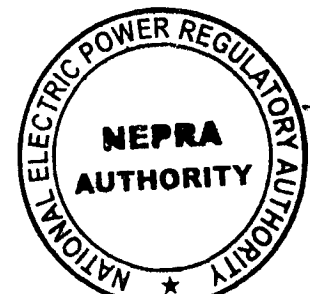
ORDER

8. In exercise of power conferred under Section 7 read with Section 31 of the NEPRA Act, the Authority hereby determines and approves the following provisional tariff, for immediate application, for Tapal Energy (Private) Limited for sale of 123.5 MW power to KE subject to final decision and an order of refund, if any, for the protection of the consumers while the proceedings are pending before the Authority.

| Tariff Components | Rs./kWh |
|--------------------------|----------------|
| Fuel Cost Component | 13.8341 |
| O&M | 0.3360 |
| Total Tariff | 14.1701 |

9. The application of provisional tariff shall be subject to following conditions:

- i- Tariff shall be on Take & Pay basis.
- ii- The fuel cost component has been worked out on the basis of RFO price of Rs. 62,586.93/ton including transportation charges, LHV calorific value of 38,557.40 Btu/Kg. and LHV heat rates of 8,522.67 Btu/kWh. The fuel cost component shall be subject to adjustment for variation in fuel prices.
- iii- The fuel cost component shall also be adjusted on actual fuel consumption basis (grams/kWh) or 221.0384 grams/kWh whichever is lower. For this purpose, the Petitioner




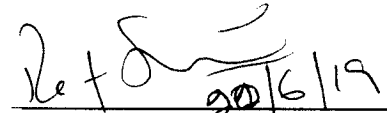
shall provide the authentic documentary evidence, including fuel procurement invoices, fuel consumption, power generated at bus bar, actual CV, transportation cost etc.


- iv- Provisional tariff shall be applicable for four months or the final decision of the Authority on the pending petition whichever is earlier.
- v- The dispatch shall be strictly in accordance with the KE's economic merit order;


10. The above Order of the Authority shall be notified 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
Member
20.6.2019


Rafique Ahmed Shaikh
Member


Rehmatullah Baloch
Vice Chairman
20/6/2019


P. M. S. Ali
21.06.19

