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Islamic Republic of Pakistan

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No. NEPRA/DG(Trf)/PAR-147/SNPCL-2015/ 21995-99 November 12, 2026

Subject: **Decision of the Authority in the matter of Tariff Modification Petition filed by Sindh Nooriabad Power Company (Private) Limited**

Please find enclosed herewith the subject Decision of the Authority (total 45 pages) in the matter of Tariff Modification Petition filed by Sindh Nooriabad Power Company (Private) Limited Case No. NEPRA/PAR-147/SNPCL-2015.

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 Calendar 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

(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Deputy Secretary (RA), Cabinet Division, Cabinet Secretariat, Islamabad
3. Chief Executive Officer, K-Electric Limited (KEL), KE House, Punjab Chowrangi, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority Karachi
4. Chief Executive Officer, Sindh Nooriabad Power Company (Pvt.) Ltd. # 23-A/II, Mohammad Ali Jauhar Memorial Cooperative Housing Society, Karachi

DECISION OF THE AUTHORITY IN THE MATTER OF TARIFF MODIFICATION PETITION FILED BY SINDH NOORIABAD POWER COMPANY (PRIVATE) LIMITED.

1. BACKGROUND

1.1 Sindh Nooriabad Power Company (Private) Limited (hereinafter "SNPCL" or "Petitioner") is net capacity of 51.154 MW gas fired electric power generation plant at Nooriabad, Sindh Province, Pakistan. It is jointly sponsored by Government of Sindh ("GOS") and Technomen Kinetics (Pvt.) Limited (TKL) having share of 49% and 51% respectively. The EPC contract was signed with Technomen Kinetics LLC-FZ.

1.2 The generation license was issued to SNPCL on July 15, 2015. The Authority vide its decision dated June 1, 2016 approved tariff for the subject project and granted permission to K-Electric for negotiation of Power Acquisition Contract (PAC) with SNPCL. Review motion in the matter was decided on August 4, 2017. The power plant achieved its Commercial Operation Date (COD) on January 18, 2018.

1.3 Following an investigation conducted by NAB, two directors of the Company entered into Plea Bargains (PB) involving an aggregate amount of Rs. 2.134 billion, which were approved by the Accountability Court. Subsequently, the Authority initiated suo moto proceedings on June 3, 2021 for re-determination/downward revision of reference generation tariff. The SNPCL challenged the said proceedings before the Honourable Islamabad High Court (IHC) and matter remains sub judice.

2. TARIFF MODIFICATION PETITION

2.1 SNPCL through its legal counsel RIAA Barker Gillette vide letter dated December 12, 2024 submitted the tariff modification petition. Salient features of the modification petition are as under:

i. The Petitioner has requested following additional costs:

Description	Already Approved Cost	Additional Cost Requested
	USD Million	
Cost of Gas Pipeline Infrastructure	1.9250	0.3206
Villa, Boundary Wall and Architect Fee	0.2850	0.3706

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Description	Already Approved Cost	Additional Cost Requested
	USD Million	
Custom Duties & Clearance charges	2.3880	0.6802
Mobilization Fee for O&M Contractor	0.1270	0.0535
Interest During construction	2.9510	7.0050
Working Capital Financing Cost	-	0.9372
Withholding Tax paid	-	0.7865
Insurance during construction	0.4742	0.4057
Cost Incurred on Bulk Water Supply	-	0.7236
Claim for Extra Metering system and dis-connector Switch	-	0.2500
Wheeling and Power Line Carrier & Communication system	-	0.2500
Cost of Safety Spares	-	1.1130

ii. Requested Cooling Tower Drain Disposal Cost of Rs. 112.5 million as part of project cost from the date of implementation.

iii. Requested following under new project:

- Installation of Air-Cooled Radiators cost in Euro 8.032 million as per Wartsila proposal; or
- Construction of pipeline from Keenjhar Lake to plant site (30KM Approx.) USD 5.3 million; or
- Water treatment, filtration and recycling of cooling water bleed cost of approx. Rs. 46 million (Addendum II)

iv. Requested following under plant availability:

a. Total loss because of reduction in Capacity Payments due to gas curtailments i.e. Rs. 1.042 billion for SNPC, may be reimbursed to the Petitioner.

b. Availability of the Plant be de-linked from the availability of gas supply from SSGC.

c. Petitioner be allowed to use RLNG as alternate fuel to ensure 92% availability, even when Natural Gas is not available.

v. Requested to provide proportionate relief to SNPC to settle/offset the huge amount paid as markup. Requested to allow rescheduling of SNPC debt by allowing the debt servicing component for five more years after the ten-year period.

vi. The Petitioner requested revised tariff w.e.f. COD.

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3. ADDENDUM-I TO TARIFF MODIFICATION PETITION

3.1 Subsequently, on January 18, 2025, SNPCL filed an addendum to its tariff modification petition, requesting that its earlier letter dated January 11, 2025 be treated as part of the said petition.

3.2 Through the aforementioned communication SNPCs requested the release of withheld ROE/ROEDC with effect from the respective COD along with applicable indexation.

4. ADDENDUM-II TO TARIFF MODIFICATION PETITION

4.1 SNPCL also filed an Addendum No. 02 to its tariff modification petition on May 23, 2025 wherein cost of Rs. 46 million was requested as an alternative to installation of air-cooled radiators cost and/or construction of pipeline from Keenjhar Lake to plant site cost. The claimed amount was subsequently revised vide letter dated September 21, 2025. The matter shall be discussed under the relevant issue.

5. ADDITIONAL SUBMISSIONS FOR ALLOWING COSTS RELATED TO DELAY IN CONSTRUCTION PERIOD

5.1 SNPCL through its letter dated October 10, 2025 submitted that during the hearing on its Tariff Modification Petition held on September 24, 2025, the issue of delay in construction period of the plant was highlighted. The Authority was apprised that Sindh Transmission and Dispatch Company (STDC), which was responsible for the construction of the Transmission Line, had initially been allowed an additional construction period of 7 months. It was further submitted that STDC had filed an application seeking approval of a total construction period of two years; which was pending with the Tribunal.

5.2 SNPCL requested that a delay of two years in the construction period be allowed, on account of non-availability of transmission line, however for the time being, SNPCL requested an extension equivalent to the presently approved STDC's additional construction period of 7 months. In case STDC's request for a total additional construction period of two years is approved, the same period may also be allowed to SNPCs.

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5.3 SNPCL further submitted that the following three costs related to this delay in construction period because of non-availability of transmission line, may please be allowed to SNPCL for financial survivability of the plant:

i. Interest during Construction (IDC)

ii. Insurance during Construction

iii. Mobilization Advance to the O&M Operator

5.4 SNPCL requested to approve the aforesaid three costs initially for a period of 7 months and subsequently extended to cover STDC's additional construction period of two years, subject to subsequent approval of the same.

5.5 SNPCL vide letter dated February 27, 2026 submitted clarification on the following points raised in petition/addendums:

i. Mobilization Fee for O&M contractor

ii. Interest During Construction

iii. Cost incurred on bulk water supply (6 Km line + raw water tank + desilting tank).

iv. Installation of Air-Cooled Radiator System for Engines only.

v. Proposal of dedicated water line from Keenjhar Lake (30 Km line).

vi. CT/PTs and disconnector switches.

vii. Tele-Protection (PLCC) Equipment

6. ADMISSION OF MODIFICATION PETITION

6.1 The Authority admitted the subject modification petition. Subsequently, the Notice of Admission along with its salient features was published in newspapers on March 6 & 7, 2025. Notices of Admission were also issued to individuals and relevant stakeholders on March 10, 2025.

7. COMMENTS FROM STAKEHOLDERS

7.1 In response to the notice of admission, following comments were received from NAB, CPPA-G, Mr. Arif Bilwani and Mr. Rehan Javeed. The comments submitted by of Mr. Arif Bilwani were shared with the Petitioner for its rejoinder. The Petitioner through its legal counsel, RIAA Barker Gillette, provided its rejoinder which is reproduced hereunder:

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Stakeholder Name:	Comments	Rejoinder from SNPCL
NAB	It is submitted that the matter apparently seems to have no relevance to this Bureau as the same is a pure technical subject. In this connection, you are requested to proceed as per law and rules.	-
CPPA-G	It is apprised that CPPA-G has no comments to offer on the tariff petitions, as these are outside our jurisdiction.	-
Mr. Rehan Javeed	1. These projects are a good example of a public-private partnership, where the Government of Sindh and the private sector worked together. It shows confidence that such models can deliver. 2. Since their commissioning in 2018, both plants have provided reliable power to Karachi through KE, helping the city in times of shortage. 3. The sponsors went beyond their basic obligations by building their own gas pipeline, arranging water supply, and setting up the transmission line through STDC. These efforts deserve appreciation. 4. The plants have remained technically available even during gas shortages. It is unfair that their availability is penalized when the real issue lies in fuel supply, not their performance. 5. The petitions also provide a clear breakdown of costs, which makes it easier for NEPRA to evaluate them. 6. Availability and Gas Supply: NEPRA should separate the issue of plant availability from fuel supply. If gas is not given, the plants should not be penalized when they are otherwise ready to generate. 7. Use of Alternative Fuel: Allowing the plant to use RLNG or other another alternative fuel would keep their availability at the required level. Any cost for this should be	-

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	allowed, but with proper checks so that it stays efficient and fair for consumers. 8. IDC and Debt Rescheduling: The delays in achieving COD were not in the Sponsor's control (HESCO's withdrawal, NTDC's refusal, and the late creation of STDC). NEPRA should allow the additional IDC and debt rescheduling, but also keep audits in place to protect consumers. 9. Water and Environment Measures: The requests for water pipelines, tanks, and cooling-tower disposal are necessary. These should be approved with a condition of proper environmental compliance and water efficiency. 10. Non-EPC Cost: Items like villas, boundary walls, and architect fees should only be allowed up to a reasonable benchmark. This will ensure future projects don't inflate costs under such heads. 11. Woking Capital and Withholding Tax: Working capital costs should be approved just like other IPPs. For withholding tax, NEPRA may coordinate with FBR so that the treatment is consistent across all projects. <u>Conclusion</u> The Nooriabad Phase I & II plants are important for Karachi and for the power system. Their petitions raise many fair points, especially on gas supply and availability. At the same time, NEPRA can use this case to set fair standards for handling such issues in the future.	
Mr. Arif Bilwani	The undersigned has already submitted detailed comments, including previous correspondence and relevant newspapers clipping on February 18, 2025 and July 31, 2019. It is reiterated that the project sponsor/management were reportedly involved in corruption and corrupt practices, as evidenced by NAB investigation reports. They significantly inflated project costs to secure an unjustified tariff approval from NEPRA. In	RIAA Barker Gillette, counsel of SNPCs submitted below response on the comments of Mr. Arif Bilwani and stated that as per the numbering of the objections provided by Mr. Arif Bilwani, paragraphs 6 & 4 were not included. The sweeping statements made by

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	accordance with the NEPRA Act, Rules, and Regulations, any tariff secured through forged, fictitious or misrepresented documentations stands void ab initio and must be cancelled accordingly. In addition to the above, the following specific objections merit outright rejection of the petition: 1. Dollar-Based ROE Despite Government Ownership: The approval of a 15% dollar-based Return on Equity (ROE) is unjustified, particularly as the project is 49% government-owned under the Sindh Government. This ROE must be converted to a rupee-based return immediately. 2. Unjustified Delay in Filing Tariff Adjustment: The plant achieved COD on January 18, 2018. Submitting a tariff adjustment request after a delay of seven years raises serious concerns. NEPRA must question the reasons behind this excessive delay and the validity of supporting documents and cost claims. 3. Rejection of Extraordinary and Unapproved Cost Claims: Any claims not previously approved in NEPRA's tariff determination dated June 1, 2016, or in the Motion for Leave for Review order dated August 4, 2017, should be summarily dismissed. These include, but are not limited to: • SSGC pipeline construction • Villa, boundary wall, architectural fees. • Custom duties and port clearance charges. • O&M contractor mobilization fees. • Interest During Construction (IDC) extension (18 to 36 months). • Working capital financing. • Withholding taxes. • Extended insurance during construction.	Mr. Arif Bilwani is based on conjecture and lacks evidentiary support. Regarding the allegations of corruption against the directors of SNPCs, it is important to note that National Accountability Bureau (NAB) has withdrawn its reference. Such withdrawal serves as a testament to the fact that there was no evidence of wrongdoings. As stated in paragraph No. 3 of the application filed under Section 31-B of NAB Ordinance, 1999 (NAO) by the then Chairman NAB, Mr. Sohail Nasir, no evidence of personal gain was found, nor was there any credible material to support the claim that project was overvalued. The relevant part of paragraph No. 3 of the aforesaid withdrawal application is produced below: *... the executive board was of the view that no evidence of personal gain, which is one of the basic ingredients to constitute an offense of misuse of authority, is available against any public servant or Syed Murad Ali Shah. It was further observed that as the decisions have been made by the committee duly constituted during the course of business, hence the provisions of NAO in the light of Section 4(2)(b) of NAAA, 2022 shall not be applicable. There is no convincing and reliable material on record to hold the projects over-valued and no standard formula was there for comparison and to declare the projects as over-valued---* In view of foregoing, the allegation of inflated project costs is frivolous and depicts a palpable bias by the said member of the public against

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	• Bulk water supply. 4. Reiteration NEPRA's Previous Rejections: The following cost components have already been dismissed by NEPRA and must not be reconsidered: • Extra metering systems and disconnectors switches • Wheeling and power line carrier tele-protection/communication systems • Financing cost of safety parts. 5. No Debt Rescheduling: Any request for debt rescheduling must be rejected. Financial delays are a standard business risk and cannot justify deviations from the approved repayment schedule. 6. Technical Modifications and Tariff Impact: Technical modifications should only be approved if they demonstrably reduce the tariff. Costs associated with modifications such as air-cooled radiators or bulk water supply lines should be borne exclusively by the project owners. **Conclusion:** Only those adjustments items explicitly allowed in NEPRA's original decisions should be considered, and that too only after a clear and justified explanation for a delayed COD adjustment filing. Overall, this petition is time-barred and lacks prudence, and should be rejected following a rigorous verification process. February 18, 2020 submissions: This is reference to the letter received from your office No. NEPRA/SA(Tariff)/PAR-147& PAR-148/5575-8 dated February 14, 2020 for the comments on MLR of the SNPC. In the humble opinion of the under sign, since the affairs of the above-named company, involving billions of rupees, are under investigation by NAB and few of the officials have already entered into plea bargain, as stated	SNPCs. **Para-wise reply to comments:** Reply to Paragraph No. 1 The contents of paragraph No. 1 imply that SNPCs received preferential treatment, which is not factual. Dollar-based returns are standard across all IPPs, and SNPCs are being treated at par with other similar projects. Reply to Paragraph No. 2 The contents of paragraphs No. 2 are contested as misleading. The key issue includes pandemic of COVID 19 and legal battle with NEPRA in Islamabad High Court on tariff related issues. However, the regulatory framework does not recognise the concept of "time barred" in relation to any tariff modification petition. Reply to Paragraph No. 3 The contents of paragraphs No. 3 are denied as misleading. The costs mentioned in the instant paragraphs were not included in the base tariff. Therefore, the current petition for tariff modification was duly filed to address this omission. Reply to Paragraph No. 5 These costs were also not part of PAR and therefore these will be requested in the current petition. Reply to Paragraph No. 7 Due to blockage of tariff components, the company was unable to retire its debt timely and forced to pay huge amounts in shape of interests to lenders.

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	in the news published in daily Dawn which is appended below, whereas few others are still under detention/investigation, therefore, in all fairness the MLR be put in abeyance until the whole issue is sorted out. Since recovery of huge amounts from all the suspects will also result in the resetting of the tariff downward, it is therefore, requested that the issue of MLR be delayed until the whole picture become clear.	Therefore, rescheduling of debt is necessary to make projects financially viable. Reply to Paragraph No. 8 The contents of paragraphs No. 8 are unfounded. To fulfil their obligation of supplying electricity to KE consumers, SNPCs need to expand their operational capacity. Since the ultimate beneficiaries are end-consumers, this provides a valid rationale for tariff modification. It would be inappropriate to shift the entire burden of technical upgrade costs on SNPCs sponsors. Moreover, the said technical modification has been requested to conserve water. It will be appreciated that water shortage is already being experienced by the country, and therefore the technical modification aims to save water thereby allowing petitioner to save a huge amount of water for consumers and greatly add benefit to the environment.

8. HEARING

8.1 The hearing in the matter was fixed for May 14, 2025. The notice of hearing was published in the newspapers on May 2, 2025, while separate notices to concerned individuals were also issued on May 6, 2025.

8.2 Subsequently, RIAA Barker Gillette, vide letter dated May 6, 2025 requested for an adjournment of hearing which was accepted by the Authority and accordingly notice for adjournment of hearing was published in the newspapers on May 10, 2025. The hearing was thereafter rescheduled for September 24, 2025. Accordingly, notice was published in the newspapers on September 5, 2025 and individual notices were issued on September 8, 2025.

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8.3 The hearing in the matter was held on September 24, 2025 and was attended by the representatives of the Petitioner, KE, Mr. Rehan Javed.

8.4 Following issues were framed for the hearing:

i. Whether the requested Cost of Gas pipeline Infrastructure of USD 0.3206 million is justified?

ii. Whether Villa, boundary wall and Architect Fee cost of USD 0.3706 million is justified?

iii. Whether the requested Custom Duties and Clearance charges cost of USD 0.6802 million is justified?

iv. Whether the requested Mobilization Fee for O&M Contractor cost of USD 0.0535 million is justified?

v. Whether the requested IDC cost of USD 7.0050 million is justified?

vi. Whether the requested working capital financing cost of USD 0.9372 million is justified?

vii. Whether the requested withholding Tax paid cost of USD 0.7865 million is justified?

viii. Whether the requested insurance during construction of USD 0.4057 million is justified?

ix. Whether the requested cost of USD 0.7236 million incurred on bulk water supply is justified?

x. Whether the requested claim for extra metering system and dis-connector switch cost of USD 0.2500 million is justified?

xi. Whether the wheeling and power line carrier & communication system cost of USD 0.2500 million is justified?

xii. Whether the requested financing cost of safety spares of USD 1.1130 million is justified?

xiii. Whether the requested Cooling Tower Drain Disposal cost of Rs. 112.5 million is justified?

xiv. Whether the request for re-scheduling of debt is justified?

xv. Whether the requested cost of Euro 8.032 million for installation of Air-cooled radiators or USD 5.3 million for construction of pipeline from

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Keenjhar Lake to plant site or Rs. 46 million for water treatment, filtration and recycling of cooling water bleed is justified?

xvi. Whether the request to reimburse loss of Rs. 1.042 billion because of reduction in capacity payments due to gas curtailment is justified?

xvii. Whether to delink the availability of the plant from the availability of gas is justified?

xviii. Whether the use of RLNG as alternate fuel to ensure 92% availability when natural gas is not available is justified?

xix. Any other relevant issue arising during the proceedings- Release of ROE/ROEDC.

9. CONSIDERATION OF VIEWS OF THE STAKEHOLDERS, DISCUSSION, ANALYSIS AND DECISIONS ON GROUNDS OF REVIEW

9.1 The issue wise discussion, submissions of stakeholders, analysis and decisions are provided in the succeeding paragraphs.

Whether the requested Cost of Gas pipeline Infrastructure of USD 0.3206 million is justified?

9.2 According to the Petitioner, SNPCL signed a Gas Supply Agreement ("GSA") with Sui Southern Gas Company Limited ("SSGC"). In order to execute the GSA a gas pipeline about 18 km common for two projects, i.e. SNPCL and SNPCL-II had to be built from the main gas trunk line located at National Highway-Jhimpir-Nooriabad junction.

9.3 The Petitioner in support of its submissions stated that according to Oil & Gas Regulatory Authority's ("OGRA") decision in the cases of LNG based generation projects, the construction of gas pipeline infrastructure was the responsibility of gas distribution company whereas all the costs in this regard were to be borne by the project company. In view thereof, the petitioner entered into contract with SSGC for construction of gas pipeline infrastructure. The agreed scope of work in this regard included Sellers' Metering Station (SMS) comprising of filters, separators, gas metering station, flow computer, instrumentation, civil works, gas pipeline fitting, heat shrinks, excavation, trenching, laying of pipe, right of way for laying the pipeline and acquisition of land. The cost of USD 1.8 million for construction of a gas

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transmission line by SSGC for each of the project i.e. SNPCL & SNPCL-II was estimated.

9.4 According to the Petitioner, in order to carry out the gas pipeline construction work, following three contracts amounting to PKR 421.00 million were signed;

i. Contract of PKR 106.840 million between SNPCL & SSGCL for design, construction and installation of the pipeline.

ii. Contract of PKR 294.000 million exclusive of taxes between SSGCL & Technomen Kinetics (Pvt) Limited ("TKL") for the supply of equipment/materials required for construction of gas pipeline.

iii. Contract of PKR 20.160 million between SNPCL & Akbar & Brothers for the works related to excavation and backfilling.

9.5 The petitioner further submitted that the aforesaid gas pipeline infrastructure was common to SNPCL and SNPCL-II and accordingly the cost was to be shared equally between the two projects. Based on the aggregate contractual cost of PKR 421.00 million, the Petitioner's share on a 50:50 basis, worked out to PKR 210.500 million. However, according to the Petitioner, the actual expenditure incurred for SNPCL was PKR 235.70 million, equivalent to USD 2.245 million as detailed below.

9.6 The actual expenditure claimed by the Petitioner is as follows:

GAS SUPPLY PIPELINE CONTRACTS	USD VALUE	PKR VALUE
SUI SOUTHERN GAS COMPANY LIMITED	609,910	64,015,094
TECHNOMEN KINETICS (PVT.) LTD	1,505,376	158,064,516 (inclusive of taxes)
AKBAR & BROTHERS	130,331	13,619,594
Total Gas Pipeline Cost	**2,245,618**	**235,699,204**

9.7 According to the Petitioner, as against the aforesaid cost the actual cost remained higher which is indicated in the following Table:

Items	Cost Approved (USD Million)	Cost Incurred (USD Million)	Additional Cost Requested (USD Million)
SSGC	1.925	0.6099	0.1903*
TKL		1.5054	
Akbar & Brothers	-	0.1303	0.1303
Total	1.925	2.2456	0.3206

* The additional amount of USD 0.1903 million represents the portion claimed by SNPCL over and above the cost previously approved by the Authority.

9.8 In view of the above, SNPCL requested the Authority to allow additional cost of USD 0.3206 million on account of cost of gas pipeline infrastructure with

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effect from COD. The Petitioner further submitted that in order to substantiate this cost all relevant evidence is attached with the instant petition and the detail of expenditure and exchange rates will be provided if Authority requires the same. Since no such evidences were provided with the instant petition, the matter was highlighted during the hearing and the Petitioner clarified that the evidences have been provided along with COD tariff adjustment application.

9.9 The submissions of the Petitioner have been examined. It is noted that, the Authority through its Review Motion Decision dated August 4, 2017 had already reviewed and revised the gas pipeline infrastructure cost after evaluating the contracts executed by SNPCL with SSGC & TKL. Consequently, the approved cost was increased from US$ 1.8 million to US$ 1.925 million. The Petitioner has not provided any new evidence or sufficient justification warranting a further upward revision of the already approved cost. Allowing an additional claim for the same scope of work, without adequate justification, would amount to reconsideration of a matter already examined and decided by the Authority. Accordingly, the Authority does not find sufficient justification to allow the additional claim of US$ 0.1903 million. The said claim is therefore rejected and the Authority's earlier decision is being maintained. However, the relevant supporting evidence of the costs incurred by the Petitioner in connection with SSGC and TKL contracts shall be provided by SNPCL at the time of COD stage tariff adjustment.

9.10 The submissions of the Petitioner regarding the remaining claimed cost have also been examined. It is observed that in its review motion, the Petitioner had sought approval of Rs. 20.160 million on account of excavation and backfilling works contracted to Akbar & Brothers, apportioned equally between SNPCL and SNPCL-II (i.e., Rs. 10.080 million for each project). However, the Authority did not allow the said claim at that stage on the ground that it constituted new claim falling outside the scope of review motion. The Authority has now considered the said claim in the context of the present tariff modification petition.

9.11 The Authority observes that the nature of the excavation and backfilling works is directly related to the construction of gas pipeline infrastructure and therefore the cost is not, in principle, unrelated to the project. However, the amount of Rs. 13.6196 million (equivalent to USD 0.1303 million) claimed in the instant petition is higher than the amount of Rs. 10.080 million previously

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submitted by the Petitioner for the same scope of work. The Petitioner has not provided sufficient justification in the present petition to substantiate the increase from PKR 10.080 million to PKR 13.6196 million. Therefore, the Authority considers it appropriate to restrict the admissible cost to Rs 10.080 million, being the amount previously claimed and attributed for the project, subject to verification of the actual expenditure. Accordingly, an amount of Rs. 10.080 million is being approved which shall be included in the tariff at the COD true-up stage, subject to the Petitioner furnishing verifiable documentary evidence, terms of relevant contract(s), payments evidence and other supporting documents required by the Authority to establish that the expenditure was actually incurred for the relevant head.

Whether Villa, Boundary Wall and Architect Fee cost of USD 0.3706 million is justified?

9.12 According to the Petitioner, in the PAR, an amount of USD 0.235 million was claimed for the construction of residential colony at the project site. The Authority accepted and approved the cost as such stating that it also included landscape cost. In the review decision the same was revised to USD 0.285 million allowing the cost of USD 0.050 million on account of landscape. According to the Petitioner, the Authority itself acknowledged in the review decision that construction cost of Rs. 2,400 per square foot was assumed as against the range of Rs. 3,000 to 5,000 per square foot.

9.13 The Petitioner submitted that at the time of review motion, SNPCL claimed additional costs attributable to the Villa, Boundary Wall and Architect Fee. However, these claims were not considered by the Authority, inter alia, on the ground that they constituted new claims beyond the scope of the review proceedings. The petitioner requested that the costs being legitimate and duly supported with the documentary evidence may be allowed. The summary of costs incurred on Residential Colony, Villa, Boundary Wall and Architect Fee is placed hereunder:

Items	Cost Incurred (USD Million)	Cost Approved (USD Million)	Cost Requested (USD Million)
Labour Lodge	0.3713	0.2850	0.0863
Boundary Wall	0.1229	-	0.1229
Villa	0.1135	-	0.1135
Architect Fee	0.0479	-	0.0479
Total	**0.6556**	**0.2850**	**0.3706**

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9.14 In view of the above, the Petitioner has requested that the additional amount of USD 0.3706 million be incorporated in the project cost and allowed with effect from COD.

9.15 The submissions of the Petitioner regarding the labour lodge have been examined. It is observed that the Authority had already revised the cost of residential facility from US$ 0.235 million to US$ 0.285 million in its review decision dated August 4, 2017. The petitioner's current request essentially seeks further enhancement in the cost of residential facilities, tantamount to cost overrun beyond the level earlier allowed by the Authority. Such post-facto cost overruns have not been allowed by the Authority in case of various other power plants. In view thereof, the Authority considered that allowing the additional amount merely on the basis of actual expenditure would effectively transfer the risk of inefficiencies and post-approval cost overrun to the consumers. Such treatment would not be consistent with the principle that only prudent, necessary and reasonably incurred cost should form part of project cost. Accordingly, the Authority maintains the previously approved amount of US$ 0.285 million for labour lodge/residential facility and rejects the additional claim cost of US$ 0.0863 million under this head. SNPCL is directed to submit documentary evidence substantiating the costs incurred in connection with the labour lodge at the time of COD stage tariff adjustment.

9.16 The submissions of the Petitioner regarding the remaining three heads (boundary wall, villa and architect fee) have also been examined. It is noted that these costs were previously claimed by the Petitioner during the MLR proceedings but were not allowed, as they were considered to fall outside the permissible scope of the review proceedings. The Authority observes that a boundary wall is ordinarily associated with the security and controlled access requirements of the power generation facility(s). Likewise, accommodation or villa for essential managerial, operational or technical personnel may be reasonably required where a power project is located in a remote or semi-remote area and necessitates the availability of key personnel for operational, supervision and emergency response. Similarly, architect and design consultancy services may form integral part of the planning and execution of civil structures and residential facilities. Accordingly, the Authority considers that such expenditures cannot, in principle, be regarded as wholly unrelated to the project. The Authority has also taken into consideration the fact that the

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Petitioner had raised these claims during the review proceedings but were not considered being out of scope of the review.

9.17 It is further noted that the Petitioner did not file tariff modification within a reasonable time. Rather, the petition was filed after a delay of approximately eight years from the review motion decision and about seven years from the achievement of COD. The delay in raising the claims is, therefore, a relevant consideration in assessing the admissibility of the claimed expenditure. Nevertheless, the Authority observes that the claims relating to the villa, boundary wall and architect fee are distinguishable from a mere escalation of previously approved cost, as these items were not separately approved under the original tariff determination. The Petitioner has asserted that the expenditure was actually incurred in connection with the development and operation of the project. Accordingly, the Authority considers that an outright rejection of these claims solely on the ground of delay without examining the nature and quantum of the expenditure, may not appropriately reflect the actual capital cost of the project. The Authority has accordingly considered it appropriate to adopt a fair approach whereby the amount admissible for each of these heads shall be restricted to the lower of (i) the amount previously claimed by the Petitioner during the Motion for Leave for Review, and (ii) the amount presently claimed in the tariff modification petition.

9.18 This aforesaid approach ensures that the Petitioner does not obtain an enhanced amount merely by revising or increasing its earlier claims, at a subsequent stage, while allowing consideration of expenditure associated with necessary project facilities. The comparative claims and the amount considered admissible by the Authority is as follows:

Head	Approved in PAR (Rs million)	Claimed in MLR (Rs million)	Approved in MLR (Rs million)	Claimed in instant Petition (Rs million)	Approved/ assessed (Rs million)
Villa	-	20.225	-	11.545	11.545
Boundary Wall	-	12.500	-	12.501	12.500
Architect Fee	-	1.667	-	4.872	1.667
Labour Lodge	23.904	32.100	28.990	37.769	28.990
Total	**23.904**	**66.491**	**28.990**	**66.688**	**54.702**

9.19 Accordingly, the Authority has decided to allow, in principle, an additional cost of Rs. 25.712 million for villa, boundary wall and architect fee. The total approved amount under these heads including labor lodge is Rs. 54.702

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million as detailed above which shall be included in the tariff at the COD true-up stage.

9.20 The admissible amount shall remain subject to verification of relevant supporting documentary evidence (contract, invoices, payment receipts, etc) and other evidence required/necessary to establish that the expenditure was actually incurred and relates specifically to the project's relevant head. The Petitioner shall also establish that the claimed costs have not been included or recovered under any other approved head at the time of true up COD adjustment request.

9.21 The Authority has also taken into consideration the delayed submission of the present claim. The allowance being made herein is therefore a limited and exceptional measure, taking into account the nature of the facilities, the fact that these expenditures were previously raised during the earlier review proceedings but were not examined on their merits, and the need to appropriately reflect the actual and prudently incurred project costs. This allowance shall not be construed as establishing a precedent for entertaining delayed claims or permitting project sponsors to seek enhancement of previously assessed costs at a subsequent stage without adequate justification and supporting evidence.

Whether the requested Custom Duties and Clearance charges cost of USD 0.6802 million is justified?

9.22 The Petitioner submitted that in its Review Motion Decision, the Authority had capped the port clearance charges for the imported EPC equipment at 0.075% without any rationale. These are the charges which are to be paid based on the import documents and are not in the petitioner's control. The details are reproduced below:

Import List	Custom duties and Taxes	
	USD	PKR
EURO – S/1862/51/529/14	1,448,417	147,504,715
EURO - S/1862/51/530/14	225,571	23,481,893
USD - SLC/0303/14/0225	1,394,145	147,509,151
Total Custom Duties & Taxes	3,068,132	318,495,760

9.23 The Petitioner requested to approve the differential amount of US$ 0.6802 million against already approve cost of US$ 2.3880 million. The Petitioner also

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requested to approve the Port Clearance Charges as per actual without applying the cap of 0.075% of the value of imported EPC equipment.

9.24 The submissions of the Petitioner have been examined. The Authority notes that in its earlier decision(s) in the matter already provide for the adjustment of custom duties on an actual basis, subject to verification of the actual amount incurred by the Petitioner at the time of COD tariff true up stage. The Authority considered that custom duties, taxes and other statutory levies associated with the importation of approved project equipment are appropriately determined on the basis of the actual applicable rates and the relevant import documentation. However, such costs cannot be allowed merely on the basis of the amounts claimed by the Petitioner. The admissible amount must be established through verifiable documentary evidence, including import documents, assessment orders by relevant agency, goods declarations, payment challans/receipts and any other relevant record evidencing the actual payment of the applicable duties and taxes.

9.25 In view of the above, no adjustment of custom duties is required at this stage, as the Authority has already provided the mechanism for adjustment of the actual verified amount at the time of COD tariff true-up stage. Accordingly, the earlier decision in this regard does not require modification. SNPCL is therefore directed to submit a complete claim for custom duties and taxes etc duly supported by all relevant documentary evidence, at the time of COD tariff adjustment stage for the consideration of the Authority.

9.26 With regard to the Petitioner's request for allowing port clearance charges on the actual basis, the Authority has reconsidered the rationale for the previously prescribed cap of 0.075% of the value of imported EPC equipment. The Authority noted that port clearance charges comprise various actual costs associated with customs clearance, which may vary depending upon the nature of the imported equipment. Therefore, the application of a uniform percentage cap may not necessarily reflect the actual and prudent cost incurred in every case. However, removal of the percentage cap shall not be construed as an unconditional approval of all port clearance charges claimed by the Petitioner.

9.27 Accordingly, the Authority considered it appropriate to remove the previously prescribed cap of 0.075% of the value of imported EPC equipment for determining admissible port clearance charges. The actual port clearance

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charges shall be considered at the time of COD tariff adjustment stage, subject to detailed verification of each amount. SNPCL shall submit complete supporting documentary evidence, including relevant invoices, payment receipts to substantiate its claim. The Authority will also ensure that the claimed port clearance charges are related to importation and clearance of equipment falling within the approved project scope, were actually incurred and paid by the Petitioner, are not include any penalties/fines or other costs attributable to the Petitioner's own delay or negligence and have not already been included or recovered under any other approved cost component. Only the actual, verified and prudently incurred expenditure shall be considered for adjustment in the tariff.

Whether the requested Mobilization Fee for O&M Contractor cost of USD 0.0535 million is justified?

9.28 According to the Petitioner, SNPCL in its review motion of the reference tariff determination requested to allow USD 0.176 million equal to the claimed fixed O&M cost for one month on account of Mobilization Fee for O&M Contractor. While deciding the review motion the Authority applied the formula/ methodology as proposed by the petitioner and assessed the amount of USD 0.127 million with respect to Mobilization Fee for O&M Contractor against the requested USD 0.176 million.

9.29 The Petitioner submitted that, while assessing the Mobilization Fee for the O&M Contractor, the Authority did not consider the circumstances causing delay in completion of the project leading to increase in O&M Mobilization Fee. The circumstances causing delay in completion of the project included HESCO withdrawal from the O&M agreement, delay in construction of the Transmission Line by newly-established company i.e. STDC and NTDC's refusal to provide interconnection, all of which were beyond the petitioner's control. In view thereof, the Mobilization Fee for the O&M Contractor is required to be revised as per the following:

Items	Cost Incurred	Cost Approved	Cost Requested
Mobilization Fee & O&M Contractor (USD Million)	0.18052	0.1270	0.0535

9.30 The Petitioner requested to approve the above-mentioned additional cost of USD 0.0535 million.

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9.31 The submissions of the Petitioner have been examined. The Authority noted that the additional amount presently claimed relates to mobilization cost incurred on account of the delays in project completion. While the Petitioner has attributed these delays to certain events involving third parties, the Authority observes that the occurrence of such delays does not, in itself, establish the admissibility of additional costs for tariff purposes. Such claims must be supported by sufficient justification and verifiable evidence establishing their necessity, reasonableness and direct connection with the claimed delay.

9.32 The Authority has also considered the treatment of similar claims in other power projects, wherein such additional costs arising from delays or prolonged project execution have not been allowed. In the absence of sufficient justification warranting a departure from the earlier determination, the Authority maintains its earlier decision of USD 0.1270 million in respect of the O&M contractor mobilization fee and rejects the additional claim of USD 0.0535 million.

Whether the requested IDC cost of USD 7.005 million is justified?

9.33 According to the Petitioner, the construction period of the project was initially estimated as 18 months. However, it could not complete the same within the stipulated time period due to the following reasons:

i. The project was initially intended to supply electricity to HESCO. However, at a later stage, after the draft PPA had been initiated, HESCO declined to purchase power from the Petitioner.

ii. Subsequently, K-Electric offered to buy power from the Petitioner. Accordingly, NTDC was requested to provide interconnection but NTDC refused to do so, on the grounds that it would not be able to meet the Petitioner's required timeline.

iii. The Petitioner had no recourse but to request Government of Sindh (GOS) to rescue the Petitioner. Accordingly, the GOS established a special purpose transmission company ("STDC") to construct the transmission line for evacuating power from the Petitioner. To carry out the transmission activity STDC obtained license from NEPRA.

9.34 According to the Petitioner, from the above-mentioned reasons, it is clear that it was not possible to achieve COD within the stipulated period of 18 months.

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as a result of this delay, the interest during construction (IDC) of the loan has increased. The petitioner further submitted that denying the legitimate interest cost during the delayed period for achieving COD would jeopardize the viability of the project.

9.35 In view of aforesaid, the Petitioner requested to allow the construction period of 36 months. Accordingly, the additional amount of USD 7.005 million on account of IDC duly substantiated with the documentary evidence, may be considered prudent project cost and allowed. The following details of IDC were submitted by SNPCL:

IDC	Drawdown Amount PKR	Interest Paid PKR	Interest Paid USD
National Bank of Pakistan	2,993,768,140	580,647,391	5,563,763
Sindh Bank Limited	1,000,000,000	215,749,362	2,067,387
Term Finance Certificates	1,500,000,000	244,136,350	2,324,231
Total	**5,493,768,140**	**1,040,533,103**	**9,955,381**

Item	Cost Incurred (USD Million)	Cost Approved (USD Million)	Cost Requested (USD Million)
Interest During Construction	**9.956**	**2.951**	**7.005**

9.36 The Petitioner requested to approve the above-mentioned additional cost of IDC i.e. USD 7.005 million with effect from COD.

9.37 The submissions of the Petitioner have been examined. The Authority noted that the Petitioner sought recognition of a total construction period of 36 months, as against the originally approved period of 18 months, for purpose of recovering financing costs associated with the additional 18-month period. The Authority reiterates that project sponsors are responsible for prudent planning, coordination, financing and risk management associated with the project execution. Accordingly, additional costs arising from delays in the project execution cannot be passed on to consumers merely on the ground that such delays were attributable to external factors. The Authority has also considered its earlier treatment of IDC in comparable generation projects, where construction timelines were extended due to external factors, interconnection issues, force majeure events or circumstances beyond the direct control of the project sponsor. In such cases, the Authority allowed IDC only for the approved construction period and did not permit the financial impact of the extended construction period to be passed on to consumers.

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9.38 In view of the foregoing, and consistent with the Authority's earlier regulatory practice, the Authority does not find sufficient justification to allow the additional IDC claimed for the extended construction period. Accordingly, the Authority maintains its earlier determination in respect of IDC and disallows the requested additional IDC claim of USD 7.005 million.

Whether the requested working capital financing cost of USD 0.9372 million is justified?

9.39 According to the Petitioner, under the PPA, SNPCL is required to make payment for fuel costs approximately ten (10) days before receipt of payment from the power purchaser. Accordingly, the Petitioner is required to finance its fuel cost through working capital for a period of 10 days. According to the Petitioner, to bridge this timing gap between fuel payments and receipt of payments from the power purchaser, SNPCL is forced to arrange a working capital facility of Rs. 368 million from Sindh Bank Limited. The Petitioner submitted that the financing cost of said running finance facility charged at KIBOR plus three percent. The SNPCL submitted that financing cost associated with the working capital facility constitutes a financial burden on the project and adversely affects its financial viability. The Petitioner also submitted that the cost of working capital has been allowed by the Authority in the tariffs of other IPPs and therefore, the same treatment should be extended to SNPCL. According to the Petitioner, SNPCL has paid USD 0.9372 million till March 2024 since COD, as financial cost of working capital, whereas the Authority has not allowed any cost on this account. Considering the same as a prudent cost, the Petitioner requested to allow the same.

9.40 The submissions of the Petitioner have been examined. The Authority observed that the issue of working capital financing cost was specifically considered during earlier tariff proceedings and was also deliberated upon in details in the Review Motion Decision dated August 4, 2017. During those proceedings, SNPCL relied upon the Authority's decision in respect of RLNG-based generation projects and requested approval of working capital cost and address the alleged timing difference lag between payments and receipts.

9.41 While considering the said request in its Review Motion Decision, the Authority, distinguished the circumstances of RLNG-based projects from those applicable to SNPCL. In the case of RLNG-based projects, the Authority

had allowed a working capital component on account of advance payments required for the procurement of RLNG. In the case of SNPCL, however, the GSA with SSGCL provided a different payment mechanism. Under the GSA, the gas supplier was required to raise the invoice within ten (10) days of the subsequent month and the purchaser was allowed a further ten (10) days from the receipt of the invoice to make payment.

9.42 Accordingly, the Authority had concluded in its Review Motion Decision that the payment mechanism under SNPCL's GSA did not justify the allowance of a separate working capital component on the basis of the alleged timing difference between payments and receipts. The Authority observed that the payment arrangement could be efficiently managed and that the associated financing cost could be avoided. Consequently, the Authority maintained its earlier decision and disallowed the working capital financing cost.

9.43 The Authority has reconsidered the matter in light of the submissions made in the present tariff modification petition and the treatment of similar gas-based projects. It is noted that financing cost arising from timing differences between payments and receipts have not been allowed in case of similar gas-based projects. Accordingly, the Authority does not find sufficient justification to depart from its earlier determination and has decided to maintain its earlier decision in the matter. The Petitioner's claim of USD 0.9372 million on account of working capital financing cost is therefore not considered.

Whether the requested withholding Tax paid cost of USD 0.7865 million is justified?

9.44 The petitioner submitted that during the construction of the project, it was required to deduct and deposit withholding tax in respect of payments made to suppliers and service providers. According to the Petitioner, these taxes were paid in accordance with the applicable tax laws and constituted actual costs incurred in connection with the construction and development of the project. The Petitioner further submitted that withholding tax costs have been allowed by the Authority in the case of other power projects. Accordingly, the Petitioner requested that it may also be treated in a similar manner in accordance with the principles of fairness, equity and consistency and the withholding tax actually paid by SNPCL be allowed as part of the project cost.

9.45 According to the Petitioner, during the construction period of the plant, SNPCL paid the withholding taxes to the different suppliers as per details given in the following table:

Supplier	Job Name	Withholding tax (Rs. Mln)
Technomen Kinetics Pvt. Limited	EPC On Shore	54.770
Sui Southern Gas Company Ltd	Gas Pipeline	4.735
Technomen Kinetics Pvt. Limited	Gas Pipeline	11.040
Akbar & Brothers	Gas Pipeline	1.021
Technomen Kinetics Pvt. Limited	Boundary Wall	0.875
Technomen Kinetics Pvt. Limited	Labour Lodge & Villa	3.680
Coal Colesces	Architect Fee	0.334
Architect Ali & Aun	Architect Fee	0.103
Technomen Kinetics Pvt. Limited	Water Reservoir	3.500
Total Cost of Withholding Taxes Paid		80.058

9.46 In view of the above, the Petitioner requested that the withholding tax amount of approximately Rs. 80 million, equivalent to USD 0.7865 million, actually paid to the suppliers and service providers during construction be allowed as part of the project cost.

9.47 The submissions of the Petitioner have been examined. The Authority noted that withholding tax paid in respect of payments made to suppliers and service providers may constitute an obligation associated with the execution of the project. However, the mere submission of a consolidated claim does not, by itself, establish that the entire amount is admissible for inclusion in the regulated project cost. The Petitioner is required to establish that under the executed contracts, the incidence of tax was borne by the Petitioner and not by contractor and that the contract price did not include the tax amount. Furthermore, it is also necessary to establish that the tax was actually deducted and deposited with the relevant tax authority, the underlying transaction relates to the approved project scope, and that the amount has not already been accounted for under any other approved cost component. Accordingly, the Authority considers that the claim may appropriately be dealt with at the time of COD tariff adjustment, when the complete project cost and the underlying transactions shall be examined and reconciled with the approved project scope.

9.48 Accordingly, the Authority has decided to allow the withholding tax paid by SNPCL on actual and verified basis with maximum of Rs. 80.058 million at the time of COD tariff adjustment subject to the documentary evidence

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establishing incidence of tax on the Petitioner and the actual deduction and deposit of withholding tax with the relevant tax Authority and confirmation/justification that claimed costs fall within the approved scope of work *vis a vis* EPC contract

Whether the requested insurance during construction of USD 0.4057 million is justified?

9.49 The Petitioner submitted that due to circumstances affecting the completion of the project, the construction period was extended beyond the period originally contemplated in the tariff determination. According to SNPCL, the extension of the construction period resulted in additional insurance premiums being incurred for maintaining insurance coverage during the extended construction period.

9.50 According to the Petitioner, SNPCL has requested for modification of certain costs including the request for extension in the construction period which has a financial impact. The Petitioner submitted that total amount of USD 0.8799 million was incurred on account of Insurance During Construction (IDC Insurance), whereas the Authority had allowed only USD 0.4742 million under this head. The Petitioner requested to allow additional cost of USD 0.4057 million, due to the extended construction period.

9.51 The submissions of SNPCL have been examined and it is noted that the additional requested cost for insurance during construction claimed by the Petitioner arises from delays in the completion of the project. The Petitioner vide its letter dated October 10, 2025 attributed the delay to STDC on account of non-availability of transmission network. Insurance during construction is a time-based cost and the associated insurance premiums during the construction phase are typically calculated based on the duration of the construction period. The delays cited by the Petitioner are considered inherent developer risks. Therefore, additional insurance costs, being a direct consequence of this unapproved delay, are not a prudent or allowable cost. The Authority through numerous tariff determinations and COD true-up decisions has maintained that cost overruns resulting from developer's failure to meet the scheduled construction timeline are to be borne by the sponsors. The approved amount of USD 0.4742 million was the prudent estimate for the originally sanctioned 18-month period. Any cost overrun paid beyond this period due to project-specific delays is to be recovered from the transmission

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company as LDs due to non-availability of the transmission network. Accordingly, the Authority has decided to maintain its earlier decision in the matter and reject the additional insurance cost claim of USD 0.4057 million

Whether the requested cost of USD 0.7236 million (PKR 73.60 million) incurred on bulk water supply is justified?

9.52 The Petitioner submitted that the plant requires 800,000 gallons (3637 cu. meters) of water per day. According to the Petitioner, this water is currently obtained from a public water station located 6 km from the project site. Since water could not be supplied directly to the project site through the existing infrastructure, a dedicated pipeline was constructed for drawing water from this station. This water supply system comprises a Raw Water Tank and a six-kilometer pipeline from Ghoghro Pir to the plant site. The cost of construction of the water supply of PKR 50.00 million was paid from the project funds.

9.53 The Petitioner further submitted that existing water supply infrastructure at Nooriabad is very old and unreliable and frequently affected by power system failure, pump failures etc. According to SNPCL, despite efforts to improve the reliability of the existing system, interruptions in water supply continue to occur, requiring the Petitioner to procure water through water bowsers from local suppliers. In order to cater for such contingencies, the Petitioner constructed an additional smaller raw-water tank having storage capacity equivalent to three days' plant consumption, at cost of PKR 22 million.

9.54 The Petitioner further submitted that the quality of water from the local system (Keenjhar Lake) is not suitable for direct use as boiler feed-water. Accordingly, an RO plant was installed for treatment of the water. The Petitioner stated that frequent problems were encountered with the media filter of the RO plant due to the presence of solids/silt in the incoming water. Consequently, a de-silting tank was constructed upstream of the RO plant at a cost of PKR 1.60 million. The Petitioner requested to allow PKR 73.6 million incurred on the Water Supply System as per the following details:

Supplier Name	Contract Description	Cost Incurred (Rs. Mln)
Technomen Kinetics (Pvt.) Ltd.	Raw Water Tank and Installation of 6KM water pipeline	50.00
Hussain Engineering	Construction of additional raw water tank.	22.00
NH International	Construction of Desilting Tank.	1.60
Total Cost		73.60

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9.55 According to the Petitioner, the same was not approved by NEPRA in the review petition. The Petitioner submitted that based on eight years of operating experience, the existing system has shown to be unreliable and vulnerable to natural disasters, etc. it must be reinforced/upgraded to ensure safe, secure and uninterrupted water supply to the power plant. The Petitioner requested to allow PKR 73.6 million (USD 0.7236 million) as per the details in the above table.

9.56 The submissions of the petitioner have been examined. It is noted that, in its review motion SNPCL submitted that Sindh Industrial Trading Estate (SITE) Nooriabad had been approached to provide the required quantity of water for the operation of the power plant. However, SITE expressed its inability to supply water through pipeline passing in front of the project site. SITE instead allowed pumping water from storage reservoir located some six-kilometer away from the project site. Consequently, SNPCL incurred additional expenditure for laying six kilometers, eight-inch pipeline along with the associated pumping system. The contract was awarded to TKPL at a cost of Rs. 93.000 million which was divided equally between SNPCL and SNPCL-II. Accordingly, the cost attributed to each project amounted to PKR 46.500 million (equivalent to USD 0.457 million). The Authority, however, noted that this constituted additional claim which did not fall within the limited scope of review jurisdiction, therefore, could not be considered. Now the Petitioner has revised its earlier request from 46.50 million to Rs. 50.00 million for Raw Water Tank & Installation of 6KM water pipeline with additional costs of Rs. 22.00 million and Rs. 1.60 million for construction of additional raw water tank and construction of desilting tank, respectively.

9.57 Regarding cost of raw-water tank and installation of 6 KM water pipeline, the Authority notes that the Petitioner has not provided sufficient justification for increasing the previously claimed amount from 46.50 million to Rs. 50.00 million. Therefore, the Authority considered it appropriate to restrict the admissible cost to the previously claimed amount of Rs. 46.50 million, subject to verification of the actual expenditure and supporting documentary evidence at the time COD adjustment. The Petitioner shall also furnish an undertaking/declaration confirming that the subject cost has not been claimed under any other head.

9.58 The Authority observes that ensuring a reliable and adequate source of supply of water is a prerequisite for setting up of a power plant. However, it

is evident from the submissions of the Petitioner that SNPCL has failed to do so. As provided above the Petitioner has multiple time incurred cost on the arrangement of reliable source of water but the issue is still not resolved. On the same issue but under a different head, the Petitioner has requested to allow substantial cost for installation of air-cooled radiators (€ 8.032 million) or construction of 30 Km pipeline from Keenjhar lake ($ 5.30 million) or treatment of cooling tower bleed water (Rs. 46 million). Since cost for arrangement of water has been allowed once as originally requested by the Petitioner, the request to allow further cost on account of arrangement of water is not justified, therefore, cost for additional water tank and desilting tank has not been considered.

Whether the requested claim for extra metering system and dis-connector switch cost of USD 0.2500 million is justified? and

Whether the wheeling and power line carrier & communication system cost of USD 0.2500 million is justified?

9.59 SNPCL submitted that as per the requirements of the PPA, which has been approved by NEPRA, the installation of extra metering system and disconnection switches at SNPC plant was mandatory. The Petitioner incurred an additional cost of USD 0.250 million for purchase of the said switches. Similarly, the Petitioner submitted that the installation of tele-protection equipment and related systems was also required under PPA and the Petitioner incurred an additional cost of USD 0.250 million for the subject items. These costs were claimed in the review proceedings; however, the same were not considered being out of scope of the review.

9.60 The submissions of SNPCL have been examined regarding installation of additional metering systems, disconnection switches and power line carrier & communication system. Comments were sought from KE regarding the claimed costs of USD 0.25 million under each head. KE submitted that in accordance with the Article 7.1 of the PPA, the Petitioner is responsible for the provision of backup metering systems in relation to the Power Purchaser's, SNPC's and STDC's metering arrangements at its own cost and expense. Further, under Section 7.7 of the PPA, SNPCL is required, at its own cost and expenses, to procure, install, operate and maintain the telecommunications and tele-protection equipment at the Plant Complex and the Power Purchaser's Grid System. KE confirmed that the requirements of

PPA have been complied. Further, with regard to the cost claimed by the Petitioner, KE requested the Authority to consider the claim based on prudency (including SNPCL's obligation under PPA), actual costs incurred and subject to confirmation that the costs have not already been allowed.

9.61 The Authority further notes that, during the review of the relevant arrangement certain deviations from the contractual allocation of responsibilities under the PPA were identified, whereby SNPC incurred costs for several interconnection works and metering systems that were contractually the responsibility of K-E and STDC. Accordingly, it is necessary to distinguish between the costs incurred by SNPCL in discharge of its own contractual obligations and those incurred on behalf of other entities.

9.62 Keeping in view the above, SNPCL is directed to first reconcile and settle the cost recovery issues with the relevant stakeholders, namely KE and STDC in respect of works carried out on their behalf. Thereafter, only those costs relating to activities contractually assigned to SNPCL under the PPA may be claimed separately, subject to fulfilment of the following conditions:

a. Costs are essential for the project and have not been claimed/allowed earlier;
b. SNPC provides documentary evidence demonstrating that the costs have actually been incurred by the company; and
c. Any other condition that NEPRA may impose while considering the case.

9.63 In order to claim the subject costs, SNPCL shall not be required to file a separate modification petition. The costs may be claimed immediately upon fulfilment of the above conditions or along with COD tariff adjustment request.

Whether the requested financing cost of safety spare of USD 1.113 million is justified?

9.64 According to the Petitioner, this additional cost was requested in its review petition, however, NEPRA stated in the Review Decision that the same does not fall under the scope of review. The cost incurred on safety spares of USD 1.113 million (Rs. 131 million). Accordingly, it is requested that the financing cost to procure the safety spares should be allowed as a prudent cost.

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9.65 The submissions of the Petitioner have been examined. At the outset, it is noted that the term 'financing' used by the Petitioner w.r.t. cost of safety spares is incorrect. The core issue is the actual cost incurred for safety spares, not a separate financing cost. The clarification was sought from the Petitioner in this regard and the Petitioner clarified that the request pertains to the cost of safety spares instead of financing cost of safety spares.

9.66 It would be pertinent to highlight that the cost of safety spare inventory is allowed to all the thermal projects as part of project cost except KE where the same is provided as part of cost of working capital. In view of the foregoing and being a legitimate cost, the Authority has decided to allow the cost of safety spares of US$ 1.113 million and the same shall be included in the project cost and tariff at the time of COD true up subject to verifiable documentary evidence of actual spending and that the cost has not been built in the EPC contract or under any other cost head.

Whether the requested Cooling Tower Drain Disposal cost of Rs. 112.5 million is justified?

9.67 The Petitioner submitted that in the present water-cooling system, the loss of water due to evaporation from the cooling towers amounts to 120 cubic meters per hour (2880 cubic meters per day), with an additional 40 cubic meters per hour (960 cubic meters per day) lost through cooling towers bleed-off.

9.68 Initially this water was disposed-off in the natural Storm Water drains, which are situated in the plant site land. According to the Chemical Tests the water was found to be safe for plantation, etc. but the same was not safe for drinking or recycling. Despite the fact that the Cooling Tower Drain Water is environmentally safe, but the petitioner feels that it will be more appropriate to dispose it off in the main sewerage line of the Nooriabad Site, which is situated at approx. three km from the plant. For this purpose, a dedicated pipeline including related infrastructure has to be constructed for disposing off this water. In this regard the petitioner has obtained a quotation of PKR 112.5 million to construct this pipeline. The Petitioner requested that this cost be considered and approved as part of project cost from the date of implementation.

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9.69 The submissions of the Petitioner have been examined. It is noted that the requested cost is based on a quotation for the construction of a pipeline to discharge effluent into the main sewerage line at the Nooriabad site. However, the chemical test results available on record indicate that the discharged water does not pose any adverse environmental impact. Consequently, the proposed expenditure does not appear necessary from an environmental compliance perspective and would impose an unwarranted additional burden on the consumers at this stage. In view of the foregoing, the Authority has decided to disallow the same. However, if the Petitioner considers the proposed disposal arrangement is necessary for environmental compliance, it may undertake the work at its own cost, without any impact on the tariff.

Whether the request for re-scheduling of debt is justified?

9.70 The Petitioner submitted that, due to various decisions taken by the Authority, SNPCs have suffered substantial financial losses. According to the Petitioner, these decisions included, inter alia:

a. Blockage of ROE / ROEDC since COD (Jan 2018 till June 2022)
b. Disallowing indexation paid by KE, leading to blockage of Capacity Payments by KE for one full year
c. Arbitrary denying indexation on ROE / ROEDC, at the start of financial year – and then allowing after three / four months
d. Delay in allowing Heat Rate Degradation component

9.71 The Petitioner further submitted that in addition to the above matters, there was a big difference between the project cost allowed by the Authority and the actual project cost incurred by the SNPCs, which, according to the Petitioner, was yet to be resolved. It was contended that as a consequence of the alleged shortfall in available funds, the SNPCs were unable to service their debts in accordance with NEPRA's debt repayment schedule. Consequently, the outstanding debts accumulated and SNPCs incurred substantial additional mark-ups due to the prevailing financing rates.

9.72 According to the Petitioner the projects had been in commercial operation for more than six years and under normal circumstances, the companies should have retired 60% of their debts by that stage. However, the Petitioner stated that only 30% of the debt had been retired. It was argued that this situation

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had created a serious financial burden because the SNPCs were required to pay additional/higher mark-up to their lenders and might ultimately remain liable for debt servicing even after expiry of the period during which the corresponding debt service components were recoverable through tariff.

9.73 The Petitioner further submitted that in the circumstances, the ROE/ROEDC components could have been utilized to meet the debt servicing obligations. However, according to SNPCL, these components were not available to the SNPCs from COD (January 2018) to June 2022. The Petitioner therefore claimed that a substantial amount remained withheld and the resulting financial difficulties were attributes to the decisions of the Authority.

9.74 In support of its contention, the Petitioner submitted a comparison between the debt servicing allowed in tariff and the debt actually serviced/borrowed by the SNPCs, as reproduced below:

Debt & Mark-up	SNPC	SNPC-II	Total
	Rupees in Millions		
Allowed by NEPRA	4,711	4,711	9,422
Actual Debt	5,494	5,497	10,990
Excess Borrowing – Net	783	786	1,569
Excess Mark-up charges	342	342	684
Excess Mark-up & Principal	**1,125**	**1,128**	**2,252**

9.75 The Petitioner further submitted that the higher level of actual debt, as compared with the debt allowed by the Authority, had adversely affected the companies' ability to service their debts obligations. The Petitioner provided the following position of outstanding principal debt:

Financial Institution	SNPC	SNPC-II	Total
	Rupees in Millions		
National Bank	2,619	2,622	5,240
Term Finance Certificates (GoS)	1,024	1,024	2,047
Accumulated-TFC-backlog	113	111	224
Total	**3,756**	**3,756**	**7,512**
Debt Service component to be received	1,873	1,873	3746
Shortfall	**(1,883)**	**(1,883)**	**(3,766)**

9.76 The Petitioner contended that the outstanding debt exceeded the debt service component available under the existing tariff and that a substantial shortfall would remain at the end of the tariff period. It was further submitted that the shortfall was, at least partly, attributable to the alleged blockage of ROE/ROEDC components. As a corollary to the above, retirement of debt,

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which has been possible within the constrained financial situation is as follows:

Financial Institution	SNPC	SNPC-II	Total
	Rupees in Millions		
National Bank	375	375	750
Sindh Bank (Totally Retired)	1000	1000	2000
Term finance Certificate (GoS)	476	476	953
Accumulated TFC	158	158	316
Total	**2010**	**2010**	**4019**

9.77 According to the Petitioner, the SNPCs should have retired debt in accordance with the following schedule:

Financial Institution	SNPC	SNPC-II	Total
	Rupees in Millions		
National Bank	1,650	1,650	3,300
Sindh Bank (Totally Retired)	700	750	1,450
Term finance Certificate (GoS)	801	801	1,603
Accumulated TFC	158	158	316
Total	**3,310**	**3,360**	**6,669**

9.78 The Petitioner further claimed that due to the alleged adverse decisions of the Authority, it had incurred substantial additional mark-up, as detailed below:

Financial Institution	SNPC	SNPC-II	Total
	Rupees in Millions		
National Bank	3,058	3,062	6,120
Sindh Bank	768	752	1,520
Sindh Bank Working Capital	278	302	580
Term finance Certificate (TFC)	457	457	913
Total	**4,561**	**4,573**	**9,134**

9.79 In view of the foregoing, the Petitioner requested following:

i. The Authority may kindly provide proportionate relief to SNPCs to settle/offset the huge amounts paid as mark-up.

ii. The Authority may kindly allow rescheduling of SNPCs' debt by allowing the debt servicing component for five more years after the ten-year period.

9.80 The submissions of the Petitioner have been examined. At the outset, it is pertinent to note that the original tariff approved by the Authority provided for debt servicing during the first ten years of commercial operation. The debt repayment schedule was calculated on the basis of the financing terms and assumptions.

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9.81 During the hearing, the Petitioner was specifically inquired whether the proposed re-scheduling was sought on the basis of the debt already approved by the Authority or on the basis of some additional borrowing. Initially, the representatives of SNPCL stated that the re-scheduling would be based on the already approved debt amount. However, upon subsequent clarification submitted after the hearing, the Petitioner stated that mere rescheduling of the already approved debt would not serve its purpose and that it was, in fact, seeking recognition of the additional cost and borrowing claimed by it followed by rescheduling of the resulting debt over a period of fifteen (15) years. This clarification materially changes the nature of the relief sought. Rescheduling of an already-approved debt is fundamentally different from allowing additional debt arising from cost overruns, delays, additional borrowing, working-capital requirements or financing costs not forming part of the approved tariff.

9.82 The Authority observes that the debt service component incorporated in the tariff was determined on the basis of the approved project cost and financing structure. The tariff decision did not provide an unrestricted pass-through of any amount subsequently borrowed by the project companies. In fact, the Authority specifically required the SNPCL to submit the relevant financing agreements at COD and had clarified that any financing cost exceeding the approved spread over KIBOR would not be allowed on the basis of actual higher financing cost.

9.83 The Authority notes that the difference in the actual and allowed debt has been attributed to additional project cost, cost overruns and delays which is not justified. The stoppage of ROE/ROEDC to the extent of PB amount or slightly higher amount is quite justified. Therefore, there is no reason to allow cost-overruns and cost attributed to delays. The Authority rejects the Petitioner's argument that the entire difference between the approved debt and the actual debt, along with the resulting mark-up, should be capitalized into the tariff and recovered from consumers through an additional five-year debt servicing period.

9.84 In view of the foregoing, the Authority has decided not to allow the Petitioner's request for rescheduling of debt from ten (10) to fifteen (15) years, insofar as it seeks recognition and recovery of additional debt, cost overruns and delay-related costs in the tariff. The Petitioner's request for compensation

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or offset against the additional mark-up is also unjustified merely on the basis of the actual payments made to lenders.

Whether the requested cost of Euro 8.032 million for installation of Air-cooled radiators or USD 5.3 million for construction of pipeline from Keenjhar Lake to plant site or estimated cost of Rs. 46 million for water treatment, filtration and recycling of cooling water bleed is justified?

9.85 According to the Petitioner, the existing water supply system is highly unreliable and has often forced the Petitioner to shut down its Steam Turbines or a few engines or the complete plant, due to shortage of water. In order to improve the Water Supply System at the Plant the following three options are being proposed;

Option 1: Installation of Air-cooled radiators

9.86 The Petitioner submitted that at present the Nooriabad Power Plant comprising 2 x 50 MW plants, are drawing approximately 800,000 gallons (3640 cubic metres approx.) of water daily for cooling purposes when running at full capacity. Out of this volume, 70 % of the water is used for engines cooling while 30% is used for steam turbine cooling. Loss of water through Cooling Tower due to evaporation is 120 cubic meters per hour (2880 cubic meters per day) and almost 40 cubic meters per hour (960 cubic meters per day) in Cooling Tower bleed-off.

9.87 Petitioner feels that considerable volume of water is being wasted because of the existing water-based cooling system. As a result, thereof the precious water resource is gradually depleting and if it continues as such the water scarcity may hit the common consumers in the coming years. The Petitioner considers it appropriate to bring in the Authority's notice that the water supply from Keenjhar Lake is unreliable, because of frequent electricity faults, equipment breakdowns, damage to infrastructure because of rains, etc. which has forced the Petitioner to use water tankers to meet the water requirement. The petitioner further submitted that, due to insufficient water supply from infrastructure laid by the Government of Sindh in 2015, shutdowns of steam turbines and/or engines have occurred over the past six years.

9.88 In view of above the petitioner considers it extremely important for the national cause that SNPC shifts its cooling system from existing water-cooling system to air-cooled radiator-based system. While doing this the petitioner is

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also conscious about the cost therefore it proposes the radiators be installed only on the engines to keep the cost manageable.

9.89 It is expected that the installation of air-cooled radiators will reduce 40% consumption of cooling water for the engines. Although there will be an increase in the project cost and reduction in power output but the advantage would be the preservation and conservation of water from Keenjhar Lake. This project will be handed through a supplier loan on a Debt-to-Equity ratio of 80:20.

9.90 It is highly desirable that the work is assigned to OEM, which will not only be economical but will be efficient because it will put the pressure on maintenance on it. Alternatively, if the contract for the installation of radiators is awarded to any non-OEM Supplier, there will be an additional cost of third-party equipment with Wartsila Equipment, which cannot be determined at this stage. The same will be sought from Wartsila once approval in principle for installation of air-cooled radiators is accorded by NEPRA.

9.91 The Petitioner requested to allow installation of Air-Cooled Radiators so as to conserve the water resource in the country, provide some relief to the consumer and to make the Petitioner's Water Supply System more trouble-free and approve the related cost of Euro 8.032 million as part of Project Cost from the date of implementation.

Option 2: Construction of a dedicated pipeline from Keenjhar Lake to the Plant (30 km approximately.)

9.92 According to the Petitioner, the second option is to improve the water supply system through construction of a dedicated pipeline from Keenjhar Lake to the Nooriabad Power Plant. Although a pipeline from Keenjhar Lake to Ghoghro Pir has already been constructed by the Government of Sindh (for industries at Nooriabad Site) but increased industrial activity in the Nooriabad industrial estate since 2015 has strained the existing infrastructure.

9.93 Further, to address this issue, SNPC proposes the construction of a dedicated water pipeline from Keenjhar Lake to the plant site, aiming to alleviate reliance on the overburdened Nooriabad Site water supply. This will also improve continuous power supply to the Power Purchaser and shutting

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down of Steam Turbines / few engines because of water shortage will be averted.

9.94 The Petitioner requested to allow construction of a dedicated pipeline from Keenjhar Lake to the Petitioner's Plant at an estimated cost of USD 5.3 million and this cost be approved as a Project Cost from the date of implementation.

Option 3: Water treatment, filtration and recycling of cooling water bleed cost of approx. Rs. 46 million

9.95 The Petitioner vide Addendum-II submitted that recycling the cooling-tower bleed or drain water could provide an alternative means of reducing water consumption and at the same time, could be more cost-effective than the other proposed options. The Petitioner stated that approximately 40 cubic metres of water is discharged from the cooling towers every hour to maintain the required pH level of the cooling water. According to the Petitioner, this discharged water contains chemicals and other impurities and therefore requires appropriate treatment and filtration before it can be recycled and reused as cooling water.

9.96 The Petitioner submitted that budgetary estimates had been obtained from two suppliers for the installation of a water-treatment and filtration plant capable of treating approximately 720 cubic metres of water per day. The total estimated cost, including civil works and other associated components, was approximately PKR 46 million. The Petitioner stated that, based on its calculations, the cost would translate into approximately PKR 0.0965 per gallon of water treated and recycled. The Petitioner submitted that the proposed treatment, filtration, and recycling would be substantially more economical than the installation of air-cooled radiators and would be more cost effective. Accordingly, the Petitioner requested that the proposal for treatment, filtration, and recycling of cooling-tower bleed water be incorporated into the Tariff Modification Petition and that the associated cost of approximately PKR 46 million be approved.

9.97 Subsequently, through its letter dated September 21, 2025, SNPCL requested that paragraphs 2 and 6 of its earlier letter dated May 23, 2025, be amended to clarify its position. The revised paragraph 2 stated that a substantial volume of water discharged from the cooling towers could be chemically treated and reused, thereby reducing the plant's water demand. The Petitioner explained that the proposal was intended to reduce water consumption in view of the

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gradual depletion of water resources in the country. Similarly, the revised paragraph 6 stated that recycling cooling-tower drain water would reduce the plant's water demand and, consequently, reduce the burden on consumers.

9.98 During the hearing, the representative of SNPC emphasized that the third option was the least-cost option among the three proposals. His attention was drawn to the letter dated September 21, 2025, whereby the Petitioner's earlier position regarding the first two options had been modified. Nevertheless, the representative maintained that the third option was the most economical and requested that any one of the three options be considered and approved.

9.99 The submissions and proposals of SNPCL have been examined. It has been noted that sufficient cost for water arrangement has already been allowed to the Petitioner. Instead of asking for additional cost on alternate arrangement(s), SNPCL should engage with the provincial government for the rehabilitation and restoration of the existing water supply infrastructure. Accordingly, the Authority has decided not to consider the costs requested under any of the three proposed options.

Whether the request to reimburse loss of Rs. 1.042 billion because of reduction in capacity payments due to gas curtailment is justified?

9.100 According to the Petitioner, the Economic Co-ordination Committee ("ECC") allocated 20 MMCFD of natural gas for the Nooriabad Power Plant, pursuant to which the Petitioner entered into Gas Supply Agreement ("GSA") with Sui Southern Gas Company Limited (SSGC). According to the Petitioner, however, the allocated quantity of gas has not been supplied by SSGC on a consistent basis. In this regard, SSGC, vide letter ASGM (SBU)/SNPC/-12/24 dated 18 May 2024, indicated further depletion of natural gas reserves and anticipatory gas curtailments in the future. The Petitioner submitted that in accordance with the provisions of GSA, it has been lodging LDs claims against SSGC on account of non-supply/short supply of the allocated gas. However, according to the Petitioner, the issue has not been resolved and resulting reduction in plant generation has adversely affected its capacity payments, despite the plant remaining technically capable of operation.

9.101 The petitioner further submitted that the gas curtailment is beyond its control and therefore, it should not be held financially responsible for the resulting reduction in capacity payments. SNPCL contended that, over the past six

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4.9

years, it has suffered a cumulative loss of approximately Rs. 1.042 billion due to reduced capacity payments arising from the short supply of gas against the 20 MMCFD quantity allocated by the ECC. The Petitioner, therefore, requested reimbursement of the said amount on the basis that the plant had otherwise remained available within the availability parameters approved by the Authority.

9.102 The Authority has considered the Petitioner's submissions and notes that the issue of gas curtailment and its financial consequences has previously been raised by SNPCL. In this regard, SNPCL, vide letter dated March 13, 2020, requested that partial capacity payments, comprising debt servicing and fixed O&M components, be allowed for outages in excess of the permissible outage limits where such outages were attributable to gas curtailment. The Authority, vide letter dated March 31, 2020, clarified that there was no provision in the applicable tariff determination for payment of debt servicing and O&M components corresponding to lower plant availability, irrespective of the reason for such lower availability.

9.103 The Authority further noted that the supply of natural gas to the plant is governed by the GSA executed between SNPCL and SSGC. The GSA provides for a contractual mechanism, including the imposition of LDs and other remedies, in the event of non-supply or short supply of gas. Accordingly, the financial consequences arising from SSGC's failure to supply the contracted quantity of gas are primarily a matter between the contracting parties and are required to be addressed in accordance with the terms and conditions of the GSA. The appropriate remedy available to the Petitioner is, therefore, to enforce its contractual rights against SSGC in accordance with the GSA, including invocation of the applicable dispute-resolution mechanism and recovery of LDs or any other remedies available under the agreement. The Petitioner may also pursue the matter with the relevant governmental authorities, where necessary, for resolution of the underlying gas-supply constraints.

9.104 In view of the foregoing and in absence of any provision in the applicable tariff determination permitting recovery of reduced capacity payments arising from gas curtailment, the Authority finds no basis for reimbursing the claimed amount of Rs. 1.042 billion from consumers. Accordingly, the Petitioner's request for reimbursement of the said amount is rejected.

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Whether to delink the availability of the plant from the availability of gas is justified?

9.105 The Petitioner requested that plant availability be delinked from the availability of natural gas and that, where the plant is technically capable of operation but cannot generate at its full capacity due to gas curtailment by SSGC, the plant should nevertheless be considered "Available" for the purpose of capacity payments. The Petitioner contended that gas availability is beyond its control and that it should not be penalized for the failure of the gas supplier to provide the contracted quantity.

9.106 The submission of SNPCL has been examined. The Authority observes that plant availability for tariff and capacity payment purposes must be assessed in accordance with the parameters, conditions and methodology prescribed under the applicable tariff determination and Power Purchase Agreement (PPA). In this regard, the availability of natural gas is a relevant consideration, particularly where the approved operating configuration and tariff framework of the plant are based exclusively on natural gas.

9.107 A distinction is required to be maintained between the technical capability of the generating equipment and the availability of the generating facility for purposes of commercial operation and capacity payments. The fact that the generating equipment is technically capable of producing electricity does not, by itself, establish an entitlement to capacity payments where the required fuel is unavailable and the applicable tariff/PPA provisions do not provide for such treatment. Moreover, the fact that gas curtailment is attributable to the gas supplier does not automatically transfer the associated financial consequences to the electricity consumers. The risk arising from non-supply of gas is required to be addressed through the contractual arrangements governing gas supply. Since the GSA already contains provisions for LDs and dispute resolution in the event of non-supply or short supply, the Petitioner has an available contractual mechanism for pursuing compensation from the responsible party.

9.108 In view of the foregoing, the Authority does not find sufficient justification for delinking plant availability from fuel availability or for allowing capacity payments merely on the basis of technical availability of the plant where the required natural gas is not available. The Petitioner's request to delink plant availability from availability of natural gas is, therefore, rejected.

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Whether the use of RLNG as alternate fuel to ensure 92% availability when natural gas is not available is justified?

9.109 The Petitioner requested permission to use Re-gasified Liquefied Natural Gas ("RLNG") as an alternative fuel whenever natural gas is unavailable, in order to maintain the 92% availability approved by the Authority. The Petitioner also requested that the cost of RLNG, together with any infrastructure or other associated costs, be incorporated in its tariff.

9.110 The submissions of the Petitioner have been examined. The Authority noted that the project was originally approved and established on the basis of operation on indigenous natural gas. The Petitioner's proposal to introduce RLNG as an alternative fuel would therefore represent a material change in the fuel arrangement of the project and could have implications for the plant's operating costs, tariff, dispatch economics and ultimately the cost borne by consumers.

9.111 The Authority further observed that the proposed use of RLNG appears, in substance, to be intended primarily to avoid reductions in capacity payments arising from non-availability of natural gas. Permitting RLNG solely for the purpose of maintaining the prescribed availability level would effectively shift the consequences of natural-gas supply risk from the Petitioner to consumers, without establishing that such a change is economically justified or consistent with the original project and tariff structure.

9.112 Unlike indigenous natural gas, RLNG generally involves substantially higher fuel costs and may also require additional costs or other arrangements. If the Petitioner is permitted to procure RLNG and recover the associated costs through tariff, consumers could be exposed to significant additional costs. This is particularly relevant where the additional expenditure is incurred merely to preserve capacity-payment entitlement rather than to meet an established system requirement or demonstrated least-cost dispatch need.

9.113 The Authority is also of the view that allowing RLNG as an alternative fuel cannot be considered in isolation from its implications for dispatch and consumer tariffs. Where the cost of RLNG is significantly higher than the cost of indigenous gas, the use of RLNG may increase the cost of generation and may render the plant less competitive in the merit order. Consequently, consumers could potentially bear higher costs either through increased

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energy charges or through capacity payments during periods when the plant remains available but is not economically dispatched.

9.114 The Authority further considered that the underlying issue of natural-gas supply should, in the first instance, be pursued by SNPCL with SSGC, the Government of Sindh, and the Ministry of Energy (Petroleum Division), as appropriate. SNPCL may also invoke the relevant provisions of the GSA, including the applicable LD and dispute-resolution mechanisms, to seek appropriate relief for non-supply or short supply of gas.

9.115 In view of the foregoing, the Authority does not consider it appropriate to permit RLNG as an alternative fuel for the purpose of maintaining 92% plant availability. Accordingly, the Petitioner's request to use RLNG as an alternative fuel to ensure 92% availability is rejected.

Addendum-I -Release of Blocked ROE/ROEDC

9.116 SNPCL vide its letter dated January 18, 2025 filed an addendum requesting that its earlier letter dated January 11, 2025 be considered as part of the instant tariff modification petition. Through the said letter, SNPCs referred to the Authority's decisions communicated vide letters dated December 31, 2019, June 19, 2020 and January 16, 2023 and submitted that the proceedings initiated by the Authority for reduction/adjustment of SNPCs' tariff were based on the premise that the project had been over-valued and that downward revision of the tariff was necessary to provide relief to the consumers.

9.117 In support of their request, SNPCs referred to NAB's letter dated September 30, 2024 concerning application U/S 31-B(2) of National Accountability Ordinance, 1999, for withdrawal of the Reference No. 01/2021, pending before the Accountability Court.

9.118 The Petitioner further submitted that the aforesaid NAB letter, and the subsequent order of the Accountability Court negates all the allegations of over-pricing of the SNPCs' project. The Petitioner also referred to NAB's Report in Compliance with the Order of Islamabad High Court dated May 3, 2024 wherein NAB stated that the process of recovering the liability of the convicted individuals through the sale of their shares in SNPC/SNPC-II is under process and no proposal was under consideration for recovery of the said liability through tariff adjustment involving K-Electric or NEPRA. On

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this basis, SNPCs reiterated their stance that recovery/adjustment of PB amounts through downward revision of tariff was not under consideration at NAB.

9.119 In view of the above, SNPCs requested the Authority to release the blocked ROE/ROEDC from COD along with indexation.

9.120 The submissions of the Petitioner have been examined. The Authority notes that suo motu proceedings for adjustment of the project costs and tariffs of SNPCs were initiated following the approval of plea bargains involving an aggregate amount of Rs. 2.134 billion in respect of two directors of SNPCs, who were also directors of Technomen Kinetics (Pvt.) Limited, the EPC and O&M contractor of the projects. The said proceedings were challenged by the Petitioner before the Honourable Islamabad High Court, where the matter remains sub judice. Accordingly, the issue concerning the adjustment, if any, of the project costs and tariffs has not yet attained finality.

9.121 In the course of the aforesaid proceedings, the Authority decided to withhold ROE/ROEDC amounts with reference to the amount involved in the plea bargains. Subsequently, the Authority allowed the ROE/ROEDC components and thereafter with full indexation, on a provisional basis, subject to the final outcome of the ongoing proceedings. Therefore, the withholding of the earlier amounts was not a final disallowance of the Petitioner's ROE/ROEDC entitlement, rather, it was a regulatory measure adopted to safeguard the interests of consumers pending determination of the issues arising from the PB and the related tariff proceedings.

9.122 The Authority observes that the plea bargain proceedings and the subsequent withdrawal of NAB Reference No. 01/2021 are distinct matters and must be considered accordingly. The withdrawal of the NAB reference does not, by itself, nullify the court approved plea bargains or conclusively determine the issues relating to the adjustment of project costs and tariffs, which remain subject to the pending proceedings. Furthermore, the NAB report relied upon by the Petitioner indicates that the process of recovering the liability of the concerned individuals through the sale of their shares in SNPC/SNPC-II was underway. The fact that NAB was not considering recovery through tariff adjustment does not, in itself, determine the Authority's position regarding the tariff-related issues under consideration. Accordingly, considering that the plea bargain proceedings and the NAB reference are distinct matters, and

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that the financial implications arising therefrom have yet to be finally determined, the Authority has decided to maintain its existing position pending the outcome of the ongoing proceedings. Consequently, the Petitioner's request for release of the withheld ROE/ROEDC amounts along with applicable indexation is disallowed at this stage.

10. ORDER

10.1 Pursuant to Section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 read with Rule 16 (11) of NEPRA Tariff Standards and Procedure Rules, 1998, the National Electric Power Regulatory Authority (hereinafter "the Authority") has modified the previous decisions of Authority to the extent of followings:

i. Approval of excavation and backfilling cost of Rs. 10.080 million.

ii. Approval of the additional cost of Rs. 25.713 million for villa, boundary wall and architect's fee, in addition to the already approved cost of Rs. 28.990 million for labour lodge.

iii. Removal of the cap of 0.075% for port clearance charges for imported EPC equipment. These charges shall be allowed on an actual basis at the time of COD tariff adjustment. Regarding custom duties, the mechanism is already in place for adjustment of the same at COD tariff true up stage.

iv. Approval of withholding tax paid on an actual basis with maximum of Rs. 80.058 million at the time of COD adjustment.

v. Approval of cost of Rs. 46.50 million for raw water tank and installation of water pipeline.

vi. Allow to separately claim USD 0.250 million for extra metering system and dis-connector switch cost and USD 0.250 million for wheeling and power line carrier & communication system cost upon fulfilment of the conditions: (a) costs are essential for the project and have not been claimed/allowed earlier (b) SNPC provides documentary evidence demonstrating that the costs have actually been incurred by the Company, and (c) any other condition that NEPRA may impose while considering the case.

vii. Approval of safety spare cost of USD 1.113 million.

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10.2 The approval of the above costs shall be subject to submission of verifiable documentary evidence and shall be included in the tariff at the time of COD tariff adjustment stage.

11. NOTIFICATION

11.1 The above decision of the Authority shall be notified in the official Gazette, in accordance with the provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997).

AUTHORITY

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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