



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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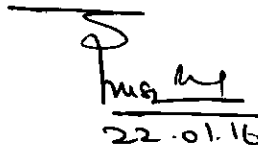
No. NEPRA/TRF-287/NTDC-2014/861-863
January 22, 2016

Subject: Decision of the Authority with respect to Request for Re-calculation of Inadvertent Error in Calculation filed by National Transmission & Despatch Company Ltd. (NTDC) under Section 16(5) of NERPA (Tariff Standards and Procedure) Rules, 1998 (Tariff Rules) contained in the Reviewed Determination of the Authority dated 20th October, 2015 - Case No. NEPRA/TRF-287/NTDC-2014

Dear Sir,

Please find enclosed herewith subject decision of the Authority (03 pages) with respect to Request for Re-calculation of Inadvertent Error in Calculation filed by National Transmission & Despatch Company Ltd. (NTDC) under Section 16(5) of NERPA (Tariff Standards and Procedure) Rules, 1998 contained in the Reviewed Determination of the Authority dated 20th October, 2015 for information.

Enclosure: As above


22.01.16
(Syed Safer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

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



Decision of the Authority with respect to Request for Re-calculation of Inadvertent Error in Calculation filed by NTDC under Section 16 (5) of NEPRA's Tariff Standards and Procedure Rules, 1998 contained in the Reviewed Determination of the Authority dated 20th October, 2015

1. **Background:**

- 1.1 National Transmission and Dispatch Company, hereinafter referred as NTDC, had filed a tariff Petition on September 17, 2014 for determination of its transfer/ wheeling charges for FY 2014-15. The Petition was admitted by the Authority on 15th October, 2014 and after fulfillment of due procedure provided under the law, a detailed determination on the subject was given by the Authority on 23rd April, 2015. Being aggrieved with the Determination of the Authority dated 23rd April 2015, NTDC filed the motion for leave for review for which reviewed decision of the Authority was issued vide NEPRA/TRF-287/NTDC-2014/15185-15187 dated October 20, 2015. Further NTDC filed vide letter No. NTDCL/FD/MF(CPC)/389 dated 30-10-2015 (received on 03-11-2015) a request for re-calculation of inadvertent error in calculation under 16(5) of NEPRA's Tariff Standards and Procedure Rules, 1998 (the rule) against the reviewed determination dated 20-10-2015.

2. **Request for Re-Calculation & Relief.**

- 2.1 NTDC submitted that there is inadvertent error in calculation in respect of treating Long Term Loans for calculating Capital Base in the impugned reviewed Determination and requested the Authority to issue necessary orders for rectification of the error/omission by recasting/restating the amount of long term loans in the capital base accordingly to tariff methodology enabling NTDCL to meet its various outstanding contractual obligations.

3. **Proceedings:**

- 3.1 In term of sub-rule (5) of rule 16 of the Rules, the Authority decided to provide an opportunity of hearing to the Petitioner before taking the final decision and a date of hearing for the purpose to discuss the motion and date of hearing was fixed as December 22, 2015. Notice of hearing was served to the Petitioner along with parties to the proceedings. No commentator or intervener filed comments or opted to participate in the hearing. The representatives of the Petitioner present in the hearing were heard at length.

4. **Capital Base - Long Term Loans.**

- 4.1 The Petitioner submitted that in the referred determination, the capital base has been calculated as Rs.98,570/ million against petitioner request of Rs.118,934 million. This significant decrease in capital base is due to an arithmetic error with respect to

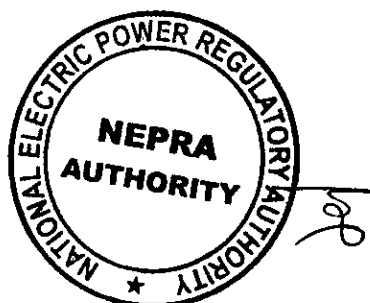




outstanding long term loans. NTDC long term loans are Rs. 32,095/- million as evident from Accounts for FY 2013-14 and tabulated below.

	(Rs.Mln)
Gross Long Term Loans	<u>58,912.89</u>
Less : Current Liabilities	
Loans adjustment against KESC receivables as per ECC Decision in 2009	20,203.92
Current Maturity of Loans	<u>6,613.85</u>
	<u>26,817.77</u>
Loans to be taken as part of ROE calculation as per NEPRA Mechanism	<u>32,095.12</u>

- 4.2 The Petitioner further submitted that the above figure was rightly taken in the original determination dated April 23, 2015 for FY 2014-15. Whereas now in the reviewed determination dated 20-10-2015 for FY 2014-15 this has been inadvertently taken as Rs. 58,913 million which resulted in less computation of Return on Equity (ROE) of Rs. 3,516 million. During the hearing, while explaining its submission, it was also stated that as current portion of long term loan is not taken as part of total debt therefore an amount of Rs. 26,817.77 million which comprises of loan adjustment against KESC receivables as per ECC Decision in 2009 along with current maturity of loans and needs to be excluded from assessment of Rs. 58,912.89 million.
- 4.3 It has been clarified here that the Authority made its determination dated April 20, 2015 based on available record wherein final copy of audited financial statements was not provided, therefore loan amount was provisionally assessed as Rs. 35,179 million against requested amount of Rs. 45,429 million. During the proceedings of motion for leave for review final audited statements were made available based on which total loan amount of Rs. 58,912 million was established and re-assessed accordingly as per prescribed mechanism given for calculating Reasonable Return on Capital Base. Since current portion of loan has not been retired yet at the end of FY 2014-15 and being shown under current liabilities which is accounting classification of disclosure requirement by International Accounting Standards and cannot be considered valid under the Regulatory Principles. Further justification by the Petitioner that the current portion of long term loans includes Rs. 20,203.92 million which is against loans adjustment of KESC receivables as per ECC Decision in 2009 also does not stand valid as the amount has not been duly accounted for as yet by GoP either or it did not issue any credit note for adjusted loans against such receivable amount.





5. Decision:

5.1 For the foregoing discussion, the subject request for Re-Calculation of Inadvertent Error in Calculation filed by the Petitioner does not merit consideration and the same is declined.

AUTHORITY

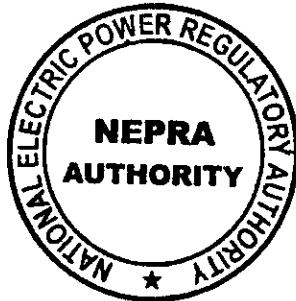
18.01.16
Khawaja Muhammad Naeem
Member

21.1.16
Himayat Ullah Khan
Member

19/11
Syed Masood Ali-Hassan Naqvi
Member

19/11/16
Maj (R) Haroon Rashid
Member

22/11/16
Brig (R) Tariq Saddozai
Chairman


22.01.16