

National Electric Power Regulatory Authority

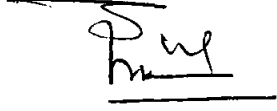
NOTIFICATION



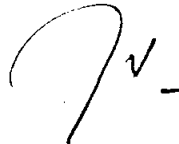
Islamabad, the 27th day of May, 2022

S.R.O. 667 (I)/2022.- In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), NEPRA hereby notifies the Decision of the Authority in the matter of Application filed by Central Power Purchasing Agency Guarantee Ltd. (CPPA-G) for Adjustment in Components of Tariff pursuant to Signing of Master Agreement with Al-Moiz Industries Ltd. (AMIL) in Case No. NEPRA/TRF-319/AMIL-2015.

2. While effecting the Decision, the concerned entities including Central Power Purchasing Agency Guarantee Limited (CPPAGL) shall keep in view and strictly comply with the orders of the courts notwithstanding this Decision.


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(Syed Safeer Hussain)
Registrar





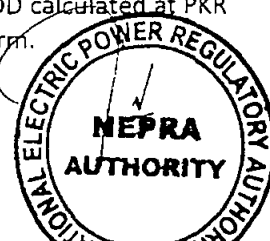
**DECISION OF THE AUTHORITY IN THE MATTER OF APPLICATION FILED BY CENTRAL POWER
PURCHASING AGENCY FOR ADJUSTMENT IN COMPONENTS OF TARIFF PURSUANT TO
SIGNING OF MASTER AGREEMENT WITH AL MOIZ INDUSTRIES LIMITED**

1. Introduction

- 1.1. The Committee for Negotiations, notified by the Government of Pakistan through notification number F.No.IPPs- 1(12)/2019-20 dated 3rd June 2020, following successive rounds of discussions with the Independent Power Producers (IPPs) and other power sector stakeholders, signed Memorandum of Understanding (MOUs) with 47 IPPs.
- 1.2. Government of Pakistan through notification number F.No.IPPs-1(12)/2020 (Vol-II) dated October 07, 2020 constituted the Implementation Committee, inter-alia, to convert the MOUs into a binding agreement between the Parties.
- 1.3. The report of the Implementation Committee along with the payment mechanism and initialed agreements was considered by Economic Coordination Committee of the Cabinet in case No. ECC 45/05/2021 dated February 08, 2021 and approved the same.
- 1.4. Central Power Purchasing Agency (Guarantee) Limited (CPPAGL) and Al Moiz Industries Limited (AMIL) signed Master Agreement on February 12, 2021. As per clause 2.1 of the agreement, the parties have jointly developed a tariff adjustment application to be submitted to NEPRA as a necessary condition for bringing into effect the agreed contractual amendments.
- 1.5. AMIL is a 36 MW bagasse cogeneration power plant that was awarded upfront tariff by the Authority on August 07, 2015. Upon achievement of Commercial Operations Date (COD) on January 04, 2019, AMIL's tariff was adjusted vide decision of the Authority dated February 22, 2019 (COD tariff decision).

2. Filing of Application

- 2.1. Pursuant to the Master Agreement, CPPAGL vide letter No. CPPA/CEO/2021/8201 dated February 17, 2021, filed application for adjustment in components of tariff of AMIL, approved vide COD tariff decision.
- 2.2. The application was filed by CPPAGL as motion for leave for review, pursuant to rule 16(6) of the NEPRA (Tariff Standards and Procedure) Rules, 1998, read together with Regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009 and Section 31 of the NEPRA Act, while requesting for the following:
 - a. Reduce the Return on Equity (ROE) component from 17% (USD based) per annum to 12%, from the date of signing of the Master Agreement for the next 5 years, on the NEPRA approved equity at COD.
On the date of fifth anniversary of the date of execution of Master Agreement, the ROE shall be changed to 17% (PKR based) on NEPRA approved equity at COD calculated at PKR 168/USD, with no future USD indexation throughout the remaining Term.
 - b. Reduce the Operation and Maintenance component by 10%.





and invoicing shall be as per the revised tariff. The Authority has considered the said clauses and decided to approve the same through this Decision.

v. Tariff Sharing and Shortfall Energy Mechanism

It is noted that the tariff of AMIL was computed on net annual plant factor of 45%. In the subject application, CPPAGL has requested that 100% of the variable component (fuel + variable O&M) along with 30% of the fixed component (Fixed O&M, ROE, Insurance, Working Capital & Debt Servicing, as applicable) shall be paid to AMIL in respect of annual energy beyond 45%.

Further, a mechanism of payment of shortfall energy has also been requested whereby it is prescribed that if AMIL, within the brackets of 5 years starting from the COD, produces less than 45% in any year and in subsequent year(s) if it produces more than 45%, then it will be compensated with debt servicing component, along with variable cost, for energy beyond 45%, to the extent of shortfall energy of previous year(s).

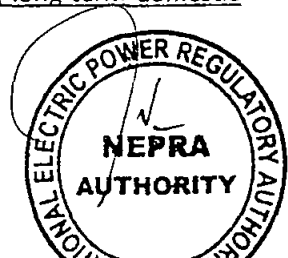
A discrepancy was noted with respect to the payment of shortfall energy as stated in the subject application by CPPAGL and as finalized in the Amended EPA with AMIL. CPPAGL requested for the payment of debt servicing as well as 30% of the remaining fixed cost on the shortfall energy whereas the Amended EPA states for payment of debt servicing only. It is noted that there is no mention of mechanism for tariff sharing and shortfall energy in the Master Agreement. The Authority has considered this matter and decided to approve the payment of debt servicing only, excluding 30% of remaining fixed cost, for shortfall energy, as finalized in the Amended EPA.

vi. Debt Renegotiations

The Authority in the COD tariff decision of AMIL worked out the approved tariff based on debt to equity ratio of 80:20. 100% local loan was used at KIBOR + 3%, to be serviced in 10 years from COD, on equal annuity basis. The Authority noted that following has been decided in Master Agreement with AMIL:

AMIL, subject to approval by the lenders, shall negotiate to give effect to (i) the debt tenor shall be extended by a period of 5 years, (ii) the existing spread shall be reduced by 100-125 basis points over the KIBOR, as applicable; provided that AMIL agrees that any and all savings arising out of these changes to its debt shall be passed on to the Purchaser.

The Parties agree that CPPAGL shall support and assist the Government of Pakistan (GoP) in approaching the State Bank of Pakistan (SBP) to swap the JDWSML's existing long term domestic debt with the SBP's refinancing facility of renewable projects to the maximum possible extent of the existing long term debt as committed by SBP, and AMIL shall fully support CPPAGL and GoP in giving effect to swapping of its existing long term domestic debt with the SBP's refinancing facility for renewable projects.



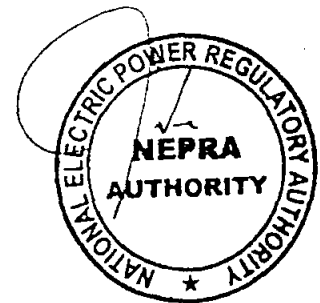


The Authority has considered the above and decided to approve the provision of debt renegotiation vide this Decision. The Authority also directs CPPAGL to continuously pursue with AMIL on this matter.

5. ORDER

The Authority hereby reviews the COD tariff Decision of Al Moiz Industries Limited, issued on February 22, 2019, to the extent of following:

- ROE Component of Rs. 1.0346/kWh has been revised to Rs. 0.7325/kWh, to be applicable for 5 years from the date of signing of Master Agreement. Subsequently, ROE component of Rs. 1.7078/kWh shall be applicable.
- Variable O&M-local component of Rs. 0.1197/kWh has been revised to Rs. 0.1078/kWh.
- Variable O&M-Foreign component of Rs. 0.3393/kWh has been revised to Rs. 0.3054/kWh.
- Fixed O&M-local component of Rs. 0.3194/kWh has been revised to Rs. 0.2875/kWh.
- Insurance cost component of Rs. 0.2204/kWh has been revised to Rs. 0.1543/kWh.
- The mechanism of tariff sharing and shortfall energy, as decided in the Amended EPA, is hereby approved
- AMIL is directed to make all efforts for debt renegotiations on the terms, as agreed in the Master Agreement. Once achieved, the tariff of AMIL shall be adjusted to reflect the negotiated terms. CPPAGL is directed to continuously pursue with AMIL on this matter.
- All the revised tariff components of this Decision shall be adjusted as per the mechanism prescribed in the COD tariff decision of AMIL. ROE component of Rs. 1.7078/kWh, to be applicable after 5 years of signing of Master Agreement, shall remain fixed and shall not be indexed throughout the remaining term of EPA.
- The above revisions, in the COD tariff decision, shall apply in accordance with the timelines as agreed in the Master Agreement.





6. The Order of the Authority is intimated to the Federal Government for notification in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

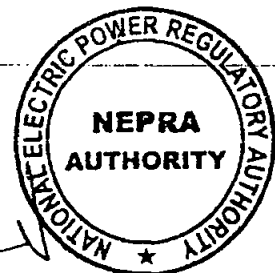
AUTHORITY

Rehmatullah Baloch
Member

3/8/4/21

Engr. Rafique Ahmed Shajka
Member

Tauseef H. Farooqi
Chairman



9/4/21



REGISTRAR

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Islamic Republic of Pakistan

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No. NEPRA/TRF-319/8208

May 27, 2022

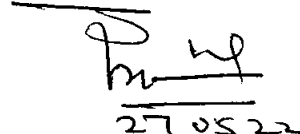
The Manager
Printing Corporation of Pakistan Press (PCPP)
Khayaban-e-Suharwardi,
Islamabad

Subject: **NOTIFICATION REGARDING THE DECISION OF THE AUTHORITY IN THE MATTER OF APPLICATION FILED BY CENTRAL POWER PURCHASING AGENCY GUARANTEE LTD. (CPPA-G) FOR ADJUSTMENT IN COMPONENTS OF TARIFF PURSUANT TO SIGNING OF MASTER AGREEMENT WITH AL-MOIZ INDUSTRIES LTD. (AMIL)**

In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997); enclosed please find herewith '*Decision of the Authority in the matter of Application filed by Central Power Purchasing Agency Guarantee Ltd. (CPPA-G) for Adjustment in Components of Tariff pursuant to Signing of Master Agreement with Al-Moiz Industries Ltd. (AMIL)*' for immediate publication in the official Gazette of Pakistan. Please also furnish thirty five (35) copies of the Notification to this Office after its publication.

Encl: Notification (7 Pages) & CD

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(Syed Safeer Hussain)