



**Registrar**

# **National Electric Power Regulatory Authority**

## **Islamic Republic of Pakistan**

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No. NEPRA/ADG(Tariff)/TRF/MCM-20/PPIB/ 1087-91

July 07, 2025

**Subject: Decision of the Authority in the matter of Approval of Annual Fee Payable to PPIB at each Anniversary of Commercial Operation Date (COD) as a Pass-Through**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 21 pages) in the matter Approval of Annual Fee Payable to PPIB at each Anniversary of Commercial Operation Date (COD) as a Pass-Through in Case No. NEPRA/TRF/MCM-20/PPIB.

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 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

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

*Wasim Anwar Bhinder*  
(Wasim Anwar Bhinder)

**Copy to:**

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
4. Managing Director, Private Power and Infrastructure Board (PPIB), Plot No. 10, 2<sup>nd</sup> Floor, Emigration Tower, Mauve Area, Sector G-8/1, Islamabad



**DECISION OF THE AUTHORITY IN THE MATTER OF APPROVAL OF  
ANNUAL FEE PAYABLE TO PPIB AT EACH ANNIVERSARY OF  
COMMERCIAL OPERATION DATE (COD) AS A PASS-THROUGH**

**Background:**

1. The Private Power Infrastructure Board (PPIB), was established in 1994 by Government of Pakistan (GoP) as a "one-Window Facilitator" with the objective of promoting private sector investment in the country's power sector. Subsequently, in 2012, PPIB was granted a statutory status through the **Private Power and Infrastructure Board Act 2012** (the "PPIB Act").
2. In accordance with Sections 5(2)(i) & 5(2)(l) of the PPIB Act, PPIB is vested with the statutory authority to prescribe and collect fees and charges. The relevant provisions of the PPIB Act are reproduced hereunder:

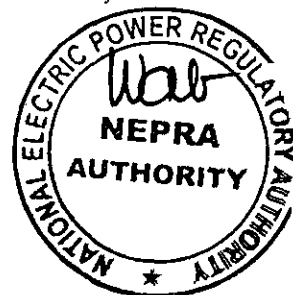
*5(2)(i) prescribe and receive fees and charges for processing applications and deposit and disburse or utilize the same, if required.*

*5(2)(l) prescribe, receive, deposit, utilize or refund fees and charges, as deemed appropriate.*

3. According to PPIB, its statutory mandate to prescribe and receive fees and charges is not confined merely to the processing of applications but also extends, in a broader and more general sense, to the prescription and recovery of fees and charges' as deemed appropriate. In the exercise of this authority, and pursuant to Section 5(2)(i) and 5(2)(l) read with Section 23 of the PPIB Act; the PPIB Board which consists of the Chairman (Federal Secretary, Power Division), and Members including Federal Secretaries of Finance, Climate Change, Petroleum and Planning Divisions; Chief Secretaries of Provinces and AJ&K; Chairman FBR; Chairman WAPDA; representatives from Govt. of Gilgit-Baltistan; MD PPIB and one private sector representative from each province and Gilgit Baltistan, approved **PPIB Fee and Charges Rules 2018**. These Rules were duly notified in the official Gazette of Pakistan vide **S.R.O. 406(I)2019** dated 8<sup>th</sup> March 2019. (the "PPIB Fee Rules")
4. The PPIB Fee Rules prescribe annual fees applicable to all projects developed under the 1994 Power Policy, 1995 Power Policy, 2002 Power Policy, 2006 RE Power Policy, 2015 Power Generation Policy and 2015 Transmission Line Policy. As per Sr. No.8 of the schedule of the PPIB Fee and Charges Rule 2018, a fee of US\$ 300/MW is applicable to the power projects upon the achievement of Commercial Operation Date (COD), and subsequently on each anniversary of COD, commencing from the first anniversary following COD.
5. According to PPIB, certain Independent Power Producers (IPPs) paid the applicable annual Fee without any objection or protest, others raised concerns before various forums including the Minister for Energy (Power Division) and the Secretary Power Division claiming that the fee approved by PPIB Board was on the higher side and requested for its downward revision. In response, the PPIB Board approved a reduction in the annual fee from US\$ 300 to 250 per MW through the PPIB Board (Fees and Charges) (Amendment) Rules 2021, which were duly

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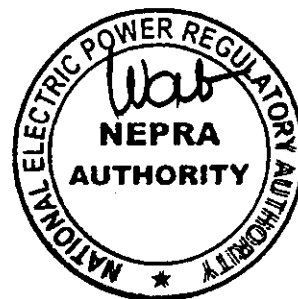


notified in the official Gazette on June 15, 2022, following approval by the Board in August 2021.

6. Port Qasim Electric Power Company (Private) Limited (PQEPCPL) vide its letter No. PQEPC/NEPRA/2019-38 dated 2<sup>nd</sup> September 2019 referred to a communication of PPIB demanding payment of the annual fee, and a corresponding letter from CPPA-G clarifying the such payment may be treated as a pass-through item. PQEPCPL accordingly sought formal confirmation from NEPRA in this regard. Thereafter, several other IPPs established under the 2015 Power Policy also approached NEPRA for confirmation that the PPIB annual fee qualifies as Pass-through item under their respective tariff structure and Power Purchase Agreements.
7. The Authority observed that, in the case of power plants established under policies preceding the 2015 Power Policy, CPPA-G has been treating the PPIB fee as a pass-through item, and the same is being allowed in DISCOs' quarterly tariff adjustments. However, with effect from 1<sup>st</sup> October 2022, the Authority decided to withhold the inclusion of such fees in the quarterly adjustments, till a final decision on the matter.
8. The issue raised by the IPPs was considered and the Authority decided to hold a discussion meeting with PPIB and CPPA-G. In pursuance of the above, meeting in the matter was scheduled for 18<sup>th</sup> January 2023 and formal notices were issued to PPIB & CPPA-G. Both were also directed to submit written responses to specific queries framed by the Authority for the purpose of evaluating the matter comprehensively.
  - i. Justification and basis of the annual fee of US\$ 300/250 per MW.
  - ii. Income and expenditure statements with an appropriate breakup of the last five years.
  - iii. Income and expenditure projections for the next five years.
  - iv. Any other relevant information for consideration of the Authority.
  - v. CPPA-G to provide details of Pass-through items under the PPA and details of the PPIB annual fee allowed to different power plants since its inception.
9. The meeting was rescheduled on 31<sup>st</sup> January 2023, upon the request of PPIB and then to 6<sup>th</sup> February 2023, due to the observance of a local holiday.
10. CPPA-G vide letter dated 16<sup>th</sup> January 2023, submitted the following information:

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Decision of the Authority  
Private Power Infrastructure Board (PPIB)

IPP Name	Amount Verified @ COD Anniversary				Total
	2019	2020	2021	2022	
Engro Powergen Qadirpur Limited	9,172,149	12,512,834	10,135,952	11,377,309	41,799,444
Laraib Energy Limited	3,520,440	4,006,800	3,928,680	4,573,300	16,029,720
Uch Power	14,520,793	16,846,320	23,227,480	33,829,303	103,444,602
Attack Gen Limited	6,331,489	7,379,552	7,365,496	8,419,718	29,696,255
Foundation Power Co Daharki Ltd	6,995,125	10,256,366	8,271,355	10,419,512	35,942,858
Uch-II Power Pvt Ltd	398,254	19,075,575	17,555,383	21,011,689	58,041,901
Narowal	8,095,225	10,513,529	9,843,204	11,863,803	40,315,761
Atlas Power	10,253,323	10,239,425	11,436,386	-	31,929,139
Orient Power	9,270,107	9,790,256	9,419,200	-	28,479,563
Saif Power	8,656,991	9,885,425	9,429,364	-	27,971,780
MIRA Power Limited (Gulpur HPP)	-	4,735,350	4,821,030	-	9,556,380
Halomre Generation Power	-	9,937,106	9,365,804	-	19,302,910
Sapphire Electric Company	-	10,241,586	9,856,612	-	20,098,198
Nishat Power	-	9,597,288	9,128,555	-	18,725,843
Nishat Chunian Power	-	9,852,645	9,418,143	-	19,270,788
Liberty Power Tech Limited	-	9,126,348	-	-	9,126,348
Karot HPP	-	-	-	45,014,400	45,014,400
<b>Total</b>	<b>77,413,907</b>	<b>172,096,605</b>	<b>158,205,144</b>	<b>147,030,234</b>	<b>554,745,890</b>

11. However, due to PPIB's failure to submit responses to the queries raised by the Authority, the scheduled meeting was postponed, and it was decided that a new date would be fixed only upon receipt of the requisite information by the PPIB.
12. PPIB vide letter dated 12<sup>th</sup> May 2023 submitted the requisite information and accordingly, the meeting was rescheduled on 15<sup>th</sup> June 2023. Notices of the meeting were issued to CPPA-G and PPIB vide letter dated 7<sup>th</sup> June 2023. The response of the PPIB to the queries sought is summarized below:

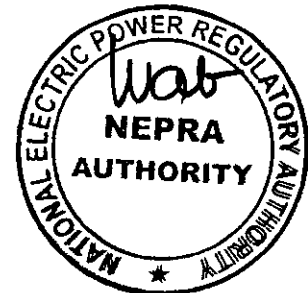
i. **Justification and basis of the annual fee of US\$ 300/250 per MW.**

*PPIB was meeting its expenses from nominal processing fee and charges paid by the private power projects or independent Power Producers (IPPs) and income from investment of funds generated through encashment of Performance Guarantees of defaulting project sponsors without any regular funding from the GOP/Budget. However, over time PPIB's income earned through profits on its bank deposits/investments significantly declined due to a reduction in volume of funds and changes in interest rates, hence it started to incur losses. The circumstances, therefore, merited exploring alternative options in order to meet PPIB's budgetary requirements; Accordingly, two options were presented to the PPIB Board for consideration;*

- i. *Regular budgetary support might be sought from the Ministry of Finance, and/or*
- ii. *An annual fee could be charged from projects being processed by PPIB under various Power Policies.*

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Decision of the Authority  
Private Power Infrastructure Board (PIIB)

*The Board unanimously decided that PIIB will charge an Annual/other Fee to all the IPPs against services being rendered during their concession terms.*

*PIIB concluded that the annual fee being imposed by PIIB is backed by express statutory mandate, is necessary to maintain the financial health of the organization, thus is legal and fully justified.*

ii. **Income and expenditure statements with appropriate breakup of the last five years.**

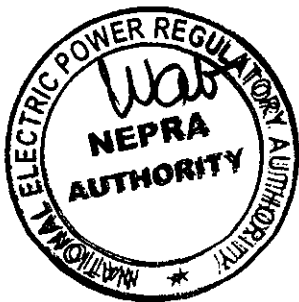
	Rs. in Thousands				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>Total Income</b>	736,318	726,528	754,207	704,400	736,879
<b>Expenditure</b>	645,551	561,310	583,749	609,593	686,533
<b>Surplus/(deficit)</b>	90,767	165,218	170,458	94,807	50,346

iii. **Income and expenditure projections for the next five years.**

	Rs. in Thousands				
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Income (10% increase projected per annum for FY 2023-24 onward)	1,064,456	1,170,901	1,287,991	1,416,790	1,558,470
Expenditure (15% annual increase is projected from FY 2023-24 onward)	795,273	914,564	1,051,749	1,209,511	1,390,937
PIIB is expected to start construction work for its office building in FY 2023-24 for which provision is made.		550,000	550,000	550,000	200,000
<b>Surplus/(deficit)</b>	<b>269,183</b>	<b>(293,663)</b>	<b>(313,757)</b>	<b>(342,720)</b>	<b>(32,468)</b>

iv. **Any other relevant information for consideration of the Authority.**

*PIIB's budgetary requirement for financial year 2022-23 is around Rs.795 million and if the annual fee is charged to all IPPs under Power Policies 1994, 2002 and 2015 at the rate of US\$ 250 per MW, it shall amount to US\$ 05 million (approx.) which translates into Rs. 1,425 million (1 US\$=285 PKR). However, most of the IPPs processed under 1994 Power Policy are near the completion of their concession term and their PPAs will be expiring in 4-5 years time, which will consequently decrease annual fee by an amount of US\$ 0.9 million that translate into Rs. 256.5 million (1 US\$ 285 PKR). We understand that NEPRA's regulatory fees is also part of tariff and CPPAG's operating expenditures are also being adjusted under the power tariff for FY 2022-23 it is Rs 2.77/kW/month (based on average projected monthly MDI of 27,588 MW) that amounts to PKR*



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1,160 Million (USD 4.07 Million based on USD/PKR exchange rate of 285). Detailed power policy wise annual fee analysis is as under.

Annual fee applicable as per Fee rules @ USD 300	8 March 2019 - 14 June 2022	
Annual fee applicable as per Fee rules @ USD 250	From 15 June 2022 onward	
Total capacity of IPPs being processed by PPIB	MW	20,323
Total annual fee amount from IPPs (USD 250/MW)	USD	5,080,733
Total annual fee amount from IPPs	PKR	1,448,008,905
<b>Policy wise Project Bifurcation:</b>	<b>MW</b>	<b>Amount USD</b>
Projects under 1994 Power Policy	3,692	923,003
Projects under 2002 Power Policy	3,828	956,981
Projects under 2015 Power Policy	12,803	3,200,750
	<b>20,323</b>	<b>5,080,733</b>

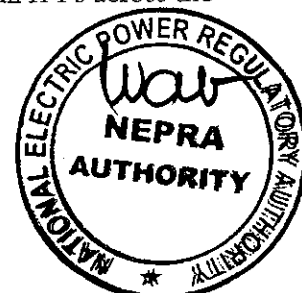
13. Accordingly, a discussion meeting was held on 15<sup>th</sup> June 2023, however, the matter remained inconclusive. Subsequently, the Authority vide letter dated April 8, 2024 directed CPPA-G to file a petition seeking formal approval regarding the annual fee charged by PPIB as a pass-through item. Upon filing of the petition, the Authority shall frame issues for public hearing in accordance with the applicable framework.
14. In response, CPPA-G vide its letter dated 29<sup>th</sup> May 2024, submitted that, upon receipt of invoices from PPIB by the respective IPPs, the IPPs conveyed the same to CPPA-G and sought reimbursement, thereby, treating the PPIB fee as a pass-through item under the terms of their respective Energy Purchase Agreements/Power Purchase Agreements ("EPAs/PPAs").
15. For those IPPs whose EPAs/PPAs contain the enabling provision regarding pass-through items, CPPA-G processed the invoices accordingly and included the corresponding amounts in its application to the Authority for its Quarterly Tariff Adjustment. The relevant contractual clause, which defines and governs the treatment of a pass-through item under the EPAs/PPAs, is reproduced below :

*"Sales Tax, Excise Duty, or other Duty, levy, charge surcharge or other governmental imposition (including without limitation, export tax, octroi, rawangi mahsool and etc.) wherever and whenever payable or? (i) the generation, sale, exportation, or supply of Electricity or Electricity generating capacity by the Company during the term, and/or (ii) the purchase, importation, consumption or utilization of fuel by the Company during the term. Provided that the Company has not been previously compensated for any such item by the Power Purchaser or by the GOP"*

16. CPPA-G further requested the Authority to provide guidance with respect to those IPPs whose EPAs/PPAs do not contain the requisite enabling provisions for treating the PPIB fee as a pass-through item, in order to ensure uniform treatment of the such fees for all IPPs across the board.

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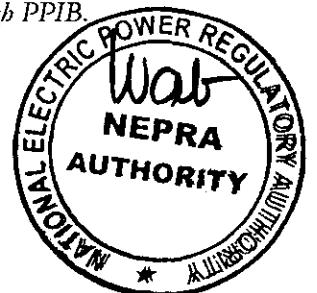
17. The Authority vide letter dated 26<sup>th</sup> July 2024, once again directed CPPA-G to file a formal petition before the Authority to facilitate resolution of the matter concerning PPIB annual fee, with a view to ensuring uniform treatment across all IPPs. The petition was required to specifically detail the following:
- The IPPs whose EPAs/PPAs include the enabling provision for the PPIB Annual Fee as a pass-through item.
  - The IPPs whose EPAs/PPAs do not include such a provision.
  - Any relevant invoices and supporting documents.
18. CPPA-G did not file the required tariff petition; however, vide its letter dated 29<sup>th</sup> October 2024, submitted the requisite information in response to NEPRA's letter dated 26<sup>th</sup> July 2024 and requested approval of the withheld amount on account of the PPIB annual fee.
19. The Authority considered the submission made by CPPA-G and decided to initiate suo moto proceedings under Rule 3(1) of the NEPRA, Tariff (Standard & Procedure) Rules, 1998 in the matter. Accordingly, a public hearing was scheduled for February 13<sup>th</sup>, 2025 and the following issues were framed for deliberation during the hearing:
- i. Whether the requested annual PPIB fee of \$ 250/MW charged on IPPs is legitimate?
  - ii. Whether there is any involvement of PPIB in the post COD operations of the IPPs and the subject Fee is justified?
  - iii. Whether the subject fee should be allowed as Pass through to the electricity consumers?
  - iv. Any other issue with the approval of the Authority.
20. Notice of public hearing was published in the newspapers on 25<sup>th</sup> and 26<sup>th</sup> January 2025. The hearing was held as per schedule on February 13, 2025 and was attended by the representatives of PPIB, CPPA-G, NTDC and other stakeholders. In response, written comments (copied to PPIB) were received from Pakistan Association of Large Steel Producers (PALSP), Atlas Solar Limited (ASL), Punjab Power Development Board (PPDB), NE Renewables First (NERF) & Korangi Association of Trade & Commerce (KATC).

**Comments of the Stakeholders and PPIB's response:**

21. PALSP, vide letter dated Feb 07, 2025 objected to the approval of the PPIB annual fee of US\$ 250/MW as pass-through charge to consumers, citing the following reasons.
- i. *PPIB role is no longer justified.*
  - ii. *PPIB's role in the Competitive Trading Bilateral Contract Market (CTBCM) is unnecessary.*
  - iii. *PPIB's Annual Fee is an unjustifiable burden on consumers with zero tangible benefits of the PPIB to the consumers.*
  - iv. *Karachi Consumers should not pay for PPIB, as they do not procure power through PPIB.*
  - v. *Power procurement should be managed by DISCO's not PPIB.*

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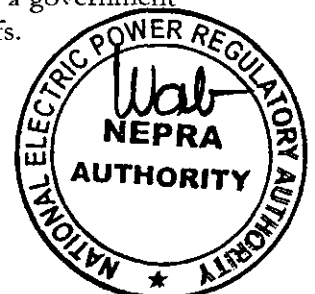




- vi. *NEPRA must stop approving costs for redundant entities as consumers are already burdened by inefficiencies from CPPA, PITC & PPMC.*
22. ASL vide letter dated February 04, 2025, submitted that the current fee schedule applies to power plants operating under a two-stage tariff structure, where "capacity" is defined as the net MW output committed by a plant. In contrast, renewable energy (RE) projects operate under a single-stage tariff, based solely on energy generation, measured in terms of annual benchmark energy (MWp) rather than net MW capacity. Accordingly, ASL contended that the existing fee schedule, which calculates fees based on net capacity, does not apply to RE projects like Atlas Solar. To extend the fee applicability to RE plants, the schedule must be amended to account for their distinct capacity measurement.
23. ASL further submitted that, for the purpose of applying the PPIB annual fee to RE projects, the fee schedule should calculate capacity based on annual benchmark energy, converting MWp to MW using the applicable capacity factor (e.g., a 100 MWp project with a 22% CF equals 22 MW). Additionally, the fee should be reduced to USD 100 per MW, indexed to the O&M mechanism, and denominated in PKR to reflect local financial conditions. These proposed amendments will ensure a fair and consistent fee structure across all project types. ASL also requested that the fee should be treated as a pass-through.
24. PPDB vide letter dated February 12, 2025 submitted that PPDB co-facilitates private power projects in Punjab in coordination with the PPIB under a Facilitation Agreement (FA), which is executed at the post-Tripartite Letter of Support (TLOS) stage. Under this arrangement, PPDB is responsible for managing various Provincial and Federal matters, including those related to security, land acquisition, and fuel transportation. It was noted that several projects, including a 2x660 MW coal plant and five 100 MW solar plants, have achieved Commercial Operation Date (COD) under this facilitation framework. While PPIB already shares the LOS processing fee with PPDB, it was requested that the fees payable at the financial close, COD, and COD anniversary fees also be equally shared between both entities as per the Fee and Charges Schedule of the PPIB Fee and Charge Rules, 2019.
25. NERF vide letter dated February 04, 2025 expressed concern over PPIB's failure to attract bids for the 600 MW solar auction, despite the offering of relaxed tariffs and enhanced incentives, raises concerns about its effectiveness under the PPIB (Amendment) Act, 2023. This performance questions the justification for imposing additional fees on operational projects. NERF further submitted that the proposed fee structure, based on installed capacity, disproportionately affects RE projects which inherently have lower capacity factors compared to thermal plants. This, according to NERF creates a systemic bias against clean energy. This approach sends negative signals to investors, worsening project economics and contradicting Pakistan's policy to expand RE, especially amid already challenging market conditions.
26. NERF also submitted that the imposition of the proposed \$250/MW fee on 19,697 MW of installed capacity represents a substantial financial burden that will be passed to consumers, disproportionately affecting lower-income households already struggling with rising electricity costs. NERF is of the view that denominating the fee in US Dollars increases foreign exchange risk for local consumers earning in Pakistani Rupees, which is inappropriate for a government entity and adds to existing concerns about dollarized components in power tariffs.

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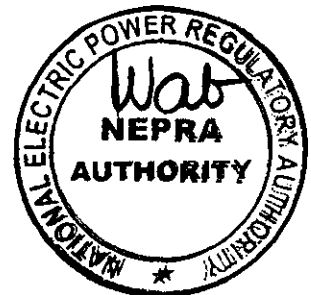




27. NERF further submitted that the PPIB annual fee lacks operational justification, as there is no demonstrable evidence of PPIB's involvement or services rendered post-COD that would warrant the imposition of an annual charge. The authority should assess PPIB's actual post-COD functions before imposing any fees. In view of the foregoing submission, NERF opposed the approval of the proposed PPIB annual fee.
28. KATC vide letter dated February 06, 2025 objected the proposed \$250/MW PPIB annual fee and urged the dissolution of PPIB, as it no longer serves a meaningful role and adds unnecessary burdens on consumers, therefore requested NEPRA to reject it due to the following:
- PPIB no longer has any justified role in the power sector.
  - PPIB's role in CTBCM as an Independent Auction Administrator (LAA) is Redundant.
  - No need for PPIB as all future projects are already committed.
  - PPIB's annual fee is an unjustified burden on consumers.
  - Karachi's consumers should not be forced to pay for PPIB.
  - Power procurement and contracts should be managed by DISCOs.
  - The power sector should not be further centralized.
  - DISCOs should procure power directly from the exchange.
  - NEPRA must stop approving unjustified revenue requirements for redundant entities.
29. PPIB vide letter dated March 12, 2025 responded to the comments of the stakeholders. The response of the PPIB to the comments of the stakeholders are summarized in the following paragraphs, one by one.
30. In response to the PALSP comments, PPIB responded to the concerns of PALSP which are as follows:
- PPIB role is not redundant under competitive bidding; it is legally mandated as the LAA under the PPIB (Amendment Act 2023) and NEPRA regulations. It manages centralized planning, procurement, and auction processes to support financially weak DISCOs.*
  - The annual fee is legally imposed to fund PPIB's operations, especially after merging with AEDB. It has minimal consumer impact (Rs. 0.01175/kWh) and prevents reliance on government funding. Moreover, PPIB's centralized approach is necessary due to DISCOs' weak financial and operational capacity to manage independent procurement.*
  - PPIB's fee is not charged to K-Electric or its consumers. Future fees for LAA services would require separate legal approval.*
  - PPIB remains essential, managing 59% of private power generation and playing a crucial role in legacy and future power projects.*
  - PPIB's centralized procurement reduces investment risks for DISCOs, which lack the financial strength to secure competitive bids independently.*
  - PPIB oversees legacy projects by ensuring compliance with contractual obligations, issuing approvals, monitoring financial structures, and safeguarding government guarantees throughout the project lifecycle.*
31. In response to the ASL comments, PPIB responded to the concerns of APL which are summarized as follows:

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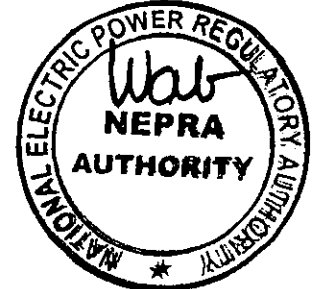
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- i. *The annual fee under PPIB Fee Rules applies to all projects, including RE, based on their installed capacity and any claim suggesting non-applicability of the fee to RE projects is misconceived.*
  - ii. *With the dissolution of AEDB under Section 30(1) of the PPIB Amendment Act, 2023, all AEDB functions, contracts, and obligations have been transferred to PPIB. RE projects previously handled by AEDB now fall under PPIB's jurisdiction and are subject to PPIB Fee Rules, including Atlas Solar Limited.*
  - iii. *The annual fee was reduced from USD 300/MW to USD 250/MW through an amendment on June 6, 2022. Although the fee is denominated in USD, it is payable in PKR at the prevailing exchange rate. Since the PPIB fee does not adjust for annual increases or Consumer Price Inflation (CPI), it remains in USD to account for rising expenses and inflationary impacts.*
32. PPIB in response to the comments of the PPDB, regarding the Financial Close, COD and COD anniversary fees for projects falling under the Co-facilitation framework with PPDB should be equally shared between PPIB and PPDB submitted the following:
  - i. *Facilitation Agreement signed on June 30, 2016 between PPIB and PPDB outlines cooperation for processing private power projects through the Tripartite Letter of Support (LOS), with the processing fee shared equally between both entities. This agreement imposes no additional fee-sharing obligations. Moreover, the Government of Punjab has its due representation on the PPIB Board and the PPIB Fee Rules were duly endorsed by their representative prior to their promulgation. In any event, this proposal is an internal matter which may be taken up by the Government of Punjab through the PPIB Board and as such no regulatory oversight or decision is required thereon.*
33. PPIB in response to the NERF comments, submitted the following:
  - i. *PPIB rejects allegations questioning its effectiveness due to the 600 MW Solar auction's failure, attributing the lack of investor interest to external factors like economic instability and currency volatility, not flaws in auction design. This auction is unrelated to the annual fee, which reflects services rendered to IPPs. PPIB remains competent as the Implementing Agency (LAA) under the PPIB Act 2012 and continues to lead successful auction processes. Its key achievements include attracting \$35 billion in FDI, contributing 59% to Pakistan's power generation, commissioning 101 IPPs (including 54 renewable projects), and processing Pakistan's first private-sector HVDC transmission line.*
  - ii. *PPIB denies that its annual fee imposes a substantial burden on electricity consumers, arguing that the fee is justified as consumers benefit from PPIB's services. The fee's impact on tariffs is minimal, estimated at Rs 0.01175 per kWh, which is considered negligible.*
  - iii. *PPIB asserts that the Fee Rules hold the same legal authority as an Act of Parliament and considers the annual/ COD fee reasonable for the services provided to IPPs and the power sector.*
  - iv. *The assertion that there is no evidence of PPIB's post-COD involvements is completely false. The response at Para 2 (B) hereinabove is reiterated to establish that PPIB has an active role to play post-COD, and throughout the project's lifecycle for that matter and generally to the power sector.*
34. PPIB in response to the comments of KATC submitted the following:
  - i. *PPIB rejects claims that it is no longer needed, emphasizing its ongoing role as LAA in the CTBCM, managing legacy projects, and attracting private sector investment for transmission and infrastructure.*

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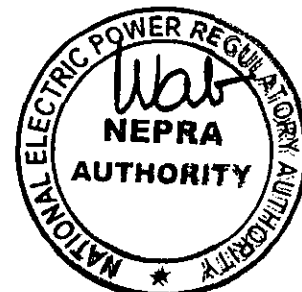
Decision of the Authority  
Private Power Infrastructure Board (PPIB)

- ii. PPIB asserts that end consumers ultimately benefit from its annual fee, as its services to IPPs ensure power supply security. It highlights attracting over \$35 billion in private investment and contributing 59% of Pakistan's total power generation as evidence of its success.
- iii. The CTBCM model relies on centralized planning and procurement, requiring a centralized entity (LAA) to fulfill this role, as outlined in the CTBCM Detailed Design approved by the regulator.
- iv. The claim that CTBCM eliminates the need for centralized facilitation bodies ignores the CTBCM Detailed Design, which emphasizes combined procurement to mitigate the financial risks of weaker DISCOs. The LAA function remains essential due to these risk profiles, and PPIB is already registered for this role. While some countries lack centralized agencies, others, like Brazil, still rely on them despite having advanced markets. The CTBCM Design reflects global best practices, tailored to local needs, and assigns PPIB key functions to ensure market efficiency.
- v. Claims about PPIB's redundancy in the CTBCM mainly come from entities lacking in-depth knowledge of Pakistan's power sector. IPPs that regularly engage with PPIB for various services have not raised such concerns, indicating their recognition of PPIB's ongoing role in supporting their projects.
35. During the hearing, the Authority raised some queries and PPIB was directed vide NEPRA letter dated February 04, 2025 to respond to the queries.
36. PPIB vide letter dated March 12, 2025 submitted a detailed response to the queries which are summarized in the following paragraphs:

Query	PPIB Response
What is the role of the PPIB in providing services to power plants after achieving their COD? Elaborate on the process by which the PPIB defends and supports the need for the proposed fee to be imposed on power plants after they begin commercial operations?	<p>PPIB submitted that the PPIB Act grants PPIB an ongoing role beyond COD throughout the project concession term. PPIB safeguards investments by enforcing IPP compliance under the Implementation Agreement (IA) on behalf of the Government of Pakistan (GOP), ensuring GOP's rights and obligations are protected. It evaluates IPPs claims under the GOP Guarantee, monitors project financing, shareholding, and company consents, and issues necessary approvals. PPIB also oversees critical matters related to PPAs/EPAs/TSA for risk evaluation under the IA, maintaining a central role as long as these agreements remain in effect.</p> <p>PPIB submitted that some of PPIB's key functions post COD of the projects are enumerated hereunder for ready reference:</p> <ul style="list-style-type: none"><li>▪ Under the mandate to implement the power policies, ensuring that protections/concessions remain in place to IPPs/ITC as per Power Generation/Transmission Line Policies and taking timely actions to facilitate the investors</li><li>▪ Analyzing/mitigating GOP obligations/ liabilities under the IA and Guarantee in various contexts, especially risks of Power Purchaser Events of Defaults or PPFMEs and CLFMEs under the EPAs/PPAs/TSA that are ultimately parked on GOP</li></ul>

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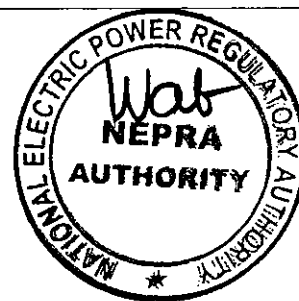


Decision of the Authority  
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	<ul style="list-style-type: none"><li>▪ Issuing No Objection(s) under the IA for various Working Capital Facilities and reviewing/monitoring Working Capital arrangements of project companies</li><li>▪ Resolving issues pertaining to the availability of Fuel/ Gas of project companies for smooth operations of Complex(s)</li><li>▪ Providing support for obtaining/renewal of Consents/Approvals from GOP and provincial government agencies/departments.</li><li>▪ Preparing ECC Summaries to seek approvals from Federal Cabinet for issues having implications when changes in Tax laws occur affecting IPP returns</li><li>▪ Issuing No Objection for changes of O&amp;M Contractors</li><li>▪ Evaluating and Assessing the Force Majeure Claims of IPPs and making decisions thereon</li><li>▪ Ensuring that all insurances are in place for the Projects and proceeds, if any, are applied in accordance with IA</li><li>▪ Supporting/facilitating IPPs in Settlement of Disputes with GOP/AJ&amp;K Entities.</li><li>▪ Facilitating in timely availability of FOREX to avoid default of IPPs under their Financing Documents</li><li>▪ Supporting/facilitating in obtaining visas for foreign employees of IPPs for smooth operations of Complex(s)</li><li>▪ Re-engaging of Panel of Experts in case of Design Changes of Hydel IPPs under NEPRA's Tariff Mechanisms for HPPs</li><li>▪ Re-Evaluating Technical Experience and Financial Net worth of New Sponsors/Shareholders</li><li>▪ Issuing No Objection in case of change in shareholding of IPPs</li><li>▪ Ensuring compliance of project companies' reporting requirements under the IA and reviewing reports/maintaining records of reports submitted by IPPs thereunder including inter alia reports on the status of company consent applications, audited financial statements, copies of documents filed in compliance of the Companies Ordinance, 1984 (as amended), reports on factors that may materially or adversely affect the project or its operations, monthly progress reports, changes in constitution of Board of Directors/Chief Executive Officers of project companies, list of lenders and creditors, records and receipts of all foreign payments to offshore accounts etc.</li><li>▪ Dispute resolutions under IA/Guarantee that includes Good faith negotiations, Expert Determination and International Arbitrations (one recent example is that due to NEPRA's COD tariff decision, Star Hydro Power Limited is pursuing LCIA arbitration under GOP Guarantee due to which PPIB is expending staggering amounts as legal fee and cost of arbitration)</li></ul>
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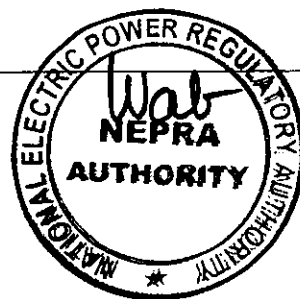


Decision of the Authority  
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	<ul style="list-style-type: none"><li>▪ Performing its role as the face of the GOP and performing all ancillary functions to main functions;</li><li>▪ Monitoring of outstanding debts of Projects;</li><li>▪ Any other support/ facilitation required by IPPs from time to time.</li></ul>																																																
What is the anticipated amount PPIB expects to receive in the next five years, if the proposed fee is approved? If the fee, as proposed by PPIB, is implemented, what would be the estimated revenue that PPIB is likely to generate from this fee?	<table><tr><th>Particulars</th><th>FY 2024-25</th><th>FY 2025-26</th><th>FY 2026-27</th><th>FY 2027-28</th><th>FY 2028-29</th></tr><tr><td>Total capacity of IPPs including PMLTC – MWs</td><td>23,836</td><td>23,836</td><td>23,716</td><td>23,716</td><td>23,716</td></tr><tr><td>Total annual fee amount from IPPs (USD 250/MW) -USD Million</td><td>4.96</td><td>4.96</td><td>4.93</td><td>4.93</td><td>4.93</td></tr><tr><td>PMLTC Fee 80,000 above 200 km plus 80,000x2 for CS -USD Million</td><td>0.24</td><td>0.24</td><td>0.24</td><td>0.24</td><td>0.24</td></tr><tr><td>Total annual fee amount from IPPs / ITC – USD Million</td><td>5.20</td><td>5.20</td><td>5.17</td><td>5.17</td><td>5.17</td></tr><tr><td>Total annual fee amount from IPPs / ITC @ 278 – PKR Million</td><td>1,445</td><td>1,445</td><td>1,436</td><td>1,436</td><td>1,436</td></tr><tr><td>Estimated Revenue from other Sources – PKR Million</td><td>300</td><td>300</td><td>300</td><td>300</td><td>300</td></tr><tr><td>Total Revenue – PKR Million</td><td>1,745</td><td>1,745</td><td>1,736</td><td>1,736</td><td>1,736</td></tr></table>	Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total capacity of IPPs including PMLTC – MWs	23,836	23,836	23,716	23,716	23,716	Total annual fee amount from IPPs (USD 250/MW) -USD Million	4.96	4.96	4.93	4.93	4.93	PMLTC Fee 80,000 above 200 km plus 80,000x2 for CS -USD Million	0.24	0.24	0.24	0.24	0.24	Total annual fee amount from IPPs / ITC – USD Million	5.20	5.20	5.17	5.17	5.17	Total annual fee amount from IPPs / ITC @ 278 – PKR Million	1,445	1,445	1,436	1,436	1,436	Estimated Revenue from other Sources – PKR Million	300	300	300	300	300	Total Revenue – PKR Million	1,745	1,745	1,736	1,736	1,736
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How will the imposition of the annual fee impact consumer tariffs? Would it lead to an increase in electricity rates for end consumers?	According to PPIB, the impact of the PPIB Annual Fee on the basket price is Rs. 0.01175 per kWh, which is negligible compared to the facilitation and role PPIB plays in the power sector.																																																
Since the fee is not currently part of the tariff determination for power companies, would its approval require modifications to the tariff determination? Given that this fee is not presently included in the tariff structure for power plants, would the approval of the proposed fee by NEPRA require a revision of existing tariff	PPIB submitted that NEPRA's suo motu proceeding does not involve modifying generation tariffs or PPAs/EPAs/TSA but concerns treating additional costs, like the PPIB Annual Fee, as a Pass-Through item. This concept is distinct from tariff modification. Tariffs are calculated based on CAPEX, OPEX, and returns, and are subject to revisions under law or specific conditions. The Pass-Through mechanism, embedded in PPAs/EPAs/TSA, protects investors from unforeseen government-imposed costs (e.g., taxes, duties, fees). Since such costs are outside the IPPs control, they are considered prudent. Given the existing contractual framework, NEPRA does not need to amend tariffs or agreements but should reaffirm its prior approvals.																																																

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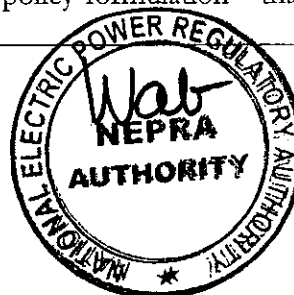


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determinations for these companies?	PPIB further argued that for PPAs/EPAs without Pass-Through provisions, NEPRA has the authority under Section 7 and Section 48 of the NEPRA Act to issue a regulatory directive requiring CPPA-G to treat the PPIB Annual Fee as a Pass-Through item. This directive would be binding on CPPA-G and allow the cost to be included in quarterly or periodic tariff adjustments. Since the PPIB Annual Fee does not modify the generation tariff, no amendments to the PPAs/EPAs are needed—NEPRA's regulatory directive alone is sufficient.
If the proposed fee is either approved or rejected, would it necessitate a revision to the Power Purchase Agreement (PPA) for the plants? If NEPRA decides to either approve or disapprove the fee, will the Power Purchase Agreements (PPAs) between the power plants and the relevant entities need to be revised or amended in response?	PPIB submitted that no amendments to PPAs/EPAs/TSA are required where Pass-Through provisions are absent, as a regulatory directive from NEPRA allowing the Pass-Through of PPIB Annual Fee would be binding on CPPA-G and adjustable in the consumer-end tariff.
What is the role of the PPIB with respect to K-Electric as a private entity company? How does PPIB interact or oversee K-Electric, considering it is a private utility company?	PPIB stated that they have no direct role in K-Electric (KE), a vertically integrated private utility managing electricity generation, transmission, distribution, and consumer billing in Karachi. Under the Competitive Trading Bilateral Contract Market (CTBCM) design and the NEPRA (Electric Power Procurement) Regulations, 2022, if KE intends to establish a generation facility and participate as a generation company, it must use the Independent Auction Administrator (IAA) for competitive auctions. If KE does not act as a generation company, it has the discretion to use IAA services, subject to approval of its participation scheme in the CTBCM.
What is the anticipated auction-based capacity addition in the next five years?	PPIB submitted that future capacity additions will follow the approved IGCEP. Once specific projects or capacities are identified in the IGCEP, the SOLRs will prepare the Power Acquisition Plan (PAP), and PPIB, as the Independent Auction Administrator (IAA), will conduct competitive bidding for XW-DISCOs/SOLRs per relevant policies and regulations. The finalization of IGCEP 2024-34 by NTDC and its approval by NEPRA will determine future capacity additions. PPIB is also actively pursuing renewable energy projects to meet the target of 60% RE (including hydropower) by 2030.
Why should the annual fee not be based on the annual revenue requirement of PPIB, as is the case with other power sector entities such as CPPA-G and others?	PPIB argues that its Annual Fee is set through statutory rules approved by a competent forum after detailed deliberation, considering its revenue needs. The projected revenue from the fee is expected to only meet these requirements. PPIB, established by an Act of Parliament, has a broader mandate—including assisting in power policy formulation—than other

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	power sector entities like CPPAG, NTDC, or DISCOs, making its legal and administrative framework distinct.
What role will PPIB play as an Independent Auction Administrator if DISCOs are privatized?	<p>PPIB is of the view that the CTBCM Design and Procurement Regulations recognize two types of Suppliers of Last Resort (SOLRs) i.e. publicly owned DISCOs and the privately-owned K-Electric (KE). While these regulations outline competitive procurement processes, they do not address the implications if publicly owned DISCOs are privatized.</p> <p>PPIB continues to state that under the CTBCM Design, new capacity procurement for DISCOs must initially be conducted through competitive auctions administered by the IAA, unless NEPRA authorizes DISCOs to conduct auctions independently.</p> <p>PPIB further states that for KE, the use of IAA services is optional if KE does not participate as a generation company. However, KE's participation in the competitive market depends on the approval of a final scheme by NEPRA, distinguishing it from future privatized DISCOs.</p>
Can PPIB's Annual Fee be allowed as a Pass-Through Item for projects where the PPAs does not include the enabling provision under Schedule 1/Schedule 6 (Tariff, Indexation and Adjustment) permitting recovery of the same?	<p>PPIB submitted that, while some PPAs/EPAs allow the Pass-Through of the PPIB Annual Fee under Schedule 1 or 6, however, there are project-specific variations. These include provisions for "Other Governmental Impositions," "Any Change in Law subject to NEPRA Determination," or items identified by NEPRA as Pass-Through. Some agreements lack such provisions altogether. Despite these differences, NEPRA's regulatory role in approving Pass-Through items is either explicitly or implicitly recognized across the contractual framework.</p> <p>PPIB further stated that under the NEPRA Act, 1997, NEPRA holds exclusive authority to regulate electric power services, including determining tariffs and related charges. Sections 7 and 48 empower NEPRA to issue regulatory directives, including instructing CPPA-G to treat the PPIB Annual Fee as a Pass-Through item in cases where no enabling provision exists. This ensures parity and non-discrimination, allowing CPPA-G to incorporate the fee, subject to NEPRA's approval, in quarterly tariff adjustments.</p> <p>PPIB also stated that by the same analogy, PPIB Annual Fee may be allowed as a Pass-Through item for projects under the 1994/1995 Power Policy without enabling provisions. Although the Federal Government originally approved the generation tariff, it is reflected in the PPAs, and NEPRA's powers under Sections 7 and 48 of the NEPRA Act authorize it to determine tariffs and issue regulatory directives, making this approach applicable.</p> <p>PPIB is of the view that the absence of an enabling provision in some PPAs/EPAs appears to be a bona fide omission, and treating projects differently in similar situations would constitute discrimination, violating principles established by Pakistan's superior courts. Denying the Annual</p>



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	Fee as a Pass-Through item may also prejudice investors' rights under the contractual framework. Therefore, a consistent approach should be adopted, allowing PPIB's Annual Fee as a Pass-Through item across all IPPs/ITC under their respective PPAs/EPAs/TSA to ensure fairness and non-discrimination.
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**Analysis and Decision of the Authority**

37. Based on the submissions made by the stakeholders, the Authority's issue-wise findings and decisions are detailed in the following paragraphs.

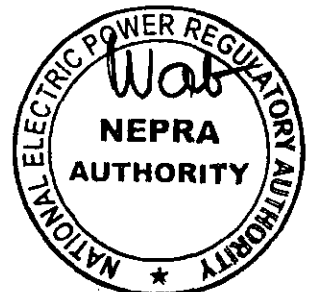
**Issue: 01. Whether the requested annual PPIB fee of \$ 250/MW charged on IPPs is legitimate?**

**Issue: 02. Whether the subject fee should be allowed as Pass through to the electricity consumers?**

38. PPIB submitted that it is settled principle of law that a regulatory authority/agency functioning under the executive branch of the Federal Government, does not have the jurisdiction to question the legitimacy or validity of duly notified statutory rules, such as PPIB Fee & Charges Rules, 2019 (the "**PPIB Fee Rules**"). However, without prejudice to the foregoing, PPIB sought to clarify the statutory foundation of the said rules for the Authority's consideration.
39. PPIB submitted that the PPIB Fee Rules were promulgated pursuant to the powers conferred by Section 23 read with Section 5 of the Private Power and Infrastructure Board Act, 2012 (the "**PPIB Act**"). Specifically, Section 5(2)(i) & Section 5(2)(l) of PPIB Act confer upon PPIB the authority to prescribe and receive fees and charges in respect for the processing applications, as well as a broader discretionary power to prescribe and recover such fees and charges, 'as deemed appropriate'.
40. PPIB further submitted that the PPIB Fee Rules are essential for ensuring PPIB's financial sustainability. Once drafted, the Rules were duly vetted by the Ministry of Law & Justice and approved by the competent authority, and were thereafter notified in the official Gazette of Pakistan on March 26, 2019. Accordingly, PPIB Fee Rules having been framed within the four-corners of the statutory authority conferred under the PPIB Act have the force of law, and therefore, no question arises as to their legitimacy.
41. In any case, question of legitimacy of a statutory rule cannot be agitated by or before a regulatory authority which power is exclusively reserved for superior courts of Pakistan under the applicable constitutional and legal frameworks. On the other hand, the superior courts of Pakistan have issued a plethora of judgments on the statutory rule making powers and its implications. For example, it has been held that *it is settled law that statutory rules have the same force as that of the statute under which they are framed* (2010 PLC (C.S) 1360; 2003 YLR 1555). Furthermore, it has also been held by Hon'ble Supreme Court that once a court finds that the rules framed under the statutory power are within the ambit of the relevant statute, even it cannot sit in judgment over the wisdom and effectiveness or otherwise of the policy laid down by the rule making body [PLD 1993 S.C. 210].

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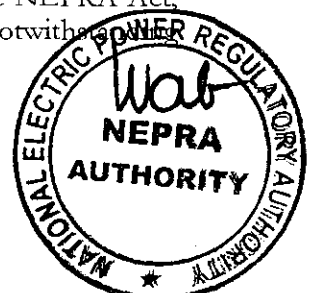




42. PPIB further submitted that though question of proportionality of fee vis-a-vis services being rendered was neither specifically raised during the hearing or otherwise, it has nonetheless referred to the relevant jurisprudence for the sake of good order, self-explanatory findings (*ratio decidendi*) of superior courts on the point being of immense relevance, are reproduced below verbatim to clear any remaining ambiguity:
- It is settled law that a fee is a charge in consideration for the services provided by the Government or its agencies or company or an organization or any person, as the case may be, to the persons from whom it is collected. (2022 CLC 928 Peshawar)*
  - It is settled law that as long as there is reasonableness, the requirement of quid pro quo is satisfied, the law does not require that fee levied under statutory power must be proportionate to benefits actually derived by the person liable to pay the same. (1999 PLD 424 KARACHI-HIGH-COURT-SINDH)*
  - It is also settled law that in some cases it will not be possible to show with mathematical exactitude the precise co-relation between the amount realized as fee from one particular person and the services rendered to him. It is therefore not necessary that the realizations made by way of fee for the servicing of the Act, should correspond exactly with the expenditure incurred by Government on the services rendered (2022 CLC 928 Peshawar).*
43. Regarding the PPIB fee as a pass-through, PPIB stated, that PPIB is established to implement Pakistan's power generation policies, and has facilitated all private investment by IPPs to reduce the public sector's financial burden and ensure reliable electricity supply. Under the single-buyer model, IPPs supply power to the National Grid, preventing prolonged load shedding and benefiting consumers. PPIB continues to support IPPs through multi-faceted facilitation to maintain uninterrupted electricity. Although the annual fee is charged to IPPs, consumers ultimately benefit from the services provided. This fee is comparable to charges by NEPRA, CPPA-G, NTDC, and DISCOs but is levied under PPIB's independent statutory authority.
44. PPIB further submitted that the majority of PPAs, EPAs, and TSAs of IPPs/ITC, are duly approved by NEPRA, already allow the PPIB fee as a Pass-Through item under the "Other Governmental Imposition" clause. This clause typically allows for the pass-through of any tax, duty, assessment, or fee. The PPIB Annual Fee qualifies under this definition, aligning with regulatory principles and prudence requirements, allowing it to be passed on to consumers like other power sector service provider fees.
45. The Authority observes that the overall position advanced by PPIB regarding the justification and nature of the annual fee seems tenable. However, it is imperative to underscore that the NEPRA, established under Section 3 of the NEPRA Act, is the sole and exclusive statutory body empowered to determine the rates, charges, and terms and conditions for the provision of electric power services in Pakistan. This authority is explicitly vested under Section 7(1) and further elaborated in Sections 31(1) and 31(4) of the NEPRA Act, which require that all tariffs and charges be approved by the Authority in accordance with the prescribed procedures.
46. Furthermore, Section 45 of the NEPRA Act provides that the provisions of the NEPRA Act, including rules, regulations, and licences issued thereunder, shall have effect notwithstanding

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anything to the contrary contained in any other law, rule or regulation for the time being in force. To the extent of any inconsistency, such other law, rule or regulation shall cease to have effect. The same section reaffirms that the Authority shall, subject to the provisions of the NEPRA Act, be exclusively empowered to determine rates, charges, and other terms and conditions for electric power services.

47. This overriding clause further reinforces the principle that no financial obligation irrespective of its origin can be passed through to consumers unless it has undergone independent scrutiny and approval by NEPRA. This position has been consistently upheld by the Hon'ble Superior Courts, which have affirmed that tariff determination, in all its facets, lies solely within NEPRA's domain. Therefore, while the Authority acknowledges the rationale behind the annual fee imposed by PPIB, any treatment of the same as a pass-through item must be subject to NEPRA's exclusive jurisdiction under its governing law, in order to maintain the integrity of the regulatory framework and protect consumer interests.
48. The Honorable Superior Courts, including the Supreme Court of Pakistan, have repeatedly affirmed NEPRA's exclusive jurisdiction in tariff matters, recognizing that any charge sought to be passed on to consumers must be subject to regulatory scrutiny by NEPRA, regardless of the origin or purpose of the cost. This principle has been laid down in the case of **PESCO vs SS PLOYPROPYLENE LTD (PLD 2023 SC 316)** as under:

*Under Section 7 of the Act, 1997, NEPRA has been assigned the exclusive power to regulate the provision of electric power services. One of the steps that NEPRA may take to regulate the electricity sector, is the determination of tariffs which, as per Act 1997, is a revenue requirement. This is provided in section 7(2)(ac)(sic), which states that NEPRA is responsible for inter alia, ensuring efficient tariff structures for sufficient liquidity in the power markets. The exclusive power of NEPRA to determine inter alia, tariff rates, is further provided in section 7(3) which reads as follows:--*

*"(3) Notwithstanding the provisions of subsection (2) and without prejudice to the generality of the power conferred by subsection (1) the Authority shall (a) determine tariff, rates, charges and other terms and conditions for supply of electric power services by the generation, transmission and distribution companies and recommend to the Federal Government for notification;"*

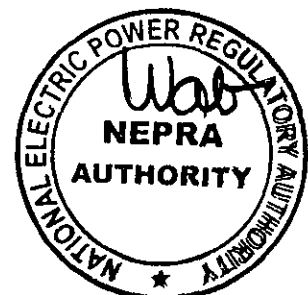
*The aforementioned provision read with section 7 and, the preamble of the Act, 1997, leaves no doubt in our minds that the determination of tariffs falls within the exclusive domain of NEPRA. This is also in line with Item No. 4 of Part II of the Federal Legislative List which lists electricity as a federal subject pursuant to which, the Act, 1997 was promulgated as well.*

49. Furthermore the Honorable Supreme Court of Pakistan in the case of **K-Electric vs NEPRA (PLD 2023 SC 412)** held as under:

*The scheme of the tariff determination legal regime, as stipulated in Section 7 read with Section 31 of the Act, specifies that tariff determination can only be conducted by NEPRA. This is one of NEPRA's core functions and cannot be delegated.*

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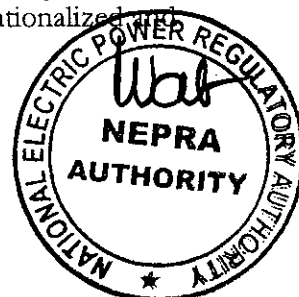




50. Accordingly, while the Authority does not intend to adjudicate upon or fix the quantum of the PPIB fee as that falls within PPIB's statutory domain, it is empowered to decide whether the said fee may be allowed as a pass-through item, either partially or in full, in light of the impact on end-consumers. A decision purely on the basis of consumer interest, without due regard to the legitimate financial obligations of IPPs, may prima facie appear to be fair, but it would undermine the broader objectives of the NEPRA Act, and could jeopardize the financial sustainability of IPPs.
51. As per section 7(6) *ibid*, in exercising its functions, the Authority is required protect the interests of consumers and companies providing electric power services in accordance with the principles of transparency and impartiality.
52. The Authority recognizes that PPIB is a statutory body, established to facilitate investment in the power sector. Like other state instrumentalities, PPIB must be either funded by the Federal Government or it should be self-sustained through the imposition of fees mechanism. Considering the fiscal constraints faced by Government of Pakistan, the Authority deems it appropriate to ensure that such state entities are self-sustained rather than relying on the government kitty for budgetary support.
53. However, the Authority also acknowledges the concerns raised by stakeholders, particularly with regards to the denomination of the PPIB fee in US Dollars, which may contribute to foreign exchange risk and increased financial burden on consumers. Therefore, the Authority has decided to separately issue an advisory to the PPIB Board, to consider the following while determining or revising the PPIB Fee in accordance with the PPIB Act:
- a. The quantum of the fee should be rationalized because of its impact on consumers.
  - b. The fee should not be chargeable in dollars and it should be in PKR.
54. The Authority understands that PPIB has significant budgetary requirements, and during the hearing, it was highlighted that PPIB intends to undertake infrastructure development, including the construction of a dedicated office building. While these needs may be legitimate from an institutional and operational standpoint, the Authority cannot lose sight of the fact that any cost allowed as a pass-through item ultimately translates into a financial burden on end-consumers. Therefore, while evaluating the pass-through eligibility of the annual PPIB fee, a careful balance must be maintained between the institutional sustainability of PPIB and the affordability of electricity for consumers. In this regard, it is imperative that PPIB's budgetary requirements are rationalized, justified with due transparency, and aligned with principles of prudence and consumer interest, as envisioned under the NEPRA Act. Only those costs that are demonstrably necessary, efficient, and proportionate should be considered for pass-through to ensure that the economic impact on electricity consumers remains reasonable and justifiable.
55. Furthermore, it may be considered that while approving the budgetary requirements of other licensees such as Market Operator, System Operator, the Authority checks the prudence of costs and their after the said costs is passed on to the consumers. In the case of PPIB, the Authority has no role to check the prudence of budgetary requirements of PPIB which ultimately translates into PPIB fee therefore, this is all the more reason that the PPIB fee must be rationalized.

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should be denominated into PKR terms to ensure that no unnecessary burden may be passed on to the consumers.

56. The Authority recognizes that, from the perspective of PPIB, the imposition of an annual fee on power producers falls within its statutory mandate to ensure institutional financial sustainability. However, the Authority is also cognizant of the concerns raised by IPPs, who view the fee as an additional financial burden not originally contemplated at the time of tariff approval and execution of the PPA, given that the PPIB Fee Rules were introduced in 2018.
57. In majority of the cases, the PPIB annual fee has been treated as a pass-through by CPPA-G. However, in certain cases (particularly the power policy 2015), the treatment of the fee as a pass-through was subject to the "change in law" provisions of the respective contractual framework, which required both a determination by the Authority and a corresponding notification by the GOP for treating it as a pass-through.
58. In view of the legal framework, past practice, and the need to maintain regulatory uniformity, the Authority has decided to allow the PPIB annual fee as a pass-through item, subject to the compliance with the relevant provisions of the applicable PPAs/EPAs and in accordance with the terms of the NEPRA tariff regime.

**Issue: 03. Whether there is any involvement of PPIB in the post COD operations of the IPPs and the subject fee is justified?**

59. PPIB submitted that under the PPIB Act, it is vested with an ongoing statutory role beyond COD, which extends throughout the project concession term. PPIB safeguards investments by enforcing IPP compliance under the Implementation Agreement (IA) on behalf of the (GOP), ensuring that GOP's rights and obligations are protected.
60. It is submitted that PPIB's functions include the enforcement of IPPs obligations, protection of GoP's contractual rights, and the evaluation of claims made under the GOP Guarantee. Additionally, PPIB is responsible for monitoring changes in project financing structures, shareholding arrangements, and company consents, and issues necessary approvals. PPIB oversees matters related to PPAs/EPAs/TSA to facilitate risk assessment and mitigation under the IA framework, maintaining a central role as long as these agreements remain in effect.
61. PPIB submitted that some of PPIB's key functions post COD of the projects are enumerated hereunder for ready reference:
  - *Under the mandate to implement the power policies, ensuring that protections/concessions remain in place to IPPs/ITC as per Power Generation/Transmission Line Policies and taking timely actions to facilitate the investors*
  - *Analyzing/mitigating GOP obligations/ liabilities under the LA and Guarantee in various contexts, especially risks of Power Purchaser Events of Defaults or PPFMEs and CLFMEs under the EPAs/PPAs/TSA that are ultimately parked on GOP*Issuing No Objection(s) under the LA for various Working Capital Facilities and reviewing/monitoring Working Capital arrangements of project companies  
Resolving issues pertaining to the availability of Fuel/ Gas of project companies for smooth operations of Complex(s)



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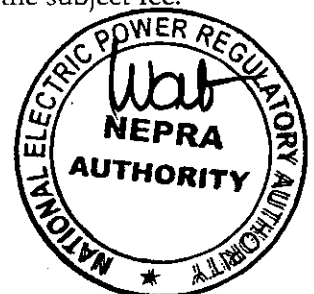


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- *Providing support for obtaining/ renewal of Consents/ Approvals from GOP and provincial government agencies/ departments.*
  - *Preparing ECC Summaries to seek approvals from Federal Cabinet for issues having implications when changes in Tax laws occur affecting IPPs Returns*
  - *Issuing No Objection for changes of O&M Contractors*
  - *Evaluating and Assessing the Force Majeure Claims of IPPs and making decisions thereon*
  - *Ensuring that all insurances are in place for the Projects and proceeds, if any, are applied in accordance with LA*
  - *Supporting/ facilitating IPPs in Settlement of Disputes with GOP/ AJ&K Entities.*
  - *Facilitating in timely availability of FOREX to avoid default of IPPs under their Financing Documents*
  - *Supporting/ facilitating in obtaining visas for foreign employees of IPPs for smooth operations of Complex(s)*
  - *Re-engaging of Panel of Experts in case of Design Changes of Hydel IPPs under NEPRA's Tariff Mechanisms for HPPs*
  - *Re-Evaluating Technical Experience and Financial Net worth of New Sponsors/ Shareholders*
  - *Issuing No Objection in case of change in shareholding of IPPs*
  - *Ensuring compliance of project companies' reporting requirements under the LA and reviewing reports/ maintaining records of reports submitted by IPPs thereunder including inter alia reports on the status of company consent applications, audited financial statements, copies of documents filed in compliance of the Companies Ordinance, 1984 (as amended), reports on factors that may materially or adversely affect the project or its operations, monthly progress reports, changes in constitution of Board of Directors/ Chief Executive Officers of project companies, list of lenders and creditors, records and receipts of all foreign payments to offshore accounts etc.*
  - *Dispute resolutions under LA/ Guarantee that includes Good faith negotiations, Expert Determination and International Arbitrations (one recent example is that due to NEPRA's COD tariff decision, Star Hydro Power Limited is pursuing LCLA arbitration under GOP Guarantee due to which PPIB is expending staggering amounts as legal fee and cost of arbitration)*
  - *Performing its role as the face of the GOP and performing all ancillary functions to main functions;*
  - *Monitoring of outstanding debts of Projects;*
  - *Any other support/ facilitation required by IPPs from time to time.*
62. PPIB also submitted that it allocates substantial financial and human resources to discharge its ongoing facilitative role, throughout-the lifecycle of IPP projects. These include deployment of skilled human resources, maintenance of necessary infrastructure, and coverage of associated operational overheads. The annual fee, as mandated under the PPIB Fee Rules, represents a legitimate charge for the services provided to IPPs and the broader power sector. As per the Rules, the fee becomes payable upon achievement of COD, and subsequently on each anniversary thereof until the conclusion of the project's concession term. The lump-sum nature of the fee accounts for the varied and non-quantifiable nature of facilitation services, which are often required in response to specific issues or events. This approach aligns with NEPRA's practice of charging annual fees on electric service providers, including PPIB itself.
63. The Authority has examined the submissions made by PPIB and is of the considered opinion that PPIB's statutory role is not limited to the pre-COD phase continues for the entire duration of the projects life, Therefore, the arguments of PPIB has merits and justifies the subject fee.

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**Order:**

64. The Authority has decided to allow the PPIB fee prescribed under the PPIB Act as pass through for all IPPs.
65. The above Order of the Authority is hereby intimated to the Federal Government in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

Authority

Engr. Rafique Ahmed Shaikh  
Member

Amina Ahmed  
Member

Engr. Maqsood Anwar Khan  
Member

Waseem Mukhtar  
Chairman

