**BEFORE THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**

**Motion for Review**
**NEPRA's Ruling of 24 JUNE 2015**
**CASE NO. NEPRA/TRF-WPT/2015/9512-9514**

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**ON BEHALF OF**
**MASTER WIND ENERGY LIMITED**

**6th July 2015**

For information & n/a pl.

08.07.15

— D/Reg-I / SAR

Cpy to

— SAT-I

— SA(Tech)

— Consultant (Gen.)

— LA(KIP)

— M/F

c.c: Chairman
VC/M(CA)
M(T)
M(M&E)
M(Lic)

Registrar
Dy No. 7427
Date: 08/07/15


MASTER GREEN ENERGY LIMITED

| | |
|---|---|
| ADDRESS | : 82-C-1, GULBERG III, LAHORE, PAKISTAN |
| PHONE | : +92-42-35758524 |
| FAX | : +92-42-35751905 |


MASTER GREEN ENERGY LIMITED

COPY OF MASTER GREEN ENERGY LIMITED'S BOARD RESOLUTION



MASTER GREEN ENERGY LIMITED

MASTER
MASTER GREEN ENERGY LIMITED
82-C-1, Gulberg-III, Lahore – Pakistan
Tel: +92-42-35752620-22, +92-42-35758524-26
UAN: 111-666-555, Fax: +92-42-35751905

**EXTRACT OF THE MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE MASTER GREEN ENERGY LIMITED HELD AT 11:30 AM AT 82-C-1, GULBERG III, LAHORE ON 30 JUNE 2015**

**BOARD RESOLUTION**

The following resolutions were discussed in detail by the Board and approved unanimously:

"**RESOLVED THAT** Master Green Energy Limited, a company incorporated under the law of Pakistan with its principal office located at 82-C-1 Gulberg III, Lahore, Punjab, Pakistan (the **Company**), be and is hereby authorized, to file tariff petition, unconditionally accept any noticed upfront tariff or to file review petition and ancillary applications for any announced upfront or determined tariff issued by National Electric Power Regulatory Authority (**NEPRA**) in respect of its 100 MW wind based power plant to be located at Jhimpir, Thatta (the **Project**), and in relation thereto enter into and execute all required documents, make all filings and pay all applicable fees, in each case, of any nature whatsoever as required."

"**FURTHER RESOLVED THAT** Mr. Shahzad Malik, director of the Company, be and is hereby authorized to sign all documents including tariff petitions, review petitions if any and file unconditional acceptance of upfront tariff determination, pay all filing fees, appear before NEPRA and provide any information required by NEPRA in respect of the Project, and do all acts and things necessary, processing, completion and finalization of the aforementioned petition."

"**AND FURTHER RESOLVED THAT** Mr. Shahzad Malik, director of the Company be and is hereby authorized to delegate all or any of the above powers in respect of the foregoing to any other officials of the Company as deemed appropriate."

**FOR AND ON BEHALF OF**

**MASTER GREEN ENERGY LIMITED**

..................................

AMIR MUSHTAQ BUTT, COMPANY SECRETARY

MASTER GREEN ENERGY LIMITED *

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MASTER GREEN ENERGY

## COPY OF AFFIDAVIT



MASTER GREEN ENERGY LIMITED

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Rupees

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M.Z. ASHRAF
Oath Commissioner Lahore
ADVOCATE

**BEFORE THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**

## AFFIDAVIT

Affidavit of Mr. Shahzad Malik, director of M/s. Master Green Energy Limited, 82-C-1 Gulberg III, Lahore, Punjab, Pakistan.

I, the abovenamed Deponent, do hereby solemnly affirm and declare that:

1. I am the Director of M/s. Master Green Energy Limited, 82-C-1 Gulberg III, Lahore, Punjab, Pakistan.

2. The contents of the accompanying motion for leave for review, by the full strength of the Authority under Rule 16(6) of the Tariff Standards and Procedure Rules, 1998 including all supporting documents are true and correct to the best of my knowledge and belief, and the nothing material or relevant thereto has been concealed or withheld therefrom.

3. I also affirm that all further documentation and information to be provided by me in connection with the aforesaid motion for leave for review shall be true and correct to the best of my knowledge and belief.

...........................................
DEPONENT

## VERIFICATION

It is hereby verified on solemn affirmation at Lahore, Pakistan on July ........., 2015 that the contents of the above Affidavit are true and correct to the best of my knowledge and belief, and that nothing material or relevant thereto has been concealed or withheld therefrom.

...........................................
DEPONENT

ATTESTED
M.Z Asharf Advocate
Oath Commissioner Lr.

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MASTER GREEN ENERGY ★ LIMITED

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MASTER GREEN ENERGY LIMITED

## 1. Details of the Petitioner

**Name and Address**

Master Green Energy Limited
ADDRESS : 82-C-1, GULBERG III, LAHORE, PAKISTAN
PHONE : +92-42-35758524
FAX : +92-42-35751905

**Representative Of Master Green Energy Limited**

- Mr. Shahzad Malik (*Authorised Representative*)
  Director.
  Master Green Energy Limited



MASTER GREEN ENERGY LIMITED

## 2. GROUNDS FOR MOTION FOR LEAVE FOR REVIEW

2.1 Master Green Energy Limited (**MGEL**), submitted its Intervention Request (the **Intervention Request**) before the National Electrical Power and Regulatory Authority (the **Authority**) in connection with the advertisement dated April 3, 2015 relating to the newly proposed upfront tariff for wind power projects.

2.2 During the public hearing held by the Authority on April 16, 2015 (**Public Hearing**), the Authority permitted MGEL. On June 24, 2015, the Authority determined the new upfront wind tariff (the **Tariff Determination**). The Tariff Determination refers to MGEL as Intervener No. 14.

2.3 Following the Tariff Determination, pursuant to Rule 16(6) of the National Electric Power Regulatory Authority (Tariff Standards And Procedure) Rules, 1998 (the **Tariff Standards and Procedure Rules**), read with the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (the **NEPRA Act**) and the Rules and Regulations made thereunder and the Federal Government's Policy for Development of Renewable Energy For Power Generation 2006 and the Guidelines For Determination of Tariff For Wind Power Generation 2006 (hereinafter collectively the **Guidelines & Policies**) and for the grounds given below, MGEL is filing this Motion for Leave for Review (the **Motion for Leave for Review**), before the Authority within the prescribed time limit (as per the statutory description, within ten (10) days of the service of final determination of the Authority), to object to certain key points stated in the Tariff Determination. Since the deadline for filing this Motion for Leave for Review fell on a weekend (if service is considered as date of the Tariff Determination), we are filing this Motion for Leave for Review on the next succeeding Business Day (i.e. Monday July 6, 2015), which should be considered within the deadline as per the general rule for interpretation under our laws. We ask for the Authority's reconsideration in respect of certain key points (discussed below).

2.4 We take this opportunity to direct the Authority's attention to Regulation 3(2) of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009 (**Review Procedure Regulations**). The said Regulation states that:

> *"any party aggrieved from any order of the Authority and who from the discovery of new and important matter of evidence __or__ on account of some mistake or error apparent on the face of record __or__ from any other sufficient reasons may file a motion seeking review of such order".*

It is arguable that Regulation 3(2) of the Review Procedure Regulations is open to challenge, in that, it restricts operative provision, namely, Rule 16(6) of the Tariff Standards and Procedure Rules, by limiting the grounds for review. Nonetheless, if the Authority considers Regulation 3(2) of the Review Procedure Regulations as acceptable, we respectfully submit that the third ground for review (i.e. "*__any other sufficient reasons__*") is wide enough to provide the basis for this Motion for Leave for Review. Further, by virtue of the amendments made to the Review Procedure Regulations, the following definition of a '*party*' has been included.

> *"'party' means a party to any order or decision of NEPRA or a person who participated in the proceedings for tariff determination as '__intervener__' and it includes a party to the power purchase contract approved by NEPRA."*

Since MGEL participated in the Tariff Determination process as an 'intervener' and MGEL's name is also listed in the list of interveners set out in the Tariff Determination.



MASTER GREEN ENERGY LIMITED

MGEL shall be considered as a necessary party for purposes of the Review Procedure Regulations and hence MGEL is fully empowered by the relevant laws to file the present Motion for Leave for Review against the Tariff Determination. Additionally, it is emphasised that the NEPRA Act allows all stakeholders to participate in the process for determination of a tariff and the Authority is required to consider and give weightage to the comments and inputs provided by all stakeholders while preparing and finalising a Tariff Determination. As such, each of the grounds discussed below should be taken into consideration by the Authority, which grounds were also presented by MGEL and various other interveners during the Public Hearing.

2.5 Each of the grounds for the Motion for Leave for Review have been elaborated upon in Section 3 to Section 10 below and such grounds consist of the following heads:

(i) Benefits: Energy Security at Low-Cost;

(ii) Capacity Factor;

(iii) LIBOR Spread;

(iv) Sinosure Coverage;

(v) Time for Opting Upfront Tariff;

(vi) Construction Period;

(vii) Conditions for Tariff; and

(viii) Withholding Tax on Dividends.

2.6 We request that MGEL be allowed to submit additional evidence and further submissions in relation to this Motion for Leave for Review, if the same are required by the Authority.

2.7 Further, we would be pleased to provide any further information, clarification or explanation that may be required by the Authority during the evaluation process.



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## 3. BENEFITS: ENERGY SECURITY AT LOW-COST

3.1 Energy security has remained a major concern for Pakistan for over two decades with continued increase in reliance on imported fossil fuels as the primary source of energy production. The issue became undeniable when the spike in international crude oil prices from 2008 till mid-2014 made it nearly impossible for Pakistan State Oil (**PSO**) to foot its oil bill – largest portion of which was attributable to oil purchases necessitated by oil requirements of thermal power plants.

3.2 While this was mitigated to a certain extent by an increase in local energy prices (which in turn resulted in a significant increase in local inflation) the burden on the exchequer of the outward flow of funds was felt throughout the economy with the Rupee depreciating against the Dollar – from PKR 60/USD in 2008 to PKR 103/USD (hitting its highest level of PKR 112/USD).

3.3 In the present situation where oil prices have gradually begun increasing, imported coal is being promoted as an alternate to liquid fuels as a primary source for power generation while similar to liquid fuels coal prices are also slowly inching their way back to normal levels, renewable energy projects which promote utilisation of Pakistan's indigenous resources are ideal for a '**bright**' future for Pakistan.

3.4 The decrease in tariff recorded for wind power projects makes a case on its own. Wind power projects promote use of Pakistan's indigenous resources at a price which makes them comparable to large hydropower projects while having minimal implications for the exchequer – applicable only in the case of foreign financer projects and that too restricted to the loan repayment period i.e. first 10 years.

3.5 Minor tweaking of the present upfront tariff announced by the Authority will not only help promote this sector but will also allow the Authority to reduce the overall basket price of the end consumer tariff.

**Therefore, the Authority is requested to kindly consider allowing the requests submitted herewith in the best interest of the nation and enforce investment in the transmission network for evacuation of power generated by this low-cost indigenous source of energy generation.**



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## 4. CAPACITY FACTOR

*(Reference paragraph (i) on pages 44 – 45 of the Tariff Determination)*

4.1 As per the Tariff Determination, the Authority has determined a 35% net annual plant capacity factor for the upfront tariff allowed through the Tariff Determination. A 35% net annual capacity factor (i.e. a 12.9% increase over the previous capacity factor of 31% in the 2013 upfront tariff) appears to be on the higher side and is likely to render existing and future wind power projects opting for the upfront tariff non-bankable. This is because lenders require the project to achieve a probability of exceedence factor (**PF**) of P90 in order for them to finance the project. A PF of P90, for example, implies that the project is expected to achieve the forecasted energy yield (or higher energy yield) at least 90% of the time. Energy yields at P90 levels imply capacity factors in the range of 26% to 30%, depending on various external factors such as historical wind speeds, uncertainties, turbine technology, etc. The capacity factor assumed by NEPRA i.e. 35% appears to have been determined based on a P60/P70 level – which means there is only a 60% or 70% chance that the proposed energy yield will be achieved – on which basis no lender would be willing to finance a project.

4.2 Even the studies conducted in Pakistan in areas with the highest availability of wind estimate maximum capacity at around 35%, which capacity factor is based on expensive and higher efficiency equipment being used in ideal conditions. However, since this is a maximum estimate, it should not be made a benchmark or minimum standard for the purposes of the Tariff Determination. This is because a number of factors come into play while determining the capacity factor for a particular project. For example, the climatic conditions, temperatures, wind density, dust and pollution, etc. all have a bearing on the capacity of a wind power project. Given the high summer temperatures in the range of 45 to 47 Celsius in the Jhimpir region of Sindh, the efficiency of the wind turbines is reduced as even the latest turbines have their efficient running temperatures up to 40 Celsius only. Further, based on the data available, the presently operational wind power projects in Pakistan have also not been able to achieve capacity factors beyond 31% on a sustainable basis.

4.3 While it is admitted that there have been some technological improvements over the past few years resulting in achievement of higher capacity factors, the Authority would no doubt appreciate that on average the efficiencies of wind turbines being used across the world have only increased by about 5% to 7% in the last six to eight years. Therefore, there appears to be no justification for increasing the capacity factor by over 12.9% (i.e. from 31% to 35%) over a span of only two years. Such a move will certainly discourage potential investors from investing in wind power projects in Pakistan and works against the government's commitment to address the energy crisis.

4.4 It is submitted that almost all interveners raised the capacity factor issue in their respective intervention requests and at the time of the Public Hearing and none of them proposed that a capacity factor in excess of 33% should be approved by the Authority. It is respectfully submitted that all such submissions made by various interveners and commentators during the Public Hearing process and otherwise were based on certain empirical grounds, studies conducted or present/past experiences. Moreover, the Alternative Energy Development Board (**AEDB**), through its follow-up comments submitted to the Authority after the Public Hearing, observed that:

> *"In view of AEDB analysis on annual energy yield, research of Global Business Intelligence and International Renewable Energy Agency's report title "Renewable Power Generation Costs in 2014", AEDB is of the view that, the proposed capacity factor of 38% may not be achieved at P90 probability exceedance level for the wind farm sites within the Gharo–Ketibandar wind corridor in Sindh. It is expected that a* ***capacity factor between 31-33%*** *may be achieved at P90 probability exceedance level using the assumptions of technical consultants of Lenders IPPs."*

The above submissions made by the AEDB (along with similar submissions made by the other interveners) are also acknowledged by the Authority in the Tariff Determination.



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As such, it is unclear as to how the Authority has reached the conclusion of setting the net annual capacity factor of 35% as none of the comments submissions of various stakeholders suggested a capacity factor beyond 33%. In this regard it is submitted that the NEPRA Act and the various rules and regulations thereunder require the Authority to solicit comments inputs from the public and stakeholders and to consider such comments and input while issuing a tariff determination. In the present circumstances it appears that the Authority has failed to give the required and due consideration to the comments filed by various interveners and commentators, including the AEDB.

4.5 It is further submitted that even during the process of determination of the previous upfront tariff, the Authority had taken into consideration and gave due weightage to the comments from the various stakeholders (including the AEDB) while arriving at its final determination. In this regard we would like to quote from paragraphs 10 and 11 of the previous upfront tariff determination of 2013 as follows:

> "*10. The Authority has noted that net annual plant capacity factor of 31% was considered in the draft upfront tariff proposal, on the basis of information provided by AEDB regarding average of projected generation on actual wind speeds, for 13 wind power generation companies that had received tariff from the Authority. AEDB had submitted that this information was based on calculations done by RISOE (independent international consultant hired by AEDB)...*"
>
> *11. The Authority has considered the arguments detailed in the preceding paragraph in conjunction with the arguments of the stakeholders and is of the opinion that for making the project risk return profile fair, the draft upfront tariff proposal on this issue needs to be modified. Accordingly the Authority has decided that the upfront tariff will be limited to the extent of net annual energy generation supplied to the power purchaser upto 31% net annual plant capacity factor...*"

It is clear from the above that the Authority gave due consideration and weightage to the comments and observations of the various stakeholders during the process of determining the previous upfront tariff. Moreover, the Authority had considered a net annual capacity factor of 31% to be just and fair for the purposes of the previous upfront tariff. As such, it is unclear as to how an increase in the same rate from 31% to 35% in a span of only two years can be termed as '*just*' and '*fair*', particularly when all stakeholders and commentators have indicated that the rate should be between 31% and 33% and even the technological improvements do not merit the increase proposed by the Authority.

***In view of the above submissions, it is requested that the Authority reconsiders its proposal of a net annual capacity factor of 35% and based on inter alia the above grounds reduces the same to anywhere between 31% and 33%. This would ensure an improvement in the capacity factor of approximately 5% to 7% from the previous upfront tariff and would also attract investors desirous of investing in wind power projects. Moreover, the slabs for higher efficiencies prescribed by the Authority should be maintained as the same also encourage developers to use better quality equipment.***



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## 5. LIBOR SPREAD

*(Reference paragraph (v) on page 49 of the Tariff Determination)*

5.1 As per the Tariff Determination, the Authority has decided to allow, in respect of interest rates relating to projects with foreign financing, a 4.50% spread over 3 months LIBOR. In this regard it is highlighted that while the economic outlook of Pakistan may have improved slightly in the recent past, foreign lenders are still not willing to allow a spread below 5.00% to 5.50%. This is because Pakistan is still faced with various problems, including the issues of circular debt and constant delays in payment cycles of power projects, which problems compel the lenders to demand for a higher spread. It is submitted that even the International Finance Corporation, while providing its comments at the Public Hearing, submitted that a spread of 4.50% over LIBOR is very low and the Authority should at least consider a spread of 5.00% over LIBOR in order to attract foreign financing. The IFC has also stated that no international commercial bank will be willing finance a project at a spread below 5.00% or 5.50% over LIBOR.

5.2 The Authority would appreciate that all projects that were able to achieve financial close under the previous upfront tariff (i.e. only 7 or 8 projects) were either financed by local banks or multilateral agencies and none of them availed financing from international commercial banks. It would no doubt be appreciated that multilaterals have a different risk assessment of a country and are generally willing to finance projects at lowers rates as compared to international commercial banks. However, if the Authority desires to encourage further expansion in the development of wind power in Pakistan, future project developers will have to approach international commercial banks for financing since there is a limit to which multilaterals and local banks will finance further wind power projects in Pakistan. Therefore, the Authority should allow a palatable spread over LIBOR (i.e. of 5.00% to 5.50%) in order to encourage the rapid development of wind power projects.

5.3 It may also be noted that the Eurobond issued by the Government of Pakistan last year carried a coupon rate of 7.25% for a five year maturity and 8.25% for a ten year maturity. Therefore, no international financial institution would be willing to invest in a power project that yields rates of return lower than those offered by the Government of Pakistan in the international bond market – particularly since there are greater risks associated with power projects in Pakistan owing to the circular debt and payment issues.

***In view of the above submissions, it is requested that the Authority reconsiders its proposal of a spread of 4.50% over 3 months LIBOR and allows projects opting for the upfront tariff a spread of at least 5.00% over LIBOR, which is in line with the minimum agreed by international financial institutions in recent projects.***



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## 6. SINOSURE COVERAGE

*(Reference paragraph (v) on page 49 of the Tariff Determination)*

6.1 As per the Tariff Determination, the Authority has not allowed the costs and fees associated with Sinosure and other export credit agencies as part of the project costs or as a pass-through item in the upfront tariff. It may be appreciated that most project developers intend to seek financing from international financial institutions, including Chinese and European financial institutions, operating in countries from which machinery is being sourced, which financing is available as long as the same is secured by their respective export credit agencies. This is because there are a number of risks associated with Pakistan that the international financial institutions consider and seek to protect themselves against such risks before lending money to projects in Pakistan. For example, as standard practice Chinese financial institutions require Sinosure to provide insurance coverage, etc. against all debt provided to projects/companies outside of their home country.

6.2 It is highlighted that the only justification that the Authority has given for not allowing the Sinosure or other export credit agency insurances is that the same was not allowed in the previous upfront tariff and still projects achieved financial close. In response to the Authority's justification it is again stressed that if the government and the Authority desire to rapidly expand the wind power sector in Pakistan, project developers would have to approach international commercial banks (secured through export credit agencies) in order to finance their projects as there is a limit to which local banks and multilaterals would finance further projects. The Authority's justification would only work if the objective is to only set-up a limited number of wind power projects, through only local and multilateral financing – a proposition that would be contrary to the government's objectives and goals to develop the wind power sector.

6.3 In addition, it is submitted that various other upfront tariffs recently issued by the Authority also allow Sinosure coverage and coverage by other international export credit agencies as part of the project costs. In this regard, we would like to quote from various other tariff determinations as follows:

***Upfront Generation Tariff for Solar PV Power Plants dated May 25, 2015:***

"7 *SINOSURE FEE*

*7.1 According to the stakeholders, Sinosure fee is missing in the tariff and needs to be built in the tariff. A number of projects especially large-scale are seeking funding from Chinese financial institutions and a condition for financing these projects is that financial institutions are required to obtain coverage from the China Export Credit & Insurance Corporation (SINOSURE) for specific risks. The premium in such a case is a significant cost which has been recently recognized and allowed by NEPRA in the upfront tariff for coal power projects as a valid project cost. Accordingly it was requested to allow SINOSURE fee premium (where applicable) as a project cost either through classification as a pass-through item or a corresponding adjustment in the upfront tariff.*

*7.2 The Authority has considered the stakeholders request and noted that during the proceedings for determining the upfront tariff, none of the stakeholders raised this issue. Since the stakeholders have now raised this issue and the Authority in coal, LNG and hydro upfront tariffs, has provided the Sinosure fee; therefore on the basis of principle of equity fairness and justice, the provision of Sinosure fee to solar power projects under the upfront tariff is justified. Accordingly, the Authority has decided to allow the Sinosure fee for the solar power projects under the upfront tariff. In case Sinosure fee or export credit agency fee on foreign financing is payable, the benchmark established in the coal upfront tariff will be applicable subject to maximum of 7% and appropriate adjustment in the project cost shall be made at the time of COD."*



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***Upfront Tariff for Small Hydro Power Generation Projects Upto 25 MW Installed Capacity dated April 2, 2015:***

"xiv *Adjustment on account of Sinosure fees*

*For projects having foreign financing from Chinese banks, Sinosure fees will be allowed at actual, not exceeding 7% of the total benchmark or actual Chinese debt, whichever is lower."*

***Upfront Tariff for Coal Power Projects dated June 26, 2014:***

"xiv *Sinosure fee*

*Under the foreign financing originating from Chinese banks, upfront Sinosure fee & 7% on the total debt servicing has been included in the project cost. Project cost will be adjusted at the time of COD on the basis of actual Sinosure fee subject to maximum of 7%."*

In view of the foregoing, it is submitted that based on the principles of **equity**, **fairness** and **justice** (as quoted by the Authority in the tariff determination for solar power projects), the Authority should allow the Sinosure fee and other export credit agency fee in case of foreign financing in the Tariff Determination for wind power projects. It would be completely unjust and unfair if wind power projects are not allowed Sinosure / other export credit agency coverage.

6.4 Moreover, due to the recent launch of the China Pakistan Economic Corridor, a number of local projects would be funded and/or set-up by Chinese companies and financial institutions and there would be a huge influx of Chinese investment into Pakistan, in particular into the power sector. Therefore, it is crucial that as part of the development and implementation of the China Pakistan Economic Corridor, the upfront tariff for wind power projects allows the cost of Sinosure insurance as part of the project costs – as the same would encourage Chinese investment.

***In view of the above, it is requested that the Authority allows the costs and fees associated with Sinosure and other export credit agencies as part of the project costs or as pass-through item in the tariff, which would be in line with the Authority's determinations in respect of other upfront tariffs for solar, coal, hydro and LNG.***



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## 7. TIME FOR OPTING UPFRONT TARIFF

*(Reference paragraph (viii) on pages 49 – 50 of the Tariff Determination)*

7.1 As per the Tariff Determination, the Authority has decided that the present upfront tariff would only be allowed to be opted for by projects within a period of 180 days from the date of the Tariff Determination (i.e. June 24, 2015). It is highlighted that none of the interveners filed any objections with regard to availability of the present upfront tariff which was proposed to be available to projects for a period of one year from its publication. However, the Authority has, without providing any reasonable or justifiable grounds, reduced this time to 180 days.

7.2 It should be appreciated that there are a number of requirements that a project has to fulfil before opting for the upfront tariff, which *inter alia* include a confirmation regarding the availability of the grid and debt mix. It is a known fact that there are issues with the availability of the grid and a number of wind power projects are finding it hard to get an evacuation slot on the grid and it takes considerable time to obtain confirmations in this regard from the relevant authority. Similarly, confirming debt mix (local: foreign) requires obtaining firm commitment from financiers regarding their proportion of financing for funding the project. Since seeking a confirmation regarding availability of the grid and debt mix is a time consuming process beyond the control of a project developer and there are other key requirements that need to be satisfied for opting for the upfront tariff, a time period of 180 days to apply for the present upfront tariff seems too stretched and unreasonable.

***In view of the above submissions, it is requested that the Authority reconsiders its proposal of putting a deadline of 180 days to opt for the present upfront tariff. It is submitted that the said deadline by increased to one year from the date of the final Tariff Determination and that projects opting for such upfront tariff are required to achieve financial close within one year from the date such upfront tariff is approved by the Authority for the respective project. This would allow more projects to opt for the present upfront tariff and achieve financial close.***



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## 8. CONSTRUCTION PERIOD

*(Reference paragraph (ix) on page 50 of the Tariff Determination)*

8.1 As per the Tariff Determination, the Authority has fixed the construction period for all projects (irrespective of their size) to 18 months. In this regard it is submitted that fixing the same construction period for projects of all sizes is unreasonable, discriminatory and discourages project developers from setting-up higher capacity projects. Since a project of 50 MW would get the same construction time as compared to a project of 500 MW, no project developer would be enticed to set-up a project of a higher capacity. This rationale will not only discourage economies of scale but will also be unhelpful in overcoming the escalating energy crisis faced by Pakistan.

***In view of the above submissions, it is requested that the Authority allows different construction periods based on the scale of the project – i.e. longer construction period for larger projects.***



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