

ORIGINAL



PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY

Telephone # : 99202522
99202211/ 2713
Fax : 99202005

General Manager Finance (P)
WAPDA, 713 – Wapda House
Lahore

No.GMF/CPCC/ 4525 / 552

Dated: 20 / 04 / 2016

The Registrar, NEPRA
NEPRA Tower,
Ataturk Avenue (East)
G-5/1, Islamabad

Subject: WAPDA Hydroelectric Bulk Supply Tariff Petition for Revised Supplementary Tariff for Payment of NHP and Arrears to KPK during FY 2015-16

Please refer to this office letter No.GMF/CPCC/528/4525 dated 05-04-2016 vide which Tariff Petition of WAPDA Hydroelectric, for Supplementary Tariff for payment of NHP and arrears to KPK during FY 2015-16, was filed and subsequent informal discussion with Tariff Division, NEPRA.

In this regard, it is informed that Ministry of Water & Power through his letter dated 28-03-2016 has directed WAPDA to take up a loan of Rs.25,000 million for payment of NHP arrears to GoKPK during FY 2015-16 and subsequently build the amount of principal and servicing of loan in the tariff petition for recovery. Moreover, CCI has also approved an installment of Rs.15,000 million on account of NHP arrears for FY 2016-17, payable to GoKPK through tariff.

In view of above a Revised Supplementary Tariff Petition for payment of NHP arrears to Govt. of KPK is attached with the request to determine Supplementary Tariff.

(Anwar ul Haq)

General Manager Finance (P)

REVISED SUPPLEMENTARY TARIFF PETITION FOR PAYMENT OF NHP AND ARREARS TO KPK

NAME OF LICENSEE: PAKISATN

**WATER AND POWER DEVELOPMENT
AUTHORITY**

LICENSE NO. GL (HYDEL) /05 / 2004

**TARIFF PETITION: REVISED SUPPLEMENTARY TARIFF PETITION
FOR PAYMENT OF NHP ARREARS TO KPK**

GROUND FOR PETITION FOR SUPPLEMENTARY TARIFF

1. On 25th February 2016 Government of Pakistan, represented by the Minister for Water & Power and the Government of Khyber Pakhtunkhwa (KPK) represented by the Chief Minister, KPK along-with his team, during a meeting agreed and signed a MoU (**Annexure-I**) on certain issues including un-capping of NHP payable to KPK and settlement of past arrears on this account. This MoU was countersigned by the Federal Minister Finance.
2. The MoU was referred to **CCI**, and **CCI** in its decision during the meeting dated 29th February 2016 (**Annexure-II**) has given concurrence to the MoU and directed WAPDA to file a tariff petition as agreed in the MoU.

AUTHORIZATION & REPRESENTATION

WAPDA Authority through circulation dated 4th April, 2016 (**Annexure-III**) decided to file a supplementary tariff petition in NEPRA to allow payment of NHP and arrears to KPK during FY 2015-16 in addition to the NEPRA determined Bulk Supply Tariff for WAPDA Hydroelectric for FY 2015-16 and duly authorize General Manager Finance (Power) WAPDA to sign and file this petition by the WAPDA Authority. In the said resolution following officers have also been authorized by the WAPDA Authority to submit and sign, individually or jointly, the documents necessary in support of this supplementary tariff petition and to appear before NEPRA and represent WAPDA-Hydroelectric during proceedings of this supplementary tariff petition:

- a. General Manager Finance (Power)
- b. General Manager (Hydel Operation)
- c. DG (Law)

BASIS OF PETITION FOR SUPPLEMENTARY TARIFF

1. WAPDA Hydroelectric on 24th April 2015 filed its Petition in NEPRA for determination of Bulk Supply Tariff for FY 2015-16 which was assumed to be applicable from 1st July 2015.
2. NEPRA determined Bulk Supply Tariff for WAPDA Hydroelectric for FY 2015-16 on 13th November 2015 in which NEPRA allowed Rs.18,704 million against previously allowed Rs.6,000 million as NHP to the KPK province as an interim arrangement. The nature of this component of Revenue Requirement was also changed from fixed to variable and NHP amount of Rs 18,704 million were assessed by applying rate of Rs.1.10/kWh on the projected generation of 17,004 GWh during FY 2015-16 from Hydel power stations situated in KPK. Besides at Para-66 of the determination dated 13th November 2015, NEPRA also directed WAPDA to bring the matter of Net Hydel Profit (NHP) payable to provinces before the **CCI**, through Ministry of Water & Power, to adjust NHP payable in next determination in the light of CCI decision.



REVISED SUPPLEMENTARY TARIFF PETITION FOR PAYMENT OF NHP AND ARREARS TO KPK

NEPRA observed that the NHP payable to provinces is a serious matter of political nature affecting relations between a province and the federation.

3. Being aggrieved on various issues WAPDA Hydroelectric on 20th November 2015, under Section-16 of NEPRA Tariff Standard and Procedure Rules, filed Motion for Leave for Review in NEPRA. NEPRA issued revised determination on 08th January 2016 which was notified by GoP on 7th March 2016 and the revised tariff for FY 2015-16 become effective.
4. Meanwhile, in a meeting chaired by Federal Minister Finance, the CM (KPK) and his team discussed certain issues including un-capping of NHP payable to KPK and settlement of past arrears on this account. On 25th February 2016 Government of Pakistan, represented by the Minister for Water & Power and the Government of Khyber Pakhtunkhwa (KPK) represented by the Chief Minister, KPK agreed and signed a MoU (**Annexure-I**) in this regard, which was countersigned by the Federal Minister Finance. Subsequently, **CCI** in its decision during the meeting dated 29th February 2016 (**Annexure-II**) has given concurrence to the MoU and directed WAPDA to file a tariff petition as agreed in the MoU.
5. Payments of NHP arrears to GoKPK includes:
 - (i) **Current year arrear of NHP on regular tariff:** As per Sub Section (4) of Section (31) of NEPRA Act, determined tariff is applicable after notification by the Federal Government in the official Gazette. The revised Bulk Supply Tariff for FY 2015-16 determined by NEPRA was notified by GoP on 7th March 2016, therefore, WAPDA Hydroelectric could not bill NHP at the revised rates till 6th March 2016. NHP arrears up to 6th March 2016 during FY 2015-16 (current year) works out to Rs.9,298 million.
 - (ii) **Past NHP arrears of Rs.25,000 million payable during current year:** As per the decision of CCI, WAPDA Hydroelectric has to pay the 1st installment of past NHP arrears amounting Rs.25,000 million as agreed in the MoU during FY 2015-16 and WAPDA has to file tariff petition for this purpose. Keeping in view the time lines for the determination, it may not be possible to recover this amount through tariff. Therefore, for payment of NHP arrears, a bank loan is planned @ 7.5% for one year translating into mark-up cost of Rs.1,875 million approximately which may be trued up in the NHP arrears installment of Rs.15,000 million for FY 2017-18.
 - (iii) **Past NHP arrears of Rs.15,000 million payable during FY 2016-17:** CCI has also approved to pay past NHP arrears of Rs.15,000 million during FY 2016-17, for which early tariff has to be determined to ensure recovery through tariff during FY 2016-17.

As such, total amount of NHP arrears comes as Rs.51,173 million, in order to make lesser upfront effect on tariff, whole amount of NHP arrears may be recovered on



REVISED SUPPLEMENTARY TARIFF PETITION FOR PAYMENT OF NHP AND ARREARS TO KPK

NEPRA determined 12 months generation of 17,004 million electricity units from hydel power stations situated in KPK.

6.

Generation from Power Stations in KPK

Sr. No.	Power Station	Installed Capacity	Annual Generation
		MW	GWh (NEPRA Determined)
1	Tarbela	3,478	14,244
2	Warsak	243	1,021
3	Duber Khawar	130	627
4	Allai Khwar	121	595
5	Khan Khwar	72	269
6	Jabban	22	125
7	Dargai	20	100
8	Kuram Garhi	4	19
9	Chitral	1	4
Total		4,091	17,004

7.

Calculation of Arrears of NHP payable to KPK

NHP	Period	Generation	Rate	Amount To be billed	Billed/Paid @ Rs.6,000 Mln p.a.	Recoverable for KPK
	(FY 2015-16)	(GWh)	(Rs/kWh)	(Mln Rs)	(Mln Rs)	(Mln Rs)
1	2	3	4	5 = (3 x 4)	6 = (6000 ÷ 360 x 246)	7 = (5 - 6)
a) Current year's Arrear (Due to late notification)	01 Jul - 06 Mar	12,180	1.10	13,398	4,100	9,298
b) Past years' Arrears for FY 2015-16				25,000	-	25,000
c) Mark-up @ 7.5 % on loan of Rs 25 Bin for FY 2015-16						1,875
d) Past years' Arrears for FY 2016-17						15,000
Total Arrears						51,173

8.

Calculation of Average Rate of NHP Arrears

a) Arrears (Mln Rs)	51,173
b) Generation (Gwh)	17,004
c) Average Rate (Rs/kWh) (a÷b)	<u>3.01</u>

RELIEF SOUGHT

NEPRA is requested to approve the supplementary tariff @ Rs. 3.01 for payment of NHP arrears to GoKPK during one year from date of notification in addition to regular tariff for NHP already determined by NEPRA in Bulk Supply Tariff determination dated 8th January, 2016.


General Manager Finance (P.)
WAPDA WAPDA-House
Lahore

Memorandum of Understanding

Between

**Government of Pakistan and Government of Khyber
Pakhtunkhwa**

A meeting was held today under the Chairmanship of the Finance Minister on pending issues between Government of Pakistan and Government of Khyber Pakhtunkhwa (KPK). The Chief Minister, KPK represented KPK in the meeting along with his team. The list of participants is annexed.

The two governments held deliberations on the pending issues requiring resolution and reached an understanding in this regard.

This Memorandum of Understanding (MOU) has, therefore, been agreed between the Government of Pakistan, represented by the Minister for Water & Power and the Government of Khyber Pakhtunkhwa (KPK), represented by the Chief Minister in order to record decisions mutually agreed in the meeting for implementation by the Government of Pakistan under due process and as per the Rules of Business:

- 1. Net Hydel Profit (NHP):** (a) The uncapped NHP, as determined and transmitted from NEPRA, would be notified immediately by Ministry of Water & Power;
(b) A total amount of Rs.70 billion has been agreed upon on account of arrears of uncapped NHP after reconciliation of



mutual claims in the power sector between the two Governments as full and final settlement; and,
(c) WAPDA, after seeking concurrence of CCI through the Ministry of Water & Power, would file a tariff petition for recovery of the arrears in four installments as follows: (i) Rs.25 billion in current fiscal year and (ii) Rs.15 billion each in the next 3 years;

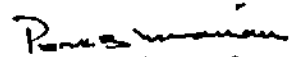
2. **Pehur Hydro Power Project:** The Power Purchase Agreement (PPA) would be signed by CPPA-G latest by 31-3-2016 duly incorporating a mechanism for recovery of outstanding amounts;
3. **Allocation of Gas for Power Generation:** The Government of Pakistan would allocate 100 MMCFD gas to the Government of KPK for use in power generation, either at its own or through partnership with the private sector;
4. **Chashma Right-Bank Lift Irrigation Canal:** The feasibility of the project would be redone by Ministry of Water & Power, Government of KPK in coordination with the Planning & Development Division. The project, when approved, would be financed between Government of Pakistan and Government of KPK in the ratio of 65:35, while the OM and recurring costs of the project would be funded by Government of KPK;
5. **Matters Relating to Workers Welfare Fund (WWF):** The issues of WWF relating to KPK would be attended to and resolved by the Secretary, HRD Government of Pakistan expeditiously.



This MOU, accordingly, is signed on this day, twenty-fifth of February, two thousands and sixteen in Islamabad in the presence of Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization.



**Khawaja Mohammad Asif
Minister for Water & Power**



**Pervez Khattak
Chief Minister, KPK**

In Witness



**Senator Mohammad Ishaq Dar
Minister Finance, Revenue,
Economic Affairs, Statistics,
and Privatization**



Case No.CCI. 1/1/2016 Dated 29.02.2016	Status Review of Important Decisions of the CCI meeting held on March 18, 2015
---	---

ITEM #1(vii): AMENDMENT IN INDUS RIVER SYSTEM AUTHORITY (IRSA)
ACT, 1992

DECISION

Following decisions were made:-

- i) The CCI gave its concurrence to the MoU signed between Government of Pakistan and Government of Khyber Pakhtunkhwa on 25th February 2016 specially directing WAPDA to file a Tariff Petition as agreed in the MoU.
- ii) The Government of Khyber Pakhtunkhwa will present the new PC-I of the "Chashma Right-Bank Lift Irrigation Canal" project with 65% and 35% contribution by the Federal Government and Government of Khyber Pakhtunkhwa respectively. The Government of Khyber Pakhtunkhwa will be responsible for the O&M of this project.
- iii) The Government of the Punjab will submit their claim to Ministry of Water and Power for consideration in the light of said MoU.



Member (Power)
WAPDA
No. 1639
Date. 04-04-16



Annex-III

1543
Diary No. 2364
Date 04/04/2016
Corporate Planning & Control Cell
WAPDA, Wapda House-Lahore

Subject: WAPDA Hydroelectric Bulk Supply Tariff Petition for Supplementary Tariff for Payment of NHP and Arrears to KPK during FY 2015-16

1. WAPDA Hydroelectric on 24th April 2015 filed its Petition in NEPRA for determination of Bulk Supply Tariff for FY 2015-16. NEPRA determined Bulk Supply Tariff for WAPDA Hydroelectric on 13th November 2015 in which NEPRA allowed Rs.18,704 million against previously allowed Rs.6,000 million as NHP to the KPK province as an interim arrangement. The nature of this component of Revenue Requirement was also changed from fixed to variable and NHP amount of Rs 18,704 million was assessed by applying rate of Rs.1.10/kWh on the projected generation of 17,004 GWh from Hydel power stations situated in KPK during FY 2015-16.
2. Through Para-66 of the determination dated 13th November 2015, NEPRA also directed WAPDA to bring the matter of Net Hydel Profit (NHP) payable to provinces before the CCI, through Ministry of Water & Power, to adjust NHP payable in next determination in the light of CCI decision.
3. Being aggrieved on various issues WAPDA Hydroelectric on 20th November 2015, filed Motion for Leave for Review in NEPRA. NEPRA issued revised determination on 08th January 2016 which was notified by GoP on 7th March 2016 and the revised tariff for FY 2015-16 become effective.
4. Meanwhile, in a meeting chaired by Federal Minister Finance, the CM (KPK) and his team discussed certain issues including un-capping of NHP payable to KPK and settlement of past arrears on this account. On 25th February 2016 Government of Pakistan, represented by the Minister for Water & Power and the Government of Khyber Pakhtunkhwa (KPK) represented by the Chief Minister, KPK agreed and signed a MoU in this regard which was countersigned by the Federal Minister Finance. Subsequently, CCI in its decision during the meeting dated 29th February 2016 has given concurrence to the MoU and directed WAPDA to file a tariff petition as agreed in the MoU.
5. As per Sub Section (4) of Section (31) of NEPRA Act, determined tariff is applicable after notification by the Federal Government in the official Gazette. The revised Bulk Supply Tariff for FY 2015-16 determined by NEPRA was notified by GoP on 7th March 2016, therefore, WAPDA Hydroelectric could not bill NHP at the revised rates till 6th March 2016. NHP arrears up to 6th March 2016 during FY 2015-16 (current year) works out to Rs.9,298 million, whereas, Rs.25,000 million past years NHP arrears have been agreed by GoP in the MoU which will be payable to GoKPK in FY2015-16. Therefore, total amount of NHP arrears comes as Rs.34,298 million, which has to be recovered through tariff on the projected generation of Hydel power stations situated in KPK during the remaining period from 7th March 2016 to 30th June 2016 of FY 2015-16.

Average Tariff for NHP arrears

a) Arrears (Min Rs) (To be recovered from 07 Mar- 30 Jun 2016)	34,298
b) Generation (Gwh) 07 Mar - 30 Jun	4,824
c) Average Rate (Rs/kWh) (A+B)	7,109

6. The Authority is therefore requested to please allow GM Finance (Power) WAPDA to file Bulk Supply Tariff Petition for supplementary tariff for payment of NHP and Arrears to KPK during FY 2015-16. The Authority is also requested to authorize GM (Hydel) Operation, DG(Law) and GMF (Power) to submit and sign individually or jointly, the document necessary in support of this Supplementary Tariff Petition and appear before NEPRA and represent WAPDA during the proceedings of this petition.

8. Member (Power)

B. Inamritija

Anwar-ul-Haq
(Anwar-ul-Haq)
GMF(P) / Member Finance
04-04-2016

9. Member (Water)

Qureshi

10. Chairman

MGP
GMF(P)

For further action please

04/04/2016

B. Inamritija



Chairman, WAPDA
Diary No. 2364
Date: 04/04/2016