



**National Electric Power Regulatory Authority**  
Islamic Republic of Pakistan

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Registrar

No. NEPRA/Tariff-71/NPL-2007/1989-1991  
March 22, 2011

Subject: **Decision of the Authority in the matter of Motion for Leave for Review filed by Nishat Power Ltd. against the Authority's Decision at COD Stage Dated October 15, 2010 - Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)**

Dear Sir,

Reference is made to this office letter No. NEPRA/R/TRF-71/NPL-2007/3128-30 dated October 15, 2010 whereby modified decision of the Authority in the matter of Nishat Power Ltd. Tariff Adjustments at Commercial Operation Date was sent. Please find enclosed herewith the decision of the Authority along with Annexes-I & II (12 pages) in the matter of Motion for Leave for Review filed by Nishat Power Ltd. against above referred decision of the Authority in Case No. NEPRA/TRF-71/NPL-2007.

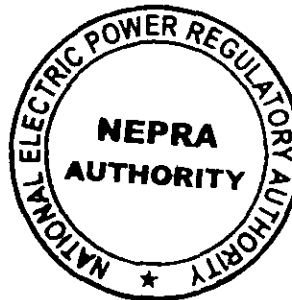
2. The decision is being intimated to the Federal Government for the purpose of notification of adjustment in the approved tariff through the official Gazette pursuant to Section 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998.

3. Please be informed that the Reference Tariff earlier intimated vide para 14 of the Authority's decision dated October 15, 2010, stands revised to the extent as detailed in para 10 of the decision of the Authority on the subject motion along with Annexes-I, & II enclosed herewith. Please note that Order of the Authority at para 10 along with Annex-I & II is required to be notified in the official Gazette.

Enclosure: As above

( Syed Safer Hussain )

Secretary  
Cabinet Division,  
Government of Pakistan  
Cabinet Secretariat  
Islamabad



CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.



**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE  
FOR REVIEW FILED BY NISHAT POWER LIMITED AGAINST THE  
AUTHORITY'S DECISION AT COD STAGE DATED OCTOBER 15, 2010**

1. **Background**

1.1 Nishat Power Limited (hereinafter referred to as the "NPL") vide letter dated October 25, 2010 filed revised motion for leave for review (hereinafter referred to as the "review motion") in pursuance of Rule 16 (6) of the NEPRA Tariff Standards and Procedure Rules, 1998 (hereinafter referred to as the "Tariff Rules") against the modified decision of the Authority dated October 15, 2010 (hereinafter referred to as the "impugned decision") regarding its tariff adjustments at the Commercial Operations Date (COD).

1.2 Subsequent to the filing of review motion, NPL vide letter No. 32-TA/NPL/1210 dated January 06, 2011 requested the Authority to reconsider/withdraw the condition laid down in its impugned decision regarding construction of dyke wall around fuel tanks with concrete as per specifications mentioned in the EPC contract.

2. **Proceedings**

2.1 The review motion was admitted by the Authority on November 04, 2010 and letters were sent to the key stakeholders requiring them to attend the hearing. The hearing in the matter was held on November 24, 2010 at NEPRA, main office, Islamabad. NPL, Private Power and Infrastructure Board (PPIB), National Transmission and Despatch Company Limited (NTDC) and other stakeholders participated in the hearing.

3. **Issues**

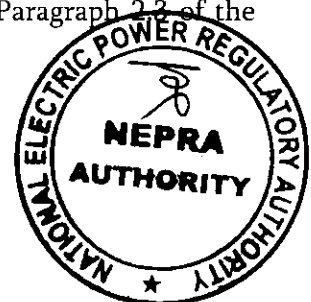
3.1 Based on the review motion and subsequent letter of NPL following issues need to be considered by the Authority:

- a) Piling cost
- b) Insurance cost
- c) Interest during construction
- d) Delay in COD due to Force Majeure
- e) Construction of dyke wall around fuel tanks
- f) Debt equity ratio

3.2 After hearing the parties including stakeholders, the perusal of documents submitted by NPL, and based on the NPL's submissions and comments of the stakeholders, issue wise discussion and decisions are given in the proceeding paragraphs.

4. **Piling cost**

4.1 The Authority in its impugned decision had observed that the piling cost was not subject to adjustment at COD stage and hence the same was not allowed. Paragraph 2.2 of the Authority's impugned decision on this subject reads as follows:



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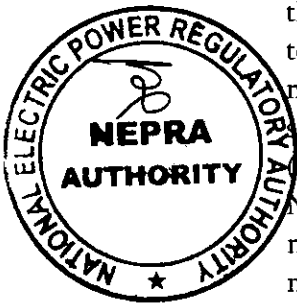
2 "NPL has also requested for allowing piling cost of US \$ 1.244 million actually incurred, which was not claimed in the original petition and accordingly was not considered by the Authority in the determination. The Authority while considering NPL's request to allow this cost, decided that this cost is not subject to adjustment at COD stage. Hence did not allow the same."

4.2 NPL in its review motion has requested the Authority to allow piling cost actually incurred. NPL has stated that the amount of piling cost was not certain at the time of filing of original tariff petition, because at the time of filing the original petition in January 2007, NPL had merely finalized the cost of its land purchase and had not even gained possession of the subject land. The proposal/quotation submitted by Wartsila, NPL's EPC contractor, on which NPL's original tariff petition was based excluded piling cost because it was not possible to arrive at any educated estimate of the same without properly entering upon and examining the subject land. The associated land purchase was completed in August 2007. The EPC contract with Wartsila was signed in December 2007 and Wartsila received the final geotechnical survey report (which would enable pile design) in the same month. Thereafter NPL received pile designs from Wartsila in February 2008. NPL has requested the Authority that its inability to present this cost component to the Authority at the time of original petition should not be allowed to work to NPL's disadvantage as they could not possibly have had any plausible information to present to the Authority in relation to these costs at the time of filing of tariff petition.

4.3 The Authority observed that NPL has failed to establish that allowing/adjustment of piling cost was within the scope of tariff adjustments at COD stage. The Authority while making adjustments at COD stage has a limited scope to remain within the boundaries set by it in the original tariff determination dated March 05, 2007 (original tariff determination) and its decision with respect to motion for leave for review dated April 13, 2007. The original tariff determination was made in accordance with the requests/prayers made in the original tariff petition filed by NPL. The Authority will be going beyond the scope of its own tariff determination if such costs are allowed which were neither claimed in the original tariff petition nor were allowed, nor was any mechanism provided in the original tariff determination that these will be allowed at the time of COD. Hence the Authority did not allow the same at the time of COD adjustments. The Authority while examining this review motion has a further limited scope of scrutinizing the impugned decision in terms of any 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 reason as per sub-regulation (2) of regulation 3 of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009. The Authority finds that the grounds raised by NPL have already been considered by the Authority in the impugned decision and no mistake or error committed by the Authority has been pointed out by NPL in its review motion. The Authority, in view of the above, cannot allow this cost to NPL and hereby maintains its earlier decision on this issue.

5. Insurance cost

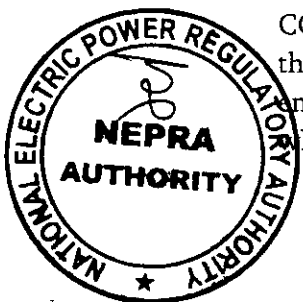
5.1 NPL has submitted that in the original tariff determination, the Authority had allowed insurance @ 1.35% of EPC cost, which was subject to adjustment as per actual at COD with maximum cap of 1.35% of EPC cost. NPL has further submitted that as per the



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- impugned decision, the Authority has calculated this 1.35% cap on the basis of originally allowed EPC cost of US \$ 169.567 million, rather than the adjusted EPC cost of US \$ 181.071 million allowed in the impugned decision. NPL has requested for clarification of para 76 of the original tariff determination and requested that insurance during construction be allowed as 1.35% of the revised EPC cost.
- 5.2 WAPDA Privatization Power Organization (WPPO) of NTDC during the hearing opined that insurance component should be adjusted at COD stage as per the revised EPC cost, however this cost should be restricted to actual cost up to RCOD.
- 5.3 The Authority has found that insurance during construction @ 1.35% of revised EPC cost has already been allowed by the Authority in other cases. Request of NPL is in line with the earlier decisions of the Authority, therefore NPL is allowed insurance during construction @ 1.35% of revised EPC cost which works out to US \$ 2.445 million as against US \$ 2.289 million allowed in the impugned decision.
6. Interest during construction
- 6.1 NPL has submitted that in paragraph 4.5 of the impugned decision, the Authority has allowed Interest During Construction (IDC) of US \$ 26.126 million till the Required Commercial Operations Date (RCOD) of December 31, 2009. NPL has further submitted that NPL had arranged working capital facility for the procurement of furnace oil for testing & commissioning phase. NPL incurred an amount of Rs. 51.899 million (US \$ 0.616 million) under the head of interest on working capital facility. Keeping in view this actual cost NPL has requested the Authority that interest on working capital may be allowed.
- 6.2 WAPDA Privatization Power Organization (WPPO) of NTDC & PPIB did not support this request of NPL. The Authority noted that IDC on working capital finances was not claimed in the original petition by NPL and accordingly was not considered by the Authority in the original determination. It was further noted by the Authority that IDC on working capital finances has not been allowed to any other IPP and working capital finances were not required for building up the project. The Authority hence has decided to maintain its earlier decision on this issue and has decided not to allow IDC on working capital finances.
7. Delay in COD due to Force Majeure
- 7.1 According to the PPA, RCOD of NPL was December 31, 2009; however, NPL commenced commercial operations with effect from June 09, 2010. The Authority in its impugned decision has allowed the construction period of NPL till RCOD as specified in the PPA.
- 7.2 NPL has submitted that like several other IPPs, NPL faced a delay in attainment of its COD by several months due to the occurrence of a continuing Force Majeure situation in the most critical commissioning phase of NPL's power generation facility, and NPL is entitled to appropriate relief in this regard. NPL has further submitted that the matter of whether and the extent to which this relief should be allowed is already pending before



the Government of Pakistan through representations made by several IPPs including NPL. NPL has stated that it adopts and incorporates into this review motion all positions taken on this subject of delay in COD due to Force Majeure by any and all IPPs before the Government of Pakistan and NEPRA because the associated circumstances uniformly apply to all IPPs sanctioned under the 2002 policy, including NPL. NPL has further submitted that it remains entitled to any relief eventually allowed by NEPRA and/or the Government of Pakistan on this subject to any and all other IPPs, comprised of inter alia allowance of IDC and Return on Equity During Construction (ROEDC) in respect of periods falling beyond the RCOD of December 31, 2009.

- 7.3 PPIB during the hearing of review motion pointed out that as per the PPA, circumstances stated by NPL do not qualify to be categorized as Force Majeure. They further submitted that the issue of Force Majeure of NPL is not pending before the PPIB and Government of Pakistan.
- 7.4 The Authority considers that there is no mechanism available in tariff for condoning the delays through adjustment of tariff at COD. Primarily this is a contractual issue between the parties. Since a mechanism has been provided in the PPA to resolve such type of issues, NPL may resort to relevant clauses of PPA. In view thereof, the Authority finds no justification to alter the impugned decision and hereby maintains its earlier decision.

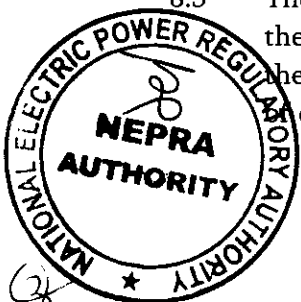
8. Construction of dyke wall around fuel tanks

- 8.1 The Authority in its impugned decision had directed NPL to construct dyke wall around fuel tanks as per the specifications mentioned in the EPC contract. Paragraph 2.4 of the impugned decision on this subject reads as follows:

*"The Authority while considering visit report of its team of professionals to the NPL site, noted that the dyke wall around fuel tanks was constructed of mud instead of concrete as per specifications mentioned in the EPC contract. The Authority hereby directs NPL to construct this wall as per the specifications given in the EPC contract. A compliance report shall be given by NPL within six months of this decision."*

- 8.2 NPL vide letter no. 32-TA/NPL/1210 dated: January 06, 2011 has submitted that it has fully complied with the international standards of storage and provisions of contract and has requested that a meeting between its technical professionals and the Authority's technical professionals be scheduled to discuss the issue in detail. NPL has further submitted that NPL has got license for storage of the oil from chief inspector explosives with the existing wall and no objection was made by that department. NPL has submitted that there is no need to construct the dyke wall again and has requested that condition imposed on NPL in the Authority's impugned decision may be withdrawn.

- 8.3 The Authority observed that this additional ground has been raised by NPL much after the hearing of review motion. Given the fact that review motion is pending decision of the Authority, the request of NPL to withdraw the condition of construction of dyke wall concrete cannot be entertained at this belated stage as none of the stakeholders know





about the instant request of NPL and since the evidence has already been closed, it is not possible for the Authority to seek comments of the stakeholders at this juncture. The Authority further observed that the compliance of a specific statement in the EPC contract, where the entire cost of EPC contract has been allowed to NPL, is obligatory on NPL.

8.4 In view of the grounds detailed above the Authority finds no justification to review/alter its earlier decision.

9. Debt equity ratio

9.1 NPL has submitted that the Authority has allowed debt to equity ratio of 80:20 in its impugned decision, resulting in a loan of PKR 13.864 billion and equity of US\$ 45.773 million. NPL has requested the Authority to reconsider the project cost worked out in paragraph 6.3 of the impugned decision, on the grounds discussed in the preceding paragraphs and allow increase in the project cost, under the head of equity only and debt portion may be kept constant.

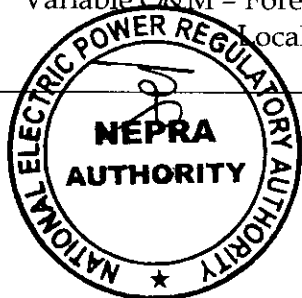
9.2 The Authority considers that the request of NPL is reasonable and hereby accepts the same. Accordingly increase allowed in the insurance cost during construction is being allowed under the head of equity.

10. ORDER

Pursuant to Rule 16 (11) of the NEPRA Tariff Standards & Procedures Rules, 1998 NPL is allowed to charge, on the basis of revised net dependable capacity established on the basis of test jointly carried out by the Central Power Purchasing Agency (CPPA) of the National Transmission and Dispatch Company (NTDC) and NPL at the time of Commercial Operations Date (COD), the following tariff for delivery of electricity to the CPPA of the NTDC for procurement on behalf of Ex-WAPDA distribution companies:

REFERENCE TARIFF

Tariff Components	Year 1 to 10	Year 11 to 25	Indexation
<b>Capacity Charge (PKR/kW/Hour)</b>			
Fixed O&M - Foreign	0.1018	0.1018	US\$/PKR & US CPI
- Local	0.0965	0.0965	WPI
Insurance	0.1220	0.1220	US\$/PKR
Cost of working capital	0.1997	0.1997	KIBOR
Debt service	1.5978	-	KIBOR
Return on equity	0.3436	0.3436	US\$/PKR
Return on equity during Construction	0.0598	0.0598	US\$/PKR
<b>Total Capacity Charge</b>	<b>2.5212</b>	<b>0.9234</b>	
<b>Energy Charge Rs./kWh</b>			
Fuel cost component	9.1200	9.1200	Fuel price
Variable O&M - Foreign	0.5178	0.5178	US\$/PKR & US CPI
- Local	0.1327	0.1327	WPI





Note:

- i) Capacity Charge Rs./kW/hour is applicable to dependable capacity at the delivery point.
- ii) Dispatch criterion will be the Energy Charge.
- iii) The above tariff is applicable for a period of 25 years commencing from the date of the Commercial Operation.
- iv) Component wise tariff is indicated at Annex-I and Debt Service Schedule at Annex-II.

**I) Adjustment in Insurance Component**

Insurance component of reference tariff shall be adjusted as per actual on yearly basis upon production of authentic documentary evidence by NPL according to the following formula:

$$\text{Insurance Component (Revised)} = \text{Rs.0.1220 per kw per hour} / (1.35\% \times \text{US\$ 181.071 million}) \times \text{AP}$$

Where;

AP = Actual Premium subject to maximum of 1.35% of the adjusted EPC

**II) Pass-Through Items**

No provision for income tax has been accounted for in the tariff. If NPL is obligated to pay any tax on its income, the exact amount paid by the company shall be reimbursed by NTDC to NPL on production of original receipts. This payment will be considered as a pass-through (as Rs./kW/hour) hourly payment spread over a 12 months period in addition to the capacity purchase price proposed in the reference tariff. Furthermore, in such a scenario, NPL shall also submit to NTDC details of any tax shield savings and NTDC shall deduct the amount of these savings from its payment to NPL on account of taxation.

Withholding tax is also a pass-through item just like other taxes as indicated in the government guidelines for the determination of tariff for new IPPs. In revised tariff table withholding tax number is indicated as reference and NTDC shall make payment on account of withholding tax at the time of actual payment of dividend subject to maximum of 7.5% of 15% of reference equity i.e. hourly payment (Rs./kW/hour) spread over 12 months.

In case company does not declare a dividend in a particular year or only declares a partial dividend, then the difference in the withholding tax amount (between what is paid in that year and the total entitlement as per the net return on equity) would be carried forward and accumulated so that the company is able to recover the same in hourly payments spread over 12 months period as a pass-through from the power purchaser in future on the basis of the total dividend payout.

**III) Indexations**

The following indexations shall be applicable to reference tariff.

**a) Indexation applicable to O&M**

In future fixed O&M part of capacity charge will be adjusted on account of local inflation (WPI) and variation in US CPI and dollar/rupee exchange rate parity.



Quarterly adjustment for local inflation, foreign inflation and exchange rate variation will be made on 1<sup>st</sup> July, 1<sup>st</sup> October, 1<sup>st</sup> January and 1<sup>st</sup> April based on the latest available information with respect to WPI notified by the Federal Bureau of Statistics, US CPI notified by the US Bureau of Labor Statistics and revised TT & OD selling rate of US dollar notified by the National Bank of Pakistan. The mode of indexation will be as under:

i) **Fixed O&M**

$$F O\&M_{(LREV)} = \text{Rs. } 0.0965 \text{ per kw per hour} * WPI_{(REV)} / 170.15$$

$$F O\&M_{(FREV)} = \text{Rs. } 0.1018 \text{ per kw per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$

Where;

- $F O\&M_{(LREV)}$  = The revised applicable fixed O&M local component of the capacity charge indexed with WPI
- $F O\&M_{(FREV)}$  = The revised applicable fixed O&M foreign component of the capacity charge indexed with US CPI and exchange rate variations
- $WPI_{(REV)}$  = The revised wholesale price index (manufacturers)
- $WPI_{(REF)}$  = 170.15 wholesale price index (manufacturers) of May 2010 notified by the Federal Bureau of Statistics
- $US CPI_{(REV)}$  = The revised US CPI (all urban consumers)
- $US CPI_{(REF)}$  = 218.011 US CPI (all urban consumers) for the month of May 2010 as notified by the US Bureau of Labor Statistics
- $ER_{(REV)}$  = The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan

ii) **Variable O&M**

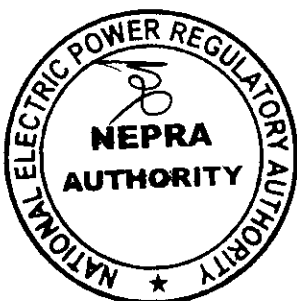
The formula of indexation for variable O & M component will be as under:

$$V O\&M_{(LREV)} = \text{Rs. } 0.1327 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$V O\&M_{(FREV)} = \text{Rs. } 0.5178 \text{ per kW per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$

Where;

- $V O\&M_{(LREV)}$  = The revised applicable variable O&M local component of the energy charge indexed with WPI
- $V O\&M_{(FREV)}$  = The revised applicable variable O&M foreign component of the energy charge indexed with US CPI and exchange rate variation.
- $WPI_{(REV)}$  = The revised wholesale price index (manufacturers)
- $WPI_{(REF)}$  = 170.15 wholesale price index (manufacturers) of May 2010 notified by the Federal Bureau of Statistics
- $US CPI_{(REV)}$  = The revised US CPI (all urban consumers)
- $US CPI_{(REF)}$  = 218.011 US CPI (all urban consumers) for the month of May 2010 as notified by the US Bureau of Labor Statistics
- $ER_{(REV)}$  = The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan



b) **Adjustment for KIBOR variation**

The interest part of fixed charge component will remain unchanged throughout the term except for the quarterly adjustment due to variations in interest rate as a result of variation in 3-months KIBOR according to the following formula:

$$\Delta I_{(L)} = P_{(LREV)} * (KIBOR_{(REV)} - 12.34\%) / 4$$

Where;

$\Delta I_{(L)}$  = The variation in interest charges applicable corresponding to variation in KIBOR.  $\Delta I_{(L)}$  can be positive or negative depending upon whether KIBOR<sub>(REV)</sub> is > or < 12.34%. The interest payment obligation will be enhanced or reduced to the extent of  $\Delta I_{(L)}$  for each quarter under adjustment on quarterly basis.

$P_{(REV)}$  = The outstanding principal (as indicated in the attached debt service schedule to this order) on a quarterly basis on the relevant quarterly calculations date. Period 1 shall commence on the date on which the 1<sup>st</sup> installment is due.

c) **Fuel Price Variation**

The variable charge part of the tariff relating to fuel cost shall be adjusted on account of the fuel price variations. In this regard, the variation in NPL's allowed rate relating to fuel cost shall be revised according to the following formula:

$$FC_{(REV)} = (Rs. 9.1200 \text{ per kwh} * FP_{(REV)}) / Rs. 46,363.97 \text{ per ton}$$

Where;

$FC_{(REV)}$  = Revised fuel cost component of variable charge on RFO

$FP_{(REV)}$  = Revised fuel price

d) **Adjustment in Return on Equity (ROE)**

ROE component of tariff will be adjusted on account of exchange rate variation according to the following formula;

$$ROE_{(REV)} = Rs.0.3436 \text{ per kw per hour} * ER_{(REV)} / ER_{(REF)}$$

Where;

$ROE_{(REV)}$  = The revised ROE component of the capacity purchase price

$ER_{(REV)}$  = The revised TT & OD selling rate of US\$ as notified by the National Bank of Pakistan

$ER_{(REF)}$  = The reference exchange rate of PKR 85.40 = 1 US\$.

e) **Adjustment on Return on Equity during Construction (ROEDC)**

ROEDC component of tariff will be adjusted on account of exchange rate variation according to the following formula;

$$ROEDC_{(REV)} = Rs.0.0598 \text{ per kw per hour} * ER_{(REV)} / ER_{(REF)}$$

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↓ Where;

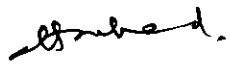
- ROEDC<sub>(Rev)</sub> = The revised ROEDC component of the capacity purchase price  
ER<sub>(Rev)</sub> = The revised TT & OD selling rate of US\$ as notified by the National Bank of Pakistan  
ER<sub>(Ref)</sub> = The reference exchange rate of PKR 85.40= 1 US\$.

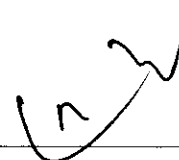
Adjustments on account of local inflation, foreign inflation, exchange rate variation, KIBOR variation and fuel price variation will be approved and announced by the Authority for immediate application in accordance with the requisite indexation mechanism stipulated herein.

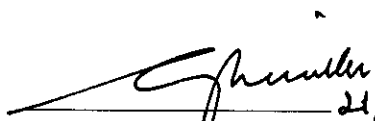
**IV) Terms and Conditions of Tariff:**

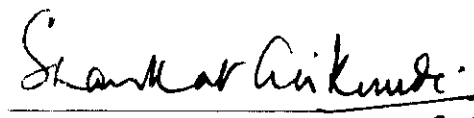
- i) Use of RFO will be considered as primary fuel.
- ii) Dispatch criterion will be based on the energy charge.
- iii) General assumptions of NPL, which are not covered in this and earlier determinations, may be dealt with in the PPA according to its standard terms. ↓

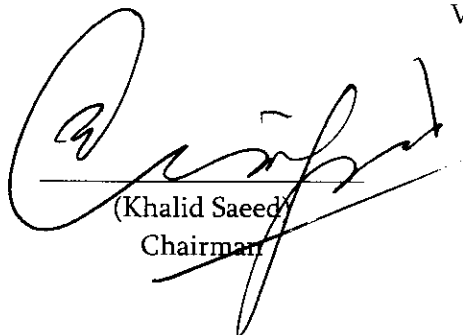
**AUTHORITY**

NSK   
\_\_\_\_\_  
(Zafar Ali Khan)  
Member

  
\_\_\_\_\_  
(Maqbool Ahmad Khawaja)  
Member

  
\_\_\_\_\_  
(Ghiasuddin Ahmed) 21/3  
Member

  
\_\_\_\_\_  
(Shaukat Ali Kundi) 15.03.2011  
Vice Chairman/Member

  
\_\_\_\_\_  
(Khalid Saeed)  
Chairman

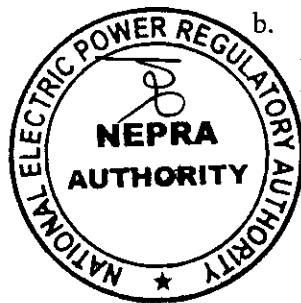


**NOTE OF DISSENT RECORDED BY MR. ZAFAR ALI KHAN, MEMBER NEPRA IN THE  
MATTER OF MOTION FOR LEAVE FOR REVIEW  
FILED BY NISHAT POWER LIMITED AGAINST THE  
AUTHORITY'S DECISION AT COD STAGE DATED OCTOBER 15, 2010  
(Case No. NEPRA/TRF-71/NPL-2007)**

1. Nishat Power Limited (NPL) in its review motion, among other things, has also requested the Authority to allow piling cost actually incurred. NPL has stated that the amount of piling cost was not certain at the time of filing of original tariff petition, because at the time of filing the original petition in January 2007, NPL had merely finalized the cost of its land purchase and had not even gained possession of the subject land. The proposal/quotation submitted by Wartsila, NPL's EPC contractor, on which NPL's original tariff petition was based excluded piling cost because it was not possible to arrive at any educated estimate of the same without properly entering upon and examining the subject land. The associated land purchase was completed in August 2007. The EPC contract with Wartsila was signed in December 2007 and Wartsila received the final geotechnical survey report (which would enable pile design) in the same month. Thereafter NPL received pile designs from Wartsila in February 2008. NPL has requested the Authority that its inability to present this cost component to the Authority at the time of original petition should not be allowed to work to NPL's disadvantage as they could not possibly have had any plausible information to present to the Authority in relation to these costs at the time of filing of tariff petition.
2. The Authority has decided to disallow piling cost and has observed that NPL has failed to establish that allowing/adjustment of piling cost was within the scope of tariff adjustments at COD stage.
3. I am of the opinion that the following details should have been considered while deciding about piling cost:
  - a. Rule 17 (3)(i) of the National Electric Power Regulatory Authority (Tariff Standards & Procedure) Rules, 1998 requires that:
 

“(i) tariffs should allow licensees the recovery of any and all costs prudently incurred to meet the demonstrated needs of their customers -----”

Accordingly the Authority is to allow recovery of all costs prudently incurred. In the case of NPL piling cost was actually incurred and nature of piling cost is such that it was absolutely necessary for setting up the project therefore in my opinion piling cost has been prudently incurred.
  - b. Piling cost was not claimed in the original tariff petition and accordingly was not considered by the Authority in the original tariff determination. However, given the circumstances of the case, NPL could not have assessed the exact quantum of piling cost at the time of filing its original tariff petition, although it could have asked for keeping the piling cost as a reopener. Had NPL requested for keeping piling cost as a reopener in the original tariff petition or it had filed a separate petition for allowing piling cost prior to achieving COD, piling cost would have been allowed by the Authority; as has already been allowed to another IPP by the Authority on a separate tariff petition filed by that IPP subsequent to the original tariff determination.
  - c. Piling cost was not subject to adjustment at COD stage. However, the Authority has in the past, where considered justified, waived requirement of filing a separate tariff petition while deciding merits of the case. Further, sub-regulation (2) of regulation 3 of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009 allows any party to seek review of the Authority's decision for any sufficient reasons.
4. In view of the above mentioned details, I am of the opinion that piling cost, to the extent that it is verifiable, should be allowed and I disagree with the decision of the Authority on this issue.



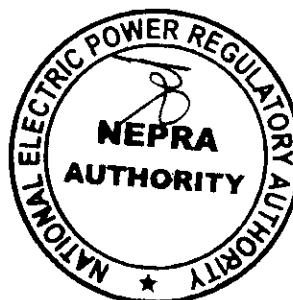
*Zafar Ali Khan*  
Zafar Ali Khan  
Member (Tariff)



**Nishat Power Ltd.**  
**Debt Servicing Schedule**

**Annex-II**

Year	Quarter	Principal Million Rs.	Repayment Million Rs.	Mark-up Million Rs.	Balance Million Rs.	Debt Servicing Million Rs.	Annual Principal Repayment Rs./kW/ hr.	Annual Interest Rs./kW/ hr.	Annual Debt Servicing Rs./kW/ hr.
1	1	13,864.71	151.68	531.71	13,713.04	683.39	0.3755	1.2222	1.5978
	2	13,713.04	157.49	525.90	13,555.55	683.39			
	3	13,555.55	163.53	519.86	13,392.01	683.39			
	4	13,392.01	169.80	513.58	13,222.21	683.39			
2	1	13,222.21	176.32	507.07	13,045.89	683.39	0.4365	1.1612	1.5978
	2	13,045.89	183.08	500.31	12,862.82	683.39			
	3	12,862.82	190.10	493.29	12,672.72	683.39			
	4	12,672.72	197.39	486.00	12,475.33	683.39			
3	1	12,475.33	204.96	478.43	12,270.37	683.39	0.5075	1.0903	1.5978
	2	12,270.37	212.82	470.57	12,057.55	683.39			
	3	12,057.55	220.98	462.41	11,836.57	683.39			
	4	11,836.57	229.46	453.93	11,607.11	683.39			
4	1	11,607.11	238.25	445.13	11,368.86	683.39	0.5899	1.0078	1.5978
	2	11,368.86	247.39	436.00	11,121.47	683.39			
	3	11,121.47	256.88	426.51	10,864.59	683.39			
	4	10,864.59	266.73	416.66	10,597.86	683.39			
5	1	10,597.86	276.96	406.43	10,320.90	683.39	0.6857	0.9120	1.5978
	2	10,320.90	287.58	395.81	10,033.32	683.39			
	3	10,033.32	298.61	384.78	9,734.71	683.39			
	4	9,734.71	310.06	373.33	9,424.65	683.39			
6	1	9,424.65	321.95	361.44	9,102.69	683.39	0.7971	0.8006	1.5978
	2	9,102.69	334.30	349.09	8,768.39	683.39			
	3	8,768.39	347.12	336.27	8,421.27	683.39			
	4	8,421.27	360.43	322.96	8,060.84	683.39			
7	1	8,060.84	374.25	309.13	7,686.59	683.39	0.9266	0.6711	1.5978
	2	7,686.59	388.61	294.78	7,297.98	683.39			
	3	7,297.98	403.51	279.88	6,894.47	683.39			
	4	6,894.47	418.98	264.40	6,475.49	683.39			
8	1	6,475.49	435.05	248.33	6,040.43	683.39	1.0772	0.5206	1.5978
	2	6,040.43	451.74	231.65	5,588.70	683.39			
	3	5,588.70	469.06	214.33	5,119.64	683.39			
	4	5,119.64	487.05	196.34	4,632.59	683.39			
9	1	4,632.59	505.73	177.66	4,126.86	683.39	1.2522	0.3456	1.5978
	2	4,126.86	525.12	158.26	3,601.73	683.39			
	3	3,601.73	545.26	138.13	3,056.47	683.39			
	4	3,056.47	566.17	117.22	2,490.30	683.39			
10	1	2,490.30	587.88	95.50	1,902.42	683.39	1.4556	0.1422	1.5978
	2	1,902.42	610.43	72.96	1,291.99	683.39			
	3	1,291.99	633.84	49.55	658.15	683.39			
	4	658.15	658.15	25.24	(0.00)	683.39			



*Handwritten signature/initials*