



No. CEO/CPPA-G/2019/7517

Office of the  
Chief Executive Officer  
6<sup>th</sup> Floor, Shaheed-e-Millat  
Secretariat  
Blue Area, Islamabad

The Deputy Registrar NEPRA  
NEPRA Tower, Attaturk Avenue  
G-5/1, Islamabad

23<sup>rd</sup> October 2019

**Subject: - Amendments in Commercial Code proposed by Commercial Code Review Panel**

10<sup>th</sup> meeting of the Commercial Code Review Panel (CCRP) was held on 15<sup>th</sup> October 2019 at CPPA-G office, 73 West, Shaheen Plaza, Fazal-ul-Haq Road, Blue Area, Islamabad to consider and finalize the amendments proposed by IPPs, K-Electric and CPPA-G. We are pleased to attach herewith the necessary documents / information as follows;

- I. Copy of notice of the CCRP meeting is attached (Annex-I).
  - II. Minutes of the meeting of Commercial Code Review Panel approving the proposed amendments (Annex-II). The same were posted on the CPPA-G website on 16<sup>th</sup> October 2019.
  - III. The procedure provided in clause 3.4 of the Commercial Code has been duly complied with.
  - IV. Report on amendments proposed in the Commercial Code by CCRP is attached (Annex-III)
2. Authority is requested to consider and approve the proposed amendments in the Commercial Code.

Regards,

(Abid Latif Lodhi)  
Chief Executive Officer



**Annexure-I**

No.CPPA/CS/CCRP/ 2019/

7<sup>th</sup> October 2019

**RE-SCHEDULING OF THE 10<sup>th</sup> MEETING OF THE COMMERCIAL CODE REVIEW  
PANEL (CCRP)**

Notice is hereby given that 10<sup>th</sup> meeting of the Commercial Code Review Panel (CCRP) has been rescheduled and will be held at 11 AM on 15<sup>th</sup> October 2019 at CPPA-G office, 73 West, Shaheen Plaza, Fazal-ul-Haq Road, Blue Area, Islamabad, to consider and finalize the amendments proposed by IPPs, K-Electric and CPPA-G.

2. Proposed amendments are placed on the website of CPPA-G.

(Noman Rafiq)  
Company Secretary

**Distribution:**

- i. Joint Secretary (Power Finance) Power Division, Ministry of Finance
- ii. Chief Executive Officer CPPA-G
- iii. Managing Director NTDCL
- iv. General Manager NPCC
- v. Chief Financial Officer CPPA-G
- vi. Chief Legal Officer CPPA-G
- vii. Chief Legal Officer NTDCL
- viii. Representatives from IPPs each from 2002 and 1994 Policy
- ix. Representatives from GENCOs
- x. Representative from DISCOs
- xi. Representative from K-Electric

NOTICE OF THE 10<sup>th</sup> MEETING OF THE COMMERCIAL CODE REVIEW PANEL (CCRP)

Notice is hereby given that 10<sup>th</sup> meeting of the Commercial Code Review Panel (CCRP) will be held under the Chairmanship of Joint Secretary, Power Division, Ministry of Energy at 11 AM on 10<sup>th</sup> October 2019 at CPPA-G office, 73 West, Shaheen Plaza, Fazal-ul-Haq Road, Blue Area, Islamabad, to consider and finalize the amendments proposed by IPPs, K-Electric and CPPA-G.

2. Proposed amendments are placed on the website of CPPA-G.

(Noman Rafiq)  
Company Secretary

Distribution:

- xii. Joint Secretary (Power Finance) Power Division, Ministry of Finance
- xiii. Chief Executive Officer CPPA-G
- xiv. Managing Director NTDCL
- xv. General Manager NPCC
- xvi. Chief Financial Officer CPPA-G
- xvii. Chief Legal Officer CPPA-G
- xviii. Chief Legal Officer NTDCL
- xix. Representatives from IPPs each from 2002 and 1994 Policy
- xx. Representatives from GENCOs
- xxi. Representative from DISCOs
- xxii. Representative from K-Electric



## Annexure-II

**Subject:- MINUTES OF THE 10<sup>th</sup> MEETING OF COMMERCIAL CODE REVIEW PANEL HELD ON 15<sup>th</sup> October 2019**

10<sup>th</sup> meeting of the Commercial Code Review Panel (CCRP) was held on 15<sup>th</sup> October 2019 at CPPA-G Office, 6<sup>th</sup> Floor, 73-West, Fazal-ul-Haq road, Blue Area, Islamabad under the Chairmanship of Mr. Abid Latif Lodhi, CEO Central Power Purchasing Agency (Guarantee) limited. A list of CCRP members attending the meeting is attached (**Annex-I**). Meeting started with the recitation of Holy Quran. Chairman CCRP welcomed the members of the Commercial Code Review Panel (CCRP).

2. CCRP members were informed that M/s Kohala Hydro Power Company (Pvt.) Limited, M/s Azad Pattan Power (Pvt.) Limited, M/s Punjab Thermal Power (Pvt.) Limited, M/s Master Green Energy Limited, M/s NASDA Green Energy (Pvt.) Limited, M/s Act 2 Wind (Pvt.) Limited, M/s Gul Ahmed Electric Limited, M/s Artistic Wind Power (Pvt.) Limited, M/s Metro Wind Power Limited, M/s Din Energy Limited, M/s Liberty Wind Power 1 (Pvt.) Limited, M/s Liberty Wind Power 2 (Pvt.) Limited, M/s Tricom Wind Power (Pvt.) Limited and M/s K-Electric Limited have proposed certain amendments in the Commercial Code.

3. Commercial Code Review Panel (CCRP) members were informed that the Commercial Code was originally notified in year 2015. Subsequently Two amendments were approved by NEPRA in the Commercial Code on the recommendations of the CCRP as per the procedure mentioned in the Commercial Code. CCRP further proposed Third amendment in the Commercial Code in the definition of the Power Purchase Agreement. NEPRA further made certain amendments in the Commercial Code without the due process as provided in the Commercial Code and the same was attached with the NEPRA determination for the registration of CPPA-G as Market Operator in November 2018. CPPA-G further submitted its review to NEPRA to follow the due process before making amendments in the Commercial Code. Further the Commercial Code amended in November 2018 has also not been notified in the Official Gazette of Pakistan. CCRP members noted that under the present circumstances the Commercial Code, 2015 is clearly the legitimate document however the revised Commercial Code attached with the certificate of registration of CPPA-G issued by NEPRA in November 2018 is also required to be deliberated.

4. CPPA-G has made a comparison of the Commercial Code 2015 and the Commercial Code attached with the certificate of registration of CPPA-G issued by NEPRA in November 2018. CPPA-G has further proposed certain amendments in the Commercial Code for the consideration of the Commercial Code Review Panel. All the aforementioned proposed amendments were circulated through email to the CCRP members and also posted on the CPPA-G website for inputs / comments (if any). In response no comments / inputs were received. Subsequently this meeting of CCRP has been convened to consider and approve these proposed amendments.

6. CCRP thoroughly discussed all the proposed amendments in the Commercial Code and approved the amendments (**Annex-II**) in the Commercial Code with necessary changes.

### Decision

- I. *Commercial Code Review Panel (CCRP) decided that the Commercial Code 2015 is a legitimate document which has been published in the official Gazette of Pakistan however the changes made by NEPRA in the Commercial Code attached with the certificate of registration of CPPA-G issued by NEPRA in November 2018 should be reviewed and necessary amendments should be proposed to NEPRA for approval.***
- II. *Commercial Code Review Panel (CCRP) approved the amendments (with necessary modifications) in the Commercial Code (Annex-II) as proposed by CPPA-G, M/s Kohala Hydro Power Company (Pvt.) Limited, M/s Azad Pattan Power (Pvt.) Limited, M/s Punjab Thermal Power (Pvt.) Limited, M/s Master Green Energy Limited, M/s NASDA Green Energy (Pvt.) Limited, M/s Act 2 Wind (Pvt.) Limited, M/s Gul Ahmed***



*Electric Limited, M/s Artistic Wind Power (Pvt.) Limited, M/s Metro Wind Power Limited, M/s Din Energy Limited, M/s Liberty Wind Power 1 (Pvt.) Limited, M/s Liberty Wind Power 2 (Pvt.) Limited, M/s Tricom Wind Power (Pvt.) Limited and M/s K-Electric Limited.*

**III. CCRP authorized CEO CPPA-G to submit the report to NEPRA for the proposed amendments in the Commercial Code (Annex-II) in terms of rule 5 of NEPRA (Market Operator Registration, Standards and Procedures) Rules, 2015 read with clause 3.4.4 of the Commercial Code.**

7. Meeting ended on a note of thanks to all the participants.

-Sd-

Mr. Abid Latif Lodhi  
Chief Executive Officer CPPA-G

**Annexure-III**

**I. PROPOSED AMENDMENTS**

Sr. No.	Previous Clauses of Commercial Code (CC 2015)	Amended Clauses of Commercial Code (CC 2018)	Changes Proposed by Generation Companies, K-Electric & CPPA-G in CC 2018	CCRP's Approval	Rationale
1	<p><b>Section 1 (Definitions) Clause 8:</b> CPPA-G means a company performing the functions listed in clause 5 of this Commercial Code and authorized by Authority as Market Operator under the Market Rules;</p>	<p><b>Section 1 (Definitions) Clause 8:</b> "CPPA-G" means the Central Power Purchasing Agency (Guaranteed) Limited;</p>	No change required.	Agreed by CCRP	Revised definition of CPPA-G is appropriate
2	<p>The definition of the Date of Registration was not included in the Old Commercial Code</p>	<p><b>Section 1 (Definitions) Clause 10:</b> "Date of Registration" means the date of issuance of the registration under Rule-3 of the Market Rules (it is a new insertion in the Commercial Code)</p>	No change required.	Agreed by CCRP	Amendment is required to identify the date of Registration of CPPA-G
3	<p>Article 1 – Definition of "K-Electric"</p>		<p><u>K-Electric" shall mean K-Electric Limited, a</u></p>	<p>Clause should be amended as under:</p>	<p>Inclusion of the definition is necessary as the Commercial Code</p>

			<p><u>company incorporated under the laws of Pakistan and engaged in the generation, transmission and distribution of electricity, within its licensed territory, under the generation, transmission and distribution licenses issued by NEPRA.”</u></p>	<p>K-Electric” shall mean K-Electric Limited, a company incorporated under the laws of Pakistan and engaged in the generation, transmission and distribution of electricity, within its licensed territory, <del>under</del> <u>the pursuant to the generation, transmission and distribution licenses issued by NEPRA to K-Electric, and K-Electric shall be a market Participant pari pasu to DISCOs to the extent of its commercial transactions conducted through CPPA-G.”</u></p>	<p>will contain several references to K-Electric.</p>
4	<p><b>Section 1 (Definitions) Clause 10a:</b>  “Energy Purchase Agreement (EPA)” means an energy purchase agreement: (a) signed by NTDC with an IPP (to procure power on behalf of Distribution Companies); (b) signed or to be signed</p>	<p><b>Section 1 (Definitions) Clause 27:</b>  "power purchase contract" means an agreement for the procurement or purchase of electric power and shall include <u>Power Purchase Agreements, Energy Purchase</u></p>	<p>Agreed with the changes made by NEPRA.</p> <p>However, PPA referred in any place of the code may be replaced with power purchase contract</p>	<p>Agreed with CPPA-G’s proposal.</p>	<p>PPA is the acronym used for power purchase agreement. As new definition of power purchase contracts has been added by NEPRA which also includes PPAs so this acronym should be replaced with power purchase contract where ever appearing in the code</p>

	<p>by CPPA-G (to procure power on behalf of Distribution Companies) with an IPP or GENCO during the transition period of two years mentioned in Rule-5 of the Market Rules; and (c) any agreement signed or to be signed by CPPA-G in furtherance of any agreement signed by the Islamic Republic of Pakistan and another State</p>	<p><u>Agreements.</u> agreements for import of power and agreements signed by WAPDA with an IPP under or prior to the 1994 Policy, signed by the NTDC(to procure power on behalf of Distribution Companies) with an IPP or signed by the NTDC with a GENCO or WAPDA Hydel;</p>			
5	<p><b>Section 1 (Definitions) Clause 2.6:</b>  "Power Purchase Agreement (PPA)" means the power purchase agreement (a) signed by WAPDA with an IPP under or prior to 1994 Policy; (b) signed by NTDC (to procure power on behalf of Distribution Companies) with an IPP; (c) signed by NTDC with a GENCO and WAPDA Hydel; (d)</p>				



	signed or to be signed by CPPA-G (to procure power on behalf of Distribution Companies) with an IPP or GENCO during the transition period of two years mentioned in Rule-5 of the Market Rules and; (e) any agreement signed or to be signed by CPPA-G in furtherance of any agreement signed by the Islamic Republic of Pakistan and another State;				
6	<p>Clause 14 of Article 1 – Definition</p> <p>"GENCOs" means all electricity generating companies incorporated pursuant to unbundling of WAPDA and licensed to carry out generation functions by Authority;</p>	<p>Clause 15 of Article 1 – Definition</p> <p>"GENCOs" means all electricity generating companies incorporated pursuant to unbundling of WAPDA and licensed to carry out generation functions by Authority;</p>	<p>GENCOs" means all electricity generating companies incorporated pursuant to unbundling of WAPDA and licensed to carry out generation functions by Authority. <u>Provided that for the purposes of this Commercial Code, the terms GENCOs and Generation Company(ies), wherever used, shall not include K-Electric."</u></p>	<p>Clause should be amended as under:</p> <p>GENCOs" means all electricity generating companies incorporated pursuant to unbundling of WAPDA and licensed to carry out generation functions by Authority, <u>excluding K-Electric.</u></p>	<p>Amendment is required to ensure that provisions of the Code applicable to Generation Companies do not apply to K-Electric.</p>
7	<p>Clause 21 of Article 1 – Definition of</p>		<p>Market Participants Representing Demand"</p>	<p>Clause should be amended as under:</p>	<p>Following the second amendment to the Commercial Code, K-Electric</p>

	<p>“Market Participants Representing Demand”</p>		<p>The licensed ten Ex-WAPDA DISCOs which shall share the power pool as per the power pool allocation currently operated by system operator <u>and K-Electric but only to the extent of the capacity agreed in the K-Electric PP&amp;AA</u>”;</p>	<p>Market Participants Representing Demand”</p> <p>The licensed ten Ex-WAPDA DISCOs <u>and K-Electric</u> which shall share the power pool as per the power pool allocation currently operated by system operator. <del>and K Electric but only to the extent of the capacity agreed in the K Electric PP&amp;AA</del>”;</p>	<p>was expressly excluded from the definition of a “Distribution Company”. Since CPPA-G has already taken the policy decision to exclude K-Electric from the definition of a “Distribution Company”, the better approach is to include K-Electric in the definition of Market Participants Representing Demand (MPRD) and not in the definition of a DISCO. This will ensure that the Commercial Code and all provisions of the Code that are applicable to MPRD apply to K-Electric, while ensuring that certain provisions, which are specific to the ten Ex-WAPDA DISCOs do not apply to K-Electric.</p>
8	<p>Clause 28 of Article 1 – Definition of “Power Purchase Agency Agreement (PPAA) “Power Purchase Agency Agreement (PPAA)” means the agreement between CPPA-G and each of the DISCOs, through which, inter alia, the DISCO shall appoint CPPA-G as its agent for the purposes set out therein;</p>	<p>Clause 28 of Article 1 – Definition of “Power Purchase Agency Agreement (PPAA) “Power Purchase Agency Agreement (PPAA)” means the agreement between CPPA-G and each of the DISCOs, through which, inter alia, the DISCO shall appoint CPPA-G as its agent for the purposes set out therein;</p>	<p>Clause 28 of Article 1 – Definition of “Power Purchase Agency Agreement (PPAA) “Power Purchase Agency Agreement (PPAA)” means the agreement between CPPA-G and each of the DISCOs, through which, inter alia, the DISCO shall appoint CPPA-G as its agent for the purposes set out therein;</p>	<p>Clause should be amended as under:</p> <p>Clause 28 of Article 1 – Definition of “Power Purchase Agency Agreement (PPAA) “Power Purchase Agency Agreement (PPAA)” means the agreement between CPPA-G and each of the DISCOs <u>and K-Electric</u>, through which, inter alia, the DISCO <u>or K-Electric</u> shall appoint CPPA-G as</p>	<p>Amendment proposed in the Light of the Comments of K-Electric to do commercial transactions in the Market through CPPA-G</p>

				its agent for the purposes set out therein;	
9	<p><b>Section 2 (Scope and Applicability)</b>  <b>Clause 2.1:</b>  The Commercial Code shall be applicable on the existing market structure, i.e. the single buyer model as well as current practices being carried out by the CPPA of NTDC.</p>	Omitted	<p>Clause 2.1 to be added in CC 2018</p> <p><u>The Commercial Code shall be applicable on the existing market structure, i.e. the single buyer model as well as current practices being carried out by the CPPA-G</u></p>	Agreed with CPPA-G's proposal	<p>It is opined that omitting this clause would exempt power producers which have executed long-term power purchase contracts with CPPA(G) – i.e. in ‘Single Buyer Mode’ – after the Date of Registration from the provisions of the Code, rendering the Code defunct to that extent.</p> <p>Moreover, CPPA-G is neither functioning as CPPA of NTDC nor the Commercial Code issued by Authority in 2018 has the provisions to cover the transactions for Single Buyer Plus Phase</p> <p>On NEPRA's direction, through CPPA-G's registration authorization, a separate code has been prepared to cater for the transactions under Single Buyer Plus arrangement. The 2018 Code is intended to cover the existing market structure and to ensure continuity of treatment for existing long-term contracts</p>
10	<p><b>Section 2 (Scope and Applicability)</b>  <b>Clause 2.2:</b> During this phase, CPPA-G shall act as the sole</p>	Omitted	<p>Clause 2.2 to be added in CC 2018</p> <p><u>During this phase, CPPA-G shall act as the sole agent</u></p>	<p>Clause 2.2 to be added in CC 2018</p> <p>During this phase, CPPA-G shall act as the</p>	By omitting this clause, it would not accurately reflect the existing market structure: i.e. CPPA-G acting as an agent – and not the principal – purchasing power on behalf of the

	<p>agent of Distribution Companies and purchaser of capacity and energy on DISCOs' behalf from the Generation Companies, apart from Small Power Producers or other Generators which have decided to contract bilateral) with the Distribution Companies, and settle the energy and capacity taken by the Distribution Companies. CPPA-G shall be the administrator of PPAs and any International Trading Agreement signed by WAPDA or NTDC with neighboring countries for procurement of power.</p>		<p><u>of Distribution Companies and agent of K-Electric but only to the extent of supply of the capacity agreed in the K-Electric PP&amp;AA purchaser of capacity and energy on DISCOs' behalf of Market Participants Representing Demand from the Generation Companies, apart from small power producers or other generators which have decided to contract bilaterally with the Distribution Companies, Market Participants Representing Demand and settle the energy and capacity taken by the Distribution Companies. Market Participants Representing Demand. CPPA-G shall be the administrator of power purchase contracts.</u></p>	<p>sole agent of <del>Distribution Companies</del> <u>Market Participants representing Demand</u>, and purchaser of capacity and energy on behalf of <u>Market Participants representing Demand</u>, from the Generation Companies, apart from Small Power Producers or other Generators which have decided to contract bilateral) with the <del>Distribution Companies</del> <u>Market Participants representing Demand</u>, and settle the energy and capacity taken by the <del>Distribution Companies</del> <u>Market Participants representing Demand</u>. CPPA-G shall be the administrator of PPAs and any International Trading Agreement signed by WAPDA or NTDC with neighboring countries for procurement of power.</p>	<p>DISCOs. It must be noted that CPPA-G does not purchase power in its own capacity and for its own use. Instead, it purchases power – as an agent – for the DISCOs to be further resold to their respective consumers.</p> <p>The applicability of the Code will be limited to the supply of electricity to K-Electric as per the terms and conditions of the PP&amp;AA. The Code will not apply to or affect K-Electric's other rights and interests. Accordingly, the proposed amendment has been made to reflect the understanding of the parties.</p>
11	<p>Clause 2.2.4 Article-2 NTDC shall provide Transmission Services (with its</p>	<p>Clause 2.1 Article-2 NTDC shall provide "Transmission Services (with its</p>	<p>NTDC shall provide Transmission Services (with its transmission</p>	<p>Clause should be amended as under:</p>	<p>Section-7, 8 &amp; 9 and schedule-3 should be applicable to KE as these sections are proposed for amendment by CPPA-G</p>

<p>transmission assets) and system operation and dispatch services (through the System Operator) to all Market Participants, a use of system charges (UoSC) paid by the demand determined by Authority in NTDC Tariff Determinations. The CPPA-G will collect the UoSC from the Distribution Companies through the transfer price mechanism established by Authority and implemented by CPPA-G in accordance with this Commercial Code, and transfer the payment to NTDC as established in the settlement and payment code and procedures under Chapters 8 and 9 of this Commercial ode.</p>	<p>transmission assets) and system operation and dispatch services (through the System Operator) to all Market Participants, a use of system charges (UoSC) paid by the demand determined by Authority in NTDC Tariff Determinations. The CPPA-G will collect the UoSC from the Distribution Companies through the transfer price mechanism established by Authority and implemented by CPPA-G in accordance with this Commercial Code, and transfer the payment to NTDC as established in the settlement and payment code and procedures under Chapters 8 and 9 of this Commercial Code.</p>	<p>assets) and system operation and dispatch services (through the System Operator) to all Market Participants, a use of system charges (UoSC) paid by the demand determined by Authority in NTDC Tariff Determinations. The CPPA-G will collect the UoSC from the <del>Distribution Companies</del> <u>Market Participants Representing Demand</u> through the transfer price mechanism established by Authority and implemented by CPPA-G in accordance with this Commercial Code, and transfer the payment to NTDC as established in the settlement and payment code and procedures under Chapters 8 and 9 of this Commercial Code. <u>Provided that nothing contained in Chapters 7, 8 and 9 and Annexure 3 of the Commercial Code shall apply to K-Electric and billing and settlement as well as meter reading and data collection shall be</u></p>	<p>NTDC shall provide Transmission Services (with its transmission assets) and system operation and dispatch services (through the System Operator) to all Market Participants, a use of system charges (UoSC) paid by the demand determined by Authority in NTDC Tariff Determinations. The CPPA-G will collect the UoSC from the <del>Distribution Companies</del> <u>Market Participants Representing Demand</u> through the transfer price mechanism established by Authority and implemented by CPPA-G in accordance with this Commercial Code, and transfer the payment to NTDC as established in the settlement and payment code and procedures under Chapters 8 and 9 of this Commercial Code; <del>Provided that nothing contained in Chapters 9 and Annexure 3 of the Commercial Code shall apply to K Electric</del></p>	
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			carried out by CPPA-G as per the terms of the K-Electric PP&AA.	<del>as per the terms of the K-Electric PP&amp;AA.</del>	
12	<p><b>Section 2 (Scope and Applicability)</b>  <b>Clause 2.3:</b> During this phase, the Market Participants shall consist of the following:</p> <p>a. Representing Demand: The licensed ten Ex-WAPDA DISCOs which shall share the power pool as per the power pool allocation currently operated by system operator;</p> <p>b. Representing Offer: Licensed Generation Companies; with a PPA signed by, assigned or administered by CPPA-G; and</p> <p>c. NTDC as a Transmission Licensee, including the System Operator function.</p>	Omitted	<p>Clause 2.3 to be added in CC 2018</p> <p><u>During this phase, the Market Participants shall consist of the following:</u></p> <p><u>a. Representing Demand: The licensed ten Ex-WAPDA DISCOs which shall share the power pool as per the power pool allocation currently operated by system operator and K-Electric but only to the extent of supply of the capacity agreed in the K-Electric PP&amp;AA.</u></p> <p><u>b. Representing Offer: Licensed Generation Companies; with a PPA signed by, assigned or administered by CPPA-G; and</u></p> <p><u>c. NTDC as a Transmission Licensee, including the System Operator function.</u></p>	<p>Clause should be amended as under:</p> <p>During this phase, the Market Participants shall consist of the following:</p> <p>a. Representing Demand: The licensed ten Ex-WAPDA DISCOs and K-Electric which shall share the power pool as per the power pool allocation currently operated by system operator and K-Electric but only to the extent of supply of the capacity agreed in the K-Electric PP&amp;AA.</p> <p>b. Representing Offer: Licensed Generation Companies; with a PPA signed by, assigned or administered by CPPA-G; and</p> <p>c. NTDC as a Transmission Licensee, including the System Operator function.</p>	<p>The clause explains the Market Participants operating in the current market – i.e. in ‘Single Buyer Mode’ – and so should be retained in CC 2018.</p> <p>The applicability of the Code will be limited to the supply of electricity to K-Electric as per the terms and conditions of the PP&amp;AA. The Code will not apply to or affect K-Electric’s other rights and interests. Accordingly, the proposed amendment has been made to reflect the understanding of the parties.</p>

13	<p><b>Section 2 (Scope and Applicability)</b>  <b>Clause 2.4:</b> NTDC shall provide Transmission Services (with its transmission assets) and system operation and dispatch services...</p>	<p>Clause 2.4 of previous Commercial Code becomes <b>Clause 2.1 of Section 2 (Scope and Applicability)</b> of amended Commercial Code</p>	<p>Clause 2.1 of CC 2018 will be re-numbered as 2.4</p>	<p>CCRP Agreed with CPPA-G's proposal</p>	<p>This is simply a change in clause no.</p>
14	<p><b>Section 2 (Scope and Applicability)</b>  <b>Clause 2.5:</b>  <u>This Commercial Code is applicable to all market participants;</u>  <u>provided, however, that nothing herein shall apply, or be deemed to apply, or be construed or interpreted in a manner which extinguishes, reduces, derogates from, is in consistent or at variance with or otherwise adversely affect, any rights, liabilities and terms set forth in any Implementation Agreement, Power Purchase Agreement, Energy Purchase</u></p>	<p>Clause 2.5 of previous Commercial Code becomes <b>Clause 2.2 of Section 2 (Scope and Applicability)</b> of amended Commercial Code with some changes as underlined:   Nothing herein shall apply, or be deemed to apply, or be construed or interpreted in a manner which extinguishes, reduces, derogates from, is inconsistent or at variance with, or otherwise adversely affects, any rights, liabilities and terms set forth in any</p>	<p><b>Clause 2.2 of Section 2 (Scope and Applicability)</b> of amended Commercial Code 2018 to be re-numbered as Clause 2.5   Nothing herein shall <del>apply, or be deemed to apply, or</del> be construed or interpreted in a manner which extinguishes, reduces, derogates from, is inconsistent or at variance with, or otherwise adversely affects, any rights, liabilities and terms set forth in any Implementation Agreement, power purchase contract, or in any license of any licensee, <u>executed or granted upto the start of Competitive Market Operation as per Schedule-I of the Market Rules</u></p>	<p>Clause should be amended as under:   Nothing herein shall be construed or interpreted in a manner which extinguishes, reduces, derogates from, is inconsistent or at variance with, or otherwise adversely affects, any rights, liabilities and terms set forth in any Implementation Agreement, power purchase contract, or in any license of any licensee, <u>executed or granted upto 1<sup>st</sup> July 2020 or any other later date for the commencement of</u></p>	<p>This amendment is consistent with the Schedule-I of the Market Rules, 2015. Also In view of the submissions made by various IPP's like Azad Pattan, Master Green Energy, Punjab Thermal Power, Liberty Wind Power 1, Artistic Wind Energy, Din Energy, Gul Ahmed Electric, Act2 Wind, NASDA Green Energy, Liberty Wind Power 2 and Metro Wind Power.   This clause should be further be amended as below:</p>

	<u>Agreement</u> or in any license of any licensee	Implementation Agreement, power purchase contract, or in any license of any licensee, <u>executed or granted prior to the Date of Registration</u>		<u>Competitive Market Operation as such date is confirmed by NEPRA from time to time</u>	
15	<b>Section 3 (General Conditions) Clause 3.1.1(ii):</b> To promote and enable the development of competitive power markets in accordance with schedule I of the Market Rules.	Omitted	Agreed with the change	CCRP Agreed with the change made by NEPRA.	Amendment was required as this is already covered under the Market Operators Rules
16	<b>Section 3 (General Conditions) Clause 3.3.3:</b> Unless contrary indication appears herein, any reference to “Power Purchase Agreement or PPA” shall include a reference to “Energy Purchase Agreement or EPA”	Omitted	Agreed with the Change	CCRP Agreed with the change made by NEPRA.	Amendment was required as the definitions of Power Purchase Contracts includes both EPA and PPA
17	<b>Section 4 (Market Participation &amp; Termination) Clause 4.1.1 (ii):</b> is an authorized company from	<b>Section 4 (Market Participation &amp; Termination) Clause 4.1.1 (ii):</b> is an authorized company from	<b>Clause 4.1.1</b> (ii) is an authorized company from another country that participates in regional / international power	CCRP Agreed with the CPPA-G’s proposed	It appears that the changes made to this clause in CC 2018 are typographical. It is opined that a ‘slash’ [i.e. “ / ”] may be placed between the words “regional” and “international”. Further, it appears



	another country that participates in regional / international power trade through a contract with or novated to or administered by <u>CPPA-G</u> and	another country that participates in regional international power trade through a contract with or novated to or administered by and	trade through a contract with or novated to or administered by <u>CPPA-G</u> ; and		that the word “ <u>CPPA-G</u> ” is missing after the phrase “novated to or administered by”.
18	<b>Section 4 (Market Participation &amp; Termination) Clause 4.1.1 (iii):</b> has a Commercial Metering System at each Common Delivery Point, as established in the Grid Code and defined in relevant clauses of the Power Purchase Agreement and this Commercial Code.	<b>Section 4 (Market Participation &amp; Termination) Clause 4.1.1 (iii):</b> has a Commercial Metering System at each Common Delivery Point, as established in the Grid Code and defined in relevant clauses of the concerned <u>power purchase contract</u> and this Commercial Code	Agreed with the Change	CCRP Agreed with the change made by NEPRA.	Amendment was required as the definitions of Power Purchase Contracts includes both EPA and PPA
19	a) Clauses 4.1.5 and 4.3.2 of Chapter 4 (b) Clauses 6.1.2 and 6.1.4 of Chapter 6 (c) Clauses 11.1.1 and 11.1.4 of Chapter 11; and (d) Clause 12.1(iii) of Chapter 12.	a) Clauses 4.1.5, 4.3.1 and 4.3.2 of Chapter 4 (b) Clauses 6.1.2 and 6.1.4 of Chapter 6 (c) Clauses 11.1.1 and 11.1.4 of Chapter 11; and (d) Clause 12.1(iii) of Chapter 12.	All references to “DISCO”, “DISCOs”, “Distribution Company” or “Distribution Companies” in the Clauses mentioned in the first column of this row shall mutatis mutandis be replaced with references to “Market Participants Representing Demand”.	CCRP Agreed with K-Electric’s proposed amendments	These amendments have been proposed to ensure that provisions mentioned in column 1 of this row apply to K-Electric.

20	<p><b>Section 5 (CPPA-G Functions) Clause 5.1.1:</b>  CPPA-G is responsible for the administration, maintenance and implementation of the Commercial Code, supervision of compliance by Market Participants and performing such functions as provided in Schedule II of the Market Rules.</p>	<p><b>Section (CPPA-G Functions) Clause 5.1.1:</b>  CPPA-G is responsible for the administration, maintenance and implementation of the Commercial Code, supervision of compliance by Market Participants and performance of such functions as provided for in Schedule II of the Market Rules and <u>the registration granted under Rule 3 of the Market Rules.</u></p>	<p>Agreed with the changes subject to the review motion against the certificate of registration filed by CPPA-G to NEPRA</p>	<p>CCRP Agreed with CPPA-G's proposed amendment subject to the review motion against the certificate of registration filed by CPPA-G to NEPRA</p>	<p>Change agreed subject to the review motion against the certificate of registration filed by CPPA-G to NEPRA</p>
21	<p><b>Section 6 (Commercial Transactions) Clause 6.1.1:</b>  The invoices for energy and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G, <u>pursuant to the terms reflected in the Power Purchase Agreements</u></p>	<p><b>Section 6 (Commercial Transactions) Clause 6.1.1:</b>  The invoices for energy and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G.</p>	<p><b>Section 6 (Commercial Transactions) Clause 6.1.1:</b>  The invoices for energy and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G, <u>pursuant to the terms reflected in the power purchase contracts</u></p>	<p>CCRP Agreed with CPPA-G's proposed amendment</p>	<p>The code does not prescribe the specifics of invoice generation and settlement etc. therefore, reliance in this regard is placed on the provisions of the power purchase contracts</p>

22	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.1.1:</b>        8.1.1. Initially, CPPA-G shall follow the same procedures for settlement and billing, <u>as stated below followed by CPPA of NTDC, for a transition period not longer than two years.</u> At end of that period new procedures described in clauses 8.2 to 8.8 shall come into effect. <u>The initial procedures are described in 8.1, and 8.8.3 to 8.8.6 will also apply.</u></p>	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.1.1:</b>        The CPPA-G shall follow the procedures for settlement and billing <u>provided under this clause 8.1 till three months after the Date of Registration,</u> after which the procedures prescribed in clauses 8.2 to 8.8 shall be followed.</p>	<p><b><u>Section 8 Settlement and Billing of CC 2018 to be completely replaced with the new Section-8 annexed herewith (Annexure-A)</u></b></p>	<p>CCRP Agreed with CPPA-G's proposed amendment</p>	<p>The aforesaid reasons are described here under:</p> <ol style="list-style-type: none"> <li>1) Neither have the DISCOs opened their corresponding Escrow Accounts, nor has the Authority issued any instructions to this effect to the DISCOs.</li> <li>2) The 2018 Code lacks a mechanism for defining how distribution companies will deposit the required differential amount(s) in to the Escrow Accounts if the funds remaining in such accounts are found to be insufficient before or after the payment due date.</li> <li>3) There is presently a policy of load shedding conducted on the basis of collections and losses of the concerned feeders which defines how the allocation of electric power to the corresponding distribution company may be reduced temporarily if the said distribution company is unable to address insufficient funds in its Escrow Account by the payment due date. Specifically, the credit cover – i.e. the</li> </ol>
23	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.1.2:</b>        CPPA G will use the same nature of banks as CPPA of NTDC <u>currently operating, till such time as opening of Escrow Accounts as per the new settlement and billing procedures will apply as established in 8.1.1.</u></p>	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.1.2:</b>        The CPPA-G will use the same nature of banks as used by the CPPA of NTDC <u>till the Date of Registration or till Distribution Companies have established Escrow Accounts as per clauses 8.2 to 8.8</u></p>			

		<u>herein, whichever is earlier.</u>			sovereign guarantee – has a limit; thus, this point requires further deliberation. Further, this reduction in electricity supplied may be considered only when this credit cover is exhausted.
24	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.2.1:</b> During the transition period defined in 8.1.1, the CPPA G will draft the settlement commercial Standard Operating Procedures corresponding to 8.2 and when approved after consultation, shall be published on the CPPA-G website. The new settlement and billing procedures shall be as follows:</p>	<p><b>Section 8 (Settlement &amp; Billing) Clause 8.2.1:</b> The CPPA-G shall draft commercial Standard Operating Procedures for settlement and billing, corresponding to this clause 8.2, and approve the same after consultation, within 3 months from the Date of Registration. The Standard Operating Procedures shall incorporate the following:</p>			
25	<p><b>Section 9 (Payment System) Clause 9.1.1:</b> The Settlement and Payment procedures to be initially followed by CPPA-G shall be based on the procedures currently being followed at CPPA of NTDC, as detailed in Annexure 3. for a transition</p>	<p><b>Section 9 (Payment System) Clause 9.1.1:</b> The CPPA-G shall follow the procedures for settlement and payment provided under Annexure 3 till three months after the Date of Registration, after which the</p>	<p><b>Section 9 (Payment System) Clause 9.1.1:</b> The CPPA-G shall follow the procedures for settlement and payment provided under (Annexure -3) <del>till three months after the Date of Registration, after which the procedures prescribed in clauses 9.2 to 9.4 shall be followed.</del>, <u>till approval of the new</u></p>	CCRP Agreed with CPPA-G's proposed amendment	Payment to the power producers against the procurement of electricity has never been made up by the DISCOs, without the support of the Government of Pakistan by way of equity injection or swaps of the energy payables through commercial lending from banks, due to inadequate recoveries / remittances by the DISCOs ultimately contributing to the circular debt.

	period as defined in 8.1.1.	procedures prescribed in clauses 9.2 to 9.4 shall be followed.	<u>Framework for Allocation of Funds to Power Generation Companies &amp; Others prescribed in Clause 9.2</u>		Further, with the increased / excess capacity available in the system, the merit order being followed for the economy of the electricity generation, and in light of the inadequate recoveries / remittances from the DISCOs, it becomes necessary to – at the very least – provide a financial space for the power producers generating electricity at the lowest cost. Additionally, the power producers also require discharging their debt service liabilities as when these become due. This becomes more critical for new generating plants where the amounts involved are significant.
26			<u>Existing Clauses 9.2, 9.3, 9.4 &amp; 9.6 of Section 9 of CC 2018 to be deleted.</u>  <u>New Clause 9.2. FRAMEWORK FOR ALLOCATION OF FUNDS TO POWER GENERATION COMPANIES &amp; OTHERS as prescribed in Annexure-B, to be added</u>		
27			<u>Clause 9.5 (ACCOUNTING PROCEDURES) to be re-numbered as Clause 9.3</u>  <u>Clause 9.7 (Record Maintenance) to be re-numbered as Clause 9.4</u>  <u>ANNEXURE 3 of the code to be deleted.</u>  <u>ANNEXURE 4 to be re-numbered as ANNEXURE</u>	CCRP Agreed with CPPA-G's proposed amendment	Just a change in Clause No.

			<u>3, where ever appear or referred in the Commercial Code.</u>		
28		<b>Section 12 (Data Sharing and Communication)</b>	<u>Section 12 of CC 2018 to be completely replaced with the new Section-12 annexed herewith (Annexure-C)</u>	CCRP Agreed with CPPA-G's proposed amendment	<p>CPPA has recently implemented the ERP system and established the CPPA Data Exchange Portal ("CDXP") to automate its existing processes to facilitate market participants. These initiatives are necessary for the IT enablement of the organization, as well as to ensure efficiency and transparency in market operations.</p> <p>After the launch of CDXP, all IPPs have begun submitting their invoices electronically.</p> <p>In view of these developments, it is imperative to reflect such changes (e.g. electronic invoice submissions and the electronic dissemination of important information) in the Commercial Code. Section-12 (Data Sharing and Communication) deals with such matters, and it is proposed that the existing Section 12 be replaced completely with a new Section attached at (Annexure-C).</p>

## **8. SETTLEMENT & BILLING**

### **8.1 RECEPTION OF GENERATION INVOICES**

- 8.1.1 Generation Companies shall submit invoices for the Energy and Capacity sold or for any other item provided under their respective power purchase contracts, according to the provisions of their corresponding power purchase contracts including, at least, the information mentioned in Chapter 12.
- 8.1.2 The periodicity, submission and due dates of the invoices submitted pursuant to clause 8.1.1 above shall be determined in accordance with the provisions of the corresponding power purchase contracts. The invoices shall be uploaded by the Generation Companies into the CPPA-G ERP Portal and shall also be as well as submitted in hard form to the designated offices of CPPA-G.
- 8.1.3 The invoices received on or before fifth (5<sup>th</sup>) working day of a month and corresponding to the market transactions carried out during the previous month shall be used for settlement purposes. Any invoices received after the fifth (5<sup>th</sup>) working day shall be considered for settlement purpose in the subsequent month.

### **8.2 GENERATION INVOICES VERIFICATION**

- 8.2.1 CPPA-G shall verify the submitted invoices for their completeness and adequacy. This verification process shall, *inter alia*, include the following checks:
- a) Capacity and Capacity Purchase Price
    - i. Available Capacity shall be based on the Annual Capacity Tests, conducted by CPPA-G according to the provisions of the corresponding power purchase contracts.
    - ii. Declared Available Capacity (MW) for the corresponding month, or any other period relevant for the invoice, shall be in accordance with the procedures stated in the Grid Code or the relevant power purchase contracts, as applicable.
    - iii. The applicable capacity tariffs shall be those determined by NEPRA or calculated in accordance with the provisions of the relevant power purchase contracts.
    - iv. Any Correction Factor and/or Indexation Factor that needs to be applied shall be calculated and applied in accordance with the corresponding determination of the Authority or the provisions of the corresponding power purchase contracts, as applicable.
  - b) Energy and Energy Purchased Price

- i. The Energy effectively delivered shall be consistent with the monthly or other periodic meter reading submitted by NTDC to the Market Operator. Until the moment NTDC has a Commercial Metering System, capable of retrieving hourly values from all meters installed at the CDP and electronically submit these values to the Market Operator, a physical meter reading shall be taken by the Metering Committees.
  - ii. Energy Tariffs shall be those determined by the Authority or calculated in accordance with the provisions of the relevant power purchase contracts, as applicable.
  - iii. Any Correction Factor and/or Indexation Factor, if required to be applied, shall be calculated and applied in accordance with the Authority's determination or the provisions of the corresponding power purchase contracts, as applicable. In case the power purchase contract provides adjustments or corrections linked to meteorological conditions, the CPPA-G shall ensure that the appropriate methodologies are applied for the measurement and recording of the plant site temperature, atmospheric pressure, wind speed, solar irradiation, hydrology data or other meteorological conditions required for the verification of the invoices.
- c) Supplemental Charges (Pass-Through Items)
- i. Where the invoice issued by the Generation Company, as per the corresponding power purchase contract, contains any supplemental charges (e.g. pass-through items), such invoice shall only be processed after the submission of the original cash payment receipts justifying the incurrence of such cost.
  - ii. As a general rule, any additional (e.g. pass-through) charge, as per the corresponding power purchase contract, shall only be processed after the incurrence of such cost by the Generation Company. The incurrence of such cost shall be proved by the submission of original payment receipts along with the invoice therefor.
  - iii. In exceptional circumstances supplemental charges (e.g. pass-through) can be processed before the Generation Company incurs such costs, if such costs are allowed and determined by NEPRA. The Generation Company shall provide a complete detail of the costs incurred, including original cash receipts within five (5) days of such disbursement. The CPPA-G shall submit a statement to NEPRA showing all such verifications, disbursements and adjustments on a monthly basis.
  - iv. Wherever practically possible, the payment for a pass-through item shall be made on the basis of the tariff/ amount determined by the Authority.
  - v. In case of a difference or dispute between CPPA-G and Generation Companies regarding the admissibility of any pass-through invoice the matter shall be referred to the Authority for resolution.



### **8.3 DISPUTED AND UNDISPUTED AMOUNTS**

- 8.3.1 In case the verification procedure determines the adequacy of the invoice received from the Generation Companies, the corresponding values included in the invoice shall be labelled as “undisputed amounts” and shall be relied upon as such in the invoice settlement process.
- 8.3.2 In case CPPA-G considers that, as a result of the verification procedure, the invoice received is incorrect or inadequate in some way, CPPA-G shall:
- a) Inform the corresponding Generation Company about the deficiencies detected, with the required explanations if it proceeds, requiring the Generation Company to submit the required document(s) or issue a revised / corrected invoice;
  - b) Re-calculate the invoice amount or amounts in accordance with CPPA-G’s interpretation of the provisions of the corresponding power purchase contract, labelling these amounts as “undisputed amounts”;
  - c) Label the differences between the original invoice amounts and the undisputed amounts as “disputed amounts”.
- 8.3.3 In case the Generation Company considers that the observations and/or corrections made by the CPPA-G are appropriate, it shall submit a revised and corrected invoice within five (5) working days after the reception of the CPPA-G observations.
- 8.3.4 In the case the Generation Company does not agree with the observation and/or corrections made by CPPA-G, it shall: notify CPPA-G about such disagreement, reaffirming the amounts included in the original invoice and attaching all explanations, evidences and/or interpretations of its power purchase contract as it considers appropriate, in accordance with the provisions of its power purchase contract.
- 8.3.5 In case Generation Company only partially agrees with the observations made by CPPA-G, it shall notify CPPA-G to the extent of disagreed amount about such disagreement, reaffirming the amounts included in the original invoice and attaching all explanations, evidences and/or interpretations of the power purchase contract relating to the disagreed amount as it considers appropriate, in accordance with the provisions of its power purchase contract.
- 8.3.6 CPPA-G shall review the submissions made by the Generation Company relating to an amount in disagreement and:
- a) If it considers the submissions made by the Generation Company on the amount in disagreement acceptable, accept the same. In such a case CPPA-G shall correct the undisputed and disputed amounts, as applicable; or

- b) If it considers the submissions made by the Generation Company on the amount in disagreement unsatisfactory CPPA-G shall reject the same.

8.3.7 Only undisputed amounts shall be used for settlement purposes. In case there is any kind of disagreement between CPPA-G and the Generation Company in relation with the invoiced amounts, the procedures prescribed by the corresponding power purchase contract shall be applied for the settlement of such disputed amounts.

8.3.8 If it is revealed at any subsequent date that the calculation of an invoice has been issued or an amount has been claimed fraudulently and/or such is contrary to the provisions of the relevant power purchase contract, such amounts shall be recovered from such party along with the applicable delayed payment interest without regard to any limitation of time.

#### **8.4 INFORMATION FROM NTDC**

8.4.1 On a monthly basis, within five [5] working days after the end of previous settlement period, NTDC shall submit to the Market Operator invoices for the Use of System Charges (UoSCs) corresponding to each Market Participant as per Chapter 12. The Market Operator and NTDC shall agree upon the format of exchanging this information electronically.

8.4.2 The Market Operator shall verify the adequacy of the calculations performed by NTDC, using the information provided by the Metering System, requiring clarifications and/or corrections if deemed appropriate.

#### **8.5 INFORMATION FROM THE SYSTEM OPERATOR**

8.5.1 On a weekly basis and not later than (Tuesday morning) the System Operator shall send to the Market Operator the declared and available capacity of each Generation Unit, Energy despatched and compliance with despatch instructions by each Generation Company, segregating at a generation unit level, as applicable under the provisions of the corresponding power purchase contracts. The Market Operator and the System Operator shall agree upon the format of exchanging this information electronically.

#### **8.6 METER READINGS AT THE CDP**

- 8.6.1 Within two (2) working days after the end of each month, NTDC shall send to the Market Operator the data and information received from the CDP meter reading. The Market Operator and NTDC shall agree upon the format to exchange this information electronically.

## **8.7 MARKET SETTLEMENT SYSTEM**

- 8.7.1 The Market Operator shall administer a market settlement system which shall be operated on a monthly basis.
- 8.7.2 The Market Operator shall be responsible for the development and maintenance of the required software and data for the operation of the market settlement system.
- 8.7.3 The Market Operator shall be responsible for the verification of data and the accuracy of the outputs of the market settlement system, which in turn shall be based on the verification of invoices submitted by the Market Participants.
- 8.7.4 The market settlement system shall be administered by the Market Operator through the following procedure:
- a) Calculation of the settlement of all Market Participants as per the formulations indicated in Section 6;
  - b) Addition of NTDC's UoSC in the settlement, as it corresponds;
  - c) Calculate the CPPA-G Market Operation fee which shall be shared among the relevant Market Participants as per the Authority's determinations.
- 8.7.5 The market settlement of a Market Participant for a month shall be calculated as follows:
- a) The actual amount payable or receivable by the Market Participants, as the case may be, of the monthly Final Settlement Statement as per Sub-Section 8.9 corresponding to such Market Participant; plus
  - b) The actual amount payable to the Market Participant corresponding to any accrued interest for previous payments not received on time; minus
  - c) The actual amount receivable by the Market Participant corresponding to any accrued interest of previous payments not made on time.
- 8.7.6 The Market Operator shall include in the market settlement system the monthly calculations of the UoSC, performed by NTDC, adding or subtracting, as the case may be, the corrections to previous UoSC payments by the Market Participants.
- 8.7.7 The Market Operator shall calculate the Market Operation Fee as described in Chapter 11 of this Commercial Code.

## **8.8 PRELIMINARY SETTLEMENT STATEMENT**

- 8.8.1 For each month the Market Operator shall send to each Market Participant a Preliminary Settlement Statement. This preliminary settlement statement shall include:
- a) For Generation Companies, the net Energy and, when applicable, generation of Electric Capacity bought or sold as reflected in the invoice and according to each power purchase contract, and total for the Participant Generation Company;
  - b) For other Market Participants, NTDC's Use of System Charge, net Energy bought by the demand, and the Market Operator's Market Operation Fee; and
  - c) The payable or accrued interest for previous payments not made on time;
- 8.8.2 If a Market Participant claims that an error or discrepancy exists in the Preliminary Settlement Statement, the Market Participant shall convey its claim to the Market Operator within [five (5)] working days of receipt of the Preliminary Settlement Statement.
- 8.8.3 The Market Operator shall review the Preliminary Settlement Statement in light of any claim made by such Market Participant and conclude whether the claim of any such error or discrepancy is correct or incorrect before the Final Settlement Statement is released to Market Participants.
- 8.8.4 The Market Operator shall notify affected Market Participants of the claimed error or discrepancy in the Preliminary Settlement Statement and whether or not the claimed error or discrepancy shall be corrected in the Final Settlement Statement.

## **8.9 FINAL SETTLEMENT STATEMENT**

- 8.9.1 Within twenty (20) working days after the beginning of each month, the Market Operator shall send the Final Settlement Statement to each Market Participant, using a format similar to the Preliminary Settlement Statement. If no discrepancy is reported by the Market Participants, the Preliminary Settlement Statement shall be considered as Final Settlement Statement.

## **8.10 FAILURE OF THE SETTLEMENT SYSTEM**

- 8.10.1 In case of emergencies and/or a failure of the settlement system, the Market Operator may issue an estimated settlement statement and/or modify the schedule for issuing preliminary settlement statements and/or final settlement statements. In such cases, the Market Operator shall inform all Market Participants of the temporary procedural changes as soon as practicable, as detailed in chapter 12.

## 8.11 ISSUING OF SETTLEMENT ADVICES

- 8.11.1 The verification of settlement to all Market Participants shall be subject, *inter alia*, to:
- a) Verified power purchase price calculated by the CPPA-G;
  - b) Verified generation invoices based on the power purchase agreements of the Generation Companies;
  - c) Verified quantities of kilowatt-hours injected to and extracted from NTDC Transmission Grid at each Common Delivery Point, as informed by NTDC;
  - d) Verified Megawatts available by generation and demanded by DISCOs as informed by NTDC and its System Operator;
  - e) Applicable notified NTDC use-of-system charge as determined by Authority;
  - f) Verified tariff differential subsidy released by the Government of Pakistan; and
  - g) Verified monies provided by the DISCOs;
- 8.11.2 Invoices for settlement submitted by the NTDC to the Market Operator in accordance with the Final Settlement Statements shall include, *inter alia*:
- a) the UoSC for the month;
  - b) Taxes as applicable; and
  - c) Total invoiced monthly bill to the Market Participants.
- 8.11.3 The settlement advice issued by the Market Operator to the Market Participants shall include, if applicable:
- a) Total Transfer Price as calculated by the Market Operator in accordance with the transfer pricing mechanism;
  - b) Energy and Electric Capacity charges;
  - c) The UoSC;
  - d) Interest for late payment, if applicable;
  - e) Kilowatt-hours delivered during each Settlement Period;
  - f) Adjustments from previous months settlement, if necessary;
  - g) Taxes, as applicable;
  - h) Total bill for Settlement Period; and
  - i) The Payment Due Date.

## **9. PAYMENT SYSTEM**

### **9.2 Framework for Allocation of Funds to Power Generation Companies & Others**

#### **9.2.1 Rationale for Framework for Allocation of Funds**

As per the historical experience, once a shortfall of power procurement and remittances by the DISCOs occurs in a month, such shortfall has never been made up by the DISCOs without the support of the Government of Pakistan by way of equity injection or a swap of the energy payables through commercial lending from banking institutions. Further, with the increased capacity available in the system, the merit order being followed for the economy of the electricity generation. It therefore becomes necessary to provide financial space to Generation Companies producing electricity at the least cost. Additionally, such Generation Companies also require discharging their debt service liabilities when due; thus, this becomes all the more critical for new Generation Companies where the amounts involved are significant.

In light of these circumstances, the Framework delineated below has been prepared on the following premises: -

- i. Electricity generation companies on the merit order should be automatically adjusted to meet system energy requirements.
- ii. Invoices for small take and pay projects, including forthcoming take and pay hydel projects, may be accounted for on a quarterly/half yearly basis.
- iii. The framework prescribed in 9.2.2 will be amended according to the DISCOs' ability to pay 100% of their liabilities on a timely basis.
- iv. The framework prescribed in 9.2.2 may be reviewed at least once a year to ensure it conforms to the prevailing financial position under the approval of Board of Directors of CPPA-G.

#### **9.2.2 Framework for Funds Allocation**

The framework for making the payments, to Generation Companies/NTDC/CPPA-G/ the Market Participants, may be as follows:-

- i. To ensure sufficient payments to generation companies having low costs of generation.
- ii. To account for payments to allow generation companies to discharge their debt service liabilities.
- iii. To account for the seasonal variations in fuel availability i.e. different fuels availability as required in Winter or Summer seasons etc.
- iv. To account for payments to NTDC to enable it to continue its investment / transmission debottleneck programs.
- v. To pay to CPPA-G to meet its expenses being a profit-neutral entity.

### **9.2.3 Fund Allocation Methodology**

The fund allocation methodology is as under:-

- i. At the beginning of each month, the sum of the invoices verified for the period from 1<sup>st</sup> July 2017 to the immediately preceding month and due for payment, less the payment made during the same period.
- ii. The sum of the invoices verified and due during the current month.
- iii. Determine the weighted average for each of the generation companies for the day.
- iv. Apply the weighted average to the amount received overnight from the DISCOs or the GoP being the subsidy received on behalf of the DISCOs.
- v. The following adjustments may be made before the application of the weighted average:-
  - a. Adjust for the allocation to NTDC,
  - b. Payment to WAPDA may also be adjusted keeping in view the amount of the shortfall.
  - c. Adjust for market operation fee for CPPA-G.
  - d. The FC Surcharge as collected and remitted separately by DISCOs may be adjusted for payment to PHPL.
  - e. Adjust for the specific fuel requirement (oil or gas supply companies' requirements).
  - f. Adjust for the debt services requirements of the specific generation companies.
  - g. For the purpose of adjustments for fuel or debt service, the overdue amounts payable to generation companies may be considered where required. In case assistance has been received from GoP to reduce the financial burden of generation companies, the amount so received would be paid against the overdue amounts payable to the power generation companies. For this purpose, the overdue payables may be considered according to the overall liquidity situations of the generation companies / their fuel suppliers or as per the policy of the GoP.



## **12. DATA SHARING AND COMMUNICATION**

The data sharing and communication shall be accomplished through most modern, secure, reliable, and efficient electronic means available through use of state of the art Information Technology. The security of information shall be given utmost importance and ensured using various information security technologies/mechanisms including advanced systems like Public Key Infrastructure (PKI)/Digital Signature technologies depending upon on the type of communication and sensitivity of data.

### **12.1 CPPA-G shall;**

- i. Have and maintain a dynamic official website and/or portal(s) for electronic communication, access to information to the public, and data sharing with all the Market Participants as well as other external stakeholders.
- ii. Provide an open and equal access to reports and non-confidential information on the CPPA-G official website and/or portal(s) to all Market Participants and external stakeholders;
- iii. Provide secured and privileged electronic access to relevant information for all internal and external stakeholders through web portal(s).
- iv. Publish on its website and/or portal(s) the monthly/periodic results of the settlement and payment process, including (i) for DISCOs amounts and items invoiced, interests for late payment, payment made and amount still due; (ii) for generation companies, items and amount invoiced, liquidated damages, payment received and payment still due; and (iii) for NTDC, UoSC and amount, payment received and payment still due.
- v. Publish on its website and/or portal(s) list and information of all Market Participants and other stakeholders, which shall be updated regularly;
- vi. Publish, on its official website, and/or portal(s) this Commercial Code and all existing commercial standard operating procedures for its implementation, as well as publish for consultation proposals for its amendments or to the commercial standard operating procedures or new standard operating procedures;
- vii. Publish any amendment or update to the Commercial Code or commercial Standard Operating Procedures and make public on the official website within reasonable time period after approval;

- viii. Liaise with other international bodies having market functions similar to CPPA-G or administering competitive power markets;
- ix. Communicate in timely manner in accordance with this Commercial Code, all the Market Participants, the Preliminary Settlement Report, Final settlement Reports, Invoices to Distribution Companies, any corrections made there to and orders to the associated Banks for payments to the Distribution Companies; communicate with the System Operator to temporally reduce the power allocation of a Distribution Company in the event that the funds in the affected Distribution Company's Escrow Account are deemed to be insufficient for payment of the Final Settlement Statement on the Payment Due Date, in accordance with the power pool allocation mechanism through most efficient means including data exchange and communication portal(s);
- x. Collect information and statistics and publish reports and information related to billing and settlement, and performance of CPPA-G administered power market using appropriate means including website, and data exchange/dissemination portal(s);
- xi. Communicate the CPPA-G Market Operation Fee to all Market Participants through electronic communication system(s)/portal(s);
- xii. Publish financial audit and operation audit report, on CPPA-G official website and/or portal(s);
- xiii. Communicate any other information that is deemed necessary, from time to time as required in the implementation of the Market Rules and the Commercial Code.

12.2 NTDC (in the capacity of Transmission service provider and System Operator as established in its "Transmission License) shall on a monthly basis provide CPPA-G the following information through electronic means using APIs or direct input to the data exchange portal(s) or any future advanced information sharing mechanisms introduced by CPPA from time to time;

- 1. Provide the data through electronic/other means on monthly basis for the payments of UoSC, including:
  - i. Use-of-System Charge as determined by Authority;
  - ii. MDIs of Discos;

- iii. Transmission network losses as determined by Authority;
2. Provide information related to metering systems installation, commissioning, testing of metering systems and all other necessary information required to ensure that the commercial meters and settlement system is operational;
3. To the register and regularly update all the Commercial Metering Equipment for settlement purposes at all Common Delivery Points;
4. Within NTDC metering system and meter reading responsibilities, share data and information related to Meter Readings taken from CDPs through electronic and other means by the Metering Reading Committees appointed by NTDC for the billing month on the Meter Reading form that CPPA G and NTDC will agree and may revise from time to time, to include:
  - a. Information from Generation Companies:
    - i. Name of Generation Company and ID Code;
    - ii. Metering Point Identification;
    - iii. Billing Month and Day of Meter Reading;
    - iv. Meter number and make;
    - v. Billing month Meter Reading for Energy units (Active [kWh] and Reactive [VARh]) and MDI [k-W] for both Imports (energy extracted from the grid) and Exports (energy injected and sold);
    - vi. Previous month Meter heading for Energy (Active [kWh] and Reactive [VARh]) and MDI [kW] for both Imports and Exports;
    - vii. Remarks by Metering Committee if any;
  - b. Information from Distribution Companies CDPs:
    - i. Name of Distribution Company and ID Code;
    - ii. Metering Point Identification;
    - iii. Billing Month and Day of Meter Reading;
    - iv. Meter number and make;
    - v. Billing month Meter Reading for Energy units (Active [KWh] and Reactive IVARh]) and MDI [KW] for both Imports and Exports;

- vi. Previous month Meter Reading for Energy (Active [kWh] and Reactive [VARh]) and MDI [kW] for both Imports and Exports;
    - vii. Remarks by Metering Committee if any;
  - 5. As system operator for verification of data from each Distribution Company:
    - a. Allocation of Megawatts for each hour of the day;
    - b. Draw of Megawatts for each hour of the day;
    - c. Actual amount of kilowatt-hours for a billing month;
    - d. Maximum Demand Indicator (MDI) for a billing month;
  - 6. As system operator, for each power plant/complex:
    - a. Information on hourly available capacity: Dependable Capacity; or Declared Available Capacity, Revised Declared Available Capacity, Adjusted Declared Available Capacity in kW;
    - b. Hourly dispatch instruction (and revised dispatch instruction when applicable);
    - c. Information on number of unit start-ups, and periods with Forced/Partial and Schedule Outages in kW;
  - 7. The Meter Reading Committee appointed by NTDC is responsible for providing information regarding meter reading at each cut-off delivery point for the energy imported by the Generation Company as per the agreed Performa each month in order to enable CPPA-G to work out the Back Feed electricity consumer bill/export energy invoices; and Communicate any other information that is deemed necessary to implement this Commercial Code and the Market Rules.
  - 8. Provide any further information which is required to CPPA-G to run the settlement and billing process.
- 12.3. Generation Companies shall;
- a. Provide the monthly invoices with sufficient detailed information (available capacity, net energy, prices, pass through items, fuel costs if and as applicable, etc.) to be able to verify and confirm that the calculation of the amounts shown in the invoice comply with the provisions of the power purchase contracts. The CPPA-G shall verify and reconcile the

invoice from the Generation Company with the information provided by the System Operator based on dispatch records. Provide any further information which is required to CPPA-G to run the settlement and billing process.

The information may be provided directly from (i) the electronic systems maintained by the companies through APIs, (ii) by inputting the information in electronic forms provided on the data exchange portal(s) maintained by CPPA-G, or (iii) any advanced electronic data sharing systems developed/introduced by CPPA-G from time to time.

12.4. Distribution Companies shall;

- a. Inform the funds collected on daily basis to CPPA-G in accordance with the settlement procedures included in this Commercial Code;
- b. Immediately communicate to CPPA-G the status of a situation in case there are insufficient funds in the Escrow Accounts to fully cover payments;
- c. Provide the information required pursuant to the Power Procurement Agency Agreement.
- d. Provide any further information which is required to CPPA-G to run the settlement and billing process.

The information may be provided directly from (i) the electronic systems maintained by the companies through APIs, (ii) by inputting the information in electronic forms provided on the data exchange portal(s) maintained by CPPA-G, or (iii) any advanced electronic data sharing systems developed/introduced by CPPA-G from time to time.