

BEFORE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY,
ISLAMABAD

Petition No.: _____/2022

ENERGY AND POWER DEPARTMENT
GOVERNMENT OF KHYBER PAKHTUNKHWA

APPLICANT / PETITIONER...

MODIFICATION PETITION

IN THE MATTER OF NEPRA DECISION DATED 23rd AUGUST, 2021 REGARDING WAPDA
HYDROELECTRIC TARIFF PETITION FOR FY 2020-21

Lincoln's Law ChamberTM

Corporate Office: 22nd F-Floor, Beverley Center, Blue Area, Islamabad
Business Center : 22nd M-Floor, Beverley Center, Blue Area, Islamabad



No. LLC/2022/NEPRA/01

19th July, 2022

The Registrar
National Electric Power Regulatory Authority,
Attaturk Avenue, Sector G-5/1,
Islamabad.

Subject:

**DETERMINATION OF REQUISITE FEE / BANK DRAFT IN THE
MATTER TARIFF MODIFICATION PETITION TO BE FILED BY
GOVERNMENT OF KHYBER PAKHTUNKHWA IN RESPECT OF
NET HYDEL PROFIT**

Dear Sir,

Reference to the subject matter and the Tariff Modification Petition in the matter of NEPRA Authority Decision dated 23rd August, 2021 regarding WAPDA Hydroelectric Tariff Petition for FY 2020-21.

That the Tariff Modification Petition along with the requisite documents is to be filed by Government of Khyber Pakhtunkhwa. As per the Fee Schedule of the NEPRA, there is no clause relating to the requisite fee for the Tariff Modification Petition.

You are, therefore, requested to admit the Tariff Modification Petition by Government of Khyber Pakhtunkhwa and provide us the amount of requisite fee to be submitted for the Tariff Modification Petition, which shall be submitted as and when required by the NEPRA Authority.

Best Regards,

Yours Sincerely,

Barrister Asghar Khan
Advocate

19-7-2022
7116

BEFORE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY,
ISLAMABAD

Petition No.: _____/2022

ENERGY AND POWER DEPARTMENT
GOVERNMENT OF KHYBER PAKHTUNKHWA

APPLICANT / PETITIONER...

MODIFICATION PETITION

**IN THE MATTER OF NEPRA DECISION DATED 23rd AUGUST, 2021 REGARDING WAPDA
HYDROELECTRIC TARIFF PETITION FOR FY 2020-21**

INDEX

Sr.	Description of Documents	Annex	Page
1.	Modification Petition along with Affidavit	-	1 - 7
2.	NEPRA Determination dated 5 th April, 2021 (WAPDA FY 2020-21)	A	8 - 59
3.	NEPRA Review Determination dated 23 rd August, 2021	B	60 - 65
4.	CCI 49 th Minutes of Meeting	C	66 - 89
5.	Application / Letter by GoKP to NEPRA	D	90 - 91
6.	NEPRA Authority Decision	E	92
7.	GoKP's Indexation Claim	F	93 -
8.	MoU signed between Federal Government and Government of Khyber Pakhtunkhwa	F/1	94 - 97
9.	Authorization Letter	-	98

Through

Counsel...

2-

BEFORE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY,
ISLAMABAD

Petition No.: _____/2022

ENERGY AND POWER DEPARTMENT
GOVERNMENT OF KHYBER PAKHTUNKHWA
APPLICANT / PETITIONER...

MODIFICATION PETITION

IN THE MATTER OF NEPRA DECISION DATED 23rd AUGUST, 2021 REGARDING WAPDA
HYDROELECTRIC TARIFF PETITION FOR FY 2020-21



Lincolns Law Chamber
Corporate Chambers # 22, F & M Floor,
Beverly Centre, Blue Area, Islamabad
Tel: 051-2814100, Fax: 051-2726647
<http://lincolnslawchamber.com>

Subject: MODIFICATION PETITION IN THE MATTER OF NEPRA DECISION DATED 23rd AUGUST, 2021 REGARDING WAPDA HYDROELECTRIC TARIFF PETITION FOR FY 2020-21

Respectfully Submitted:

I. STATEMENT OF FACTS

1. The National Electric Power Authority (NEPRA) vide its decision dated April, 5, 2021, determined tariff for WAPDA Hydroelectric for FY 2020-21 whereby Net Hydel Profit (NHP) rate was allowed at Rs. 1.10 per kWh payable to the Provinces with no indexation (**Determination**). NEPRA further stated that if the Council of Common Interests (CCI) makes any decision with respect to indexation, the Authority may consider it as per the applicable law

(Copy of Determination is annexed at Annex- A)

2. The GoKP through its legal counsel filed a motion of leave for review (MLR) on 30.04.2021, against the Determination, challenging the disallowance of NHP rate indexation on the grounds that CCI has already approved such indexation. Therefore, the matter of five percent (5%) NHP rate indexation, be considered while making NEPRA Determination. The NEPRA held review proceedings on July 14, 2021.
3. The NEPRA through review determination dated 23.08.2021 (**Review Determination**) has accepted the plea of the GoKP, on interim basis, by allowing indexation at five percent (5%) for a period of six months along-with arrears subject to CCI guidelines on the issue of NHP and indexation and decided as follows: "GoKP shall approach CCI to obtain clear guidelines on the issue of NHP and indexation (if any) within six months of notification of this decision, till such time:
 - a. "NHP Regular" rates as stated shall be applicable. In case the Petitioner fails to obtain an explicit decision of CCI on NHP and its indexation (if any) then the "NHP Regular" shall be paid at Rs. 1.10 per kWh to the abovementioned plants other than Mangla.
 - b. "NHP Arrears" as stated shall be applicable. In case the petitioner failed to obtain explicit decision of CCI on NHP then no payment shall be charged on this account,

however, for Gomal Zam HPP, "NHP Arrears" shall be paid at Rs. 454.646 per Kw per month.

(Copy of Review Determination is annexed at Annex- B)

4. It is pertinent to mention that earlier NEPRA determined tariff for WAPDA Hydroelectric for FY 2015-16 and allowed NHP payable to GoKP @ Rs. 1.10 per kWh together with five percent (5%) annual indexation as an interim arrangement. In pursuance of the said determination, a MoU was inked between GoP and GoKP on 25.02.2016, which was endorsed by CCI on 29th February, 2016. The CCI while giving concurrence to the MoU, directed WAPDA to file a tariff petition as agreed in the MoU. The MoU stated that the uncapped NHP as determined and transmitted from NEPRA would be notified by the Ministry of Water and Power immediately. The uncapped NHP as determined and transmitted from NEPRA included the five percent (5%) indexation of the NHP rate for the FY 2015 - 2016. However, in subsequent tariff determinations of the WAPDA Hydroelectric, NHP rate was not indexed.

II. COUNCIL OF COMMON INTEREST (CCI)

1. That as per Review Determination, the Applicant / Petitioner approached the CCI to obtain clear guidelines on the issue of NHP and indexation.
2. That on 13th January, 2022, the 49th meeting of Council of Common Interests (CCI) was held in the Prime Minister House, Islamabad. The Minutes and Decisions of the 49th meeting of CCI were issued (No.2(12)/2021-CCI(49th)) dated 26th January, 2022 ("**Minutes of Meeting**").

(Copy of CCI Minutes of Meeting is annexed at Annex- C)

3. That CCI in its Minutes of Meeting endorsed the view point of GoKP and approved the annual indexation of NHP at five percent (5%) by stating in Para 35,

"Regarding the issue of 5% annual indexation on NHP, already approved by the CCI, it was agreed that the Government of KP may move a Summary on the subject in the next CCI meeting as it was not on the agenda of the present CCI meeting."

4. That it from the above-stated para it is evident that the CCI agrees with the stance of the GoKP that NHP is to indexed annually at five percent (5%).

III. APPLICATION BY GoKP TO NEPRA

1. That in light of the aforesaid and with the approval of annual indexation at five percent (5%) by CCI, the Applicant / Petitioner filed an application dated 18th May, 2022 (No. E&P/NHP/WAPDA-Intervention-III/2021-22) before the NEPRA Authority (**Application**).

(Copy of the Application is annexed at Annex- D)

2. That the Application was filed with regards to the Review Determination and requested the NEPRA Authority to index the NHP in line with the decision of the CCI; however, the same was returned unactioned.
3. That the NEPRA Authority returned the application by averring that the request of Applicant / Petitioner cannot be entertained based on a simple letter, and the Applicant / Petitioner shall file a separate Tariff Petition in the matter of annual indexation on NHP, hence this Petition.

(Copy of NEPRA Decision is annexed at Annex- E)

IV. STATEMENT OF GROUNDS

1. That in light of the approval of CCI in the matter of annual indexation at five percent (5%), the GoKP's indexation in adherence to MoU signed between GoP and GoKP from FY 2015-16 to 2021-22 is Rs. 21,121/- Million (21 Billion).

(Copy of GoKP's indexation claim is annexed at Annex- F)

2. That indexation of the NHP and past payments made as a result of the application of 5% cannot be adjusted by the WAPDA being past and closed transaction.
3. That the rate of NHP should be calculated along with indexation as mentioned in (Annex-F). The WAPDA has included NHP at the rate of Rs. 1.213 per KWh in their Tariff Petition which needs to be Rs. 1.404 per KWh for the year 2020-21 as the 5% indexation allowed according to the agreement has not been applied every year previously which should start from Rs. 1.10 per KWh from FY 2016.
4. That the WAPDA in its tariff petition considered Gomal Zam Dam as a project of FATA, however after the 25th Amendment, erstwhile FATA is now part of Khyber Pakhtunkhwa and NHP for the project should be paid to GoKP, NHP for Gomal Zam Dam hydro power project should be paid to GoKP along with the arrears amounting to Rs. 108 Million from the date of notification of ex-FATA merger with Khyber Pakhtunkhwa.

V. STATEMENT OF PRAYER

That in view of above facts, grounds and circumstances, it is Prayed:

- (i) That the instant Modification Petition be admitted;
- (ii) That in light of approval of CCI, the Authority may allow the annual indexation at five percent (5%) to GoKP with effect from and after FY 2015-2016;
- (iii) That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA being past and closed transaction;
- (iv) That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA as the indexation of the NHP has been agreed by the Federal Government and duly approved / concurred by the CCI;
- (v) That the NHP payable to the GoKP be increased to Rs. 1.404 per KWh;
- (vi) That the NHP for the Gomal Zam Dam along with arrears for the years 2018 and onwards are allowed to the Province of Khyber Pakhtunkhwa;

- (vii) That total liabilities /arrear on account of the NHP payable to the GoKP from and after FY 2018 needs to be adjusted in the WAPDA Determination 2020-21; and
- (viii) Any other relief deemed appropriate by the Authority may also be granted to the Applicant / Petitioner.

Secretary to Govt.
of Khyber Pakhtunkhwa
Energy & Power Department


Applicant / Petitioner

Through Counsel


Barrister Asghar Khan

Advocate


Maqsood Ali Khan

Advocate


Syed Ali Roshan Gillani

Advocate

7-

BEFORE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY,
ISLAMABAD

Petition No.: _____/2022

ENERGY AND POWER DEPARTMENT
GOVERNMENT OF KHYBER PAKHTUNKHWA

APPLICANT / PETITIONER...

MODIFICATION PETITION

**IN THE MATTER OF NEPRA DECISION DATED 23rd AUGUST, 2021 REGARDING WAPDA
HYDROELECTRIC TARIFF PETITION FOR FY 2020-21**

AFFIDAVIT

I, M. LUQMAN HAKEEM KHAN, Planning Officer do hereby solemnly affirm and declare that the contents of the above captioned Modification Petition are true and correct to the best of my knowledge and belief and nothing has been concealed therein.

PLANNING OFFICER
Energy & Power Department
Government Of Khyber Pakhtunkhwa
DEPONENT

Verification:

Verified on oath on _____ that the contents of the Affidavit are true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.



19 JUN 2022

PLANNING OFFICER
Energy & Power Department
Government Of Khyber Pakhtunkhwa
DEPONENT

8 'A'



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/ADG(Trf)/TRF-530/WAPDA-2020/18731-18734
April 5, 2021

**Subject: Determination of the Authority in the matter of Tariff Petition filed by WAPDA
Hydroelectric for FY 2020-21 (Case No. NEPRA/TRF-530/WAPDA-2020)**

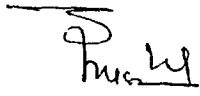
Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annex-I (51 Pages) in Case No. No. NEPRA/TRF-530/WAPDA-2020.

2. The Determination is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

3. The Order of the Authority's Determination is to be notified in the official Gazette.

Enclosure: As above


(Syed Safeer Hussain)
05.04.21

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Ministry of Water Resources, 'Attaturk Avenue (East), Sector G-5/1, Islamabad

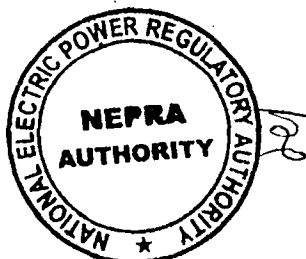


**DETERMINATION OF THE AUTHORITY IN THE MATTER OF TARIFF PETITION
FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21**

1. WAPDA Hydroelectric (hereinafter referred to as "the Petitioner" or "WAPDA") filed a tariff petition for determination of Bulk Supply tariff for FY 2020-21 for sale of power to NTDC/CPPIA, pursuant to NEPRA Tariff Standards and Procedure) Rule, 1998. The Petitioner submitted that the projected change in its revenue requirement for FY 2020-21 has been worked out on the basis of:
 - The audited statement of FY 2016-17, 2017-18, 2018-19
 - Actual Number for eight (8) months (Jul-Dec) for FY 2019-20,
 - Projected numbers for last four months (Jan-Jun) of FY 2019-20,
2. Following is a comparison of the tariff determined by NEPRA for FY 2017-18 and the tariff proposed by the Petitioner for FY 2020-21.

Annual Revenue Requirement of WAPDA		NEPRA Determined	Claimed*
		2017-18	2020-21
O&M	(Mln Rs)	14,092	18,126
Depreciation	(Mln Rs)	5,917	7,656
Ijara Rental (Sukuk Bonds Repayment)	(Mln Rs)	2,589	1,690
Return on Investment - Power Stations	(Mln Rs)	28,176	29,543
Return on Investment - Power Projects	(Mln Rs)	12,374	23,294
Other Income	(Mln Rs)	(366)	(698)
Sub Total	(Mln Rs)	62,782	79,610
Regulatory Revenue Gap	(Mln Rs)	8,567	52,891
Mark-up on NHP Loans	(Mln Rs)	-	11,024
Total Revenue Requirement - WAPDA	(Mln Rs)	71,349	143,525
	Rs/kWh	2.12	4.7
Cost Plus Hydel Levies Margin		NEPRA Determined	Claimed
Hydel Levies - Regular			2020-21
Govt. of KP	(Mln Rs)	21,825	21,217
Govt. of Punjab	(Mln Rs)	10,002	9,539
Govt. of AJ&K (WUC)	(Mln Rs)	899	5,753
IRSA	(Mln Rs)	168	151
Total Regular Hydel Levies	(Mln Rs)	32,894	36,659
Arrears of NHP			
Govt. of KP	(Mln Rs)	24,297	618
Govt. of Punjab	(Mln Rs)	61,965	5,842
Total Arrears of NHP	(Mln Rs)	86,262	6,460
Total Hydel Levies (Regular + Arrears)	(Mln Rs)	119,156	43,119
	Rs/kWh	3.55	1.43
Estimated Generation (Net GWh)		33,598	30,140
Total Tariff		5.67	6.2

*Subsequently, the Petitioner vide letter dated January 15, 2021 submitted its revised tariff claim which reduced the average combined WAPDA tariff from Rs 7.32 per kWh to Rs 6.20 per kWh.





PROCEEDINGS

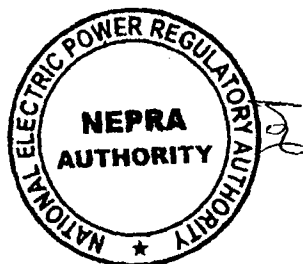
3. Subsequent to the admission of the petition, the salient features of the tariff proposal were published in daily newspapers inviting filing of replies, intervention requests, or comments. It was also decided to conduct an online hearing on November 12, 2020. Notices of hearing and the proposed issues to be discussed and deliberated upon during the hearing were also published in the national newspapers on November 04, 2020. Separate written notices were also sent to provincial Governments seeking their recommendations on November 06, 2020, as required under Section 7 of the NEPRA Act
4. In response to the Notice of admission, intervention request from the Government of KPK and comments from Ministry of Planning Development & Special Initiative were received.

INTERVENTION REQUESTS AND COMMENTS:

5. Intervention request from Govt. of Khyber Pakhtunkhwa Energy & Power Department has been received which was admitted by the Authority on November 13, 2020. Summary of intervention request of Govt. of Khyber Pakhtunkhwa Energy & Power Department is as follows:
 - On magnanimous acceptance of the intervention request in hand, the leave to intervene be allowed, and thereupon after hearing the parties on merit, the Province was allowed NHP at the agreed rate of Rs.1.10 per KWh with 5% annual indexation in NEPRA determination dated 13-11-2015 as an interim arrangement.
 - An MoU was signed between GoKP & GoP on 25-02-2016 allowing NIIP.
 - CCI endorsed the MoU and determination of NEPRA on dated 29-02-2016.
 - The 5% indexation is not followed in true letter & spirit.
 - NHP from the hydel projects present in Ex-FATA is not paid.
6. The Ministry of Planning Development and Special Initiatives (Energy Wing) ("M of PD&SI") also submitted detailed issue wise comments on November 12, 2020 which was forwarded to the Petitioner for the response. The Petitioner response in the matter was received December 04, 2020. These comments and replies of the Petitioner are discussed in the respective issue;

HEARING

7. The hearing in the matter was held on November 12, 2020 which was attended by the representatives of the Petitioner, Government of KPK and other stakeholders and other stakeholders. During the hearing the Authority showed concerns regarding delay in filing the tariff petition after 2-3 years. In response, the Petitioner submitted that the delay was due to late notification of the approved rates however the Petitioner stated that it will try its best to file the next tariff petition timely. On this, the Authority suggested that there should be a clear mechanism where WAPDA hydroelectric submit a tariff petition before the commencement of financial year so that costs are reviewed before it is incurred. During the hearing, the Authority while reviewing the presentation of the Petitioner noted that some of the plants such as Chitral HPP requested cost per KW is prohibitively high which need to be rationalized as such huge cost can't be passed on to consumers. In reply the Petitioner stated that Chitral HPP like other plants are very old and are needed for system stability in that location and in

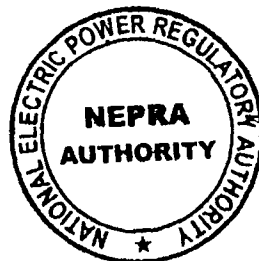




addition to that being older plants, employees' retirement benefits are also high. The Authority asserted that such cost being high would be seen and analysed on the test of prudence

ISSUES:

8. Based on the available information, the following issues were framed.
- Whether Petitioner's request for allowance of O&M expense amounting to Rs 15,165 million, Rs 20,136 million, Rs 19,079 million and Rs 19,724 million for FY 2018, 2019, 2020 & 2021 respectively is justified?
 - Whether Petitioner's request for allowance of WACC based return on power stations amounting to Rs 25,468 million, Rs 31,585 million, Rs 37,367 million and Rs 37,163 million for FY 2018, 2019, 2020 & 2021 respectively is justified?
 - Whether Petitioner's request for allowance of WACC based return on investment on power projects amounting to Rs 27,109 million, Rs 22,314 million, Rs 21,500 million and Rs 32,085 million for FY 2018, 2019, 2020 & 2021 respectively is justified?
 - Whether the inclusion of 64% Diamir Basha Dam cost (WACC based return) as claimed by the Petitioner to be made a part of WAPDA Hydroelectric's tariff is justified?
 - Whether Petitioner's request for allowance of Depreciation charge and Ijara Rentals amounting to Rs 7,616 million, Rs 9,284 million, Rs 9,433 million and Rs 9,418 million for FY 2018, 2019, 2020 & 2021 respectively is justified?
 - Whether other income claimed to be Rs 1,374 million for FY 2018 and Rs 697 million each for FY 2019 to FY 2021 is justified?
 - Whether Petitioner's request for allowance of Regulatory Gap amounting to Rs 17,675 million, Rs 20,950 million & Rs 23,600 million and for FY 2018, 2019 & 2020 respectively is justified?
 - Whether mark-up on NHP loans amounting to Rs. 11,024 million is justified?
 - Whether the plant wise outages schedule claimed in the petition is justified?
 - Whether the claimed capacity of power plants is justified in the absence of Capacity Tests as per PPAs?
 - Whether the current mechanism for allocation of costs/expenses for each of the project into water side and power side is justified?
9. The issue wise detailed discussion is provided as under;
- Issue No. i. Whether Petitioner's request for allowance of O&M expense amounting to Rs 15,165 million, Rs 20,136 million, Rs 19,079 million and Rs 19,724 million for FY 2018, 2019, 2020 & 2021 respectively is justified?**
10. WAPDA Hydroelectric in its tariff petition has claimed O&M cost for the FY 2016-17 to FY 2020-21. The O&M cost for the FY 2016-17, FY 2017-18, and FY 2018-19 have been claimed based on audited financial statements. The O&M cost for the FY 2019-20 has been claimed based on the actual O&M





cost of 8 months and the projected cost for the remaining 4 months. For FY 2020-21, the O&M cost has been projected based on O&M cost for FY 2019-20.

11. WAPDA hydroelectric in its earlier tariff petition informed that the operation & maintenance of hydel power stations is carried out through self-arrangement. WAPDA appoints the human personnel and fix their terms of employment by exercising administrative powers conferred under Section 17 & 18 of the WAPDA Act. The manpower strength is reviewed each year keeping in view the functional requirement at the Hydel power stations. Being a fully GoP owned autonomous body, WAPDA has adopted National Pay Scales, therefore the salary package of the employees is adjusted year to year in line with adjustments made by the federal government for its employees in each financial year budget. WAPDA makes procurement of material and hires additional services in connection with O&M of power plants by observing PPRA Rules.
12. According to the Petitioner, it administers the progress of its projects through establishing an independent project management unit, which is disbanded on completion of the project and handed-over for O&M to another formation. Therefore, the expenditure claimed and traditionally allowed to WAPDA under the head of O&M pertains only to its in-operation stations, and does not pertain to its under-construction/ under-development projects.
13. WAPDA hydroelectric in its tariff petition has submitted that the cost head of O&M expenses comprises Employees' Cost, Repair & Maintenance and Administration Cost.

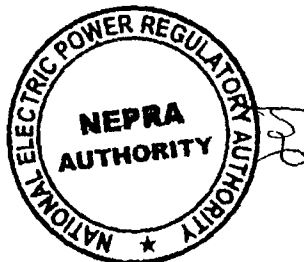
The Ministry of Planning Development and Special Initiatives (Energy Wing):

The Ministry of Planning Development and Special Initiatives Energy Wing submitted following in this regard;

- R&M Cost is projected to increase to Rs. 1,678 million in 2019-20 from Rs. 832 million in 2018-19 which is a 100% increase, what is the reason for this increase.
- Special R & M of Tarbela Power Station was carried out from FY 2012-13 to FY 2017 under a fixed amount reimbursement agreement with USAID amounting to USD 41.5 million in 2 phases. The regular R&M was also carried out during this period. Despite the special and regular R&M the generation at Tarbela reduced from 15,983 GWh in FY 2015-16 to 10,800 in FY 2020-21 and for Mangla, it reduced from 6,746 GWh during the same period.
- A sum of Rs. 477 million are proposed for surveys and experiments however, no details have been provided. WAPDA may inform what type of survey and experiments were carried out previously and what were the results. It may also be informed whether these were carried out by WAPDA itself or were they outsourced. How these were helpful to WAPDA.

Petitioner's Response

- Tariff Modification Petition was submitted in NEPRA before the close of FY 2019-20 and at that time budgeted Repair and Maintenance expenses of Rs.1,678 million during FY 2019-20 were included. Now actual R&M expenses for FY 2019-20 are available, detail of which will be provided to NEPRA for framing its decision. *(The revised claims of WAPDA on account of R&M now stands at Rs 913 million against previous estimation of 1,678 million for FY 2020.)*





13-

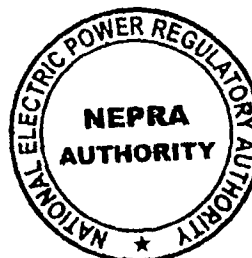
DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

- Special R&M of Tarbela Power Station was carried out with the grant received under FARA agreement and the expenses were neither claimed nor allowed in tariff.
- Hydel generation depends on the hydrology and water indents allowed by IRSA which varies from year to year. During FY 2015-16 upstream water flows were very high resultantly generation remained exorbitantly higher which cannot be set as standard for the succeeding years with different water flow patterns.
- In FY 2019-20 total actual generation from Tarbela Dam is recorded as 17,344 GWh, comprising 11,858 GWh from generating units of main Tarbela Power Station and 5,486 GWh from T-4th Ext. In this manner despite normal flow year, excess units from Tarbela Dam were produced by strategically utilizing recently commissioned T-4th Ext.
- WAPDA is also working on the upgradation of water intake of Tarbela Power Station ("PS") to ensure maximum flow of water from turbines upon completion resulting in augmenting generation.
- Similarly, WAPDA is also working on upgradation and rehabilitation of old generating units of Mangla Power Station which will be completed in phases during future years. Actual generation from Mangla PS during FY 2019-20 was 4,589 GWh with a plant factor of 52.4% which is quite healthy for a Hydel Power Station by any standard.
- As mandated in WAPDA Act, WAPDA carries out Surveys and Investigations with the approval of GoP, to identify prospective sites for unified and multipurpose development of water and power resources in Pakistan. Identification of prospective sites is necessary for further development and expenses on such studies are of development nature. However, instead of capitalizing, these expenditures are charged in the year of incurrence, as per general accounting practice. NEPRA after due diligence allows survey & investigation expenditures relating to power sector projects only.

14. The Petitioner vide letter dated January 15, 2021, submitted its revised claim as stated earlier. A summary of the O&M amounts claimed by the Petitioner based on the revised claim is given hereunder:

O&M	Projecte d for FY 2020-21	Projecte d for FY 2019-20	Audited for FY 2018-19	Audited for FY 2017-18	Audited for FY 2016-17	Determine d for FY 2017-18	Determined for FY - 2016-17
Employee's Cost	(Rs. in Million)						
Salaries and Wages	5,243	4,993	4,313	3,974	3,399	4,124	3,451
Employees Benefits	838	798	798	1,122	193	895	805
Post-Retirement Benefits	8,009	6,700	5,857	4,493	4,132	4,815	4,309
Sub-Total	14,090	12,491	10,967	9,588	7,724	9,834	8,565
Repair and Maintenance							
Fuel Charges	23	22	30	28	24	57	45
Repair and Maintenance	958	913	832	1,081	804	1,454	1,238
Insurance	56	53	55	53	55	51	50
Consultancy	1	0.1	10	156	3	211	64

pg. 5





14-

DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Sub-Total	1,038	988	927	1,317	886	1,773	1,397
Admin Cost							
Dams and Hydrology Monitoring Cost	689	689	944	709	857	478	480
Survey and Experiment	305	291	330	1,563	689	423	276
Power, Gas and Water	454	432	358	302	290	281	289
Management/Authority Overheads	846	806	1,008	1,182	784	636	684
Vehicle Running Expenses	232	221	217	199	188	187	193
NEPRA Fees	148	141	126	102	97	206	240
Other Operating Expenses	324	251	762	203	275	273	222
Sub-Total	2,999	2,832	3,746	4,260	3,181	2,485	2,383
Total	18,126	16,311	15,640	15,165	11,791	14,092	12,345

15. The Petitioner also submitted the plant-wise break-up of the claimed O&M cost. Subsequent paras will discuss the rationale provided by WAPDA for the claimed amounts under each sub-heads and followed by the decision of the Authority;

Employee's Cost (Salaries & Benefits):

16. Employees' salaries & wages from FY 2016-17 to FY 2018-19 are requested on the basis of audited financial statements. The Petitioner has submitted that for FY 2019-20 Salaries and Wages have been worked out on the basis of actual expenses for the first eight (8) months and forecasted expenses during the remaining four (4) months. Salaries and Wages for FY 2020-21 are projected on the basis of sanctioned manpower strength while taking into consideration an increase of 5% over FY 2019-20 to cater for annual increments; Similarly, Employees benefits comprising different allowances are projected for FY 2020-21 with 5% increase over FY 2019-20.
17. The Petitioner in support of its claim has submitted audited accounts for the FY 2016-17, 2017-18 and FY 2018-19. For FY 2019-20 claim, the Petitioner has submitted audited accounts for the quarter ending March 31, 2020, and has also submitted unaudited numbers of salaries and benefits for the FY ending June 2020.
18. In the last determination, the Authority approved plant wise employee's salaries/wages and benefits which collectively amounts to Rs. 4,256 million and Rs. 5,019 million for FY 2016-17 and FY 2017-18 respectively subject to adjustment at actual on the basis of audited accounts of respective years provided the actual costs are less than the budgeted cost requested by the Petitioner.
19. As per the audited annual accounts, the actual cost verified on account of employee salaries and benefits for the FY 2016-17 and FY 2017-18 is given as under:

O&M	Audited FY 2017-18	Audited FY 2016-17
Employee's Cost	Rs. in million	
Salaries and Wages	3,974	3,399
Employees Benefits	1,122	193
Total Salaries and Benefits	5,096	3,592





15-

20. The overall actual salaries and benefits verified for the FY 2016-17 are Rs. 3,592 million as compared to the approved Rs. 4,256 million and for the FY 2017-18, the actual cost of salaries and benefits are Rs. 5,096 million as compared to the approved Rs. 5,019 million. However, it was noted by the Authority that the overall actual plant wise salaries and benefits (Rs 3,461 million for FY 2017 & Rs 4,804 million for FY 2018) is less than compared to the plant wise budgeted number allowed (Rs 4,256 million FY 2017 & Rs 5,019 million FY 2018) therefore, the lesser of the two number is allowed for each respective financial years.
21. For the remaining financial years under review the following numbers submitted by the Petitioner with regard to the salaries and benefits were analysed from 2019 till 2020:

Description	Unaudited FY 2019-20	Audited FY 2018-19
Rs. in Million		
Salaries and Wages	4,993	4,313
Employees Benefits	798	798
Total Salaries and Benefits	5,791	5,111
No of Active employees	8,026	8,888
No of pensioners-Post retirement benefits have been disbursed	9,135	8,918
MWs	8,418	8,418

22. While relying on the above information, the Authority has decided to approve the cost as requested for FY 2019 and FY 2020 on account of Salaries and Wages and Employee benefits. For estimating the cost for FY 2021 under the same head, the Petitioner assumed inflation of 5% which is less than the expected inflation of 7.5% assumed by the Asian Development Bank for Pakistan therefore, the lower number is allowed.
23. Based on the discussions in the preceding paragraphs, the following is allowed in respect of employees' salaries, wages, and other benefits as the maximum limit. The salaries and wages projected for the FY 2019-20 and FY 2020-21 will be subject to adjustment at actual on the basis of audited accounts of respective years provided the actual costs are less than the approved cost.

Heads	2020-21	2019-20	2018-19	2017-18	2016-17
Rs. in Million					
Salaries and Wages	5,243	4,993	4,313	3,973	3,244
Employee Benefits	838	798	798	832	217
Total	6,081	5,791	5,111	4,804	3,461

Post-Retirement Benefits:

24. Employees Retirement Benefits consist of Pension, Medical and Electricity benefits. Employee's retirement benefits from FY 2016-17 to FY 2018-19 is assumed by the Petitioner as per audited financial statements, whereas Retiring Benefits for FY 2019-20 have been projected with a 10% increase over the audited figure of FY 2018-19 by the Petitioner. Due to the non-availability of the actuarial valuation report for FY 2020-21, the retirement benefit for FY 2020-21 has been kept at the level of the provisional figure of FY 2019-20 which will be trued-up in the succeeding tariff petition. Following information has been submitted by the Petitioner under this head;





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Post-Retirement Benefits	Projected for FY 2020-21	Projected for FY 2019-20	Audited for FY 2018-19	Audited for FY 2017-18	Audited for FY 2016-17	Determined for FY 2017-18	Determined for FY 2016-17
Rs. in Million							
Serving and Retired Employees	8,009	6,700	5,857	4,493	4,132	4,815	4,309

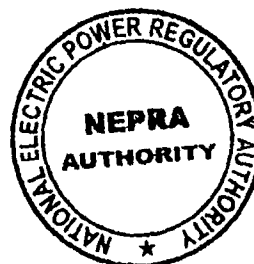
25. During the proceedings, the Petitioner was also directed to confirm whether a fund has been formed to support staff retirement benefit expenses. The Petitioner responded that despite less payment by CPPA-G against hydel sales invoices, WAPDA managed to establish Pension Fund to support staff retirement benefits as per IAS-19 during FY 2017-18. Meanwhile, loans taken for advance payment of NHP became due and to avoid the situation of default, WAPDA had to utilize this amount for payment of NHP loans as a last resort. However, the Petitioner affirmed that it will replenish the Pension Fund accordingly upon payment from CPPA-G.
26. The Authority noted that in the last determination, the Petitioner was allowed an amount for post-retirement benefits for the FY 2016-17 and FY 2017-18 subject to adjustment at actual on the basis of audited accounts of the respective years. Accordingly, the following have been allowed to the Petitioner as tabulated below for FY 2017- to FY 2021. The number for FY 2020 and FY 2021 shall be trued-up based on audited financial statements of the respective years in the next tariff petition.

Post-Retirement Benefits	Projected for FY 2020-21	Projected FY 2019-20	Audited FY 2018-19	Audited FY 2017-18	Audited FY 2016-17
Rs in million					
Serving and Retired Employees	8,009	6,700	5,857	4,493	4,132

27. Since the Authority has been allowing provision for the postretirement benefit to the Petitioner, since FY 2016-17 therefore, the Authority is of the opinion that the Petitioner shall ensure to deposit the differential of the amount of provision allowed to the Petitioner vs. the actual payment made by the Petitioner on this account in the post-retirement benefit created by the Petitioner. In case of failure, the Authority may while determining the next tariff petition deduct the differential amount of provision vs. the actual payment and may also charge a certain financial cost as a penalty for the amount retained by the Petitioner.

Repair & Maintenance (R&M):

28. The Petitioner has submitted that most of the Power Generation Plants, Civil Structures and Buildings of WAPDA Hydroelectric are very old and periodic repair & maintenance is necessary to ensure their smooth running. Repair and Maintenance expenses are projected to carry out daily, weekly and annual preventive routine repair & maintenance of Power Generation and General Plant & Assets as well as Civil structures & other Physical Properties scheduled for proper up-keeping of these Fixed Assets and to cater to the effect of inflation.
29. The Petitioner has submitted that WAPDA Hydroelectric has managed plant availability factor through timely periodic (annual/Bi-annual) preventive maintenance. Routine Repair and Maintenance "R&M"





17-

DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

of all Hydel Power Stations has been planned to be carried out during FY 2020-21 in accordance with the recommendations of the manufacturers within the maintenance hours allowed in the PPA.

30. The Petitioner requested the following under Repair and Maintenance (R&M):

Repair and Maintenance	Projected FY 2020-21	Projected FY 2019-20	Audited FY 2018-19	Audited FY 2017-18	Audited FY 2016-17	Determined FY 2017-18	Determined FY 2016-17
Variable Portion	Rs. in Million						
Fuel Charges	23	22	30	28	24	57	45
Repair & Maintenance	958	913	832	1,081	804	1,454	1,238
Total	981	935	862	1,109	828	1,511	1,283
Fixed Portion							
Insurance	56	53	55	53	55	51	50
Consultancy	1	1	10	156	3	211	64
Total	57	54	65	209	58	262	114
Grand Total	1,038	988	927	1,317	886	1,773	1,397

31. The Authority in its earlier determination decided to allow R&M cost on an actual basis. The R&M cost allowed for the FY 2016-17 and FY 2017-18 was subject to adjustment as per actual on the basis of audited accounts for respective years. The actual numbers for FY 2016-17, 2017-18 and FY 2018-19 have been verified from audited accounts for respective years.
32. In view of all the above, it is decided that the amount as claimed by the Petitioner for FY 2020, FY 2021 is allowed subject to adjustment as per actual.

Head	2020-21	2019-20	2018-19	2017-18	2016-17
	Rs. in Million				
Repair & Maintenance	1,038	988	927	1,317	886

Administration costs:

33. The Petitioner has submitted that this cost mainly includes management charges, security contracts, vehicle running costs, hydrology monitoring, and survey and experiment costs are projected with a 5% increase over FY 2019-20 forecasted expenses. The Petitioner has submitted that in the last determination for FY 2017-18 WAPDA has proposed 10% escalation over the preceding year's actual/audited admin expenses but in para-39 of its determination, NEPRA pointed out that the then inflation rate (average of 2016 & 2017) was reduced to 4.25% accordingly NEPRA assessed the reduced admin cost with 4.25% indexation. As per present statistics, the inflation rate (average of 2019 & 2020) is 12% in view above, in the current petition, admin expenses for FY 2019-20 has been projected on the basis of actual expenses for the first eight (8) months and forecasted expenses during the remaining four (4) months and for FY 2020-21, admin expenses have been projected with an overall 5% increase over expenses during FY 2019-20.
34. Following information has been submitted by the Petitioner for the claim of this account;





18-

DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Heads	Projected FY 2020- 21	Project ed FY 2019- 20	Audited FY 2018- 19	Audited FY 2017-18	Audited FY 2016-17	Determine d FY 2017-18	Determine d FY 2016-17
Rs. in Million							
Dams and Hydrology Monitoring Cost	689	689	944	709	857	478	480
Survey and Experiment	305	291	330	1,563	689	423	276
Power, Gas, and Water	454	432	358	302	290	281	289
Management/Authority Overheads	846	806	1,008	1,182	784	636	684
Vehicle Running Expenses	232	221	217	199	188	187	193
NEPRA Fees	148	141	126	102	97	206	240
*Other Operating Expenses	324	251	762	203	275	273	222
Sub-Total	2,999	2,832	3,746	4,260	3,181	2,485	2,383

* Other operating expenses include ROA 4% on the assets transferred to WAPDA by provincial Government in 1959, expenses relating to flood damages, crop compensation, compensation for damages/death, demurrage charges, social uplift expenses etc. which are grouped under Sundry Expenses, bad/doubtful debts and foreign exchange fluctuation on retention money in respect of operational powerhouses, Travelling, Advertisement, Legal and professional, Communication, Rent, rates and taxes and other expenses.

35. The Authority allowed plant wise administrative expenses which collectively amounted to Rs. 2,383 million and Rs 2,485 million for FY 2016-17 and FY 2017-18 respectively. These amounts were subject to adjustment at actual provided the actual cost is lower than the determined amount. It was also decided by the Authority that the assessment shall be made between actual vs determined amount which is to be worked out on the basis of taking last year's determined amount with an increment of annual inflation.
36. Accordingly, by comparing plant wise actual expense vs an amount inflated from the last referenced determined amount and taking the lower of two values, the overall admin expense for FY 2017 and FY 2018 works out as Rs 2,375 million and Rs 2,441 million respectively and the same has been allowed.
37. The inflation rate during FY 2018-19 was 7.2%. If the stated inflation rate of 7.2% is applied plant wise to the allowed admin cost for the FY 2017-18, the revised number works out to be Rs. 2,617 million and adding the admin cost (Rs. 335 million) of two HPP namely Tarbela 4th extension and Golen Gol, since transferred to fixed assets in 2018-19, the admin cost for FY 2018-19 works out to be Rs. 2,951 million against Rs 3,746 million requested. The inflation rate for the FY 2019-20 was 8.4%, if this rate is applied on 2018-19 admin cost, the amount for FY 2020 & 21 works out as Rs. 3,197 million and Rs. 3,466 million respectively. Since the claimed amounts for the FY 2020 & 21 are lower than the amount computed based on inflation, therefore, the claimed admin cost of Rs 2,832 million and Rs 2,999 million for FY 2020 and FY 2021 has been allowed which shall be subject to adjustment at the actual provided it is lower than the approved budgeted number for FY 2020 & FY 2021. The allowed admin costs for the FY 2016-2021 are tabulated as under:





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

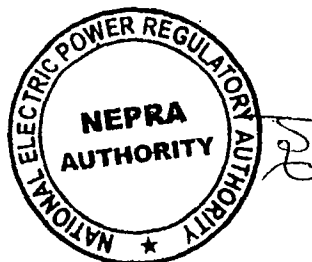
Head	2020-21	2019-20	2018-19	2017-18	2016-17
	Rs. in Million				
Admin Cost	2,999	2,832	2,951	2,441	2,375

38. Recapitulating all the above discussion in respect of the operation and maintenance cost, the following has been approved by the Authority;

Component of O&M Cost	2020-21		2019-20		2018-19		2017-18		2016-17	
	Requested	Allowed	Requested	Allowed	Requested	Allowed	Determined	Allowed	Determined	Allowed
Rs. in Million										
Employee's salaries & benefits	6,081	6,081	5,791	5,791	5,111	5,111	5,096	4,804	4,256	3,461
Postretirement benefits	8,009	8,009	6,700	6,700	5,857	5,857	4,815	4,493	4,309	4,132
Repair & Maintenance	1,038	1,038	989	989	927	927	1,773	1,317	1,397	886
Administrative expenses	2,998	2,998	2,831	2,831	3,746	2,951	2,485	2,441	2,384	2,375
Total	18,126	18,126	16,311	16,311	15,641	14,845	14,092	13,055	12,346	10,855

39. The Authority observed during the hearing that the O&M cost of some of the HPP below 100 MW i.e. Chitral 1MW, Renala 1MW is very high. Similarly, Gomal Zam and Kurram Garhi HPPs' O&M costs are also on the higher side.
40. Therefore, the Petitioner was directed to provide the reasons in writing for operating these expensive plants less than 100MW. The Petitioner was also asked to justify that if the reason for operating these plants is other than power generation then why the cost has been charged to the power wing of WAPDA and recovered from end consumers. Further, the Petitioner was required to submit details of the decommissioning plan of old and inefficient powerhouses.
41. The Petitioner vide letter dated January 15, 2021, has submitted the following in this regards:

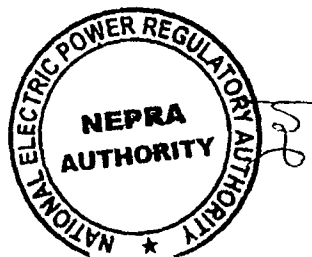
"Hydropower developments represent the best concept of sustainable development. They offer a vast potential where development is most necessary. Hydroelectric installations bring electricity, highways, industry and commerce to communities, thus developing the economy, expanding access to health and education, and improving the quality of life. In the perspective of such comprehensive and diversified sustainable development merits, de-commissioning of hydropower plants for saving few million rupees may not outweigh its demerits. For instance, WAPDA has requested for O&M Expenses of PKR 18,126 Million for 2020-21, comprising of the cost of Salaries & Wages and Admin (PKR 17,088 Million) and R&M expenses of PKR 1,038 Million. Being a public sector organization, the cost of salaries & wages and admin expenses shall remain the same. The only meagre impact would be reduction of few million rupees from the remaining PKR 1,038 Million allocated for R&M of all WAPDA Power Stations. Whereas, the consequential impacts of de-commissioning of these hydropower plants would be detrimental as few but precious and proven hydropower generating sites shall be lost for long apart from problems associated with transferring of large manpower and assets base





to other power stations. As NEPRA is fully aware of the fact that WAPDA has been established through a parliamentary act (WAPDA Act) and all of its strategic nature decisions are taken only if these are covered by that Act. WAPDA Act does not permit WAPDA to permanently decommission its power projects. In addition to this, no other governmental policy or regulations has been issued as yet which authorizes WAPDA for such actions and spells out consequential procedure for such permanent decommissioning. That's why, it would be first of its kind abandonment of hydropower generating facilities by WAPDA, so it shall likely require explicit governmental approvals, followed by significant procedures developments, disposal of assets issues, if permitted by GOP, and also shall exhaust considerable timeframe resulting in a significant cost again without generating a single unit of electricity. During NEPRA hearing, the idea of handing over these small expensive hydropower plants to provinces was discussed at length contrary to the argument of permanent closure of these plants. Regarding handing over small hydropower plants to provinces, it is our contention that the current policy framework, applicable to WAPDA, contains nothing about such assets transfers. It shall require policy coverage at GOP level and determination of assets pricing and mechanisms to transfer assets to provinces and associated costs to WAPDA by the provinces. Unless and until, there are explicit directions from NEPRA or GOP for such assets transfers, this will remain as a non-starter event. Equally important are the facts that majority of these power plants are located in remote and less developed areas and serve as the only grid connected source of electricity supply for large rurally categorized but vulnerable populations as well as these power plants serve as necessary voltage boosting facilities to improve the quality of electricity for making it usable for the end consumers. So, the absence of these power plants would not only deprive those localities from the power generated by these plants but would also make the available electricity supply from grid unusable being of low quality due to depressed voltages. Out of the four (4) questioned hydropower plants, Gomal Zam is not an old hydropower plant by any means rather it is a relatively newer plant as it was commissioned in June 2013. Though it has few maintenance issues, but WAPDA is committed to remedy those maintenance issues and has been taking necessary steps for quite some time but law and order situation of the area largely hampered the progress. Therefore, de-commissioning a plant, which was commissioned just seven years ago, might not prove a prudent decision.

NEPRA's Concerns and Possible Options: NEPRA, by virtue of its mandate to protect the interests of consumers, is justified in highlighting the higher unit costs associated with these hydropower plants and demanding the rationale. WAPDA is also concerned about the spiralling unit costs and unsatisfactory performance of these hydropower plants, but WAPDA considers the option of de-commissioning of these power plants as an unviable and imprudent owing to the few facts recorded above. Therefore, WAPDA has already started the rehabilitation and refurbishment projects for these hydropower plants. Even for Chitral Rehabilitation, PC-I from GOP has been approved whereas for Renala and Kurram Garhi, the approvals of PC-Is are in process. In the backdrop of the aforementioned explanations, NEPRA is requested to consider rehabilitation and refurbishment of these hydropower projects as an alternative and viable solution to deal with the issues of higher unit costs of these hydropower plants contrary to the concept of de-commissioning. NEPRA, for the sake of legitimacy and





prudence litmus tests, can suggest viable implementation plans, indicative timeframes and allow the associated but prudently incurred costs during these rehabilitation and refurbishment projects so that these projects continue to operate and contribute their power system oriented as well as societal benefits for another 40-50 years span."

42. The Authority observed that the Petitioner's stance on the decommissioning of old and inefficient plants is that decommissioning will not be viable as the potential for hydro generation from that specific location will be gone. And that these plants are the only source of electric power to the vulnerable communities in addition to facilitating in improving voltage in the region. The Petitioner also mentions that its Act doesn't allow permanent decommissioning and for doing such activities, explicit approval will have to be obtained which will be time-consuming and costly. The Petitioner however highlighted and acknowledged that Gomal Zam has maintenance issues that they are trying to address. As a way forward, the Petitioner suggested rehabilitation of some of these plants. The Petitioner informed that Chitral Rehab PC-1 is already approved while Renala and Kurram Garhi PC-1 Rehab is in the process.
43. The Authority noted that while some of the arguments against the outright decommissioning will have to be seen from all aspects including aspects highlighted by the Petitioner, however, at this stage, it is clear that some of these plants are expensive and it will not be prudent to allow the actual cost as it is requested. Therefore, it is essential that the overall O&M cost assessed plant wise as per the discussion in the above paragraphs and summarized at para 45, is benchmarked and seen how it compares with the O&M cost of other similar size plants.
44. For this purpose, an analysis based on the international reports was relied upon in the case of other HPP. For this purpose, USD 40 per kW per year overall O&M cost as indicated in the above studies for a capacity of 10 to 100 MW was assumed and for an HPP, less than 10 MW, an O&M cost of USD 113 per KW per year was assumed. As a result, the analysis shows that the average assessed O&M cost for the FY 2017-21 of certain HPPs below 100 MW is higher than the benchmarks.
45. In the case of Jabban HPP (22 MW), the average O&M cost for the period FY 2017 to 21 as assessed on the basis of the reasons provided above, is Rs 167 million whereas as per the above working the average benchmarks amount for Jabban works out to be Rs. 127 million. Following are the average amounts of other HPPs less than 100MW whose even assessed costs are higher than the benchmarks as explained above;

HPP	MW	Assessed Average (FY 2017-21)	Benchmark Average (FY 2017- 21)	Difference
Rs. in million				
Jabban	22	167	127	40
Dargai	20	157	115	42
Kurram Ghari	4	78	65	13
Chitral	1	48	16	32
Nandipur	14	140	80	60
Shadiwal	14	119	80	39





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Chichoki	13	109	75	34
Renala	1	37	16	21
Gomal Zam	17	148	98	50
Total		1,003	672	331

46. The Authority is of the opinion that the cost of O&M needs to be further rationalized and accordingly the above mentioned total costs of Rs 672 million have been approved for the given HPPs.
47. After adjusting the O&M downwards of the above plants using the benchmarks O&M cost, while keeping the O&M of other plants in accordance with the discussion held above, the revised assessed O&M cost for the FY from 2017 to 2021 works out to be as under:

O&M Cost	2020-21		2019-20		2018-19		2017-18		2016-17	
	Rs. in million									
	Requested	Allowed	Requested	Allowed	Requested	Allowed	Requested	Allowed	Requested	Allowed
Total	18,126	17,622	16,311	15,937	15,640	14,562	15,165	12,729	11,791	10,693

Issue No. II. Whether Petitioner's request for allowance of WACC based return on power stations amounting to Rs 25,468 million, Rs 31,585 million, Rs 37,367 million and Rs 37,163 million for FY 2018, 2019, 2020 & 2021 respectively is justified?

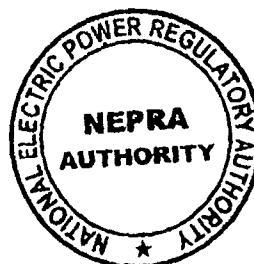
Regulatory Asset Base (RAB):

48. As stated earlier, the overall numbers of the claimed financial model including year-wise WACC return have been revised by the Petitioner vide its letter dated January 15, 2021. Below is the detail of the revised claim of average net fixed assets in operations and WACC based return on power/stations:

Description	2020-21	2019-20	2018-19	2017-18	2016-17
Average Net fixed assets in operations (net of depreciation) (Mln Rs)	252,667	258,290	217,861	176,260	179,241
Less: Average Grant (Mln Rs)	(4,049)	(5,217)	(4,057)	(2,360)	(2,454)
Average Net fixed assets for return purpose(Mln Rs)	248,618	253,073	213,804	173,900	176,787
Debt: Equity	70:30	70:30	70:30	70:30	70:30
Cost of Debt	12.690%	12.005%	13.097%	12.729%	12.884%
Cost of Equity	10.000%	17.000%	17.000%	17.000%	17.000%
WACC	11.88%	13.50%	14.27%	14.01%	14.12%
Return on Investment (Mln Rs)	29,543	34,173	30,505	24,364	24,960

49. The Petitioner in its tariff petition has submitted that in the last tariff petition for FY 2017-18 it was projected that T-4 and Golen Gol would start operation in the last quarter of the FY 2017-18 but due to non-availability of Taking Over Certificate (TOC) T-4 and Golen Gol were taken in fixed assets in operation in FY 2018-19. The Petitioner further submitted that:

- Since NEPRA allows ROI on historical cost hence Regulatory Assets Base has been calculated on the basis of historical cost.
- Major portion of RAB of power stations comprises equity due to the fact that most of the debts of existing Hydel Power Stations have already been retired and further reducing each year with





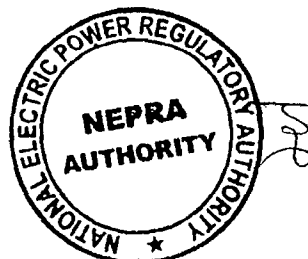
repayment of debt. However, in the current tariff petition, debt equity ratio for power station has been claimed as 70%:30% as per bench mark set by NEPRA in earlier tariff determination for FY 2015-16 dated 13-11-2015, and for FY 2017-18 dated 22-11-2017.

- The Regulatory Assets Base of Hydel Power Stations, Debt Equity Ratio, WACC and Return on Investment from FY 2016-17 to FY 2018-19 has been calculated based on audited accounts, whereas for FY 2019-20 & FY 2020-21 budgeted CAPEX of Hydel Power Stations and further Capitalization of T-4 and Golen Gol HPPs have also been taken into account.
- The Petitioner has claimed WACC of 14.12%, 14.01%, 14.27% and 13.50% for the FY 2016-17, 2017-18, 2018-19 and 2019-20 respectively based on the Debt/Equity ratio of 70:30. For FY 2020-21 WACC of 11.88% has been claimed by the Petitioner based on 70:30 debt: equity ratio, and 10% return on equity based on decision of CCoE regarding return for GoP owned power project.

50. The Authority noted that while the station-wise break-up of a fixed asset (at cost), depreciation (after netting off the effect of revaluation) and the resultant average net fixed asset in operation) was provided through the audited accounts of respective financial years however, plant wise fixed asset part such as "Transmission equipment" and "other assets" as provided in the submissions couldn't be reconciled with the audited accounts although consolidated number without plant breakup is reconciled from the respective years' account. The lack of plant wise fixed asset details of Transmission Equipment and Other Asset was raised with the Petitioner however, the response was not considered by the Authority as satisfactory. The Authority noted that the value of Transmission Equipment and Other Asset is not a significant part of the overall average net fixed asset in operation. Since the plant-wise Transmission Equipment and Other Assets cant' be verified from audited accounts hence, it has been decided not to allow it as a part of fixed assets in operation at this stage. However, the Petitioner is directed that in the next tariff petition, plant wise details duly audited needs to be given on account of Transmission Equipment and Other Assets of the fixed asset schedule for it to be considered for WACC purposes.

Weighted Average Cost of Capital (WACC)

51. The station wise interest rates of loans have also been verified from Annual Audited Accounts FY 2016-17, 2017-18, and 2018-19. The Authority in the last determination FY 2018 observed that cost of debt is on the higher side therefore, it directed the Petitioner to "...submit summary to the GoP for modification of the relending rates at actual terms & conditions available to GoP, so that in the next Petition, the cost of debt can be reduced and its benefit can be passed on to the consumer.
52. On account of the rate of return, the Authority was apprised that CCOE in its meeting dated August 27, 2020, decided to revise NEPRA allowed return of all public sector power plants. Within these plants, it was decided that the return of 17% allowed to WAPDA will be reduced to 10%. The Authority noted that the instant petition was filed before the decision of CCOE therefore, the necessary adjustment in tariff was not requested. However, during the hearing held on November 12, 2020, the Petitioner assured compliance and accordingly submitted a revised financial model based on the revised RoE of 10% effective from FY2021.
53. Since the decision date of August 27, 2020, falls in the FY 2021 therefore, in the opinion of the Authority the application of revised rates should principally be made effective from August 27, 2020, onwards. Accordingly, RoE of 10% has been applied from August 27, 2020, and before that, a return





of 17% has been allowed to the Petitioner as per the past practice which leads to a weighted average cost of equity of 11.09% for FY 2021. While calculating plant wise RAB, a debt-equity ratio of 70; 30 has been assumed as allowed in previous determinations.

54. Accordingly, the overall allowed Return on Investment ROI or WACC of all stations combined for FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20, and FY 2020-21 is given hereunder:

WAPDA HYDEL POWER STATIONS (RAB AND WACC CALCULATION)					
Generation Block	2020-21	2019-20	2018-19	2017-18	2016-17
RAB for return purpose (Mln Rs)	234,263	238,690	204,427	165,192	167,779
Debt	70%	70%	70%	70%	70%
Equity	30%	30%	30%	30%	30%
Cost of Debt	12.52%	11.89%	12.93%	12.56%	12.71%
Cost of Equity	11.09%	17.00%	17.00%	17.00%	17.00%
WACC	12.09%	13.42%	14.15%	13.89%	13.99%
ROI (Mln Rs)	28,330	32,033	28,643	22,945	23,480

Issue No. III. Whether Petitioner's request for allowance of WACC based return on investment on power projects amounting to Rs 27,109 million, Rs 22,314 million, Rs 21,500 million, and Rs 32,085 million for FY 2018, 2019, 2020 & 2021 respectively is justified? And

Issue No. IV. Whether the inclusion of 64% Diamir Basha Dam cost (WACC based return) as claimed by the Petitioner to be made a part of WAPDA Hydro-electric's tariff is justified?

55. The above-referred claims were revised by the Petitioner vide letter dated January 15, 2020, as stated earlier. Below is the detailed revised return on investment on power projects:

Description	2020-21	2019-20	2018-19	2017-18	2016-17
Average Capital Work in Progress (Mln Rs)	328,482	220,797	198,897	209,121	161,025
Less: Average Grant (Mln Rs)	104,026	59,099	16,615	3,105	701
Average Capital Work in Progress financed other than grant (Mln Rs)	224,456	161,697	182,282	206,016	160,324
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	10.47%	10.31%	11.12%	12.22%	12.42%
Cost of Equity	10%	17%	17%	17%	17%
WACC	10.38%	11.65%	12.30%	13.17%	13.34%
ROI	23,294	18,838	22,416	27,140	21,383

56. As per the Petitioner, WAPDA established in February 1958 (WAPDA Act 1958) was mandated for integrated and rapid development and maintenance of water and power resources of the country. Since its inception, WAPDA has been developing new power projects with multiple sources of financing. WAPDA has submitted that the above tabulated consolidated Average Regulatory Assets Base, WACC and ROI of Hydel Power Projects for FY 2015-16 to FY 2018-19 are based on Audited accounts of the respective years and budgeted for FY 2019-20 & projected for FY 2020-21.





57. The Petitioner has submitted that the Regulatory Assets Base (RAB) of WAPDA Hydroelectric includes Average Capital Works in Progress (CWIP). Average RAB for CWIP has been calculated as per NEPRA decisions with the following variables:

- Opening CWIP balances.
- Adding annual additional capital investment in under-development licensed power projects estimated on the basis of approved/ revised PSDP.
- Excluding annual IDC being period cost.
- Average of the resultant closing balance of CWIP and opening CWIP.

58. The Petitioner informed that in compliance with NEPRA's last determinations, the projects' debt-equity ratio has been taken as 80:20%.

Ministry of PD&SI on ROI on Projects

- 17% return on equity is on higher side it may be reduced to 10%
- The lending cost during 2019-20 as per Finance dev remained 11.53%.
- In 2016-17 capital work in progress (opening) is shown as 127.314 million where as it should be the closing balance for 2015-16 i.e. Rs. 61,650 million. This should be clarified.
- Keyal Khawar 2nd revised PC-1 was approved at a cost of Rs. 26.084 billion by ECNEC in February 2016. The 3rd revised PC-1 of the project is not yet submitted to Planning Commission.
- Average net fixed assets (for return) as given in the petition and that given in WAPDA's Monthly Progress Report (MPR) for the month of July 2020. The comparison is as under;

Name of project	Exp upto 30-06-2020 as MPR	Exp. As in Annex-14 of Petition upto 2019-20
Rs. in million		
G.Gol	33.767	54.397
T4	100.220	147.062
K.K	3.639	12.227
Dasu	76.680	174.279
DBD	154.667	303.804

- The above difference may kindly be explained by Petitioner as this is going to have effect on return base.

Petitioner's Response:

WACC based return on power project has been calculated out and claimed in the light of previous decisions of NEPRA.

- Average CWIP excluding IDC (direct cost) has been included for Regulatory Assets Base.
- Benchmark Debt/Equity ratio of 80%:20% set by NEPRA for hydel power stations has been taken.
- For WACC, average debt balance at actual interest rates and average equity at 17% ROE has been used.



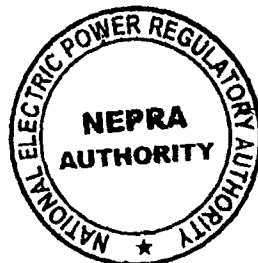


- d. Figure for FY 2017-18 and FY 2018-19 has been calculated on the basis of audited accounts.
- e. Figure for FY 2019-20 are based on provisional accounts, whereas figures for FY 2020-21 are based on PSDP approved by the GoP.
- f. 17% simple Return on Equity (ROE) in PKR has been claimed in the tariff petition in line with the GOP policy and ROE allowed by NEPRA in previous tariff determinations.
- g. Lending cost of Finance Division 11.53% mentioned in the question is not applicable on WAPDA. Cost of debt claimed in the tariff petition is as per actual lending rates.
- h. In column for FY 2015-16, Tabel-II of the instant tariff petition, it has been specifically mentioned that average Capital Works in Progress balance pertaining to DBD only which was disallowed by NEPRA in the last tariff determination has now been claimed. Whereas, from FY 2016-17 onwards average Capital Works in Progress balance comprise of audited/provisional expenditures in respect of all Hydropower development projects of WAPDA.
- i. Approval of Revised PC-I from Planning Commission, GoP and Tariff modification by NEPRA are two independent processes. In the instant tariff petition actual yearly expenditures incurred on Keyal Khwar HPS based upon the audited/provisional accounts for the years under report have been included.
- j. It may be clarified that expenditures on development projects (direct cost excluding IDC) are claimed in the instant tariff petition duly supported with the audited/provisional accounts of WAPDA hydroelectric as reported in Table-10 and Annexure-14 of the petition. Neither figure of MPR are part of petition nor figure quoted in the question are found anywhere in the petition
59. In the current tariff petition, the Petitioner has informed that since the last tariff determination for the FY 2017-18, two HPPs namely Golan Gol (108MW) and Tarbela 4th extension (T4) (1,410MW) have achieved operations, and three HPPs namely Diamer Bhasha (4,500MW), Dasu (2,160MW) and Keyal Khwar (128MW) are still under construction and two HPP namely Mangla & Warsak Hydel power are under rehabilitation. In the proceeding paras, the Project wise discussion will be held followed by the decision of the Authority:

Tarbela 4th Extension and Golan Gol HPP:

60. Below is the detailed of return on investment claimed for Tarbela 4th Extension:

Tarbela 4th Extension	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln. Rs.)	5,465	3,328	66,606	54,960	32,630
Investment During the Year (Mln. Rs.)	3,265	2,138	3,148	11,647	22,330
CWIP Transferred to Fixed Assets (Mln. Rs.)	-	-	(66,426)	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln. Rs.)	8,730	5,465	3,328	66,606	54,960
Average Capital Work in Progress (C= (A+B)/2) (Mln. Rs.)	7,098	4,397	34,967	60,783	43,795
Less: Average Grant (Mln. Rs.)	-	-	-	-	-
RAB for Return Purpose (Mln. Rs.)	7,098	4,397	34,967	60,783	43,795
Debt :Equity	80:20	80:20	80:20	80:20	80:20





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Cost of Debt	14.921%	14.921%	14.921%	15.408%	14.701%
Cost of Equity	10%	17%	17%	17%	17%
WACC	13.937%	15.337%	15.337%	15.726%	15.161%
ROI (Mln. Rs.)	989	674	5,363	9,559	6,640

61. Below is the detailed return on investment claimed for Golen Gol HPP:

Golen Gol HPP	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln. Rs.)	4,657	4,111	26,924	19,601	13,635
Investment During the Year (Mln. Rs.)	936	546	4,111	7,324	5,966
CWIP Transferred to Fixed Assets (Mln. Rs.)	-	-	(26,924)	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln. Rs.)	5,593	4,657	4,111	26,924	19,601
Average Capital Work in Progress (C= (A+B)/2) (Mln. Rs.)	5,125	4,384	15,518	23,262	16,618
Less: Average Grant (Mln. Rs.)	(0)	(1,791)	(3,044)	(1,262)	(8)
RAB for Return Purpose (Mln. Rs.)	5,125	2,593	12,474	22,001	16,609
Debt :Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	16.641%	16.641%	16.641%	16.962	16.781%
Cost of Equity	10%	17%	17%	17%	17%
WACC	15.313%	16.713%	16.713%	16.969%	16.825%
ROI (Mln. Rs.)	785	433	2,085	3,733	2,794

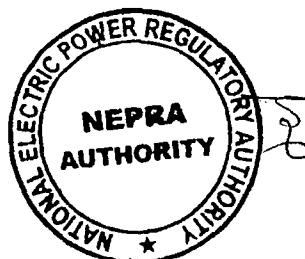
62. In the last determination, the Petitioner was directed to ensure that the above projects are completed within the last quarter of FY 2018 i.e. in Apr-Jun 2018, beyond that the Petitioner shall not be entitled to receive IDC and RoEDC on the cost of funds for this project. WAPDA in its compliance has submitted that the Hydel Power Stations of Tarbela 4th Extension and Golen Gol were timely completed during FY 2017-18 and after successful testing, it got transferred to operational assets during FY 2018-19 which has significantly enhanced the Net Fixed Assets in Operations. As per WAPDA Hydroelectric, although both Tarbela 4th Extension and Golen Gol HPPs are operative since FY 2018-19 certain allied works are still underway, during FY 2019-20 and FY 2020-21 additional capital investment will be made to complete these leftover works.

63. While reviewing the T4 and Golen Gol HPP submissions, it was noted by the Authority that WACC based returns on significant investment were claimed by WAPDA Hydroelectric even after these plants achieved CODs. Accordingly, WAPDA Hydroelectric was directed to explain the reason for the additional investments undertaken in T-4 and Golen Gol HPP two years after achieving COD.

64. WAPDA Hydroelectric was further directed to certify whether the additional cost in the case of T4 Post-COD (which even increased to Rs 10.167 billion in FY 2019) was incurred to fix the damage which was caused during the COD process for which numerous inquiries were also held and/or ongoing. WAPDA Hydroelectric was also required to submit the total cost spent to fix the damage to T4 including the status of such inquiries and if concluded, share the reports. In addition to the above, the Petitioner was directed to justify why WACC-based return should be allowed to an investment post COD.

65. WAPDA Hydroelectric in its response dated January 15, 2021, submitted that:

"With regard to spending on Golen Gol HPP and T-4 HPP after COD, it may be mentioned that both these projects are in Warrantee/ DL period. During FY 2018- 19, WAPDA



88-



DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Hydroelectric transferred direct cost of these projects to the extent of actual payments made up to that time, whereas certain %age of direct cost was withheld as guarantee money which is to be paid during and after Warrantee/ DL period as per agreed terms and transferred to fixed assets in operation in the year of actual payment.

In case of Golen Gol HPP pending payments also include resettlement and compensations cases. Whereas, at T-4, leftover PC-I works comprising, upgradation of intake structure of tunnels and upgradation of Tarbela switchyard which are to be done after the completion of power houses are presently in progress with expected completion during FY 2021-22 as per the PC-I timelines.

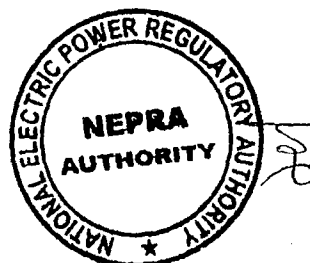
The amount of spending Rs.10.167 billion on T-4 during FY 2019-20 highlighted by NEPRA was provisional and this fact was also intimated to NEPRA. This amount contains provisional entries pertaining to certain expenditures which are project cost but not part of the direct cost, however, WAPDA Hydroelectric has to maintain the record of total project cost for reporting purposes. Necessary corrections in the accounts have now been made and actual direct cost incurred on T-4 during FY 2019-20 is Rs.2.13 billion which is duly incorporated in the revised Tariff working revised. Further, it is also clarified that the fault in T-4 during COD was got repaired from the contractor without any additional cost being Warrantee/ DL period.

In view of the fact that both Golen Gol and T-4 started operation as per the NEPRA stipulated time. NEPRA is requested to allow WAPDA Hydroelectric to make payment of guarantees and compensations as well as to incur cost on adjacent works necessary for the smooth working of T-4 in view of the approved Revised PC-I."

66. With regard to the ROEDC and IDC due to delayed commissioning of T4 and Golen Gol , WAPDA Hydroelectric submitted the following:

"There was no delay in completion of T-4 and Golen Gole projects, both the Projects were completed within time as stipulated in the NEPRA's decision dated 22-11-2017, however these projects were transferred to fixed assets in operation in July 2018 (FY 2018-19) "

67. The Authority considered the submission of the Petitioner and acknowledged that there would be a difference between the date of commercial operations and the period in which an asset from CWIP is transferred to a fixed asset schedule for commencement of depreciation. In the case of Golen Gol and T4, COD was achieved in the quarter ending June 2018 (actual COD) and it was transferred in the fixed asset in the next month that falls in the next financial year of 2019. Therefore, prima facie, WAPDA is largely compliant with the direction of the Authority on account of timely achieving COD.
68. On the issue of claiming the cost of funds on investment appearing post-COD in the accounts, the Authority observed that the Petitioner has not submitted evidence that substantiates/justify such a transaction other than arguing that it has been actually incurred and reflected in the accounts. In the instant case, the Authority is being constrained to disregard investment made post COD for the purpose of computing WACC based return.
69. Based on the above discussions the following ROI of T4 and Golen Gol has been allowed to the Petitioner:





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Tarbela 4th Extension	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln. Rs.)	-	-	66,606	54,960	32,630
Investment During the Year (Mln. Rs.)	-	-	-	11,647	22,330
CWIP Transferred to Fixed Assets (Mln. Rs.)	-	-	(66,606)	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln. Rs.)	-	-	-	66,606	54,960
Average Capital Work in Progress (C= (A+B)/2) (Mln. Rs.)	-	-	-	60,783	43,795
Cost of Debt	-	-	-	15.408%	14.701%
Less: Average Grant	-	-	-	-	-
RAB for Return Purpose	-	-	-	60,783	43,795
Debt: Equity	-	-	-	80:20	80:20
Cost of Equity	-	-	-	17%	17%
WACC	-	-	-	15.726%	15.161%
ROI (Mln. Rs.)	-	-	-	9,559	6,640

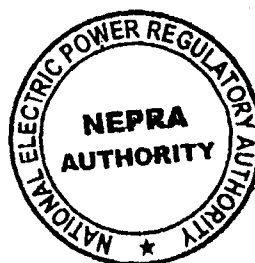
Golen Gol HPP	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln. Rs.)	-	-	26,924	19,601	13,635
Investment During the Year (Mln. Rs.)	-	-	-	7,324	5,966
CWIP Transferred to Fixed Assets (Mln. Rs.)	-	-	(26,924)	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln. Rs.)	-	-	-	26,924	19,601
Average Capital Work in Progress (C= (A+B)/2) (Mln. Rs.)	-	-	-	23,262	16,618
Less: Average Grant (Mln. Rs.)	-	-	-	(1,262)	(8)
RAB for Return Purpose (Mln. Rs.)	-	-	-	22,001	16,609
Debt: Equity	-	-	-	80:20	80:20
Cost of Debt	-	-	-	16.962%	16.781%
Cost of Equity	-	-	-	17%	17%
WACC	-	-	-	16.969%	16.825%
ROI (Mln. Rs.)	-	-	-	3,733	2,794

Diamer Basha Dam:

70. The Authority in the earlier Tariff Determination of WAPDA (Hydroelectric) for FY 2017-18 dated: 22.11.2017 has disallowed the Return on Investment made in DBD due to non-availability of approved allocation of cost between Water and Power Wing. The Authority through the said determination directed the Petitioner to submit documentary evidence regarding the cost of Diamir Bhasha project, pertaining to the generation facility, for consideration of the Authority in the future.

Ministry of PD&SI on RoI on DBD

- In respect of DBD's financing arrangement and distribution of cost between Power and Water following is submitted;
- The revised PC-1 for LA&R component was approved at the cost of Rs. 175 billion. So far Rs. 107.199 billion has been released to WAPDA.





30-

DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

CDL	Rs. 83.287 billion
PSDP Grant	Rs. 23.912 billion
Total	Rs. 107.199 billion

- WAPDA had claimed 64% of cost toward power sector and 36% for water sector. However, the position as per approved PC-I is as under;

Water Sector	547 billion	84%
Power Sector	102 billion	15%
Total	649 billion	

- WAPDA may be asked to clarify the cost allocation.

Petitioners Response

- Copy of the Table 20-B of PC-I Diamer Basha Dam (DBD) attached with the comments of Planning Commissioner is extract of some old draft/un-approved PC-I which also includes LA&R as project component. Now, separate PC-Is for LA&R and Dam part have been approved and the allocation of cost between Water and Power Sector claimed in the Tariff Petition is based on revised/ updated approved PC-Is

71. However, the Petitioner in its claim has not apportioned the Dam cost into the water and power section and put the entire cost incurred so far on the project into the power section meaning thereby that RoI for the entire investment made has been requested to be passed on to consumers. Below is the detailed of return on investment claimed for Diamer Basha Dam (DBD) in the current tariff petition:

Description	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	145,363	86,389	77,202	73,297	61,650	30,804
Investment During the Year (Mln in Rs)	21,000	58,974	9,187	3,904	11,647	30,846
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (Mln in Rs) (B)	166,363	145,363	86,389	77,202	73,297	61,650
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	155,863	115,876	81,795	75,250	67,474	46,227
Less: Average Grant	(74,210)	(34,223)	(2,368)	-	-	-
RAB for Return Purpose	81,653	81,653	79,427	75,250	67,474	46,227
Debt: Equity	80:20	80:20	80:20	80:20	80:20	80:20
Cost of Debt	10.196%	10.210%	10.215%	10.220%	10.965%	11.972%
Cost of Equity	10%	17%	17%	17%	17%	17%
WACC	10.156%	11.568%	11.572%	11.576%	12.172%	12.941%
ROI (Mln in Rs)	8,293	9,445	9,192	8,711	8,213	5,982

72. The Petitioner submitted that Diamir Basha Dam (DBD) Project is included in the Generation License of WAPDA Hydroelectric since 2015. Considering the significance and quantum of the DBD project, Federal Government decided to develop DBD in stages and the Ministry of Water & Power vide its letter dated 1st December 2016 on the Financing Strategy for Diamir Basha Dam, directed WAPDA to submit separate updated PC-Is for dam part and power generation.
73. The Petitioner submitted that as per the guidelines of the Federal Government, WAPDA got approvals of PC-I and 2nd Revised PC-I covering Acquisition of Land and Resettlement and updated PC-I for





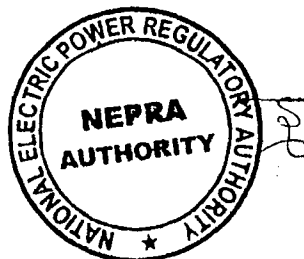
Dam Civil Works. The total approved cost of DBD Dam part is Rs.655 billion, the breakup of which is given hereunder:

Description	Updated Cost Rs. in Billion
Dam Part	
Acquisition of Land and Resettlement	175
Dam and Civil Works	480
Total Updated Cost	655

74. The Petitioner submitted that the updated PC-I for the Power generation part attributable solely to Power Sector will be submitted for approval subsequently. The Petitioner submitted that for Acquisition of Land and Resettlement, Federal Government has approved to provide Cash Development Loans (CDL) and approved to finance part of Dam and associated expenditures as grant being Water Sector costs, whereas, it was approved that WAPDA will arrange the cost of Civil works including waterways i.e. intake, tunnels etc. required for power generation as self-sources (equity) and/or local & foreign loans and to-date the work has been done in respect of Dam part and the power generation part has still to take effect. The Petitioner further submitted that in recent years development works of DBD are gaining pace with the Federal Government making regular allocations in PSDP. From FY 2018-19 Federal Government has been making allocations as grant, however, to date Federal Government has provided WAPDA Rs. 86 billion as CDL for development of DBD on which interest is also charged from WAPDA annually. Acquisition of Land for DBD is near completion whereas a civil works contract has been signed with Power China- FWO JV on May 13, 2020. The Petitioner has informed that it has repeatedly requested the Federal Government to convert the amount of CDL into a grant but the issue is still unresolved.
75. The Petitioner has submitted that the financing ratio of approved updated cost as per above-referred PC-I of DBD works out as 64% to Power Sector and 36% to Water Sector. Below is the breakup of the funding for the project as submitted by the Petitioner:

Description	Updated Cost Rs. in Billion	Allocation Of Cost
Financing/Allocation of Cost		
Water Sector		
Federal Government Grant	238	36%
Power Sector		
Federal Government CDL	175	
WAPDA	242	
TOTAL	417	64%
Total	655	100%

76. The Authority reviewed the submission of the Petitioner with regards to the apportionment of DBD in water and power and noted that the total approved update cost of DBD Dam part by the Federal Government is Rs.655 billion. However, in support of the %age allocation of cost into the water and power sector, the Petitioner has not provided any documentary evidence that can ensure compliance with the Authority's directions as given in the earlier tariff determination. It was further noted that in the approval of the 2nd Revised PC-I for the Land Acquisition and Resettlement, it has been stated that funding for the acquisition of land and resettlement & Rehabilitation is being provided by the Government of Pakistan without any further bifurcation into CDL, grant and WAPDA equity.



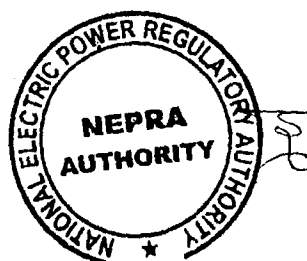


77. It was observed that although the apportionment ratio is slightly different than the requested ratio of 64:36 Power: Water, the Petitioner however submitted the breakup of annual benefits that will be gained from the project based on 2nd Revised PC-I for the Land Acquisition and Resettlement in order to justify above-referred percentages. The breakup of the stated benefits is given hereunder:

Benefits	Amount Rs. in million	%age of benefit p.a.
Water Benefits		
Irrigation Benefits	50,824	33%
Flood Alleviation Benefits	2,331	
Power Benefits		
DBD	100,438	67%
Tarbela	6,166	
Total	159,759	

78. The Ministry of PD&SI also indicated in its response that DBD cost allocation should be 84% water and 15% power. In support, it has shared a copy of that table where such allocation is clearly mentioned. However, it was noted that in the updated version of PC-1 dated June 2019 shared by the Petitioner, no such allocation exists in clear terms. And WAPDA has also disputed that the PC-1 from where such allocation was extracted by the Ministry of PD&SI never got approved.
79. The Authority carefully reviewed the submission of the Petitioner and observed that the Federal Government has been making allocations as grants and has provided Rs. 63.7 billion as of Jun 30, 2020. WAPDA Hydroelectric expects the grant will increase substantially in the FY 2021 by Rs 21 billion accumulating to Rs 84.7 billion by the end of June 30, 2021. Similarly, the government is supporting WAPDA Hydroelectric through cash development loans (CDL) which collectively amounts to Rs. 82.123 billion in FY 2020. The accounts reveal that CDL carries an average interest rate of 10.21% (FY 2020). WAPDA Hydroelectric has informed that the Federal Government has been requested to convert the amount of CDL into a grant which if consented by the Government will mean that beyond FY 2020 no further CDL will be utilized against the allocated total CDL of Rs 175 billion as shown in the table above.
80. Therefore, assuming the remaining CDL amounting to Rs 92.9 billion (Rs 175-82.123 billion) is converted to grant which carries no effect on WAPDA's tariff then the allocation of DBD cost from sources of fund perspective will be 49% Power and 51% Water as tabulated below and same is therefore allowed to the Petitioner. The Petitioner shall ensure no more CDL is parked at DBD which is contributing to Power sector cost and accordingly resolve this issue with the Federal Government and that in the future if the grant amount from the current estimated Rs 331 billion increases, the corresponding adjustment shall be carried out in WAPDA Hydro electric's tariff.
81. Keeping in view the above the revised allocation of DBD project cost for the power sector works out as under:

DBD Cost Apportionment	WAPDA requested		DBD Apportionment assuming no CDL beyond 2020	
	Rs billion	%age	Rs billion	%age
Water Sector				





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Grant	238	36%	331	51%
Power Sector				
Cash Development Loan (CDL)	175	-	82.	13%
WAPDA (Equity)	242	-	242	37%
Total Power Sector	417	64%	324	49%
Total Cost of DBD Dam	655	100%	655	100%

82. The allowed return of DBD project pertaining to the power sector is tabulated below. The return on equity has been revised from 17% to 10% in FY 2021 effective from August 27, 2020, in pursuance to CCoE decision as discussed in the earlier paras:

Description	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	145,363	86,389	77,202	73,297	61,650	30,804
Investment During the Year (Mln in Rs)	21,000	58,974	9,187	3,904	11,647	30,846
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln in Rs)	166,363	145,363	86,389	77,201	73,297	61,650
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	155,863	115,876	81,796	75,249	67,474	46,227
49% pertaining to power sector (Mln in Rs)	76,373	56,779	40,080	36,872	33,062	22,651
Debt: Equity	80:20	80:20	80:20	80:20	80:20	80:20
Cost of Debt	10.196%	10.210%	10.215 %	10.220 %	10.965%	11.972 %
Cost of Equity	11.09%	17%	17%	17%	17%	17%
WACC	10.375%	11.568%	11.572 %	11.576 %	12.172%	12.941 %
ROI (Mln in Rs)	7,924	6,568	4,638	4,268	4,024	2,931

Keyal Khwar:

83. Below is the detail of return on investment claimed for Keyal Khwar HPP:

Keyal Khwar	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	3,369	3,198	2,801	2,984	2,593
Investment During the Year (Mln in Rs)	1,358	171	396	(183)	392
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln in Rs)	4,727	3,369	3,198	2,801	2,984
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	4,048	3,283	3,000	2,893	2,788
Less: Average Grant (Mln in Rs)	-	-	-	-	-
RAB for Return Purpose (Mln in Rs)	4,048	3,283	3,000	2,893	2,788
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	9.764%	14.74%	15.10%	14.20%	15.066%
Cost of Equity	10%	17%	17%	17%	17%
WACC	9.811%	15.19%	15.48%	14.76%	15.453%





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

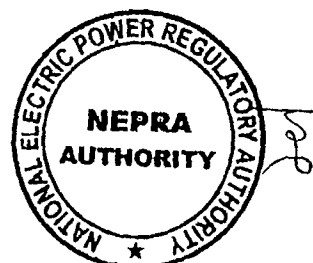
ROI (Mln in Rs)	397	499	464	427	431
-----------------	-----	-----	-----	-----	-----

84. In the earlier determination, the Authority allowed RoI based on CWIP of Rs. 2,533 million for FY 2016-17 and FY 2017-18 on a provisional basis which was subject to adjustment as per actual based on the audited accounts of the relevant year. Further, the Petitioner in the earlier tariff petition informed that the project will be operational by 12.08.2020. Therefore, the Petitioner was directed to ensure that the project is completed within the stipulated time beyond that no IDC and RoEDC shall be allowed to the Petitioner. In case delays occur beyond the control of the Petitioner in such case, reasons for delays need to be submitted to NEPRA in writing along with the relevant record.
85. WAPDA Hydroelectric in its tariff petition has submitted that the development of Keyal Khwar Hydropower Project has suffered major setbacks due to the following reasons which are beyond the control of WAPDA and pushed the expected COD of Keyal Khwar HPP till FY 2025-26. WAPDA has submitted that:
- The Civil Works Contract of Keyal Khwar HPP was awarded to M/s Sinohydro-Hajvery JV on 13.08.2016, but due to non-performance of the Contractor, the Contract was terminated on 17.12.2018.
 - Resultantly, WAPDA Authority has to annul the Bidding process for E&M Equipment Contract also.
 - In Nov-2018, EIB withdraw its loan for Keyal Khwar HPP creating financial gap of Euro 100 million.
 - WAPDA has to resort to explore alternative financing options through EAD to fill the financing gap and now M/S AFD has agreed to extend loan for the Project.
 - These events coupled with inflation and exorbitant rise in exchange rate parity between Pak Rupee and EURO necessitates approval of 3rd Revised PC-I of Keyal Khwar HPP.
86. The Authority noted with concern that the project is not yet materialized since the bidding process for the E&M equipment contractor has been annulled by WAPDA Hydroelectric and EIB has withdrawn its loan. Further, no detail with regard to alternative financing options has been submitted by the Petitioner. Therefore, the Authority has decided to disallow the RoI allowed previously and during the current period under review.

DASU Stage I:

87. Below is the detailed of return on investment claimed for DASU HPP:

DASU Stage I	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	68,299	47,411	38,848	34,613	9,226
Investment During the Year (Mln in Rs)	80,069	20,888	8,562	4,236	25,387
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln in Rs)	148,368	68,299	47,411	38,848	34,613
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	108,333	57,855	43,129	36,730	21,919





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

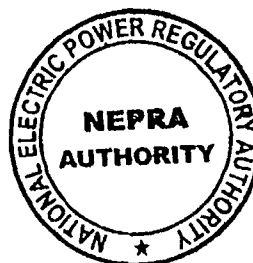
Less: Average Grant (Mln in Rs)	-	-	-	-	-
RAB for Return Purpose (Mln in Rs)	108,333	57,855	43,129	36,730	21,919
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	9.743%	7.078%	7.452%	7.833%	8.501%
Cost of Equity	10%	17%	17%	17%	17%
WACC	9.794%	10.66%	9.361%	9.666%	10.200%
ROI (Mln in Rs)	10,610	6,169	4,037	3,550	2,236

88. WAPDA Hydroelectric in its tariff petition has submitted that it has in place a major portion of financing as per the development requirements for Dasu Stage-I, however, progress on main Civil Works remained slow due to land acquisition issues. After resolution of land acquisition issues and mobilization of Civil Works Contractor, Electro-Mechanical Works Contract (Dasu- EM-01), having a completion period of 62 months, has also been awarded.
89. In the earlier tariff determination, the Authority allowed Rs 16.922 billion and Rs 31 billion Capex of Dasso project for FY 2016-17 and FY 2017-18 respectively which was subject to adjustment at actual based on audited accounts of the respective years. The RoI requested for the period under review have now been assessed on the basis of audited accounts of respective years. The projected numbers for the FY 2019-20 and FY 2020-21 have been relied upon and adjusted to the extent of application of weighted average cost of equity of 11.09% as discussed in para 53 above. The same shall be actualized based on the audited accounts of the respective years in the next tariff petition.
90. Further, it was observed that the Petitioner in the earlier tariff determination for 2017-18 claimed that the last unit of the project will be completed by June 2023. Accordingly, the Petitioner was to ensure that the project is completed within the stipulated time beyond that no IDC and Return on Equity During Construction (RoEDC) shall be allowed to the Petitioner.

Other:

91. Below is the detailed of return on investment claimed for other HPP:

Mangla Rehabilitation	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	11,102	6,893	4,426	1,789	678
Investment During the Year (Mln in Rs)	5,024	4,209	2,468	2,637	1,111
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln in Rs)	16,126	11,102	6,893	4,426	1,789
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	13,614	8,998	5,660	3,107	1,233
Less: Average Grant	(3,396)	(3,396)	(2,849)	(1,843)	(692)
RAB for Return Purpose (Mln in Rs)	10,218	5,602	2,811	1,264	541
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	12%	12%	12%	12%	12%
Cost of Equity	10%	17%	17%	17%	17%
WACC	11.60%	13%	13%	13%	13%
ROI (Mln in Rs)	1,185	728	365	164	70



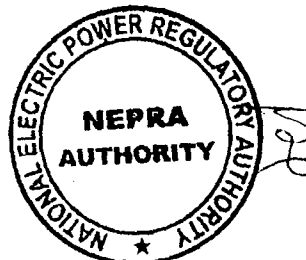


DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Warsak 2nd Rehabilitation	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	1,167	1,035	1,021	963	-
Investment During the Year (Mln in Rs)	3,200	132	13	59	963
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	-	-	-
Capital Work In Progress (Excl. IDC) Closing (B) (Mln in Rs)	4,367	1,167	1,035	1,021	963
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	2,767	1,101	1,028	992	481
Less: Average Grant (Mln in Rs)	-	-	-	-	-
RAB for Return Purpose (Mln in Rs)	2,767	1,101	1,028	992	481
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	15%	15%	15%	15.031 %	14.533%
Cost of Equity	10%	17%	17%	17%	17%
WACC	14%	15.4%	15.4%	15.425 %	15.026%
ROI (Mln in Rs)	387	170	158	153	72

Others	2020-21	2019-20	2018-19	2017-18	2016-17
Capital Work In Progress (Excl. IDC) Open (A) (Mln in Rs)	27,884	21,923	5,678	6,530	6,903
Investment During the Year (Mln in Rs)	7,500	5,960	16,576	(852)	-
CWIP Transferred to Fixed Assets (Mln in Rs)	-	-	(330)	-	(373)
Capital Work In Progress (Excl. IDC) Closing (Mln in Rs) (B)	35,384	27,884	21,923	5,678	6,530
Average Capital Work in Progress (C= (A+B)/2) (Mln in Rs)	31,634	24,904	13,801	6,104	6,716
Less: Average Grant (Mln in Rs)	(26,419)	(19,689)	(8,355)	-	-
RAB for Return Purpose (Mln in Rs)	5,214	5,214	5,446	6,104	6,716
Debt: Equity	80:20	80:20	80:20	80:20	80:20
Cost of Debt	13%	13%	13%	13%	13%
Cost of Equity	10%	17%	17%	17%	17%
WACC	12.40%	13.80%	13.80%	13.80%	13.80%
ROI (Mln in Rs)	647	720	752	842	927

92. WAPDA Hydroelectric in its tariff petition has submitted that in order to secure and boost the life of the present installed capacity of Tarbela, Mangla & Warsak Hydel power stations replacement, refurbishment, up-gradation and expansion activities have been initiated as per the recommendations of the feasibility studies expenditures incurred on these activities have also been included in CWIP.
93. The above tabulated numbers are checked with the audited accounts for the FY 2016-17, 2017, 18 and 2018-19, and the projected numbers for the FY 2019-20 and FY 2020-21 as submitted by the Petitioner has been relied upon by the Authority for assessment of RoI which shall be subject to adjustment as per actual based on the audited accounts of respective years.
94. The Petitioner stated that the "other" part of the Project for which RoI on RAB has been claimed and allowed previously include projects that are at the initial stage of development and mainly comprises feasibility cost etc. Upon inquiry details of such cost was not provided. At this stage RoI on "other" part of the Petitioner's Project RAB verified from the account has been decided by the Authority to be





included however, in the next tariff petition, the Petitioner is directed to share proper details and justification of each subhead for it to be considered for assessment of RoI.

95. Based on the above discussion, the overall allowed RoI of all projects combined for FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 is given hereunder which has been apportioned into revenue requirement of operational plants based on respective capacities:

WAPDA HYDEL POWER PROJECTS (RAB AND WACC CALCULATION)						
Development Block	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16 (Only DBD)
RAB for return purpose	202,906	126,551	92,494	164,746	123,124	22,651
Debt: Equity	80:20	80:20	80:20	80:20	80:20	80:20
Cost of Debt	10.182%	9.928%	9.198%	12.648%	12.769%	11.927%
Cost of Equity	11.09%	17%	17%	17%	17%	17%
WACC	10.364%	11.342%	10.758%	13.518%	13.615%	12.941%
ROI	21,034	14,354	9,951	22,271	16,764	2,931

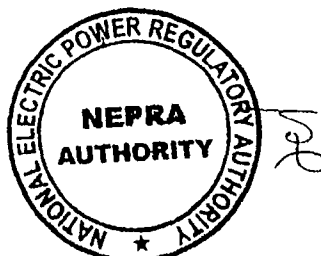
Issue No. V. Whether Petitioner's request for allowance of Depreciation charge and Ijara Rentals amounting to Rs 7,616 million, Rs 9,284 million, Rs 9,433 million and Rs 9,418 million for FY 2018, 2019, 2020 & 2021 respectively is justified?

96. The above referred amounts for depreciation charge and ijara rentals have been revised by the Petitioner vide letter dated January 15, 2020 as stated earlier. Below table shows the amount being claimed by the Petitioner for the FY 2016-17, 2017-18, 2018-19, 2019-20 and FY 2020-21:

Description	Projected FY 2020- 21	Projected FY 2019- 20	Audited FY 2018- 19	Audited FY 2017- 18	Audited FY 2016-17	Determin ed FY 2017-18	Determin ed FY 2016-17
Rs. in million							
Depreciation Charge	7,656	7,610	7,513	5,026	5,262	5,961	5,445
Ijara Rental	1,690	1,857	1,842	2,571	3,037	2,589	3,460
Total	9,346	9,467	9,355	7,597	8,299	8,550	8,905

97. The Petitioner has submitted that the depreciation charge calculated on the basis of historical/ carrying cost of Fixed Assets despite revaluation adopted for Land, Building & Civil Works, Dam & Reservoir and Power Generation Plant Assets has been claimed for each year. Depreciation from FY 2016-17 to FY 2018-19 as per audited financial statements, whereas an increase in depreciation during FY 2018-19 is due to the full-year depreciation of Tarbela 4th extension and Golen Gol hydel power stations. The Petitioner has submitted that the depreciation is charged at the following rates:

Description	%age
Land	0%
Building & Civil Works	2%
Power Generation Plant	2%-7%
Transmission Equipment	4%
Dam & Reservoirs	1%
General Plant Assets	10%
Office Equipment	10%
Furniture and Fixtures	10%-25%
Transportation Equipment	25%





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

98. Ijara Rentals relates to annuity-based payments of Ijara Rentals of SUKUK-II and SUKUK-III companies for different units of Tarbela Hydel Power Station as per agreed schedules. SUKUK-II has been redeemed during FY 2017-18. In FY 2019-20 & FY 2020-21 Ijara Rental has been taken as per terms of Ijara Rental Agreements of SUKUK III.

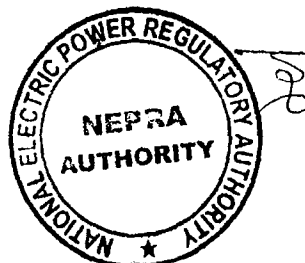
Description	Profit Rate	Tenor (year)	Grace Period (year)	Repayment (year)
SUKUK-II	6 month KIBOR-0.25%	10	4	6
SUKUK III	6 month KIBOR+1.75%	8	1	7

99. As per the Petitioner SUKUK-II has been redeemed during FY 2017-18. In FY 2019-20 & FY 2020-21 Ijara Rental has been taken as per terms of Ijara Rental Agreements of SUKUK III.
100. The Authority in the tariff determination of 2017-18 allowed the amounts for depreciation and Ijara Rental for the FY 2016-17 and 2017-18 subject to adjustment at actual on the basis of audited accounts of respective years. The audited statements for FY 2016-17, 2017-18 and 2018-19 have been relied upon to review the cost under this head. It was noted that the increase in depreciation charge amount for FY 2018-19 is due to full year depreciation of Tarbela 4th extension and Golen Gol hydel power stations.
101. As discussed earlier, depreciation of plant wise fixed asset parts such as "Transmission equipment" and "other assets" as provided in the submissions is not allowed due to lack of plant wise breakup. Therefore, the Authority decided not to include the same at this stage.
102. In view of the above, the following is allowed to the Petitioner on account of depreciation charge and Ijara Rental which shall be subject to adjustment at actual based on the accounts of FY 20 & 21 to be submitted at the next tariff petition:

Description	2020-21	2019-20	2018-19	2017-18	2016-17
	Rs. in million				
Depreciation Charge	6,869	6,826	6,771	4,593	4,665
Ijara Rental	1,690	1,857	1,842	2,571	3,037
Total	8,558	8,683	8,614	7,164	7,702

Issue No. VI. Whether other income claimed to be Rs 1,374 million for FY 2018 and Rs. 697 million each for FY 2019 to FY 2021 is justified?

103. The Petitioner in its tariff petition has submitted that the actual other income derived from "assets other than financial assets" for the period from FY 2016-17 to FY 2018-19 (audited) ranges from Rs. 698 million to Rs. 1,374 million as against NEPRA determined Rs 363 million for FY 2017-18. Based upon the actual income for FY 2018-19 and considering the eight months actual income for FY 2019-20, misc. income for 2020-21 has been projected as Rs. 698 million. The breakup of other income claimed by the Petitioner is given hereunder:





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

Income from assets other than a financial asset	FY 2021-20	FY 2020-19	FY 2019-18	FY 2018-17	FY 2017-16
	Rs. in million				
Amortization of Grant	279	279	279	144	1,126
Income from lease of other property	94	94	94	90	83
Miscellaneous income	284	284	284	1,081	116
Income from non-utility operation	8	8	8	3	3
Interest income-advance to staff	1	1	1	2	1
Sales of scrap	29	29	29	32	16
Sales of stores	2	2	2	22	2
Total	698	698	698	1,374	1,347

Ministry of PD&SI

- WAPDA statement of Financial position as on 30th June 2019 at Para 11 page 27 it is stated that WAPDA invested Rs. 3,261,000 in following instruments;

Term deposit receipt	3,000,000
Innovative Investment Bank Ltd	261,000

- On maturity the balance invested in innovative Bank remained unpaid and case was lodged in Lahore High Court for recovery which was decided in favour of WAPDA and property was attached which has value of Rs. 220 million for recovery. There is no further development in the case.
- WAPDA may inform;
 - A. What is the current position of the case?
 - B. What was the cost of litigation?

Petitioner's Response:

- The investment in Term Deposit Receipt of Rs.3,000 mln was made as an initiative to establish Pension Fund for making payments of Post-Retirement Benefits to the active/ serving and retired employees in line with IAS-19.
- Rs.261 mln represents the investment made in the innovative Investment Bank (Formerly Crescent Standard Investment Bank). On maturity, the balance remained unpaid, and hence the case was lodged with the Judicial Department of Lahore High Court for the recovery of the said amount. The Honourable Lahore High Court decided the case in favour of WAPDA Hydroelectric and attached the property which has a sale value of Rs. 220 million and appointed Court Auctioneers for recovery of this amount.
 - a) There has been no further development in the case.
 - b) The cost of litigation has no impact on the instant tariff petition

104. The Authority in the tariff determination of WAPDA for the FY 2017-18 allowed other income amounting to Rs. 330 million and Rs. 363 million for the FY 2016-17 and 2017-18 respectively. The allowed amount was required to be adjusted on actual based on audited accounts of the respective





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

years. The other income allowed was proportionated on the basis of the capacity of each power station in order to show its impact on the tariff of each power station.

105. The other income for the FY 2016-17, 2017-18 and 2018-19 have been reviewed from the annual audited accounts of the respective years. The Petitioner has assumed the same amount as of FY 2018-19 i.e. Rs. 698 million for FY for FY 2019-20 & FY 2020-21. Accordingly, the amounts of other income as proposed by the Petitioner are found reasonable and allowed which shall be adjusted on actual in the next tariff petition based on account of FY 2020 & 21. The allowed numbers are tabulated as under:

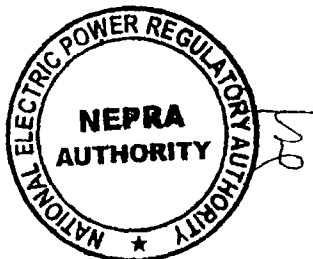
Other Income	FY 2021-20	FY 2020-19	FY 2019-18	FY 2018-17	FY 2017-16
			Rs. in million		
Determined	-	-	-	363	330
Claimed	698	698	698	1,374	1,347
Proposed/Assessed	698	698	698	1,374	1,347

Issue No. VII. Whether Petitioner's request for allowance of Regulatory Gap amounting to Rs 17,675 million, Rs 20,950 million & Rs 23,600 million and for FY 2018, 2019 & 2020 respectively is justified?

106. The above-referred claims were revised by the Petitioner vide January 15, 2020 as stated earlier.
107. According to the Petitioner, Regulatory Revenue Gap arose due to following variables:
- The prudently incurred actual O&M expenses were higher than estimates made by NEPRA while determining revenue requirement.
 - Late determination of tariff for FY 2017-18 followed by late notification of tariff by the GoP in Official Gazette. NEPRA determined tariff for FY 2017-18 took effect from 23-02-2018 after lapse of almost eight month.
 - Revenue Gap for FY 2015-16 has been reworked only with ROI on capital investment made in DBD which was previously disallowed by NEPRA in last determination.
 - Actual additions to the Capital Work in Progress (CWIP) remained higher than the estimates.
 - On the directions of the Ministry of Water Resources letter No. PF-06(03)2016-88 dated 28-03-2016 & No. 06(17)/2004-HP dated 22-12-2017, WAPDA has taken loan from commercial banks for advance payment of arrears/regular NHP to GoKP and Punjab. To comply with the MoWR above orders, WAPDA has to pay interest on the said loan from its revenue stream which was otherwise recoverable through tariff as pass through item.
 - Accordingly interest of Rs. 11,024/- million paid/accrued on the above loans have been included in the tariff petition.

108. Below is the summary of the revenue gap as claimed by the Petitioner:

Description	TOTAL				
	2015-16	2016-17	2017-18	2018-19	2019-20
NEPRA Determined					
O&M		12,346	14,092	14,092	14,092
Depreciation (At Carrying Cost)		5,445	5,961	5,961	5,961





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

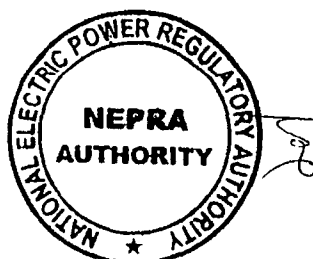
Ijara Rental		3,460	2,589	2,589	2,589
Return on Investment		26,110	28,202	28,202	28,202
Provision for Future Development	-	13,954	12,374	12,374	12,374
Misc. Income		(330)	(366)	(366)	(366)
Revenue Gap (apportioned)*		-	*3,008	*5,560	-
Total	-	60,985	65,860	68,412	62,852
* Revenue Gap allowed in earlier determination is apportioned in two years FY 2017-18 (23 Feb - 30 Jun) and FY 2018-19(1st July-22 Feb) (Rs. 4463 M+Rs. 4102 M actual 2016-17)					
Accrued as per Audited/Provisional					
O&M	-	11,791	15,165	15,640	16,311
Depreciation (At Carrying Cost)	-	5,262	5,026	7,513	7,610
Ijara Rental	-	3,037	2,571	1,842	1,857
Return on Investment	-	24,960	24,364	30,505	34,173
Provision for Future Development	5,982	21,383	27,140	22,416	18,838
Misc. Income	-	(1,347)	(1,374)	(698)	(698)
Revenue Gap (apportioned)*	-	-	3,008	5,560	-
Total	5,982	65,087	75,901	82,778	78,091
Revenue Gap					
O&M		(555)	1,073	1,548	2,219
Depreciation (At Carrying Cost)		(183)	(935)	1,552	1,649
Ijara Rental		(423)	(18)	(747)	(732)
Return on Investment		(1,150)	(3,838)	2,303	5,971
Provision for Future Development	5,982	7,429	14,766	10,042	6,464
Misc. Income		(1,017)	(1,008)	(332)	(332)
Revenue Gap		-	-	-	-
Total	5,982	4,102	10,041	14,366	15,239
Total Revenue Gap					
Sales Revenue Accrued (To be Billed)	5,982	65,087	75,901	82,778	78,091
Sales Revenue (Actually Billed)	-	65,233	59,317	67,230	63,168
Revenue Gap	5,982	(146)	16,584	15,548	14,923
Reconciliation of Revenue Gap					
Gap - (Determined)-(Actual)	-	(4,248)	6,543	1,181	(316)
Gap - (Determined)-(Accrued)	5,982	4,102	10,041	14,366	15,239
Total	5,982	(146)	16,584	15,548	14,923

109. As per the discussion in the preceding paragraphs, the revenue gap allowed is given hereunder:

Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Rs. in million						
Sales Revenue Accrued (To be Billed)	2,931	57,291	66,743	66,634	70,308	263,907
Sales Revenue (Actually Billed)	-	65,233	59,317	67,230	63,168	254,902
Revenue Gap	2,931	(7,942)	7,426	(596)	7,186	9,005

Issue No. VIII. Whether mark-up on NHP loans amounting to Rs.11,024 million is justified?

110. The Petitioner has claimed Rs. 11,024 million on account of interest paid on loans acquired for payment of NHP arrears to KPK and Punjab province. The Petitioner stated in the petition that on the direction of the Ministry of Water Resources WAPDA has taken a loan from commercial banks for advance payment of arrear/regular NHP to GoKP and Punjab. To comply with MoWR's above orders, WAPDA has to pay interest on the said loan from its revenue stream which was otherwise recoverable through





tariff as pass-through item. Accordingly interest of Rs 11,024 million paid accrued on the above loans have been included in the tariff petition.

111. With regards to its inclusion, the Petitioner stated that Mark-up on NHP loans is justified as NEPRA disallowed the mark-up on loan for payment of NHP, at para 123 of the Tariff Determination dated 22-11-2017 for want of decision of CCI. Now, on the issue, CCI decision No.CCI.9/1/2020(xii) dated 06-08-2020 has been received which is also provided to NEPRA

Ministry of PD& SI

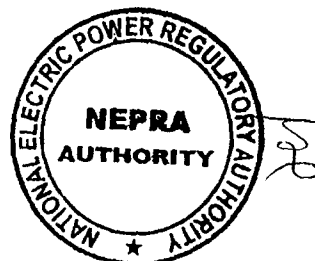
- As required by NEPRA, WAPDA requires approval of CCI to recover the markup amounts. In this regard M/o Water Resources submitted a summary in November 2019 to CCI wherein, it was informed that the markup on the loan of Rs. 105.152 billion is to the tune of Rs. 6.675 billion. However
- In the current petition WAPDA is claiming an amount of Rs. 11.024 billion. This constituted by it vide decision in Case No. CCI.7/1/2019.
- In principle we support the recovery of the markup through tariff since, WAPDA has already accumulated and disbursed the said amount.

Petitioner's response:

- As per lending terms and conditions mark-up of Rs.11,024 Mln was accrued on the loans taken for advance payment of NHP arrears to provinces upon the directions of GoP. The Summary for approval of CCI was also moved by WAPDA for the same amount of mark-up and likewise claimed in tariff petition based upon the decision of CCI.
112. The Authority in the Decision dated May 25, 2016 gave the following reasoning for denying the cost of interest on loan taken for payment of NHP to provinces and instead directed the Petitioner to raise this issue at CCI level. The relevant extract of the decision is reproduced hereunder:

"It may be noted that the Petitioner revenue requirement approved for FY 2016 is ~ Rs 89 billion. The revenue requirement covers the expense and WACC based return on investment. Therefore, the Petitioner doesn't have the capacity to pay the 25 billion in the current FY to KPK out of his own revenue stream. If the Petitioner is required to pay the arrear amount of Rs 25 billion in the current fiscal year to Go KPK through a loan, then as a matter of principle, interest cost will be a prudent and justifiable cost which would be risen due to implementation of the CCI decision for which the Petitioner cannot be held liable. Having said that, in our opinion, since the Federal Government has already agreed to include the interest charge through CCI, in the agreed NHP arrears of Rs 70 billion in the coming period, therefore, Rs 1.875 billion or actual interest cost may be allowed when the backing of CCI becomes available. As CCI undisputedly, is the right forum to deal in the matter related to NHP payable to the provinces including matters related to NHP financing cost. In view thereof, the request for allowance of interest cost amounting to Rs 1.875 billion is disallowed."

113. The Petitioner has informed that the matter was raised at CCI and it accordingly made the following decision in case No CCI.9/01/2020(xii) dated 06.08.2020:





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

As the issue doesn't pertain to CCI, recovery through tariff of mark up on bilateral Islamic/commercial loans obtained by WAPDA for payment of Net Hydel Profit to the Government of Khyber Pakhtunkhwa and Punjab, will be determined by NEPRA

114. WAPDA further submitted that for this purpose, it obtained the following Diminishing Musharaka loans and now collectively owe an interest amount of Rs 11,024 by the end of FY 2020.

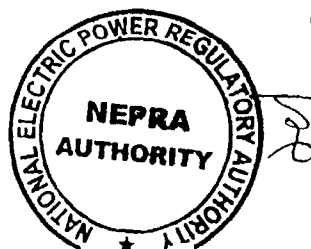
Loan	Bank	Amount	terms	Principal Repaid
		Rs billion		
1	HBL	38.12	6 months KIBOR – 50bps	27-12-2019
2.	UBL	42.032	6 months KIBOR – 21bps	22-01-2019
3.	Meezan	25	6 months KIBOR – 35bps	21-06-2017
		105.152		

Financial Year	Accounts Status	Account Head	Financial Statement Note #	Amount (Mln Rs)
FY 2016-17	(Audited)	Int. on Diminishing Musharaka	29 & 29.1	1,443
FY 2017-18	(Audited)	Int. on Diminishing Musharaka	29 & 29.1	3,299
FY 2018-19	(Audited)	Int. on Diminishing Musharaka	29 & 29.1	3,887
FY 2019-20	(Provisional)	Int. on Diminishing Musharaka	-	2,395
				11,024

115. The Authority noted that the amount of Rs 11.024 billion claimed has risen due to Ministry of Water Resource's direction to the Petitioner for early payment of NHP arrears/regular to Provinces the principal amount of which has already been made a part of allowed tariff. The Authority is of the opinion that the Petitioner complied with the direction of the government which has caused the Petitioner to incur extra cost in term of interest. And now it is the liability parked on the Petitioner's books. The Authority therefore, decided —that the amount being one time and computed based on a rate already lower than KIBOR — to allow this cost to the Petitioner as its liability. This treatment is also endorsed by Ministry of PD& SI. Further since the interest accounts for FY 2020 is not finalized therefore, the amount of Rs 2,395 million being provisional in nature shall be adjusted on actual at the next tariff petition.

Issue No. IX. Whether the plant wise outages schedule claimed in the petition is justified?

116. In response to this issue the Petitioner stated that it is the largest and bona fide generator of Hydel Power and is operating 21 Hydel Power Station, having a total installed capacity of 8420 MW. Most of Hydel Power Stations are in operation for the last 40 - 50 years. Due to aging, these plants require frequent repair and maintenance. Further the maintenance activities of generating units are largely planned according to the Outages Allowance allowed under Schedule 2 of the PPA with CPPA-G. According to the Petitioner, Utmost efforts are made to carryout maintenance activities in the lean



44-



DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

water period to avoid generation loss and to ensure maximum availability of power in high flow period. Major upgradation/ refurbishment activities for enhancement of efficiency, useful life and reliability of some of the generating units are currently underway. As a most feasible option WAPDA & CPPA-G are working on appropriate amendment in the PPA to cater these activities.

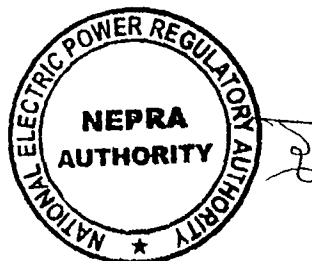
117. The Authority reviewed the PPA signed between the CPPA-G and the Petitioner including the agreed outages (Forced and Scheduled) hours for 13 of the WAPDA's Stations and also reviewed the data submitted by the Petitioner to NEPRA pursuant to Performance Standards (Generation) Rules, 2009. It was noted that a number of units of Tarbela, Mangla, Ghazi Barotha, Warsak and Chashma hydel power stations have availed higher outages hours than allowed in the PPA for FY 2018-19 which is concerning. Keeping in view the above, the Petitioner is directed to submit the detailed analysis of higher outages of hydel power stations in comparison with that allowed as per their PPA within one month for the consideration of the Authority.
118. Furthermore, WAPDA and CPPA-G is also directed to finalize the PPAs for the remaining WAPDA hydel power stations at the earliest and submitted the same to the Authority in the next tariff petition which shall have a clear mechanism wherein any violation into an agreed outages hours of all plants beyond the reasonable control of the Petitioner should be penalized and capacity payment withheld.

Issue No. X. Whether the claimed capacity of power plants is justified in the absence of Capacity Tests as per PPAs?

119. In response to this issue, the Petitioner stated that as per Article 10.1 of PPA, "CPPA-G shall have the right to demand the capacity tests of any WAPDA Power Station not more than once in every five years one by one of any its individual units during such time when the required head, discharge and system conditions are available in order to determine their rated capacities". Further, the plants of Wapda-hydroelectric are always available for Capacity Test and that CPPA-G carried out Capacity Tests of Tarbela on 15.09.2015, Ghazi Barotha on 16.09.2015, and Mangla on 13.09.2017 and Chashma on 12.11.2019. The Petitioner further informed that on the request of CPPA-G, WAPDA vide letter dated 27.07.2020 has conveyed a suitable period for next capacity testing of its power plants which is based upon hydrological condition. Presently, WAPDA and CPPA-G are in the process of finalizing the Protocols for intended capacity testing.
120. The Authority while reviewing the PPA observed that Article 10 of PPA clearly states that the CPPA-G shall have the right to demand capacity test not more than every five years. It was also noted by the Authority that CPPA-G vide its letter dated July 20, 2020 requested WAPDA that the testing procedure/Protocol and Schedules may be sent to CPPA-G at the earliest so that testing of WAPDA Plants can be conducted in a timely manner. WAPDA vide its letter dated July 27, 2020 had provided the following demonstration period for the power plants:

Sr. No.	Project	Proposed Period
1	Tarbela, Ghazi Barotha, Tarbela 4 th Ext. & Mangla HPP	August – September
2	Chashma & Jinnah Hydel Power Stations	September – October
3	Golen Gol Power Station	July – August
4	Small Hydel Power Stations	April – August

121. NEPRA vide its letter dated August 11, 2020, also directed CPPA-G as follows:



45-



"It is apprised that NEPRA Professionals shall also witness as observers to Capacity Test of WAPDA Hydropower Projects. You are directed to send the Testing Procedure/Protocol and Schedule for our review at the earliest and inform in advance of the tests for making necessary arrangements."

122. WAPDA during the hearing also submitted that presently WAPDA and CPPA-G are in the process of finalizing the Protocols for intended capacity testing. With regard to capacity tests and keeping in view the PPA requirements, the Authority, therefore, directs WAPDA and CPPA-G to finalize the procedure/protocols for testing of WAPDA Hydro Power Projects at the earliest. The Petitioner is further directed to start the capacity testing of small hydropower projects as per the demonstration period being proposed by WAPDA and to complete the capacity testing of HPP (21 no. of hydel power stations) within a time period of one year and in case of further delay, the reasons and justifications for such delay shall be communicated to the Authority in writing for seeking approval of time delay.

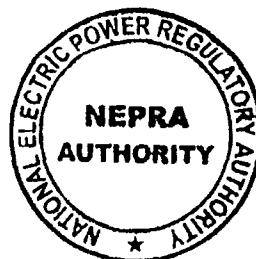
Issue No. XI. Whether the current mechanism for allocation of costs/expenses for each of the project into water side and power side is justified?

123. On this issue, the Petitioner stated that section 26 of WAPDA Act, 1958 affirms that;
1. The Authority shall maintain complete and accurate books of accounts in such form as may be prescribed by it.
 2. Provided that separate accounts shall be maintained for all schemes and transaction relating to power.
124. NEPRA allows WAPDA Tariff on cost-of-service basis and Section.17 (3)(i) of NEPRA Tariff Standard and Procedures Rules 1998, stipulates that where tariff are set on cost-of-service basis, Tariff shall be determined to allow licensee the recovery of any and all cost prudently incurred to meet the demonstrated needs of their customers. Accordingly, for each Fiscal Year, WAPDA prepare separate accounts comprising cost /expenses in respect of the Hydropower Stations and development schemes included in its Generation License, and get them audited as per NEPRA's specified scope, and submit to NEPRA.
125. A more detailed discussion with respect to Diamir Basha Dam apportionment has already been discussed in the respective issue however, it is also important to highlight that WAPDA Power Wing (WAPDA Hydroelectric) accounts are separated from its water wing and a separate License has also been given by NEPRA. Further, on an annual basis WAPDA hydroelectric accounts are audited which is being made the basis of an assessment of annual revenue requirement. Therefore, this issue stand addressed.

Other Issues

Net Hydel Profit (NHP)

126. The Petitioner informed that Article 161(2) of the Constitution of Islamic Republic of Pakistan, 1973 provides for the payment of Net Hydel Profit to the Provinces. The payment of NHP has been proposed as per the CCI decision dated 29.02.2016 and CCI decision dated 16.12.2016 as well as NEPRA determinations dated 13.11.2015, 08.01.2016, 22.11.2017 and 14.12.2017 and GoP Gazette Notifications dated 07.03.2016, 24.06.2016 and 23.02.2018. Pursuant to the above referred CCI





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

decisions and NEPRA determinations, Payment of Regular NHP to the Provinces on the generation of hydropower stations situated in their territorial jurisdiction has been proposed at enhanced rate of Rs.1.213/kWh. Further, in order to ensure uniformity in WUC rates for AJK as per the spirit of ECC decision dated 20.03.2019, NEPRA may approve the revised enhanced rates to take effect prospectively from the date of notification of revised tariff by MoWR, GoP, Islamabad in the Official Gazette.

127. The Petitioner further stated that NEPRA issued its revised order of WAPDA Hydroelectric Bulk Supply Tariff for FY 2017-18, wherein payment of Regular NHP to the Provinces during FY 2017-18 was approved at uncapped NHP rate of Rs.1.10 per kWh as per the actual generation from hydropower stations located in their territorial jurisdiction effective from 01.07.2017. Decision of NEPRA was notified by GoP on 23.02.2018, therefore, WAPDA Hydroelectric could not bill NHP at the revised rates till 22.02.2018. NHP arrears in respect of unbilled amount of Regular NHP from 01.07.2017 to 22.02.2018 during FY 2017-18 works out to Rs.618 million for KPK and Rs.5,842 million for Punjab as under:

Arrears - NHP to KP

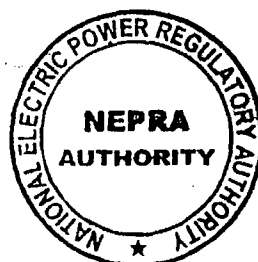
Sr. No.	Power Station	Capacity (MW)	2017-18 - 1st Jul-22 Feb		
			Generation (GWh)	Rate (Rs/kWh)	Amount (Mln Rs)
1	Tarbela	3,478	10,106	0.055	556
2	Warsak	243	560	0.055	31
3	Duber Khawar	130	261	0.055	14
4	Allai Khawar	121	114	0.055	6
5	Khan Khawar	72	80	0.055	4
6	Jabban	22	52	0.055	3
7	Dargal	20	61	0.055	3
8	Kuram Garhi	4	9	0.055	0
9	Chitral	1	1	0.055	0
10	Tarbela 4th Ext.	-	-	-	-
11	Solen Gol	-	-	-	-
	Total	4,091	11,234		618

Arrears - NHP to Punjab

Sr. No.	Power Station	Capacity (MW)	2017-18 - 1st Jul-22 Feb		
			Generation (GWh)	Rate (Rs/kWh)	Amount (Mln Rs)
1	Ghazi Brotha	1450	4,323	1.155	4,993
2	Chashma	184	493	1.155	569
3	Jinnah HPP	96	131	1.155	151
4	Resul	22	49	1.155	57
5	Nandipur	14	26	1.155	30
6	Shadilwal	14	16	1.155	18
7	Chichoki	13	20	1.155	23
8	Renala Khurd	1	1	1.155	1
	Total	1,794	5,058		5,842

Government of KPK's Intervention

128. WAPDA has included NHP at the rate of Rs. 1.213 per kWh in its present tariff petition which needs to be Rs. 1.404 per kWh for the year 2020-21 as the 5% indexation allowed according to the agreement has not been applied every year previously which should start from Rs 1.10 per kWh from FY 2016. The Province, therefore, demands readjustment in the proposed tariff accordingly. Besides, the decision must be given effect and thus the arrears and differential shall be worked out and included in the tariff of WAPDA as past year adjustments. WAPDA proposes NHP @ 1.213 Rs/kWh, which should be increased @ 1.404 Rs/kWh for the year 2020-21. WAPDA also miscalculated NHP arrears





amounting Rs. 618 million, however, it should be also determined for the missing indexation since 2015 which amounts to Rs. 7,949 million.

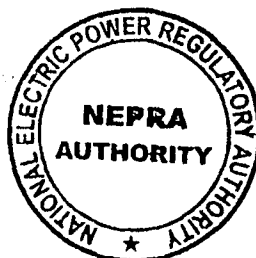
129. WAPDA considered Gomal Zam Dam as a project of FATA, however after the 25th amendment, erstwhile FATA is now part of Khyber Pakhtunkhwa and NHP for the project should be paid to GoKP. NHP for Gomal Zam hydro power project should be paid to GoKP along with the arrears amounting Rs. 108 million from the date of notification of ex-FATA merger with Khyber Pakhtunkhwa.
130. It may be noted that regular NHP for F.Y 2018-19 amounting Rs. 13.6 billion and regular NHP for F.Y 2019-20 amounting Rs. 23.2 billion still needs to be paid to the Government of Khyber Pakhtunkhwa. In addition, regular NHP amounting to Rs. 11.5 billion is also due for the period of July-September 2020 (F.Y. 2020-21). These liabilities add up to a total of Rs. 48.3 billion.
131. It was noted that the Authority in the last determination allowed indexation at 5% at the rate of Rs 1.10 per kWh which increased the rate of NHP to Rs 1.155 per kWh. CCI in its decision dated 16.12.16 allowed "Payment of NHP to Government of Punjab @ Rs 1.10 per unit on the analogy of Government of KPK, generated from Hydel Power Station located in Punjab for the FY 2016-17". The same rate indexed at 5% was made applicable on Punjab based WAPDA's plant from the same year in the WAPDA's tariff. The Petitioner has now indexed the rate by 5% to Rs 1.2128 per kWh for FY 2021.
132. It came to the knowledge of the Authority that CCI which is the relevant body has not approved indexation on the rate of Rs 1.10 per kWh. This issue was also pointed out in the Report on Power Sector, prepared by the Committee for Power Sector Audit, Circular Debt Resolution & Future Roadmap. The relevant extract is reproduced below:

440. There are massive variations in NHP estimates based on widely different interpretations of KCM formula by stakeholders. For example, as per existing practice adopted by NEPRA, NHP for FY2020 would be Rs. 38.75 billion at Rs. 1.15 per kWh while using KP's version of KCM, the NHP figure works out to be more than Rs. 400 billion.

441. It is worth mentioning that for private hydro IPP, the rate for use of water resource as per the Power Policy 2015 approved by CCI is Rs. 0.425/kWh however, if the same resource (water) is used by the Federal Government for hydroelectric plant in the province, the rate shoots up to almost three times to Rs. 1.15/kWh. NEPRA has approved annual indexation of 5% on the current rate of Rs. 1.10 per kWh from FY 2016 which, if applied, would increase the rate to Rs. 1.273 per kWh for FY 2019-20.

442. The Committee did not however find any record which shows that the CCI has approved such indexation over the rate of PKR. 1.10/kWh. Regardless of nomenclature, essentially it is an issue of water pricing, for which, the formula generally used globally is based on unit of electricity produced.

443. Therefore, there is an urgent need to review the situation while learning from countries with significant hydro generation such as Brazil, China, Canada & India. In light of the economic strain it is causing, a consensus has to be developed between stakeholders on a revised and sustainable NHP formula which the consumers and the power sector economy can afford.





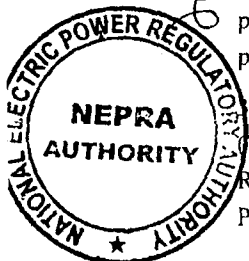
133. Therefore, based on the above discussion, NHP rate of Rs 1.10 per kWh has been assumed by the Authority going forward for FY 2021 for Punjab and KP based hydropower stations and excess past payment made as a result of the application of 5% indexation should, therefore, be adjusted by the Petitioner on yearly basis. However, if CCI make any decision with respect to indexation, the Authority may consider it as per the applicable law.
134. The Authority also observed that at the time of last determination, no NHP was made a part of the generation of Gomal Zam power project as the project was located in the erstwhile FATA region. Through 31st Constitutional amendments in the end of May 2018, FATA region where the project is located became a part of KPK region. Therefore, effective from July 2018, NHP from this project has been allowed which for FY 2019 and FY 2020 @ Rs 1.10 per kWh works out as Rs 35.2 million & Rs 57.73 million respectively. These arrear totalling Rs 95 million shall become a part of revenue gap to be recovered in one year from the date of notification.

Water Usage Charges (WUC)

135. On this charges, the Petitioner informed that it has been making payment of Water Usage Charges (WUC) to GoAJ&K @ Rs.0.15/kWh on the generation of Mangla Hydel Power Stations, in terms of clause 5.6 of the Mangla Dam Raising Agreement 2003, and Revised Order passed by the NPERA at Sr.1 of the tariff determination dated 14.12.2017. According to the Petitioner it later, filed a Tariff Modification Petition vide letter No.GMFP/CPCC/4525/241 dated 28.11.2019 for enhancement of WUC rates from Rs.0.15/kWh to Rs.1.155/kWh payable to GoAJ&K at par with the rate of NHP payable to provinces as necessitated in ECC decision in Case No.ECC 76/11/2019 dated 20-03-2019 notified vide MoWR, GoP Islamabad letter No.6 (17)/2004-HP dated 28.03.2019. NEPRA has held the hearing on this petition on 03.06.2020, however, the decision of NEPRA on this Tariff Modification Petition is still to come. Through instant Petition, the Petitioner requested NEPRA to determine/ approve the revised rate of Rs.1.213/kWh (at par with above proposed revised rate of NHP payable to provinces) in respect of WUC payable to GoAJ&K on the generation of Mangla HPS which shall be applied /paid prospectively only, once the recovery through tariff begins after notification of NEPRA determined tariff by MoWR, GoP Islamabad, in compliance of the instructions of GoP contained at Sr.No. i & vii of the aforementioned ECC decision.
136. The Authority noted that the request for enhancing WUC from Mangla Power Station from Rs 0.15 to Rs 1.10 per kWh was rejected by the Authority through its decision in the matter of Decision of the Authority in the matter of Tariff Modification Petition for Revision of Net Hydel Profit (NHP)/Water Use Charges (WUC) Rate Payable to Government of AJ&K on Generation from Mangla Power Station dated July 23, 2020 wherein the Authority made the following basis for rejections:

3.1.3 Therefore, the Authority is of the view, that for NHP to be given, the power houses, owned and operated by federal government have to be situated in the province, and AJ&K is not the province as per the Constitution of Pakistan therefore, enhancing current WUC rate of Rs 0.15 per kWh to the NHP rate of Rs 1.10 per kWh is not justified.

3.2.2 The Authority is of the considered opinion that, the payment of Water Usage Charges (WUC) to AJK is agreed in the MoU signed at the time of Mangla Dam Raising Project @ Rs.0.15 per kWh on generation of power from Mangla Power Station in line with the GoP Power Policy 2002, which has been accordingly incorporated for payment of WUC to





DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

AJ&K in the tariff of WAPDA Hydro Electric. This warrants that if any change in rate is to be incorporated in the WAPDA hydroelectric tariff the underlying agreement i.e. Mangla Dam Raising agreement has to be amended first and the same has also been stated in the above mentioned ECC decision, which is reproduced as under:

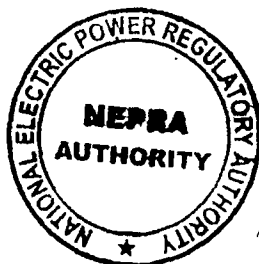
"ix. An agreement incorporating the above recommendation may be signed between the Government of AJK and other stakeholders of Government of Pakistan, amending the Mangla Raising ring Agreement of 2003 to the extent of WUC and terms of power supply to AJK."

3.2.3 The Authority noted that, the Mangla Raising Agreement of 2003 is yet to be amended, therefore, in the absence of revision in the base agreement; revising the rate from current Rs. 0.15 per kWh is not justified at this stage

137. The Petitioner has not given any evidence which shows revision in the Mangla Raising Agreement 2003 to the extent of changing the WuC from Rs 0.15 per kWh to Rs 1.10. Therefore, for tariff assessment, the Authority has decided to maintain the previous rate of Rs 0.15 per kWh WUC applicable to the Mangla power station's generation.

138. In view of discussions in the preceding paragraphs, the total revenue requirement of the Petitioner approved for the financial year 2021 is given below, station wise revenue requirement is attached as Annex - 1:

Revenue Requirement	FY 2015-16		2016-17		2017-18		2018-19		2019-20		2020-21	
	Requested	Assessed	Requested	Assessed	Requested	Assessed	Requested	Assessed	Requested	Assessed	Requested	Assessed
Million Rs												
O&M			10,693	11,791	12,729	15,165	14,562	15,640	15,937	16,311	17,622	18,126
Depreciation (At Carrying Cost)			4,665	5,262	4,593	5,026	6,771	7,513	6,826	7,610	6,869	7,656
ljara Rental			3,037	3,037	2,571	2,571	1,842	1,842	1,857	1,857	1,690	1,690
Return on Investment			23,480	24,960	22,945	24,364	28,643	30,505	32,033	34,173	28,330	29,543
Provision for Future Development	5,982		16,764	21,363	22,271	27,140	9,951	22,416	14,354	18,838	21,030	23,294
Misc. Income			(1,347)	(1,347)	(1,374)	(1,374)	(636)	(698)	(698)	(698)	(698)	(698)
Total Revenue Requirement	5,982		57,291	65,087	63,734	72,833	61,071	77,218	70,308	78,091	74,842	79,610
Regulatory Revenue Gap												
FY - 2015-16 - Actual (ROI on DBD)											2,931	5,982
FY - 2016-17 - Actual											(7,942)	(146)
FY - 2017-18 - Actual											7,426	16,584
FY - 2018-19 - Actual											(597)	15,548
FY - 2019-20 - Provisional											7,186	14,923
Total Revenue Gap											9,005	52,891
Total Revenue Requirement with Rev. Gap											83,846	132,501
Mark up on advance NHP paid to provinces											11,024	11,024
Total Revenue Requirement of WAPDA											94,870	143,525
Hydel Levies												
NHP - Regular											27,896	30,695
Arrears of NHP/WUC to Provinces for FY 2017-18.												6,460
Gomal Zam NHP Arrear FY 2019 & FY 2020											95	
Mangla WuC											712	5,753
IRSA Charges											151	151
Total Hydel Levies											28,853	43,058
Total - With Hydel Levies											123,724	188,584
Generation (GWh)											30,104	30,104
Average Tariff (Rs/kWh)											4.11	6.20





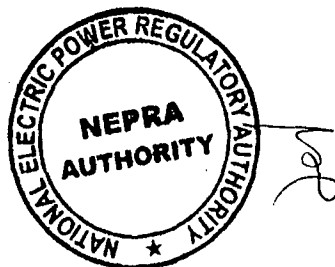
DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

ORDER

1. WAPDA Hydroelectric (Petitioner) is allowed to charge the Central Power Purchasing Agency Guarantee Limited (CPPA-G) the following tariff of each plant at the bus bar of its hydroelectric power stations connected directly or indirectly to the transmission system of NTDC:

Sr.No.	Power Stations	Variable Rate	Fixed Charges			Hydel Levies			
			Fixed Rate	Revenue Gap	Interest on Loans for NHP	NHP Regular	WUC	NHP Arrears	IRSA
		Rs/kWh	Rs/kW/M	Rs/kW/M	Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kW/M	Rs/kWh
1	Tarbela	0.043	421.940	(425.917)	63.837	1.1000		-	0.005
2	Warsak	0.107	748.198	64.332	63.837	1.1000		-	0.005
3	Duber Khawar	0.215	1,768.284	369.329	63.837	1.1000		-	0.005
4	Allal Khawar	0.215	1,508.871	523.789	63.837	1.1000		-	0.005
5	Khan Khawar	0.211	1,592.305	213.254	63.837	1.1000		-	0.005
6	Jabban	0.275	2,881.467	3,505.165	63.837	1.1000		-	0.005
7	Dargai	0.088	826.772	(587.876)	63.837	1.1000		-	0.005
8	Kuram Garhi	0.255	1,924.961	343.330	63.837	1.1000		-	0.005
9	Chitral	0.343	2,164.941	(4,020.787)	63.837	1.1000		-	0.005
10	Tarbela 4th Ext.	0.134	781.992	591.948	-	1.1000		-	0.005
11	Golen Gol	0.344	2,446.539	1,923.793	-	1.1000		-	0.005
12	Gomal Zam	0.634	3,092.300	(470.671)	-	1.1000		454.646	0.005
13	Ghazi Brotha	0.079	777.899	434.090	366.499	1.1000		-	0.005
14	Chashma	0.191	1,524.435	1,403.294	366.499	1.1000		-	0.005
15	Jinnah HPP	0.267	1,521.280	1,113.603	366.499	1.1000		-	0.005
16	Rasul	0.157	895.550	(34.025)	366.499	1.1000		-	0.005
17	Nandipur	0.132	833.858	(1,222.819)	366.499	1.1000		-	0.005
18	Shadiwal	0.178	833.830	(790.848)	366.499	1.1000		-	0.005
19	Chichoki	0.176	866.551	(870.862)	366.499	1.1000		-	0.005
20	Renala Khurd	0.342	1,831.918	(3,455.565)	366.499	1.1000		-	0.005
21	Mangla	0.067	715.090	41.611	-	-	0.150	-	0.005

2. The "Revenue Gap", "Interest on Loans for NHP" and "NHP Arrears" components of tariff as indicated above shall be applicable for a period of one year from the date of its notification by GoP, after which the tariff without these three tariff components shall be applicable.



51-



DETERMINATION OF THE AUTHORITY IN THE MATTER OF
TARIFF PETITION FILED BY WAPDA HYDROELECTRIC FOR FY 2020-21

3. The order is to be intimated to the Federal Government for notification in the official gazette under section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

Rehmatullah Baloch

Member

Engr. Rafique Ahmed Shaikh

Member

Tauseef H. Farooqi

Chairman



05 04 21

Revenue Requirement

Tarbela

Warsak

Dubair

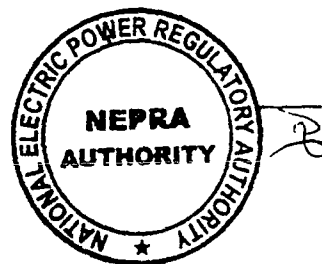
Revenue Requirement

	2016-17	2017-18	2018-19	2019-20	2020-21		2016-17	2017-18	2018-19	2019-20	2020-21		2016-17	2017-18	2018-19	2019-20	2020-21
Unit	Audited	Audited	Audited	Projected	Projected		Audited	Audited	Audited	Projected	Projected		Audited	Audited	Audited	Projected	Projected
O&M	(Min Rs)	4,087	4,668	5,155	5,734	6,373	960	1,230	1,203	1,252	1,398	116	134	163	146	159	
Depreciation (At Carrying Cost)	(Min Rs)	336	280	487	511	534	62	73	75	75	75	116	108	308	309	313	
Ijara Rental	(Min Rs)	3,037	2,571	1,842	1,857	1,690											
Return on Investment	(Min Rs)	1,123	1,166	1,182	1,166	1,022	146	199	247	238	201	2,814	2,784	2,794	1,889	2,090	
Provision for Future Development	(Min Rs)	8,447	11,222	4,110	5,929	8,686	590	784	287	414	607	316	419	154	222	325	
Misc. Income	(Min Rs)	(1,117)	(165)	(225)	(225)	(225)	(22)	(15)	(16)	(16)	(16)	(9)	(0)	(0)	(0)	(0)	
Total Revenue Requirement w/o Rev. Gap	(Min Rs)	15,912	19,742	12,552	14,971	18,080	1,735	2,271	1,796	1,962	2,265	3,353	3,445	3,419	2,565	2,887	
Regulatory Revenue Gap																	
FY - 2015-16 - Actual (ROI on DBD)					1,477						103					55	
FY - 2016-17 - Actual					(16,912)						(549)					2,126	
FY - 2017-18 - Actual					(3,564)						364					1,199	
FY - 2018-19 - Actual					(579)						54					(972)	
FY - 2019-20 - Provisional					1,801						214					(1,832)	
Total Revenue Gap					(17,776)						188					576	
Total Revenue Requirement with Rev. Gap					304						2,452					3,463	
Mark up on advance NHP paid to provinces					2,664						186					100	
Total Revenue Requirement of WAPDA					2,968						2,638					3,562	

Hydel Levies

NHP - Regular
 Arrears of NHP/WUC to Provinces for FY 2017-18.
 Gomai Zam NHP Arrear FY 2019 & FY 2020
 Mangla WUC
 IRSA Charges
 Total Hydel Levies
 Total - With Hydel Levies

2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
				11,880					851					655
				-					-					-
				54					4					3
				11,934					855					657
				14,902					3,494					4,239



Revenue Requirement

Allai

Khan

Jabban

	Unit	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
		Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
Revenue Requirement																
O&M	(Min Ra)	119	151	183	169	184	181	180	193	223	243	94	101	118	151	162
Depreciation (At Carrying Cost)	(Min Ra)	123	518	468	468	469	94	110	193	194	194	118	113	142	142	142
Ijara Rental	(Min Ra)															
Return on Investment	(Min Ra)	1,753	1,695	1,692	1,450	1,336	1,146	1,126	1,122	753	824	514	489	507	514	440
Provision for Future Development	(Min Ra)	294	390	143	206	302	175	232	85	123	180	53	71	26	38	55
Misc. Income	(Min Ra)	(0)	(8)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(1)	(0)	(1)	(1)	(1)
Total Revenue Requirement w/o Rev. Gap	(Min Ra)	2,288	2,746	2,486	2,294	2,290	1,595	1,647	1,592	1,291	1,439	778	774	792	843	798
Regulatory Revenue Gap																
FY - 2015-16 - Actual (ROI on DBD)					51						31				9	
FY - 2016-17 - Actual					1,161						928				568	
FY - 2017-18 - Actual					1,020						535				365	
FY - 2018-19 - Actual					(639)						(496)				(32)	
FY - 2019-20 - Provisional					(833)						(813)				15	
Total Revenue Gap					761						184				925	
Total Revenue Requirement with Rev. Gap					3,051						1,623				1,723	
Mark up on advance NHP paid to provinces					93						55				17	
Total Revenue Requirement of WAPDA					3,144						1,678				1,740	

Hydel Levies

NHP - Regular

Arrears of NHP/WUC to Provinces for FY 2017-18.

Gomal Zam NHP Arrear FY 2019 & FY 2020

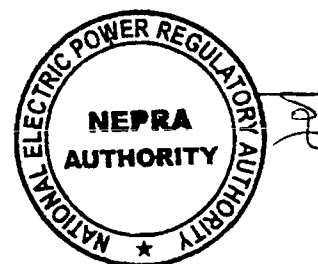
Mangla WUC

IRSA Charges

Total Hydel Levies

Total - With Hydel Levies

	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
NHP - Regular				509					329					149	
Arrears of NHP/WUC to Provinces for FY 2017-18.				-					-					-	
Gomal Zam NHP Arrear FY 2019 & FY 2020															
Mangla WUC				2					1					1	
IRSA Charges				512					330					149	
Total Hydel Levies				3,655					2,008					1,889	
Total - With Hydel Levies															



45

13-1

Revenue Requirement

Dargai

Kurrm Garhi

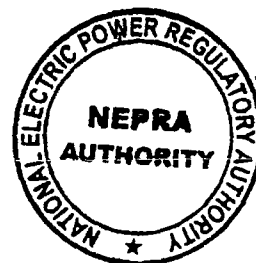
Chitral

	Dargai					Kurrm Garhi					Chitral				
	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected
Revenue Requirement															
O&M	(Min Rs) 86	92	116	137	147	48	52	65	77	83	12	13	16	19	21
Depreciation (At Carrying Cost)	(Min Rs) 1	1	2	2	2	1	1	0	0	0	2	2	1	1	1
Ijara Rental	(Min Rs)														
Return on Investment	(Min Rs) 9	10	11	11	9	1	3	4	4	4	4	4	4	4	3
Provision for Future Development	(Min Rs) 49	65	24	34	50	10	13	5	7	10	2	3	1	2	2
Misc. Income	(Min Rs) (1)	(0)	(2)	(2)	(2)	(0)	(0)	(1)	(1)	(1)	(0)	(1)	(0)	(0)	(0)
Total Revenue Requirement w/o Rev. Gap	(Min Rs) 144	167	150	181	206	60	68	74	88	97	21	21	22	26	27
Regulatory Revenue Gap															
FY - 2015-16 - Actual (ROI on DBD)					8					2					0
FY - 2016-17 - Actual					(46)					22					12
FY - 2017-18 - Actual					(14)					14					(3)
FY - 2018-19 - Actual					(61)					(18)					(30)
FY - 2019-20 - Provisional					(28)					(4)					(27)
Total Revenue Gap					(141)					16					(48)
Total Revenue Requirement with Rev. Gap					65					113					(21)
Mark up on advance NHP paid to provinces					15					3					1
Total Revenue Requirement of WAPDA					80					116					(20)

Hydel Levies

NHP - Regular
 Arrears of NHP/WUC to Provinces for FY 2017-18.
 Gomal Zam NHP Arrear FY 2019 & FY 2020
 Mangla WUC
 IRSA Charges
 Total Hydel Levies
 Total - With Hydel Levies

	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected
NHP - Regular					98					19					4
Arrears of NHP/WUC to Provinces for FY 2017-18.					-					-					-
Gomal Zam NHP Arrear FY 2019 & FY 2020															
Mangla WUC					0					0					0
IRSA Charges					98					19					4
Total Hydel Levies					179					135					(16)
Total - With Hydel Levies															



46

X

A

54-1

Revenue Requirement

T-4

Golen Gol

Ghazi Barotha

Revenue Requirement

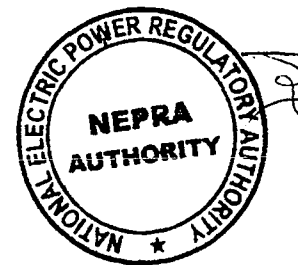
O&M	(Min Rs)	-	-	563	593	655	-	-	79	115	125	1,562	1,998	2,138	2,224	2,460
Depreciation (At Carrying Cost)	(Min Rs)			1,660	1,660	1,660	-	-	341	341	341	1,972	1,442	1,383	1,384	1,388
Ijara Rental	(Min Rs)															
Return on Investment	(Min Rs)			4,694	8,958	7,907			1,359	2,596	2,587	9,313	8,964	8,594	8,153	6,644
Provision for Future Development	(Min Rs)	-	-	1,666	2,404	3,521	-	-	128	184	270	3,522	4,678	1,714	2,472	3,621
Misc. Income	(Min Rs)			(1)	(1)	(1)			(0)	(0)	(0)	(39)	(42)	(56)	(56)	(56)
Total Revenue Requirement w/o Rev. Gap	(Min Rs)	-	-	8,582	13,614	13,742	-	-	1,906	3,235	3,323	16,330	17,041	13,773	14,178	14,057

Regulatory Revenue Gap

FY - 2015-16 - Actual (ROI on DBD)	-	-	616
FY - 2016-17 - Actual	-	-	2,582
FY - 2017-18 - Actual	-	-	4,341
FY - 2018-19 - Actual	2,695	1,054	(199)
FY - 2019-20 - Provisional	7,321	1,439	203
Total Revenue Gap	10,816	2,493	7,553
Total Revenue Requirement with Rev. Gap	23,758	5,817	21,610
Mark up on advance NHP paid to provinces			6,377
Total Revenue Requirement of WAPDA	23,758	5,817	27,987

Hydel Levies

	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected
NHP - Regular				4,208					488					7,260	
Arrears of NHP/WUC to Provinces for FY 2017-18.															
Gomal Zam NHP Arrear FY 2019 & FY 2020															
Mangla WUC				19					2					33	
IRSA Charges															
Total Hydel Levies				4,227					491					7,293	
Total - With Hydel Levies				27,985					6,307					35,280	



47

51
51
1

Revenue Requirement

Chashma

Jinnah

Rasul

	Unit	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
		Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
Revenue Requirement																
O&M	(Min Rs)	971	1,031	1,171	1,280	1,418	268	320	377	396	436	101	128	130	152	168
Depreciation (At Carrying Cost)	(Min Rs)	426	439	481	510	515	362	403	394	400	401	5	4	4	4	4
Ijara Rental	(Min Rs)															
Return on Investment	(Min Rs)	1,481	1,426	1,368	1,374	1,174	1,357	1,329	1,309	1,185	904	26	26	27	28	24
Provision for Future Development	(Min Rs)	447	594	217	314	460	233	310	113	164	240	53	71	26	38	55
Misc. Income	(Min Rs)	(25)	(37)	(48)	(48)	(48)	(1)	(916)	(149)	(149)	(149)	(3)	(1)	(5)	(5)	(5)
Total Revenue Requirement w/o Rev. Gap	(Min Rs)	3,301	3,453	3,190	3,430	3,519	2,219	1,446	2,044	1,996	1,832	182	228	182	215	246
Regulatory Revenue Gap																
FY - 2015-16 - Actual (ROI on DBD)					78						41					9
FY - 2016-17 - Actual					1,555						1,327					(24)
FY - 2017-18 - Actual					1,329						177					37
FY - 2018-19 - Actual					(53)						(128)					(33)
FY - 2019-20 - Provisional					190						(135)					2
Total Revenue Gap					3,098						1,283					(9)
Total Revenue Requirement with Rev. Gap					6,617						3,115					237
Mark up on advance NHP paid to provinces					809						422					97
Total Revenue Requirement of WAPDA					7,427						3,537					334

Hydel Levies

NHP - Regular

Arrears of NHP/WUC to Provinces for FY 2017-18.

Gomal Zam NHP Arrear FY 2019 & FY 2020

Mangla WuC

IRSA Charges

Total Hydel Levies

Total - With Hydel Levies

2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
				880					328					67
				-					-					-
				4					1					0
				884					329					67
				8,311					3,867					401



43

56-1

Revenue Requirement

Nandipur

Shadiwal

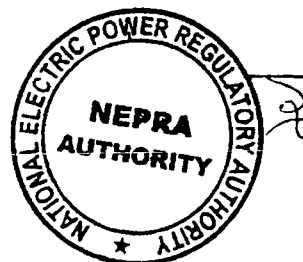
Chichuki

Revenue Requirement

Revenue Requirement																
O&M	(Min Rs)	60	64	81	96	103	60	64	81	96	103	56	60	75	89	96
Depreciation (At Carrying Cost)	(Min Rs)	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Ijara Rental	(Min Rs)															
Return on Investment	(Min Rs)	8	7	7	10	10	6	7	8	8	8	2	3	5	11	14
Provision for Future Development	(Min Rs)	34	45	17	24	35	34	45	17	24	35	32	42	15	22	32
Misc. Income	(Min Rs)	(1)	(0)	(4)	(4)	(4)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(3)	(3)	(3)
Total Revenue Requirement w/o Rev. Gap	(Min Rs)	103	118	102	127	146	100	117	105	128	146	89	103	94	121	141
Regulatory Revenue Gap																
FY - 2015-16 - Actual (ROI on DBD)					6					6					6	
FY - 2016-17 - Actual					(25)					(24)					(33)	
FY - 2017-18 - Actual					(24)					(12)					(20)	
FY - 2018-19 - Actual					(92)					(61)					(59)	
FY - 2019-20 - Provisional					(70)					(42)					(30)	
Total Revenue Gap					(205)					(133)					(136)	
Total Revenue Requirement with Rev. Gap					(60)					13					5	
Mark up on advance NHP paid to provinces					62					62					57	
Total Revenue Requirement of WAPDA					2					74					62	

Hydel Levies

	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected	Audited	Audited	Audited	Projected	Projected
NHP - Regular					46					34					34
Arrears of NHP/WUC to Provinces for FY 2017-18.					-					-					-
Gumal Zam NHP Arrear FY 2019 & FY 2020															
Mangla WUC					0					0					0
IRSA Charges					46					34					34
Total Hydel Levies					46					34					34
Total - With Hydel Levies					48					109					96



49

54-1

Revenue Requirement

Renala

Mangla

Gomal Zam

Revenue Requirement

O&M	(Min Rs)	12	13	16	19	21	1,833	2,352	2,538	2,853	3,139	69	78	98	116	125
Depreciation (At Carrying Cost)	(Min Rs)	1	0	0	0	0	855	902	723	730	735	187	193	106	92	92
Ijara Rental	(Min Rs)															
Return on Investment	(Min Rs)	2	2	2	2	2	3,077	3,021	3,030	3,049	2,618	698	684	676	629	511
Provision for Future Development	(Min Rs)	2	3	1	2	2	2,429	3,227	1,182	1,705	2,498	42	56	21	30	43
Misc. Income	(Min Rs)	(0)	(0)	(3)	(3)	(3)	(32)	(89)	(88)	(88)	(88)	(94)	(94)	(94)	(94)	(94)
Total Revenue Requirement w/o Rev. Gap	(Min Rs)	17	19	17	21	23	8,161	9,413	7,385	8,249	8,901	902	917	807	773	677
Regulatory Revenue Gap																
FY - 2015-16 - Actual (ROI on DBD)						0					425					7
FY - 2016-17 - Actual						8					(1,374)					745
FY - 2017-18 - Actual						(3)					1,324					359
FY - 2018-19 - Actual						(27)					(348)					(573)
FY - 2019-20 - Provisional						(20)					472					(637)
Total Revenue Gap						(41)					499					(98)
Total Revenue Requirement with Rev. Gap						(18)					9,401					579
Mark up on advance NHP paid to provinces						4										
Total Revenue Requirement of WAPDA						(14)					9,401					579

Hydel Levies

NHP - Regular

Arrears of NHP/WUC to Provinces for FY 2017-18.

Gomal Zam NHP Arrear FY 2019 & FY 2020

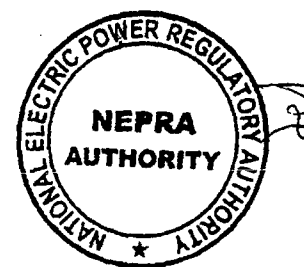
Mangla WUC

IRSA Charges

Total Hydel Levies

Total - With Hydel Levies

2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Projected	2020-21 Projected
				3										55
				-									35	60
				0					712					0
				3					24					55
				(11)					10,136					634



50

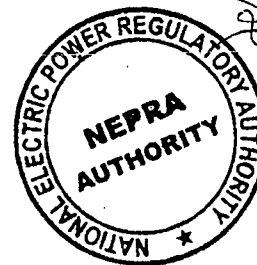
5, 9, 1

Consolidated - Revenue Requirement

	Unit	2016-17	2017-18	2018-19	2019-20	2020-21
		Audited	Audited	Audited	Projected	Projected
Revenue Requirement (Mln Rs)						
O&M	(Mn Rs)	10,693	12,729	14,562	15,937	17,622
Depreciation (At Carrying Cost)	(Mn Rs)	4,665	4,593	6,771	6,826	6,869
Ijara Rental	(Mn Rs)	3,037	2,571	1,842	1,857	1,690
Return on Investment	(Mn Rs)	23,480	22,945	28,643	32,033	28,330
Provision for Future Development	(Mn Rs)	16,764	22,271	9,951	14,354	21,030
Misc. Income	(Mn Rs)	(1,347)	(1,374)	(698)	(698)	(698)
Total Revenue Requirement	(Mn Rs)	57,291	63,734	61,071	70,308	74,842
Regulatory Revenue Gap						
						2,931
FY - 2016-17 - Actual						(7,942)
FY - 2017-18 - Actual						7,426
FY - 2018-19 - Actual						(597)
FY - 2019-20 - Provisional						7,186
Total Revenue Gap						9,005
Total Revenue Requirement with Rev. Gap						83,846
Mark up on advance NHP paid to provinces						11,024
Total Revenue Requirement of WAPDA						94,870

Hydel Levies

	2016-17	2017-18	2018-19	2019-20	2020-21
	Audited	Audited	Audited	Projected	Projected
NHP - Regular					27,896
Arrears of NHP/WUC to Provinces for FY 2017-18.					-
Gomal Zam NHP Arrear FY 2019 & FY 2020					95
Mangla WuC					712
IRSA Charges					151
Total Hydel Levies					28,758
Total - With Hydel Levies					123,629



51

59-



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

No. NEPRA/R/ADG(Trf)/TRF-530/WAPDA-2020/34853-34855
August 23, 2021

Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Energy and Power Department, Govt. of Khyber Pakhtunkhwa against the Authority Decision dated April 5, 2021 regarding WAPDA Hydroelectric Tariff Petition for FY 2020-21 (Case No. NEPRA/TRF-530/WAPDA-2020)

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (05 Pages) in Case No. NEPRA/TRF-530/WAPDA-2020.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

3. The Order of the Authority's Decision is to be notified in the official Gazette.

Enclosure: As above


23 08 21
(Syed Safeer Hussain)

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Ministry of Water Resources, 'Attaturk Avenue (East), Sector G-5/1, Islamabad

61-

**DECISION OF THE AUTHORITY MOTION FOR LEAVE FOR REVIEW FILED BY
ENERGY AND POWER DEPARTMENT, GOVT. OF KHYBER PAKHTUNKHWA
AGAINST THE AUTHORITY DECISION DATED APRIL 5, 2021 REGARDING
WAPDA HYDROELECTRIC TARIFF PETITION FOR FY 2020-21**

Background

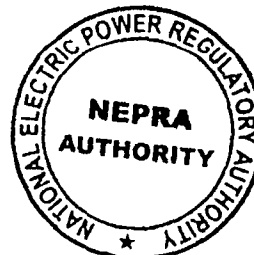
1. The Authority vide its decision dated April 5, 2021, determined tariff for WAPDA Hydroelectric for FY 2021-21. In the determination, the NHP rate was allowed at Rs 1.10 per kWh payable to the provinces with no indexation. While approving this, the Authority stated that if CCI makes any decision with respect to indexation, the Authority may consider it as per the applicable law.
2. Subsequently, the Government of KPK through its legal counsel Barrister Asghar Khan Advocate & Faisal Atta, Advocate ("the **Petitioner**") submitted a motion for leave for review (MLR) against the determination of the Authority in the matter of Tariff Petition filed by WAPDA Hydroelectric for FY 2020-21 ("**impugned determination**"). The MLR was filed on April 30, 2021, which is now challenging the disallowance of indexation on the rate of NHP in the impugned determination.

GROUND'S OF MOTION FOR LEAVE FOR REVIEW (MLR):

3. The following grounds for filing MLR was made by the Petitioner
 - i. That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA being past and closed transactions.
 - ii. That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA as the indexation of the NHP has been agreed by the Federal Government and duly approved / concurred by the CCI.
 - iii. That the Province of Khyber Pakhtunkhwa be allowed NHP @ Rs. 1.10 / kWh with 5% annual indexation from and after Year 2016
 - iv. That the NHP payable to the GoKP be increased to Rs. 1.404 / kWh
 - v. That Rs. 7, 949 million should be determined in respect of indexation claims of the GoKP since the Year 2016
 - vi. That the NHP for the Gomal Zam Dam along with arrears of Rs. 108 Million for the Years 2018-20 are allowed to the Province of Khyber Pakhtunkhwa
 - vii. That total liabilities / arrears on account of the NHP of Rs. 48.3 Billion payable to the GoKP from and after FY 2018 needs to be adjusted in the WAPDA Determination 2020-21
4. Based on the aforementioned grounds, the Petitioner in its MLR requested the Authority to reconsider its MLR.

Proceedings

5. In order to provide an opportunity to the Petitioner, the Authority decided to hold a hearing in the matter on July 14, 2021, in NEPRA Tower at 10:00 am via zoom. Notices of hearing were also sent to the relevant stakeholders on June 30, 2021.



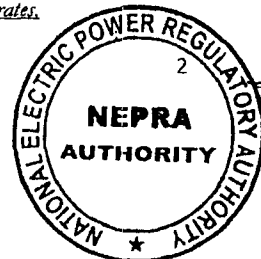
6. The hearing was held on the above mentioned date. The Petitioner side was led by the Minister of Finance Government of KPK who was accompanied by the provincial attorney general, and legal counsel. The representatives of WAPDA hydroelectric and PPDB joined via Zoom.
7. Subsequently, comments from Punjab Power Development Board (PPDB) & WAPDA Hydroelectric were received. PPDB comments were brief which primarily requested that the Authority *while considering the subject review petition, the effect of tariff basket and its impact on the end consumers may please be sympathetically considered.* WAPDA Hydroelectric comments dated August 02, 2021 are given in the subsequent paragraphs.

Hearing

8. During the hearing representative of the Petitioner presented its case and argued that the decision of the Authority dated November 13, 2015, where the NHP was uncapped to Rs 1.10 per kWh with 5% annual indexation was made a part of MoU which was later endorsed by CCI through its decision dated 29.02.2016. According to the Petitioner, the Authority also continued to allow indexation in subsequent WAPDA hydroelectric tariff decisions. Therefore, as per the Petitioner indexation of 5% over 1.10 per kWh should be applied from FY 2016 and till FY 2021. The Petitioner while supporting its argument displayed various decisions of the Authority including the MoU. The Petitioner further clarified that CCI original determination on NHP is based on the application of AGN Kazi Methodology (KCM) the current arrangement of Rs 1.10 per kWh is an interim arrangement until consensus is reached on KCM.
9. During the hearing, it also came into the discussion why the indexation is being referred to CCI when indexations for IPPs are allowed by NEPRA. In response, NEPRA legal adviser clarified that the IPP tariff is fixed by NEPRA under its law wherein indexation is also allowed by NEPRA whereas NHP doesn't come under the domain/power of NEPRA therefore, indexation power also doesn't comes under the domain of NEPRA. The representative of PPDB stated that NHP will affect the whole of Pakistan and Punjab consumers as well, therefore, NEPRA needs to see its impact on consumers. In response, the Petitioner stated that it is wrong to assume it will impact consumer tariff as according to the Petitioner oil royalty is given to provinces by Federal Government and the MoU was also signed with the Federal Government. If it is considered as profit then how come it affects the consumer? So Petitioner further informed that they are taking up the NHP payment matter with the Federal government where payment will be made by the Federal government and not by WAPDA.
10. The representative of WAPDA however endorsed the impugned determination of the Authority. WAPDA further argued that "and onward" word was deleted in the CCI decision in case of Punjab which means the CCI is yet to give a new rate instead of Rs 1.10 per kWh. KPK replied that it was WAPDA who incorporated the indexation decision in its original petition and now WAPDA is backtracking by agreeing on not allowing indexation over Rs 1.10 per kWh.

WAPDA Hydroelectric Comments

11. WAPDA in its comments dated August 02, 2021 submitted that in its tariff determination for FY 2016 and FY 2018, NEPRA Authority allowed payment of NHP @ 1.10 per kWh and Rs 1.155 per kWh, as an interim arrangement. However, the CCI in its latest decisions dated 16.12.16 and 24.11.2017 approved payment of NHP @ Rs 1.10 per unit for FY 2017 and clearly instructed that the same rate may be continued as an interim rate for subsequent years till the finalization of revised rates.



12. Therefore, WAPDA Hydroelectric is of the opinion that given the above decisions, NEPRA decision as mentioned in para 133 of the impugned determination to allow payment of NHP to GOKP and GoPb @ Rs 1.10 per kWh is in conformity with the CCI's decision dated 24.11.2017. in support, WAPDA shared copy of CCI decision 16.12.16 and 24.11.2017

Finding of the Authority

13. Argument heard and record perused.
14. As per regulation 3(2) of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009, "any party who is aggrieved from any order of the Authority and who, from the discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record or from any other sufficient reasons, may file a motion seeking review of such order".
15. In the instance case, it is observed that the majority of the submissions made in the MLR were already deliberated upon in the impugned determination. The Authority however is of the view that the decisions of CCI reproduced below need careful reading:-

MoU signed between Go KP and Federal Government dated February 25, 2016 which was endorsed by CCI on Feb 29, 2016

1. Net Hydel Profit (NHP): (a) The uncapped NHP, as determined and transmitted from NEPRA, would be notified immediately by Ministry of Water & Power;

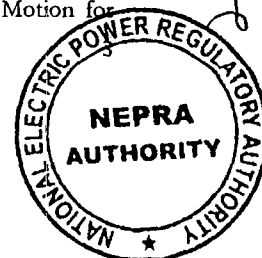
CCI decisions 16.12.16 amended 24.11.2017

Payment of NHP to Government of Punjab @ Rs 1.10 per unit on the analogy of Government of KPK, generated from Hydel Power Station located in Punjab for the FY 2016-17 and the same rate may be continued as an interim rate for subsequent years till the finalization of revised rate".

16. After review of the relevant decisions of the CCI pertaining to the NHP rate of Rs 1.10 per kWh it was observed that the Petitioner has not provided conclusive evidence which in categorical terms state that CCI has allowed indexation of 5% over the rate of Rs 1.10 per kWh. Therefore, in the opinion of the Authority there is a need to bring clarity on the issue of indexation of NHP rate for both the province of KPK and Punjab. In addition to this, if CCI were to give indexation, it is also important to clarify since when such indexation should be given. The Authority is also aware that payments have been made to the provinces on the basis of an indexed rate of Rs 1.155 per kWh which started for the Provinces of KPK and Punjab since FY 2018. Therefore, being cognizant of the constitutional provision of NHP and its importance to the provinces, the Authority has decided to allow indexation on an interim basis for six (6) months from the date of notification of this decision. In case no clear guidelines from CCI is obtained on the issue of NHP then any excess payment made as a result of application of 5% indexation over the rate of Rs 1.10 per kWh shall be adjusted in WAPDA Hydro Electric tariff for the next financial year. For this purpose, the Petitioner shall approach CCI to obtain clear guidelines on the matter and accordingly approach NEPRA for reconsideration of this tariff, if required.

Order

1. In accordance with Rule 16(6) of NEPRA (Tariff Standards & Procedure) Rules, 1998, read with 3(2) of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009, the Authority hereby revise its order approved vide its decision in the matter of Motion for

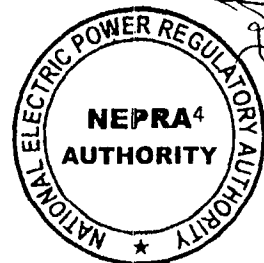


69-

Recalculation filed by WAPDA Hydroelectric against the Tariff Determination of the Authority for FY 2020-21 issued on April 5, 2021 in the matter of Tariff Petition filed by WAPDA Hydroelectric for FY 2020-21 (Case No. NEPRA/TRF-530/WAPDA-2020) and allow WAPDA Hydroelectric to charge the Central Power Purchasing Agency Guarantee Limited (CPPA-G) the following tariff of each plant at the bus bar of its hydroelectric power stations connected directly or indirectly to the transmission system of NTDC:

Sr.No.	Power Stations	Variable Rate	Fixed Charges			Hydel Levies			
			Fixed Rate	Revenue Gap	Interest on Loans for NHP	NHP Regular	WUC	NHP Arrears	IRSA
		Rs/kWh	Rs/kWh/M	Rs/kWh/M	Rs/kWh/M	Rs/kWh	Rs/kWh	Rs/kWh/M	Rs/kWh
1	Tarbela	0.043	421.940	(425.917)	63.837	1.404		119.62	0.005
2	Warsak	0.107	748.198	64.332	63.837	1.404		145.56	0.005
3	Duber Khawar	0.215	1,768.284	369.329	63.837	1.404		155.59	0.005
4	Allai Khawar	0.215	1,508.871	523.789	63.837	1.404		122.34	0.005
5	Khan Khawar	0.211	1,592.305	213.254	63.837	1.404		113.25	0.005
6	Jabban	0.275	2,881.467	3,505.165	63.837	1.404		204.08	0.005
7	Dargai	0.088	826.772	(587.876)	63.837	1.404		175.03	0.005
8	Kuram Garhi	0.255	1,924.961	343.330	63.837	1.404		132.50	0.005
9	Chitral	0.343	2,164.941	(4,020.787)	63.837	1.404		117.75	0.005
10	Tarbela 4th Ext.	0.134	781.992	876.992	-	1.404		76.44	0.005
11	Golen Gol	0.344	2,446.539	3,225.457	-	1.404		22.68	0.005
12	Gomal Zam	0.634	3,092.300	(470.671)	-	1.404		542.867	0.005
13	Ghazi Brotha	0.079	777.899	434.090	366.499	1.337		65.59	0.005
14	Chashma	0.191	1,524.435	1,403.294	366.499	1.337		59.97	0.005
15	Jinnah HPP	0.267	1,521.280	1,113.603	366.499	1.337		29.17	0.005
16	Rasul	0.157	895.550	(34.025)	366.499	1.337		30.34	0.005
17	Nandipur	0.132	833.858	(1,222.819)	366.499	1.337		35.99	0.005
18	Shadiwal	0.178	833.830	(790.848)	366.499	1.337		19.49	0.005
19	Chichoki	0.176	866.551	(870.862)	366.499	1.337		33.13	0.005
20	Renala Khurd	0.342	1,831.918	(3,455.565)	366.499	1.337		29.36	0.005
21	Mangla	0.067	715.090	41.611	-	-	0.150	-	0.005

2. The "Revenue Gap" & "Interest on Loans for NHP" components of tariff as indicated above shall be applicable for a period of one year from the date of its notification by GoP, after which the tariff without these two tariff components shall be applicable.
3. The GoKP (Petitioner) shall approach CCI to obtain clear guidelines on the issue of NHP and indexation (if any) within six months of notification of this decision, till such time
 - a. "NHP Regular" rates as stated shall be applicable. In case the Petitioner fails to obtain an explicit decision of CCI on NHP and its indexation (if any) then the "NHP Regular" shall be paid at Rs 1.10 per kWh to the abovementioned plants other than Mangla.
 - b. "NHP Arrears" as stated shall be applicable. In case the Petitioner failed to obtain explicit decision of CCI on NHP then no payment shall be charged on this account, however, for Gomal Zam HPP, "NHP Arrears" shall be paid at Rs 454.646 per kWh per month.
4. Any excess payment made (due to application of 5% indexation) to the provinces as a result of failure of the Petitioner to obtain clear guidelines on NHP from CCI shall be adjusted in the next tariff determination of WAPDA Hydroelectric.



5. The order is to be intimated to the Federal Government for notification in the official gazette under section 31 (7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY



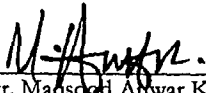
Rehmatullah Baloch

Member




Engr. Rafique Ahmed Shaikh

Member



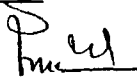
Engr. Maqsood Anwar Khan

Member



Tauseef H. Farooqi

Chairman



23 08 21

PS/C.S Khyber Pakhtunkhwa

Diary No. 333(w/e)

Date: 27.01.2022

66 "C"

Immediate
By Special Messenger/By UMS
SECRET

GOVERNMENT OF PAKISTAN
SECRETARIAT OF THE COUNCIL OF COMMON INTERESTS
5th Floor, Kohsar Block, Pak. Secretariat

No.2(12)/2021-CCI(49th)

Islamabad, the 26th January, 2022

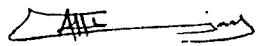
Subject: MINUTES AND DECISIONS OF THE 49th MEETING OF THE COUNCIL OF COMMON INTERESTS (CCI).

The 49th meeting of the Council of Common Interests (CCI) was held on 13th January, 2022, in the Prime Minister's House, Islamabad.

2. A copy of the Minutes and Decisions of the meeting, duly approved by the Prime Minister/Chairman CCI, is circulated herewith, in terms of rules 6 and 11 of Rules of Procedure of the CCI, 2010, for further necessary action.

3. Action to implement the aforesaid *decision(s)* should be intimated to this Secretariat accordingly.

4. The enclosed certificate of acknowledgment of receipt of the CCI's Minutes and Decision(s) may be returned, duly completed and signed.

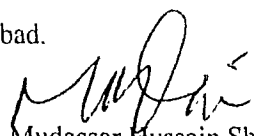

(Dr. Mir Aijaz Hussain Talpur)
Joint Secretary (CCI)
Ph: 051-9103518

1. The Secretary, Cabinet Division, Islamabad.
2. The Secretary, Finance Division, Islamabad.
3. The Secretary, Law and Justice Division, Islamabad.
4. The Chief Secretary, Punjab.
5. The Chief Secretary, Sindh.
- ✓ 6. The Chief Secretary, Khyber Pakhtunkhwa.
7. The Chief Secretary, Balochistan.

Cc:

- 1) APS to Secretary, CCI Secretariat, Islamabad.
- 2) Section Officer (Progress), CCI Secretariat, Islamabad.

DSC (CCI)
Immediate nla pl.
28/01/2022


(Syed Mudassar Hussain Shah)
Section Officer (CCI)
Ph: 051-9103532

Chief Secretary
Govt. of Khyber Pakhtunkhwa
Secy: IRC
27/01

SECRET

**GOVERNMENT OF PAKISTAN
SECRETARIAT OF COUNCIL OF COMMON INTERESTS**

**MINUTES AND DECISIONS OF
THE 49th MEETING OF THE COUNCIL OF COMMON INTERESTS**

The Council of Common Interests (CCI) held its 49th meeting on 13th January, 2022 at the Prime Minister's House, Islamabad, under the chairmanship of the Prime Minister, Islamic Republic of Pakistan. List of the participants is annexed.

2. The meeting started with recitation from the Holy Quran. The Prime Minister / Chairman of the Council of Common Interests welcomed and congratulated the participants on the establishment of a permanent secretariat of CCI. He stated that this historic step reflects the collaborative spirit between the federal and provincial governments and said that the federal government is fully committed to resolving national issues in consultation with all federating units and stakeholders.

3. The Secretary, CCI presented the agenda of the meeting. Item wise discussion and decisions taken by the CCI on agenda items is given in succeeding paragraphs.

AGENDA ITEM No. 1:

Case No.CCI.1/1/2022 Dated 13.01.2022	Approval of Recommendations for Conduct of 7th Population & Housing Census
--	--

MINUTES

4. The Secretary, Planning, Development and Special Initiatives gave a briefing. He informed that while approving final results of Census 2017, the CCI in its 45th meeting, had decided that "the process of next Census should start as early as possible, according to international best practices, by using latest technology".

5. Census Advisory Committee (CAC) of renowned demographers and experts was constituted under the Chairmanship of Deputy Chairman, Planning Commission (DCPC) along with TORs. Extensive consultations were held with stakeholders, including provincial governments, followed by sensitization workshops with academia, researchers and data users. Main recommendations of the Committee are as follows:

- Compliance with United Nations Principles for Census
- Stakeholders Involvement: Provinces, parliamentarians, general public amongst others
- Questionnaire: Single Census questionnaire be administered strictly in relevance to the Objectives of Census
- Pilot Census: To test the tools and methodology
- Field operation methodology: Led by Provincial Government with Provincial departments staff as enumerators (with adequate female staff)
- Communication, Advocacy and Publicity
- Mode of Data Collection: Multi-mode data collection with emphasis on digital census
- National Census Coordination Center (N3C) headed by DCPC with representation of Provincial Governments & Law Enforcement Agencies
- Census Support Centers at tehsil level
- Training: Extensive training using technological interventions (audio & short videos) to ensure uniformity
- De-jure method of enumeration be adopted for the census; and
- Armed forces shall be engaged to accompany the enumerators for the security purpose only.

6. After detailed discussions, Cabinet approved the recommendations of the Committee on 5th Oct. 2021, with the following guidelines, for forwarding the same to CCI for final approval:-

"a) De-jure method of enumeration be adopted for 7th Population and Housing Census. PBS shall, in consultation with MoT, NADRA and IT experts, institute methodological and technological safeguards to forestall misreporting. The enumerators shall be well trained to elicit the correct response on usual place of residence.

b) Armed Forces shall be engaged to accompany the enumerators for security purposes only. The conduct of census shall be done exclusively by the enumerators."

7. The Secretary, PD&SI also explained the advantages of Digitized Census and Confidence Building Measures. He added that a comprehensive work plan with timelines for the 7th Population & Housing Census has been prepared. The Census process shall tentatively be completed in 18 months/ 540 days and the results will be furnished to the Election Commission of Pakistan for delimitation for the next General Elections due to be held in 2023:-

Main Activity	From	To
Planning & preparation after CAC recommendations	Jun 2021	Aug 2021
Finalization of Census questionnaire	Aug 2021	Nov 2021
Initiation of work for Publicity Campaign and launch	Oct 2021	31 Dec 2022
Up-dation & digitization of area frame	Apr 2021	Aug 2021
Freezing of Boundaries	Feb 2022	31 Aug 2022
Acquisition of Hardware (tablet, Servers, Laptops, etc.)	1 Aug 2021	31 Mar 2022
Acquisition of Software (ERP Solutions & appr. Licences)	1 Aug 2021	31 Mar 2022
Establishment of National Census Coordination Center	1 Oct 2021	15 Feb 2022

SECRET

Establishment of Census support Centres at tehsil level	1 Aug 2021	15 Sep 2022
Initiation of work for Publicity Campaign and launch	Oct 2021	31 Dec 2022
Appointment of Field Staff	Feb 2022	Apr 2022
Pilot Census	15 May 2022	15 Jun 2022
Training(Master trainers, trainers, field staff)	May 2022	Jun 2022
Enumeration Work - 1 st Step Self enumeration	15 Jul 2022	30 Jul 2022
Face to face interviews (in single Phase)	1 Aug 2022	31 Aug 2022
Data Processing & Summary Results	Sep 2022	Oct 2022
Post enumeration Survey	1 Nov 2022	30 Nov 2022
Handing over Results to Election Commission	31 Dec 2022	
Data Cleansing, Imputation Rules & Final Results	Jan 2023	

The Secretary, PD&SI further stated that as per the recommendations of the Census Advisory Committee, the Census questionnaire has been finalized. The Questionnaire covers questions related to economic status of people which will result in huge savings (approx. Rs.7 billion) of the Government in the forthcoming economic census. Moreover, "Census Monitoring Committee" has been proposed for monitoring, coordination and policy decisions for smooth conduct of 7th Population & Housing Census, with the following composition and ToRs:-

S No	Designation	Status
1)	Deputy Chairman Planning Commission	Chairman
2)	Secretary, M/o Planning Development and Special Initiatives	Member
3)	Secretary IPC	Member
4)	Chief Secretaries (Punjab, KP, Sindh, Balochistan, AJ&K, GB)	Member

71-

SECRET

5)	Chief Statistician, PBS	Member
6)	Director General (Military Operations Directorate)	Member
7)	Chairman, NADRA	Member
8)	Sr. Member Board of Revenue, (Punjab, KP, Sindh, Balochistan, AJ&K, GB)	Member
9)	Provincial Census Commissioners (Punjab, KP, Sindh, Balochistan,)	Member
10)	Census Commissioners, AJ&K, GB	Member
11)	Secretary, Local Government Department (Punjab, KP, Sindh, Balochistan, AJ&K, GB)	Member
12)	Secretary, Education Government of (Punjab, KP, Sindh, Balochistan, AJ&K, GB)	Member
13)	Member (Census & Surveys), PBS, Islamabad	Member
14)	Member (Support Services), PBS, Islamabad	Member/Secretary
15)	Managing Director, NTC	Member
16)	Principal information officer/ DG, Press Information Department	Member
17)	Chief Commissioner -Islamabad Capital Territory Administration	Member
18)	Co-opted member/members with the permission of the Chair	Member

Terms of Reference (TORs)

- i. Oversee/ Monitor census activities to ensure an expeditious transparent and credible census operations.
- ii. Supervision of activities to ensure timely support to PBS regarding
 - Availability / Appointment of Census field staff for enumeration /field duties from the Education, Revenue, Local Government and Population Welfare Departments by Provincial/ Regional Governments.
 - Nomination/Appointment of Census District Officers/ Other logistic support by Provincial/ regional governments
 - Policy guidance for appropriate mechanism for enumeration/ monitoring in security related areas etc.
- iii. Monitoring of work of Coordination Committees/ Vigilance Teams at various levels.

72-

SECRET

- iv. Periodic review of progress of Census operations & monitoring of control room activities.
- v. Supervision and evaluation of Pilot Census and recommendations for roll out of Census 2022.
- vi. Any other action required from time to time.

8. The Finance Minister recommended that Secretary, Finance Division should be included as Member of Census Monitoring Committee.

9. The Chief Minister, Sindh, stated that Census 2017 became controversial for certain reasons, including miscalculation of persons per household in Sindh. The average number of persons in a household in Sindh was 5.7 per household while the country's average was reported as 7 persons per household. In Census 2017, people living in Karachi were counted elsewhere, resulting in a controversy regarding Census results and that is why Sindh government had reservations concerning results. Chief Minister, Sindh recommended that the next Census should be conducted on De-facto method. He further added that real-time access may not be possible in far-flung areas of Sindh where access to internet is limited. The Chief Minister, Sindh, further recommended that Housing and Population Census operations should not be conducted simultaneously. The Housing Census should be conducted first and Population Census subsequently. To this the Minister for Planning, Development and Special Initiatives informed that housing count will be completed before the population counting.

10. The Chief Minister, Sindh, noted that in 13 members Expert Committee there are five demographers from all provinces, except Sindh. Moreover, there is no member of Sindh in Pakistan Bureau of Statistics (PBS), since 2016. He recommended that Mr. Mehtab Kareem should be included in the Expert Committee, to which the Minister for Planning, Development and Special Initiatives agreed and informed that Mr. Mehtab Kareem was already engaged in the pre-census exercise.

SECRET

11. The Minister for Planning, Development and Special Initiatives stated that Mr. Naeem uz Zafar, the incumbent Chief Statistician, PBS, belongs to Sindh province, who will assure accuracy of Census data, while all field operations will be undertaken by staff of provincial governments. The Minister further stated that De-jure method has been recommended by Committee of Experts keeping in view the global best practices.

12. The Chair said that De-jure method has been opted after extensive discussions and keeping in view the cost factor and transparency. He stressed that the government wanted to ensure a credible census data for policies and projects for the welfare of citizens.

13. The Deputy Chairman, Planning Commission informed that the Census Advisory Committee has worked diligently to address shortcomings of the Census 2017.

14. The Chief Minister, Punjab endorsed the recommendations of the Census Advisory Committee. The Chief Minister, Khyber Pakhtunkhwa also seconded the recommendations of the Committee and advised that all people in the hard areas of Khyber Pakhtunkhwa must be counted. Chief Secretary Balochistan also supported the recommendations of the Census Advisory Committee.

DECISION

15. The CCI considered the Summary titled "**Approval of Recommendations for Conduct of 7th Population & Housing Census**" dated 16th December, 2021, submitted by Ministry of Planning, Development and Special Initiatives and approved the recommendations of Census Advisory Committee for conduct of 7th Population & Housing Census 2022.

16. The CCI also approved Census Work Plan with timelines, Census Questionnaire, Census Monitoring Committee and its ToRs with

74-

SECRET

the stipulation that Secretary, Finance Division and representative of Sindh (Mr. Mehtab Karim) shall be included as member and the committee will be notified accordingly.

17. It was also decided that the Census process should be completed in 18 months/540 days as per timeline discussed in para 7 above. Results of the 7th Population & Housing Census should be furnished to the Election Commission of Pakistan for delimitation for the next General Elections due to be held in 2023. Quarterly progress report must be submitted to CCI by Ministry of Planning, Development and Special Initiatives. The Chief Minister Sindh also agreed with the proposals except using the de-jure method and instead expressed his preference for employing the de-facto method for the Census.

AGENDA ITEM No.2:

Case No.CCI.2/1/2022 Dated 13.01.2022	Annual Report of the Council of Common Interests (CCI) 2020-21
--	---

MINUTES

18. The Secretary, CCI informed that as per Article 153(4) of the Constitution, the CCI has to submit its Annual Report to both houses of Parliament. Therefore, approval of the CCI is solicited for placing the Annual Report 2020-21 before the Senate and National Assembly.

DECISION

19. The CCI approved its Annual Report 2020-21 for submission to both houses of the Parliament under Article 153(4) of the Constitution.

SECRET**AGENDA ITEM No. 3 (i - ix):**

Case No.CCI.3/1/2022 Dated 13.01.2022	Implementation Status of previous CCI decisions
--	--

(i) Establishment of permanent Secretariat of the Council of Common Interests**MINUTES**

20. Secretary, CCI, informed that in compliance to CCI decision dated 7th April, 2021, a permanent secretariat of CCI has been established, independent of I.D. Division. Also, amendment in Rule 3 of Rules of Procedure of CCI, 2010 has been notified and new posts have been created. Supplementary budget and office accommodation have been provided to the CCI Secretariat. Ministry of Housing & Works has been requested for additional space to set up Committee Room, etc.

21. As regard modalities of provincial representation in the CCI Secretariat, proposals have been invited from provincial governments and a committee headed by Secretary, CCI, is proposed to be setup for the purpose.

22. The Chief Minister Sindh proposed that all provinces may nominate a BS-20 officer for the committee. The Chief Minister Punjab proposed that representatives of provinces should be posted on deputation basis in CCI Secretariat. Secretary to Prime Minister noted that the issue of performance evaluation of provincial representatives needs to be examined. The Chair added that the committee should obtain input from provinces on the mode of provincial representation in CCI Secretariat.

76-

SECRET

K2
ir
1

DECISION

23. The CCI noted the implementation status and constituted the following committee:

Secretary, CCI	Convener
Additional Secretary, Finance Division	Member
Additional Secretary, Establishment Division	Member
Additional Secretary, Law & Justice Division	Member
Representatives of Provincial Governments of the rank of BS-20 or above	Members
Joint Secretary (CCI)	Member/ Secretary

ToRs:

The committee shall propose modalities to ensure that provinces are adequately represented in the CCI Secretariat.

24. While it is understood that the CCI Secretariat would be manned by officers of the Federal Government, the Provincial Governments will nominate their members for the above proposed Committee within two weeks and modalities agreed by the said Committee will be presented to the CCI.

(ii) Implementation of Kazi Committee Methodology (KCM) for Calculation of Net Hydel Profit (NHP)

MINUTES

25. The Secretary, CCI informed the meeting that Government of Khyber Pakhtunkhwa submitted a summary dated 24th January, 2017 in the 36th Meeting of CCI held in March, 2018, stating that (a) AGN

Kazi Methodology, as approved by CCI in January 1991 must be implemented, in letter and spirit, and (b) NHP should be paid directly to provinces by Federal Government through its own revenue stream, without passing on to electricity consumers. CCI, in its 42nd and 43rd meetings, held in August and November, 2020, decided that a committee be notified as per nominations received from Federal and Provincial Governments, to submit its report to CCI.

26. The Deputy Chairman, Planning Commission (DCPC) informed that CCI had mandated the committee to propose an out-of-the-box solution for payment of NHP to entitled provinces. The Committee has held three meetings to discuss the issue, with the last one on 11th January, 2022, where the issue was discussed in detail. As per AGN Kazi formula for calculation of NHP, an annual payment of around Rs.500 billion has to be made to the provinces. For the year 2021 the amount is estimated to be Rs.495 billion, which is likely to go up to Rs.621 billion by year 2030. If the burden of NHP payments is passed on to consumers, a tariff increase of around Rs.4.5 per unit is required in the average base tariff. The Committee has also noted that NHP payments as per CCI decision of 29-02-2016, @Rs.1.10 per unit is being paid by WAPDA and no intervention is required there. The Committee in its 3rd meeting has decided to finalize an out-of-the-box solution by end February 2022 and submit its recommendations in the next meeting of the CCI.

27. The Chief Minister, Punjab, endorsed the views of DCPC and asked for early payment of Rs.58 billion dues of NHP owed to Punjab. The Chief Minister Sindh endorsed the NHP claim of Chief Ministers of Khyber Pakhtunkhwa and Punjab being constitutional. He, however, did not support increase in tariff and its passing on to consumers. He said that since the profit was utilized by WAPDA, it should now be accounted for.

78 -
SECRET

28. The Finance Minister, Khyber Pakhtunkhwa informed that NHP payment @Rs.1.10 per unit was approved by CCI in 2016. Moreover, as per 48th CCI decision dated 6th September, 2021 wheeling policy, rates and mechanism was required to be finalized within two months. Despite lapse of five months, the policy has not been finalized by Power Division. He requested that the matter may be expedited.

29. The Chief Minister, Sindh, in reply to query of Finance Minister, Khyber Pakhtunkhwa, on IGCEP, informed that the Government of Sindh has challenged the IGCEP assumptions in the Parliament under Article 154(7). He requested the chair for early convening of the joint session to take a final decision.

30. The Advocate General Khyber Pakhtunkhwa added that an annual indexation on NHP @5% has been rejected by NEPRA. Chairman, NEPRA clarified that the Authority has rejected the indexation as it was overstepping its mandate since the competent forum for a decision in this matter is CCI. The DCPC seconded the view of NEPRA.

31. At this point, the Chief Minister and Finance Minister, Khyber Pakhtunkhwa requested the CCI to approve 5% annual indexation which was already approved by CCI. It was, however, clarified that the issue is not on the agenda of the meeting.

32. Finance Minister, Government of Pakistan, added that Finance Division is working to clear the outstanding NHP to Khyber Pakhtunkhwa and Punjab and in future CPPA will directly pay NHP to provinces. The Chief Minister, Khyber Pakhtunkhwa thanked the Finance Minister, Government of Pakistan, for resolving the longstanding issue of direct payment of NHP to provinces.

33. The Minister for Energy agreed that issue of indexation may be brought before the next CCI.

SECRET**DECISION**

34. The CCI directed that the Deputy Chairman, Planning Commission should submit report of the Committee within one month.

35. Regarding the issue of 5% annual indexation on NHP, already approved by the CCI, it was agreed that the Government of KP may move a Summary on the subject in the next CCI meeting as it was not on the agenda of the present CCI meeting.

(iii) Recommendations of the Attorney General for Pakistan concerning the Water Accord, 1991

MINUTES

36. The Secretary, CCI informed that Ministry of Water Resources/IRSA gave a briefing on water resources to 38th CCI meeting held in May, 2018 and consequently, Government of Sindh termed IRSA's 3-tier distribution formula of 2003 and exemptions granted to Khyber Pakhtunkhwa and Balochistan from sharing shortages without re-referring the matter to CCI, as violation of the Water Accord, 1991.

37. CCI in its 43rd meeting held in November, 2020 gave one month to the Attorney General for Pakistan for submitting recommendations of the Committee. After three months, the Attorney General for Pakistan (AGP) observed in his letter dated 5th April, 2021, to CCI Secretariat, that the issue is more political than legal and the safest course is to resolve it amicably through deliberations between Provinces. AGP therefore recommended that matter may be placed before CCI for further guidance and directions.

38. The Chief Minister Sindh informed that the issue was brought before the CCI on the request of Government of Sindh. The CCI in its 38th meeting held on 27th May, 2018 constituted a committee under the then Attorney General for Pakistan. The Attorney General presented his report in 41st CCI meeting held on 23rd December, 2019, and stated that Para 14(b) of Water Accord should be read in its

80-
SECRET

entirety. Ten Daily Uses were determined in the Water Accord, approved by the CCI, in 1991, based on the historic uses of 1977-88, hence, future shortages and surpluses should be shared by all the Provinces.

39. The Chief Minister Sindh quoted the recommendations of the former Attorney General for implementing clause-2 of the Water Accord and requested the meeting to endorse this legal opinion. He added that in 41st CCI meeting, majority of the members, except Punjab and Minister for IPC, favored these recommendations. However, the CCI set up a new committee of technical experts under the Attorney General for Pakistan. In 43rd CCI meeting held in November, 2020, members objected to the inclusion of Chief Minister Sindh as member in the Committee. Accordingly, he withdrew his own nomination and provided a revised nomination. Finally, the Committee was re-notified in December, 2020, and was given one month's time to submit its recommendations. The CCI has held that the issue was technical and legal while the Attorney General has termed it a political issue.

40. The Chief Minister, Sindh further stated that IRSA has been overstepping its mandate since 1992. IRSA cannot allow exemptions to provinces from sharing water shortages. He requested the CCI either to approve or reject the recommendation of the former Attorney General.

41. The Chief Minister, Punjab stated that Punjab has reservations on the report of former Attorney General for Pakistan. He recommended constitution of a committee of Ministers to sort out the differences.

42. The Chief Secretary, Punjab added that the Water Accord was agreed by all provinces in 1991. The inter-provincial mistrust surfaced afterwards. Difference between 102.73 and 114.35 MAF is being practiced since decades and any change in distribution is applicable only if the water availability is equal to 114.35 MAF. Chief

SECRET

Minister, Sindh offered that he can clarify the issue with Chief Secretary, Punjab, in a personal meeting between two.

43. The Chief Secretary, Balochistan informed that Balochistan province has reservations that farmers in Balochistan have been bearing an annual loss of Rs.181 billion due to water scarcity. He recommended that exemptions granted to Balochistan in water shortages should be continued as per 3-tier formula given by IRSA. The Chief Minister, Punjab seconded the views of Chief Secretary, Balochistan.

44. The Chief Secretary, Balochistan also proposed having joint control over canal operations in Balochistan. The proposal was endorsed by the Chief Minister, Sindh.

45. The Chair said that distribution of water is a sensitive issue. Punjab and Balochistan have reservations on the last report. All provinces have taken hard lines and their views are divergent. He asked the members to recommend a workable way forward.

46. The Minister for Water Resources proposed setting up a committee of Ministers to find a workable solution and way forward. The Minister for Law and Justice recommended that recommendations of the earlier committee of Attorney General may be referred to Ministry of Law and Justice, for opinion as per Rules of Business.

DECISION

47. While considering the recommendation of the earlier committee under Attorney General for Pakistan and divergent views of provinces, the CCI decided to set up a committee chaired by Federal Minister for Water Resources (convener) and comprising Irrigation Ministers of the Provincial Governments, to firm up recommendations to address the concerns of provincial governments regarding distribution of water. The CCI also decided to refer the opinion of Attorney General for Pakistan to Ministry of Law and Justice for opinion.

82-
SECRET

Recommendations of the Ministers committee together with opinion of Ministry of Law and Justice will be submitted by Ministry of Water Resources in the next meeting of the CCI.

(iv) Allocation of 1200 cusecs (650.5 MGD) additional water for Karachi city (K-IV) project

MINUTES

48. The Secretary, CCI informed that Government of Sindh had requested 35th CCI meeting held in February, 2018 for allocation of 1200 cusecs (650.5 MGD) additional water for domestic use of Karachi City from the common pool. Subsequently, CCI in its 39th meeting held in September, 2018 referred the issue to National Water Council (NWC) for recommendations to CCI within three months.

49. NWC referred the matter to its Steering Committee headed by Federal Minister for Water Resources. Steering Committee (SC) could not conclude the task during last three years which was to be completed in two weeks. Moreover, the SC in its meeting dated 28th Sept. 2021 decided that issue does not warrant consideration by NWC.

50. The Chief Minister, Sindh, quoted the CCI decision dated 24.09.2018 and observed that the issue remained unresolved despite a lapse of three years. Now, the Ministry of Water Resources has constituted another committee under Joint Secretary (Water) on 10th January, 2022.

51. The Secretary, Water Resources clarified that a meeting of the Steering Committee of NWC was held on 27th December, 2021 whereby a committee was constituted. Government of Sindh has moved another summary on the subject matter requesting for allocation of 1200 cusecs additional water for the Urban and Industrial uses for Metropolitan Karachi beyond the provision made under Para-2 of the Water Apportionment Accord, 1991. He recommended that the

SECRET

Ministers Committee on Water Issues may also look into this matter and submit recommendations to CCI. The Minister for Planning, Development and Special Initiatives endorsed the recommendation of Secretary, Water Resources.

52. Chief Minister, Sindh further informed that as per Water Accord, 1991, the share of Sindh province is included the already sanctioned Urban and Industrial uses for metropolitan Karachi, however, the exact share of Karachi was not mentioned. Chief Minister, Sindh, requested for withdrawal of Government of Sindh's Summary dated 16th February, 2017 and submission of a fresh summary in lieu thereof in the next meeting of CCI. The proposal was endorsed by Minister for Planning, Development and Special Initiatives.

53. Minister for Water Resources noted that if Karachi City is allocated water, then Lahore, Islamabad, etc. will also come with same proposal. The Chief Minister, Sindh added that initially Sindh had reservations but subsequently agreed in the CCI to provide water to Islamabad from its share like other province.

DECISION

54. The CCI allowed the request of Government of Sindh for withdrawal of their Summary dated 16th February, 2017 titled "Allocation of 1200 cusecs (650.5 MGD) additional water for Karachi city (K-IV) project", and submission of a revised summary in the next meeting of the CCI.

(v) No Objection Certificate – CJ Hydro (Private) Limited**MINUTES**

55. The Secretary, CCI informed that in November, 2019, IRSA issued NOC to CJ Hydro (Private) Limited, by 4:1 majority votes (Member IRSA Sindh dissented), for developing a 25MW Hydropower Project on Chashma-Jhelum Link Canal. In 41st CCI meeting held in December, 2019, Government of Sindh sought CCI's directions for IRSA

SECRET

to withdraw NOC issued to CJ Hydro (Private) Limited, the same being violation of IRSA Act, 1991.

56. CCI, in its 43rd meeting held in November, 2020 decided that Government of Punjab will share feasibility report of the project with stakeholders. The then SAPM on Petroleum had to submit viability report of the project to CCI for consideration. Petroleum Division reviewed the feasibility study dated July 2017 and recommended the Government of Punjab to review its study and cost of the project. Government of Punjab has informed that queries of Petroleum Division have been responded.

57. The Secretary, Power Division informed that the issue was referred to Power Division for submission of viability report of the project on the basis of recommendations of NEPRA. Chairman, NEPRA added that the project could not qualify the least cost criteria hence it was rejected.

58. The Chief Minister, Sindh informed that the issue was brought before the CCI by Government of Sindh. He reiterated his stance of withdrawal of NOC granted by IRSA, being in violation of its mandate and that the project is not feasible.

DECISION

59. The CCI directed that final report on the issue may be submitted to CCI in its next meeting by Ministry of Water Resources.

- (vi) **Import of Liquefied Natural Gas (LNG)**
- (vii) **(a) Implementation of Article 158**
(b) Implementation of Article 172(3) of the
Constitution of Pakistan

MINUTES

SECRET

60. The Secretary, CCI informed that in 41st CCI meeting held in December, 2019, Petroleum Division submitted Summary with the following views of Government of Sindh:-

- LNG is not an import item. It is gas and mandates decisions by CCI
- Swapping RLNG with local gas without concurrence of CCI and respective province
- Allocation of LNG to Punjab based power projects
- Import of RLNG diverted Federal Government's attention from exploration of indigenous oil & gas resources
- Violation of Article 158
- Amendment of section 6.3 and 8.1 of LNG Policy, 2011, stipulate RLNG price as input for determination of Weighted Average Cost of Gas.

61. Similarly, in same meeting, on the issue of Implementation of Article 158 and 172 (3) of the Constitution, the Petroleum Division also submitted following issues for decision by CCI:-

- i. First Priority for usage of natural gas for Domestic consumers in all Provinces
- ii. Independent natural gas allocation for (a) Federal Capital, FATA, AJK and GB (b) Defence Installations (c) Strategic Installations
- iii. Priority in usage of natural gas in all Provinces: (a) Power Plants (b) Fertilizer Plants
- iv. Usage of Imported gases without any restriction by or on any consumer in all Provinces
- v. Federal Government to allocate gas based on above priorities in consultation with Provinces

62. CCI in its 44th meeting held in April, 2021 constituted a committee comprising (i) Minister for Planning, Development & Special Initiative, (ii) Minister for Energy and (iii) SAPM for Power and Petroleum, to consult provinces and develop consensus on how to

86 -
SECRET

address the challenge of dwindling gas reserves and increasing domestic gas requirements.

63. Secretary, Petroleum Division informed that meetings of the Committee were held on 29th and 30th July, 2021 and on 7th August, 2021 with Chief Minister, Sindh, however, the same remained inconclusive. A meeting was then held on 3rd October, 2021 in Prime Minister's House to discuss the issue of Weighted Average Cost of Gas (WACOG).

DECISION

64. The CCI noted the implementation status and directed the Petroleum Division to submit report of the Committee to CCI in next meeting.

(viii) Implementation of Article 154 of Constitution of Pakistan

MINUTES

65. The Secretary, CCI informed that in 32nd meeting of CCI held in August 2017, Govt. of Sindh proposed CCI to issue directions to Federal Government to (a) desist from use of diverse fora like ECC and CCoE for formulation of policy on matters falling in the Part II, Fourth Schedule, Federal Legislative List, (b) to place all such policy matters decided by ECC or CCoE before CCI for discussion and decision, and (c) to strictly implement the mandate of the CCI in pursuance of Article 154 of the Constitution.

66. Matter was referred to IPCC and recommendations submitted to 34th CCI held in November, 2017. CCI agreed that without reopening past decisions of ECC, Ministry of Energy would initiate a Summary on oil, gas and power sectors to delineate "day to day" and

SECRET

"policy matters" of these sectors. In its 35th meeting held in February, 2018, CCI directed to expedite the matter.

67. Secretary, Petroleum Division informed that views of provinces have been received and summary will be presented in the next meeting of the CCI.

DECISION

68. The CCI directed that the Petroleum Division should submit summary on the subject in the next meeting of the CCI.

(ix) Future Role and Functioning of National Commission for Human Development (NCHD) and Basic Education Community Schools (BECS) to promote literacy in the Country

MINUTES

69. The Secretary, CCI informed that on a proposal for transfer of existing NCHD and BECS schools, teachers and students to respective Provinces/Regions submitted by Ministry of Federal Education & Professional Training, the CCI in its 42nd meeting held in August, 2020 and 43rd meeting held in November, 2020 decided that

- NCHD and BECS would be transferred to provinces by 30th June, 2021.
- Ministry of Federal Education and Professional Training (FE&PT) to work out (i) modalities of handing over, (ii) devise a transition and integration plan within three months and (iii) share geo locations and teachers' profile with provinces.
- Teachers of NCHD and BECS were to be adopted by provinces while administrative staff adjusted by Ministry of FE&PT.

70. Governments of Sindh and Khyber Pakhtunkhwa have issued notifications for adoption of students and teachers, to implement decision of CCI. Governments of Balochistan and Punjab are taking

SECRET

necessary steps for implementation of CCI decision. Their notifications are awaited

71. Chief Minister, Punjab, assured that notification will be issued after approval of the Cabinet. Chief Secretary, Balochistan, also assured of similar compliance.

DECISION

72. The CCI noted the implementation status and directed the Governments of Punjab and Balochistan to expedite their notifications under intimation to CCI Secretariat. The agenda item will not be presented to the CCI for reporting implementation status in future.

SECRET**LIST OF PARTICIPANTS****49th MEETING OF THE COUNCIL OF COMMON INTERESTS (CCI)
HELD ON 13th JANUARY, 2022****A) CONSTITUTIONAL MEMBERS:****Members Provinces:**

1. Sardar Usman Ahmed Khan Buzdar, Chief Minister Punjab
2. Syed Murad Ali Shah, Chief Minister Sindh
3. Mr. Mahmood Khan, Chief Minister Khyber Pakhtunkhwa

Members Federal:

4. Mr. Asad Umar, Minister for Planning, Development and Special Initiatives
5. Mr. Hammad Azhar, Minister for Energy

B) PARTICIPANTS OF AGENDA ITEM BY SPECIAL INVITATION

1. Dr. Muhammad Farogh Naseem, Minister for Law and Justice
2. Mr. Shaukat Fayaz Ahmed Tarin, Minister for Finance and Revenue
3. Mr. Moonis Elahi, Minister for Water Resources
4. Mr. Mohammad Jehanzeb Khan, Deputy Chairman, Planning Commission
5. Mr. Muhammad Azam Khan, Secretary to the Prime Minister
6. Sardar Ahmad Nawaz Sukhera, Secretary, Cabinet Division
7. Mr. Hamed Yaqoob Sheikh, Secretary, Finance Division
8. Mr. Abdul Aziz Uqaili, Secretary, Planning, Development and Special Initiatives Division
9. Syed Asif Hyder Shah, Secretary, Power Division
10. Mr. Ali Raza Bhutta, Secretary, Petroleum Division
11. Dr. Kazim Niaz, Secretary, Water Resources Division
12. Ms. Naheed S. Durrani, Secretary, Federal Education and Professional Training Division
13. Raja Naeem Akbar, Secretary, Law & Justice Division
14. Mr. Tauseef H. Farooqi, Chairman, NEPRA
15. Mr. Sohail Mehmood, Additional Attorney General

Chief Secretaries

1. Mr. Kamran Ali Afzal, Chief Secretary Punjab
2. Dr. Shahzad Khan Bangash, Chief Secretary Khyber Pakhtunkhwa
3. Mr. Mather Niaz Rana, Chief Secretary, Balochistan

Government of Khyber Pakhtunkhwa

- 1) Mr. Taimoor Saleem Khan Jhagra, Minister for Finance, Khyber Pakhtunkhwa
- 2) Mr. Sahibzada Saeed Ahmed, Special Assistant to Chief Minister on Energy and Power
- 3) Mr. Shumail Butt, Advocate General, Khyber Pakhtunkhwa
- 4) Mr. Shahab Ali Shah, Additional Chief Secretary, Planning & Development, KP

C) CCI SECRETARIAT'S OFFICERS/STAFF:

1. Mr. Yusuf Khan, Secretary, CCI
2. Dr. Mir Aijaz Hussain Talpur, Joint Secretary
3. Mr. Abdul Hamid Baloch, Deputy Secretary
4. Syed Mudassar Hussain Shah, Section Officer



GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT

1ST FLOOR, BLOCK-A, ABDUL-WALI KHAN MULTIPLEX, CIVIL SECRETARIAT, PESHAWAR
PHONE: 091-9223625 FAX: 091-9223624

No. E&P/NHP/WAPDA-Intervention-III/2021-22
Dated: 18th May, 2022

To,

The registrar
National Electric Power Regulatory Authority,
Islamabad.

Subject:

**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR
LEAVE FOR REVIEW FILED BY ENERGY AND POWER DEPARTMENT,
GOVT. OF KHYBER PAKHTUNKHWA AGAINST THE AUTHORITY
DECISION DATED APRIL 5, 2021 REGARDING WAPDA
HYDROELECTRIC TARIFF PETITION FOR FY 2020-21 (CASE NO.
NEPRA/TRF-530/WAPDA-2020)**

Ref No. NEPRA/R/ADG(TRF)/TRF-530/WAPDA-2020/34853-34855 dated
August 23, 2021

Dear Sir,

Reference to the subject, WAPDA submitted a tariff petition to the NEPRA Authority for determination of tariff for the WAPDA power houses. The WAPDA petition was intervene by GoKP and presented its stance on the grounds that the CCI has already approve the NHP @ 1.10 per KWh with 5% indexation as determined by NEPRA and endorsed by CCI through a mutual interim settlement between Federal Government & Provincial Government. Accordingly, NAPRA was requested in the intervention to consider the same while taking any decision. GoKP team was led by the Minister Finance Government of Khyber Pakhtunkhwa, Provincial Attorney General, Legal Counsel and Energy & Power Department officials.

2. NEPRA Authority in its decision dated 05-04-2021 & 23-08-2021 did not consider the GoKP view point. However, NEPRA further directed the petitioner to get a clear direction from the CCI. The relevant para of the NEPRA Authority is reproducing as under: -

"GoKP shall approach CCI to obtain clear guidelines on the issue of NHP and indexation (if any) within six months of notification of this decision, till such time.

- a. "NHP Regular" rates as stated shall be applicable. In case the Petitioner fails to obtain an explicit decision of CCI on NHP and its indexation (if any) then the "NHP Regular" shall be paid at Rs 1.10 per kWh to the abovementioned plants other than Mangla.
- b. "NHP Arrears" as stated shall be applicable. In case the Petitioner failed to obtain explicit decision of CCI on NHP then no payment shall be charged on this account, however, for Gomal Zam HPP, "NHP Arrears" shall be paid at Rs 454.646 per kW per month.

3. However, CCI in its meeting dated 13th Jan 2022 endorsed the view point of GoKP during its meeting and decided that "Regarding the issue of 5% annual indexation on NHP, already approved by CCI, it was agreed that the Government of KP may move a summary on the subject in the next meeting as it was not on the agenda of the present CCI meeting"



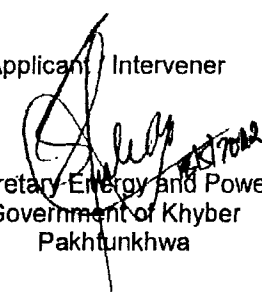
**GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT**

1ST FLOOR, BLOCK-A, ABDUL-WALI KHAN MULTIPLEX, CIVIL SECRETARIAT, PESHAWAR
PHONE: 091-9223625 FAX: 091-9223624

91-

4. In the above stated facts, reasons and grounds, it is prayed as follows:
- i. That the GoKP intervention should be reconsidered by keeping the CCI clear decision dated 13-01-2022;
 - ii. That the Tariff Determination is modified accordingly;
 - iii. That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA being past and closed transactions;
 - iv. That the Authority may allow the indexation of the NHP and past payments made as a result of the application of 5% indexation should not be adjusted by the WAPDA as the indexation of the NHP has been agreed by the Federal Government and duly approved / concurred by the CCI;
 - v. That the Province of Khyber Pakhtunkhwa be allowed NHP @ Rs. 1.10 / kWh with 5% annual indexation from and after Year 2016;
 - vi. That the NHP payable to the GoKP be increased to Rs. 1.404 / kWh;
 - vii. That GoKP indexation claims / miscalculation in NHP as mentioned in intervention petition may be considered since the Year 2016;
 - viii. That the NHP for the Gomal Zam Dam along with arrears for the Years 2018 and onwards are allowed to the Province of Khyber Pakhtunkhwa (Already agreed by NEPRA authority vide the subject decision);
 - ix. That total liabilities / arrears on account of the NHP payable to the GoKP from and after FY 2018 needs to be adjusted in the WAPDA Determination 2020 – 21; and
 - x. Any other relief deemed appropriate by the Authority may also be granted.

Applicant / Intervener


Secretary Energy and Power
Government of Khyber
Pakhtunkhwa

**Adherence to the MOU in the line with indexation would result in an additional
Rs.21,122 billion from the Federal Government...**

Financial Year	NHP Tariff Used by WAPDA (Rs./kWh)	NHP Tariff according to the agreed solution @5% indexation per annum (Rs./kWh)	KP Annual Generation according to WAPDA(kWh)	NHP transferred or calculated by WAPDA (Rs.Million)	NHP According to Indexed Tariff (Rs.Million)	Difference (Rs.Million)
	1	2	3	4 = 1 X 3	5 = 2 X 3	6 = 5 - 4
2015-16	1.100	1.100	18,383,854.000	20,222.239	20,222.239	-
2016-17	1.100	1.155	17,366,000.000	19,102.600	20,051.730	955.130
2017-18		1.213	15,199,067.424	16,937.000	18,409.080	1,472.000
2018-19		1.273	15,140,769.835	18,181.000	20,038.000	1,857.000
2019-20		1.337	20,131,938.974	23,252.000	26,916.402	3,664.402
2020-21		1.404	18,610,760.000	20,471.836	26,126.715	5,654.879
2021-22			19,658.000	22,100.714	29,618.824	7,518.110
						21,121.52

98
CF



99 'F1'

GOVERNMENT OF KHYBER PAKHTUNKHWA
FINANCE DEPARTMENT

NO.BO(NFC-II)/FD/6-1/2016/Vol-X
Dated Peshawar the 26th February, 2016

To

The Secretary to Government of Khyber Pakhtunkhwa,

1. Energy & Power Department .
2. Irrigation Department.
3. P&D Department
4. Labor Department

Subject: MEMORANDUM OF UNDERSTANDING BETWEEN
GOVERNMENT OF PAKISTAN AND GOVERNMENT OF
KHYBER PAKHTUNKHWA

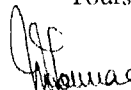
Dear Sir,

Enclosed please find herewith a copy of the memorandum of understanding between Government of Pakistan and Government of Khyber Pakhtunkhwa duly signed by Khawaja Muhammad Asif, Minister for Water and Power, Government of Pakistan Islamabad and Mr. Pervez Khattak, Chief Minister Khyber Pakhtunkhwa on 25th February 2016 at Islamabad.

2. It is requested that the concerned Federal authorities may kindly be pursued for implementation of the decisions taken therein on top priority basis.

Encl: as above

Yours faithfully,


(MUHAMMAD YOUNAS)
Deputy Secretary (NFC-I)
Phone No. 091-9213780

Endst: of even No. and date:

Copy alongwith copy of MoU is forwarded for information and record to:

- 1) The Principal Secretary to Chief Minister, Khyber Pakhtunkhwa.
- 2) PSO to Chief Secretary, Khyber Pakhtunkhwa.

22/2/16
AS

Deputy Secretary (NFC-I)

2661
29-02-16

Energy & Power Dept.
No. 725
26.2.16

Memorandum of Understanding

Between

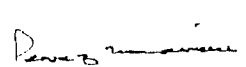
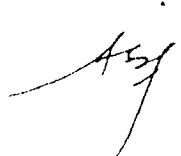
**Government of Pakistan and Government of Khyber
Pakhtunkhwa**

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

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

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

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



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

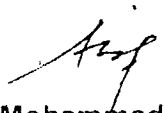
2. **Pehur Hydro Power Project:** The Power Purchase Agreement (PPA) would be signed by CPPA-G latest by 31-3-2016 duly incorporating a mechanism for recovery of outstanding amounts;
3. **Allocation of Gas for Power Generation:** The Government of Pakistan would allocate 100 MMCFD gas to the Government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

Pervez Memon

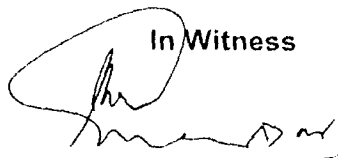
[Signature]

97-

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


Khawaja Mohammad Asif
Minister for Water & Power


Pervez Khattak
Chief Minister, KPK


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



98-

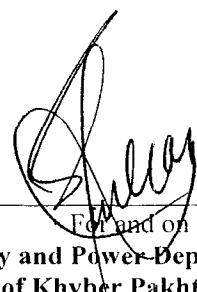
GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT

17, PLAZA, BUREAU, ARBAH, WHEEL HALL ROAD, PESHAWAR, PAKISTAN
PHONE: 091-9223625 FAX: 091-9223624

AUTHORIZATION LETTER

I/we, **Secretary Energy and Power, Government of Khyber Pakhtunkhwa**, hereby appoint, authorize and constitute M/s Lincoln's Law Chamber through Barrister Asghar Khan, Maqsood Ali Khan & Syed Ali Roshan Gillani (the "Authorized Persons") for and on behalf of **Energy and Power Department, Government of Khyber Pakhtunkhwa** to sign all necessary documents, pay necessary fee, appear and file Petitions, Responses, Applications and Pleadings before the Authority as needed and to do all such acts necessary for processing and completion of in connection with the Modification Petition before NEPRA in the matter of NEPRA Decision dated 23rd August, 2021 regarding WAPDA Hydroelectric Tariff Petition for FY 2020-21 (the "Petition") and make such other representations which are required.

Secretary to Govt:
of Khyber Pakhtunkhwa
Energy & Power Department


For and on behalf of
Energy and Power Department
Government of Khyber Pakhtunkhwa