

Date November 27, 2023

To,  
Registrar,  
National Electric Power Regulatory Authority,  
NEPRA Tower Attaturk Avenue (East),  
Sector G-5/1, Islamabad, Pakistan.

SUBJECT: TARIFF MODIFICATION PETITION IN RESPECT OF THE AUTHORITY'S DECISION VIDE DETERMINATION NO. NEPRA/R/DG (TARIFF)/TRF-400/ZSPL-2017/14274-76 DATED JUNE 09, 2023 IN RESPECT OF AUTHORITY'S DETERMINATION OF TARIFF VIDE DETERMINATION NO. NEPRA/R/ADG(Trf)/TRF-552/ZSPL-2021/15190-15192 DATED AUGUST 12, 2022

Dear Sir/ Madam,

1.1 Pursuant to the applicable laws of Pakistan, including the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended from time to time and the rules and regulations made thereunder (including rule 3 of the NEPRA Tariff Standard and Procedure Rules, 1998), as amended from time to time, Zorlu Solar Pakistan Limited (a company duly established and existing under the laws of Pakistan with its registered office located at C-117, Block-2, Clifton, Karachi, Pakistan, Pakistan) (the **Company**), submits to the National Electric Power Regulatory Authority (the **Authority**), for the Authority's kind consideration and approval, the tariff modification petition to request modifications to the Authority's decision determination No. NEPRA/R/DG(Tariff)/TRF-400/ZSPL-2017/14274-76 dated June 09, 2023, in respect of Authority's determination of tariff vide determination No. NEPRA/R/ADG(Trf)/TRF-552/ZSPL-2021/15190-15192 dated August 12, 2022, issued to the Company, based on the grounds set out in the attached tariff modification petition (the **Tariff Modification Petition**).

1.2 The Tariff Modification Petition (including its attached annexures) is submitted in triplicate, together with:

- (a) a bank draft No. 27186310 (HBL) dated: 24-11-2023 amounting to PKR 1,121,666/- (Pak Rupees One Million One Hundred Twenty-One Thousand Six Hundred Sixty-Six only) drawn in favour of the National Electric Power Regulatory Authority, as the application fee for the Tariff Modification Petition;

*Provided, however, in the event there is any discrepancy in the amount of the applicable fee for this Tariff Modification Petition, the Company remains available to fulfil its obligations as per Authority's direction,*

- (b) board resolution of the Company; and  
(c) affidavit of the Mr. Syed Mumtaz Hassan.

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## ZORLU SOLAR

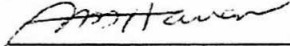
(Clean Energy for the Long Run)

- 1.3 In light of the submissions set out in the Tariff Modification Petition and the information attached to the same, the Authority is kindly requested to process the Tariff Modification Petition at the earliest, thereby enabling the Company to proceed further with meeting the objectives, as set out in the Tariff Modification Petition, critically dependent on the submissions set out in the Tariff Modification Petition.

RESPECTFULLY SUBMITTED

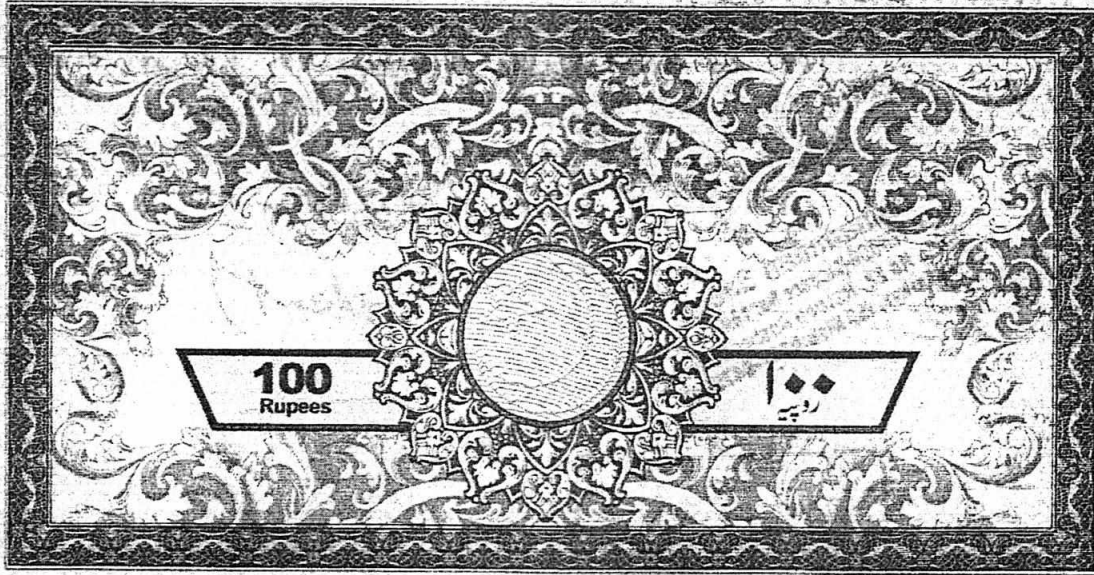
FOR AND ON BEHALF OF

ZORLU SOLAR PAKISTAN LIMITED



MUMTAZ HASSAN  
COUNTRY MANAGER





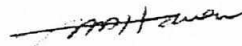
BEFORE THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

100 MWP SOLAR POWER PROJECT BY ZORLU SOLAR PAKISTAN LIMITED AT QUAID-EAZAM SOLAR  
PARK, LAL SOHANRA, BAHAWALPUR, PUNJAB

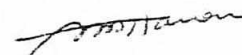
**AFFIDAVIT**

I, Syed Mumtaz Hassan, s/o Syed Muhammad Mazhar Ul Hassan, Country Manager of Zorlu Solar Pakistan Limited bearing CNIC No.42301-4366039-3, do hereby solemnly affirm and declare on oath as under that:

1. the accompanying tariff modification petition has been filed before National Electric Power Regulatory Authority and the contents of the same may kindly be read as an integral part of this affidavit;
2. the contents of the accompanying tariff modification petition are true and correct to the best of my knowledge and belief and nothing has been concealed or mis-stated therein; and
3. I also affirm that all further documentation and information to be provided by me in connection with the accompanying tariff modification petition shall be true to the best of my knowledge and belief.

  
(Deponent)

Verification on oath at Islamabad on this November 25, 2023, that the contents of the above affidavit are true and correct to the best of my knowledge, belief and that nothing material has been concealed or mis-stated therein.

  
(Deponent)



**BEFORE**

**THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**  
**(NEPRA)**

**TARIFF MODIFICATION PETITION**

PURSUANT TO SECTIONS 7 AND 31 OF THE REGULATION OF GENERATION,  
TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997, RULE 3  
NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 READ WITH OTHER  
APPLICABLE NEPRA LAWS

BY

**ZORLU SOLAR PAKISTAN (PRIVATE) LIMITED**

DECISION OF NATIONAL ELECTRIC POWER REGULATORY AUTHORITY IN THE  
MATTER OF MOTION FOR LEAVE FOR REVIEW FILED BY CENTRAL POWER  
PURCHASING AGENCY (GUARANTEE) LIMITED AGAINST DETERMINATION OF THE  
AUTHORITY DATED AUGUST 12, 2022 IN THE MATTER OF TARIFF PETITION FILED  
BY ZORLU SOLAR PAKISTAN LTD.

A SOLAR POWER PROJECT OF 100 MWP

AT

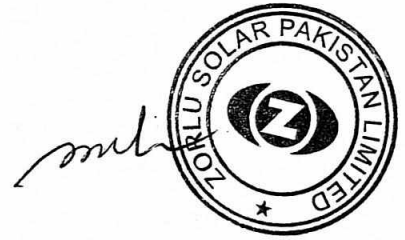
QUAID-E-AZAM SOLAR POWER PARK (EXTENSION), LAL SOHANRA, DISTRICT  
BAHAWALPUR, PUNJAB, PAKISTAN

MODIFICATION MOTION DATE: NOVEMBER 27, 2023



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## 1. MODIFICATION TARIFF PETITION

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- 1.1. Zorlu Solar Pakistan Limited (the **Petitioner**) hereby applies under Sections 7 and 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the **NEPRA Act**), Rule 3 of the NEPRA (tariff standards & procedure) rules, 1998 (the **Tariff Rules**) and all other applicable and relevant provisions of other NEPRA laws pertaining to submission of the tariff modification petition (the **Modification Motion**) against the NEPRA's decision no. NEPRA/TRF-400/9342-44 dated July 26, 2023 (the **Impugned Tariff Decision**).



**2. DETAILS OF THE PETITIONER**

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**2.1. NAME AND ADDRESS****MS. ZORLU SOLAR PAKISTAN LIMITED**

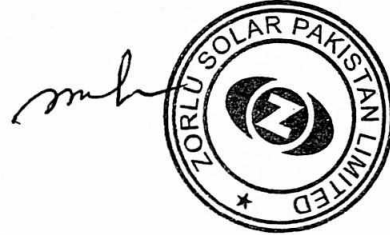
**ADDRESS** : C-117, BLOCK-2, CLIFTON, KARACHI, PAKISTAN  
**PHONE** : +922135291682, +92 21 35875366  
**FAX** : +92 21 35291681  
**EMAIL** : [mumtaz.hassan@zorlu.com](mailto:mumtaz.hassan@zorlu.com)

**2.2. AUTHORIZED REPRESENTATIVE OF ZORLU SOLAR PAKISTAN LIMITED**

**NAME** : Mr. Syed Mumtaz Hassan  
**DESIGNATION** : Country Manager

**2.3. PROJECT SPONSORS**

**PROJECT SPONSORS** : ZORLU ENERJI ELEKTRIK URETIM A.S.



### 3. BACKGROUND AND PROGRESS ON THE PROJECT TO DATE

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- 3.1. The Petitioner holds a generation license number SPGL/23/2017, dated August 18, 2017, which was later modified on March 14, 2018, and January 7, 2022 (the **Generation License**) issued by National Electric Power Regulatory Authority (the **Authority**).
- 3.2. The Authority issued the tariff determination on August 12, 2022 (the **Tariff Determination**) in the matter of a tariff petition filed on February 22, 2022 (the **Tariff Petition**) by the Petitioner for determination of reference generation tariff in respect of its 100 MWp solar power project (the **Project**) at Quaid-e-Azam Solar Power Park (Extension), Lal Sohanra, District Bahawalpur, Punjab, Pakistan (the **Site**) and thereby approved levelized tariff of US Cents 4.0136/kwh for 25 years for the Project.
- 3.3. Central Power Purchasing Agency (Guarantee) Limited (the **Power Purchaser**) filed the motion for leave for review on September 20, 2022 (the **Leave for Review**), against the Tariff Determination under Section 7(2)(g) of the NEPRA Act read with Regulation 3(2) of the NEPRA (review procedures) regulations, 2009 and Rule 16(6) of the Tariff Rules.
- 3.4. The Authority in response to the Leave for Review, issued the Impugned Tariff Decision and thereby approved levelized tariff of US Cents 3.9017/kwh (the **Tariff**) for 25 years for the Project. It is pertinent to mention here that the Authority has awarded one of the lowest ever tariff for a solar power project to the Petitioner for setting up and operating the Project and the Petitioner since the award of Tariff has been working towards implementing the Project to provide one of the cheapest electricity for the betterment of Pakistan.
- 3.5. As previously communicated in the Tariff Petition, the Petitioner, utilizing its own resources, has completed the required technical and regulatory requirements and has undertaken significant construction activities on the Site, including, *inter alia*, procurement of required equipment such as invertors and transformers.
- 3.6. From the time following the issuance of the Impugned Tariff Decision and up to the date of this Modification Motion, the Petitioner has made significant strides in the development and execution of the Project.
- 3.7. PROJECT AGREEMENTS
- 3.7.1. The Petitioner demonstrating unwavering commitment to the successful construction, execution and operation of the Project has reached crucial milestones regarding the Project agreements (the **Project Agreement**), and the following key accomplishments have been achieved by the Petitioner:
- (a) successfully negotiated and closed all open items in the implementation agreement (the **IA**) with Private Power Infrastructure Board (the **PPIB**), pending execution subject to the approval of this Modification Motion;





- (b) successfully negotiated and closed all open items in the Site sub lease agreement (the **Site Sub Lease**) with Punjab Power Development Board, pending execution subject to the approval of this Modification Motion;
- (c) the Power Purchaser and Petitioner (collectively referred to as the **Parties**) have completed multiple rounds for negotiating the energy purchase agreement (the **EPA**) and have successfully closed all open items except the outstanding points (explained in detail below);
- (d) structure and arrangements of the EPC and O&M contracts have been finalized for the supply, construction, erection, commissioning, and operations of the Project, pending execution subject to the approval of this Modification Motion; and
- (e) vide letter dated: November 16, 2023, has applied to PPIB for the extension of validity of the letter of support letter issued for the Project dated: June 26, 2023.

### 3.8. FINANCING AND INVESTMENT

- 3.8.1. In terms of investment and financing the Project, the Petitioner has made substantial progress in securing the local portion of the finance facility for the Project (the **Local Finance Facility**) from a consortium of local lenders (the **Local Lenders**) (explained below) and the foreign portion of the finance facility for the Project (the **Foreign Finance Facility**) from foreign lenders (the **Foreign Lenders**),

(the Local Finance Facility and Foreign Finance Facility shall hereinafter collectively be referred to as the **Finance Facility**),

(Local Lenders and Foreign Lenders shall hereinafter collectively be referred to as **Lenders** and individually as a **Lender**);

- 3.8.2. the Petitioner had approached various development financial institutions (including but not limited to IFC, Asian Development Bank (the **ADB**), Deutsche Investitions- und Entwicklungsgesellschaft (DEG), Proparco, British International Investment etc), however due to adverse macro-economic conditions prevailing in Pakistan particularly the challenges in the Energy Sector, most of the Foreign Lenders were reluctant to finance projects in Pakistan (explained in detail below), however after several rounds of negotiations and months of deliberations, the Petitioner was able to secure the concept approval for the Foreign Finance Facility and the completion and signing of relevant term sheet is subject to the approval of this Modification Motion;

- 3.8.3. since the Petitioner was facing sever difficulty in procuring Foreign Finance Facility, the Petitioner with the only intention of not delaying the implementation of the Project, actively pursued Local Lenders for the grant of Local Finance Facility that shall be a part/ portion of the Finance Facility and has completed the negotiations of the term sheet for



providing the Local Financing Facility which is pending execution subject to the approval of this Modification Motion; and

- 3.8.4. in the interest of time, the advisors of the Lenders have initiated the reappraisal of the legal, technical, financial due diligence reports previously prepared for the Project.



#### 4. GROUND FOR MODIFICATION MOTION

##### 4.1. BASIS FOR MODIFICATION MOTION:

- 4.1.1. As per the terms and conditions noted in Paragraph 18 of the Impugned Tariff Decision, the Petitioner has to achieve financial close (the **Financial Close**) within one year and four months from the date of issuance of the Tariff Determination i.e. by December 11, 2023 (the **Financial Close Date**) and the relevant paragraph is reproduced below for ease of reference:

*"The Authority duly acknowledged that the challenged decision encompassed strict timelines for achieving Financial Close. However, considering that the proceedings to finalize the ongoing petition requires a significant amount of time, the Authority has decided, in the interest of fairness and justice, to grant an extension of 4 months for the Financial Close of the projects in question. This extension shall commence from the originally stipulated Financial Close dates as provided by NEPRA in its initial determination."*

- 4.1.2. However, purely due to the reasons which are beyond the control of the Petitioner (as explained in detail below), it has become impossible for the Petitioner to achieve the Financial Close by the stipulated Financial Close Date.

- 4.1.3. It is further highlighted that the Authority in Section 16 of Tariff Determination has decided as follows:

*"the Authority has decided that the instant case is to be the last tariff being determined for ZSPL under the cost plus regime. In case the ZSPL would not be able to achieve the FC milestone given in instant tariff determination, it shall then have to participate in the competitive bidding for the approval of tariff from NEPRA."*

- 4.1.4. It is pertinent to mention here that as per the referred CCOE decision dated April 04, 2019 (the **CCOE Decision**) in Tariff Determination, there has been limited or no development for the competitive bidding process for neither category-II nor category-III Projects (as referred in the CCOE Decision), and there is no clear guidance provided so far for the competitive bidding process.

- 4.1.5. It is further worth noting that the only tender conducted thus far was for 600 MWp solar project in Muzaffargarh in June 2023 which has did not attract any bid(s) from neither local nor international investors.

- 4.1.6. The Petitioner would further highlight that the terms and conditions noted in Paragraph 19 of the Impugned Tariff Decision, in which the Authority computed the Tariff for the Project on 100% foreign financing, the Petitioner humbly submits that it requires to fund some portion of the Financing Facility through local financing due to reasons explained in detail below.



**4.2. SUBMISSIONS OF THE PETITIONER:**

4.2.1. By way of this Modification Motion the Petitioner humbly requests the Authority to (as explained in detail in subsequent sections below):

- (a) extend the Financial Close Date and keep the commercial operations date of the Project i.e. October 11, 2024 (the **Commercial Operation Date**) same so that there is no impact on the actual application of the Impugned Tariff Decision; and
- (b) allow the Petitioner to fund a portion of the Finance Facility through Local Finance Facility which shall be adjusted on actual at the time of Commercial Operation Date of the Project.

**4.3. ISSUES FOR AUTHORITY'S CONSIDERATIONS:**

4.3.1. The Petitioner, herein presents the grounds for filing this Modification Motion (the **Grounds of Modification**), seeking a modification of the Impugned Tariff Decision with the primary objective of extending the Financial Close Date by which the Petitioner must achieve the Financial Close and to allow the Petitioner to obtain local financing for the Project due to the following reasons, each of which is detailed in subsequent

4.3.2. s:

- (a) change in the application of measuring the actual annual degradation of the Project and its compensation mechanism in the Impugned Tariff Decision and the complications related thereto;
- (b) delay in adjudicating the Leave for Review and the insufficiency of the time provided to the Petitioner to achieve Financial Closing by the Financial Close Date; and
- (c) ongoing adverse macroeconomic circumstances in Pakistan and difficulty in obtaining Foreign Finance Facility.

**4.3.3. DEGRADATION**

- (a) the Petitioner respectfully refers to Paragraph No. 17 and Paragraph 19 Section C (Terms and Conditions) of the Impugned Tariff Decision (collectively referred to as the **Degradation Paragraphs**) which are reproduced below respectively for ease of reference:

*"the Authority has opted to permit degradation at a rate of 0.5% per annum, to be applied on an as-and-when basis (if any) based on submission of documentary evidence to be provided by the Company.";*

*"Allowed limit of degradation is 0.5% on as and when basis (if any) from 2' operational year based on submission of documentary evidence to be provided*



***by the Company and the mechanism for reimbursement for the same shall be provided in the Energy Purchase Agreement."***

*[Emphasis added]*

- (b) further, the Petitioner respectfully refers to Section 31(3)(j) of the NEPRA Act which is reproduced below for ease of reference:

*"tariffs should be comprehensible, free of misinterpretation and shall state explicitly each component thereof.";*

- (c) based on the Impugned Tariff Decision and Degradation Paragraphs thereof, the Petitioner and the Power Purchaser held multiple negotiation rounds on the EPA, however the Parties along with their respective experts had different interpretation of the Degradation Paragraph and how the degradation compensation as referred to in the Impugned Tariff Decision shall be implemented in the EPA and therefore failed to reach a final agreement or conclusion on this matter;
- (d) in the interest of time the Parties decided that the Petitioner shall develop and propose a mechanism on the best international standards for implementation of the Degradation Paragraph to the Power Purchaser and simultaneously the Power Purchaser shall also amend the EPA in light of its interpretation of the Degradation Paragraphs;
- (e) the Parties further agreed to negotiate both the aforementioned proposed mechanisms of the Petitioner and the Power Purchaser and update the EPA accordingly. After such negotiations and finalizing the EPA, the Power Purchaser shall submit the negotiated and updated EPA to the Authority for its instructions, clarifications, and determination, and the Parties would execute the Authority's approved EPA;
- (f) it is pertinent to note that after subsequent rounds of negotiations, the Parties have exchanged their respective proposals on the Degradation Paragraphs and, as of the date of this Modification Motion, have started their negotiations on the same and the finalized draft (by the Parties) of the EPA would soon be shared with the Authority by the Power Purchaser;
- (g) in the event there are pending outstanding points between the Parties regarding the amendments to be made in the EPA in light of the Degradation Proposal even after the aforementioned negotiations then the pending outstanding points will be referred to Authority for clarification and determination;
- (h) the Petitioner humbly submits that development of mechanism for the Degradation Proposal is delayed due to following reasons:
- (i) the Degradation Paragraphs provides a unique approach towards measuring and calculating the actual annual degradation of the Project



- and degradation compensation mechanism based on the measurement of the actual annual degradation which is not found in local or international practices and precedents;
- (ii) in order to measure the actual annual degradation of the Project of the solar modules, a flash test would have to be conducted annually as per the international standards, and the Parties have to identify, develop and agree on a comprehensive methodology for the testing procedures and compensation mechanisms accordingly;
  - (iii) the international standards for flash tests are developed to measure the degradation in comparison to its nameplate capacities, however, since the Authority's determination excludes the first-year degradation, certain amendments would have to be incorporated in the testing procedures in order to comply with the Impugned Tariff Decision particularly the Degradation Paragraphs which adds another layer of complexity; and
  - (iv) further, it is humbly submitted that no precedents are available in Pakistan that could be incorporated in the EPA in compliance with Degradation Paragraphs and the Impugned Tariff Decision particularly the Degradation Paragraphs are open to interpretations.
- (i) as the Authority is aware, prior to providing Finance Facility to the Petitioner for the Project, the Lenders would have to review and conduct a thorough due diligence over the terms and conditions of all the Project Agreements especially the EPA, which is the most fundamental agreement from Lenders' perspective, which is still pending finalization. Further, estimated cash flow of the Project during its lifespan forms the foundation for determining the terms and conditions of the Finance Facility and in absence of clear mechanism for the degradation compensation under EPA, the cash flow for the Project cannot be ascertained. Therefore, the Petitioner is unable to finalize the Financing Facility and achieve the Financial Close until the Degradation Mechanism under the EPA has been finalized; and
- (j) the Petitioner humbly submits that due to the above concerns and the outstanding pending points in the EPA in relation to the Degradation Proposal between the Parties, the Petitioner requests for extending the Financial Close Date.

#### 4.3.4. DELAY IN ADJUDICATING THE LEAVE FOR REVIEW

- (a) the Petitioner submits that the Tariff Determination was issued on August 12, 2022, and the Power Purchaser filed its Leave for Review against the Tariff Determination on September 20, 2022 to the Authority;
- (b) the Authority vide the Impugned Tariff Decision modified the Tariff Determination by allowing the degradation as per actual basis which in result has reduced the





levelized tariff from US Cents 4.0136/kWh to 3.9017/kWh after a lapse of nine (09) months from the date of Leave of Review (the **Review Period**);

- (c) the Authority granted an extension of four (04) months to the Petitioner for achieving the Financial Close as opposed to granting an extension for achieving the Financial Close for the same duration as the Review Period;
- (d) as detailed in Section 4.3.2 of this Modification Motion, the change in Impugned Tariff Decision specifically the Degradation Paragraphs caused changes in the commercial structure of the EPA and the Project, which resulted in: (i) additional time and effort to develop a comprehensive and unique structure for EPA; (ii) the Lenders had to undertake a revaluation of the Project; and (iii) revisions to be made in the due diligence report of the Project (including, *inter alia*, technical, legal and financial) which were based on the to be agreed degradation mechanism to finalize the Financing Facility and to achieve Financial Close;
- (e) the Petitioner humbly submits that the filing of the Leave for Review was not only unprecedented, but it also gave the impression that the government agencies were unwilling to proceed with the Project – in effect, bringing all discussions with the relevant stakeholders including, *inter alia*, EPC contractors and Lenders, to a standstill. Further, the Tariff Determination was substantially amended by the Impugned Tariff Decision and the negotiations for obtaining Financing Facility and engagements with EPC contractors had to be started all over again from the date of the Impugned Tariff Decision;
- (f) the Petitioner further submits that whilst the Petitioner appreciates the extension of four (04) months, practically the Petitioner only had five (05) months to achieve the Financial Close as opposed to the initial intent of the Authority to provide the Petitioner with 12 months to achieve the Financial Close; and
- (g) the Petitioner humbly submits and requests to provide the Petitioner with an extension of four (04) months from the Financial Close Date to achieve the Financial Close.

#### 4.3.5. MACROECONOMICS OF PAKISTAN RESULTING IN RELUCTANCE OF FOREIGN INVESTORS

- (a) as the Authority is well aware of Pakistan's current economic situation due to the uncertainty surrounding the agreement of Government of Pakistan and International Monetary Fund. This uncertainty brought Pakistan's credit rating to CCC+ which eroded the Lenders confidence in providing financing facilities to various projects in Pakistan including the energy sector (the **Energy Sector**);
- (b) furthermore, the Petitioner highlights that during the recent past months, Pakistan has experienced severe political instability creating havoc and unrest amongst the general public and the uncertainty stemming from the same had rattled Pakistan along with its economy. The political instability coupled with severe economical constraints exponentially increased the reluctance of the Lenders



and dismantled the confidence of Lenders in providing Financing Facility to the Project;

- (c) the Petitioner would also like to emphasize the erratic devaluation of the Pakistani Rupee against the United States Dollar during the past months. This devaluation has accentuated Pakistan's economic crisis and the lack of consistency in value of Pakistani Rupee further eroded the confidence of the Lenders;
- (d) as highlighted in Section 3.8 of this Modification Motion, the Petitioner submits that the Petitioner from the date of the Impugned Tariff Decision has engaged with multiple Foreign Lenders for securing Financing Facility for the Project. However, due to the aforementioned economic, political and administrative constraints in Pakistan, the Petitioner was unable to secure the approval for obtaining Financing Facility for the Project and has experienced significant delays, which were beyond the reasonable control of the Petitioner;
- (e) the Petitioner not deterred by the uncertainties surrounding Pakistan has continuously pursued efforts to secure the Financing Facility by approaching and negotiating with various Foreign Lenders, becoming a flag bearer of Pakistan's potential during its engagements instilling confidence in the Foreign Lenders on the future prospect of Pakistan;
- (f) the Petitioner humbly submits that recently ADB has recognized the extensive follow-up, and the Project Sponsor's unequivocal backing of the Project, ADB has approved to provide the Foreign Finance Facility and the relevant documents for the grant of the Foreign Finance Facility will be executed subject to approval of this Modification Motion and extension of the Financial Close Date;
- (g) the Petitioner humbly submits the engagements between the Petitioner and Foreign Lenders took an unexpectedly long time for obtaining the Foreign Financing Facility due to the macroeconomics of Pakistan as explained in this Section which needless to say were not under reasonable control of the Petitioner and the Petitioner's request of extending the Financial Close Date should be awarded. Further, in the event the Petitioner is not granted an extension in the Financial Close Date, the Petitioner would have to approach and start its negotiations from scratch with the Lenders and the current concept approval accorded by ADB to the Project would lapse and the Petitioner would not be able to guarantee the interest of ADB in the Project for future;
- (h) it is pertinent to highlight that reluctance of the foreign investors and financiers in Pakistan in recent times is evident by the limited response or no response observed against the initial tender of the 600 MW project (the **600 MW Tender**). It is pertinent to note that considering the advantages based on economies of scale due to bigger size of the Project, reduced development costs/ efforts required and improved terms and conditions in comparison to the Impugned Tariff Decision, the level of Benchmark Tariff at 3.4 US cents/kWh for the 600





MW Tender was unable to attract foreign and local investors due to the overall macro-economic circumstances and sectoral issues in Pakistan. Further, it is worth mentioning here that this lack of interest also substantiates that levelized tariff of 3.9017 US cents/kWh awarded under Impugned Tariff Decision for the Petitioner is extremely competitive under current market conditions;

- (i) the Petitioner humbly submits that the current situation and the crisis in Pakistan is beyond the reasonable control of the Petitioner and the Lenders particularly the Foreign Lender(s) have been extremely conservative in granting the Financing Facility to the Project. Further, the cost of procuring Finance Facility due to the current scenario has increased substantially from the allowed limits in the Impugned Tariff Decision which is due to the risks involved and identified by the Foreign Lenders. However, the Petitioner is willing to pursue the Project under these conditions and due to Petitioner's endless efforts and substantial progress in terms of development of the Project, it is certain to achieve the Financial Close in the event the extension requested in this Modification Motion for achieving the Financial Close is granted; and
- (j) furthermore, as stated in Section 3.8.3 of this Modification Motion, due to the aforementioned difficulties in obtaining Foreign Finance Facility, the Petitioner is required to tap into the local financing options and has already arranged a portion of Finance Facility in local currency. Therefore, as per previous precedents and due to the unprecedented macro-economic issues being faced in Pakistan, the Petitioner humbly submits that the Petitioner seeks the Authority's approval of procuring Local Finance Facility partially that shall be the part of the total Finance Facility of the Project which shall be adjusted at the time of Commercial Operation Date.

#### 4.3.6. NO EXTENSION REQUIRED IN THE COMMERCIAL OPERATION DATE

- (a) as per the Impugned Tariff Decision, the construction period for the Project is allowed to be maximum ten (10) months from the Financial Close Date (the **Construction Period**) i.e. October 11, 2024;
- (b) the Petitioner understands and acknowledges that as per the applicable rules and regulations of NEPRA Act, Authority shall ensure that any change in the Impugned Tariff Decision shall not have any adverse impact on the final consumers, therefore the Petitioner humbly submits that the extension to be granted for the Financial Close Date may be adjusted from Construction Period of ten (10) months, so that the scheduled Commercial Operation Date under the Impugned Tariff Decision shall remain unchanged. The Petitioner highlights the following positive observations for not extending the Construction Period of the Project: (i) power acquisition plan of the Power Purchaser would not be altered; (ii) there will be no adverse financial impact on the Power Purchaser and hence the end consumers; and (iii) citizens of Pakistan would benefit from cheap electricity without any additional delay; and



- (c) as a member of a globally recognized group managing numerous renewable energy power plants, the Petitioner possesses the full capability to consolidate resources and tackle the demanding task of completing the Project's construction within the prescribed timeline. This highlights the Petitioner and the Project Sponsor's unequivocal commitment to achieving successful Project completion within the allocated timeframe and the submission of this Modification Petition is necessitated solely by circumstances beyond the Petitioner's control.

## **5. PRAYER**

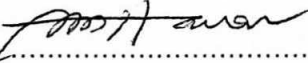
- 5.1. In light of the foregoing, the Petitioner humbly prays for an extension of the Financial Close Date for the period of four (04) months from the Financial Close Date i.e. April 11, 2024 keeping the Commercial Operation Date same for Project. This extension is being requested and is deemed necessary to provide the Petitioner with the requisite time to finalize the EPA and execute the Project Agreements and then engage with Lenders for the comprehensive review and due diligence of the Project Agreement. It is only through this diligent process that Lenders can make an informed decisions regarding the grant of the Finance Facility. The Petitioner kindly seeks the Authority's favourable consideration of this Modification Motion, recognizing the significance of this matter for all stakeholders involved.
- 5.2. For abundant clarity the Petitioner respectfully submits that the extension of the Financial Close Date as requested for under this Modification Motion shall not have any effect on scheduled Commercial Operation Date of the Project and the Petitioner agrees to reduce the Construction Period by 4 months (i.e. 6 months instead of 10 months already approved in the Impugned Tariff Decision). The Petitioner along with the Project Sponsors shall ensure the construction of the Project is completed as originally scheduled in the Impugned Tariff Decision and the extension for the Financial Close Date is only being requested for due to the Grounds of Modification which are beyond the reasonable control of the Petitioner.
- 5.3. The Petitioner further humbly submits to allow the Petitioner to procure a portion of the Finance Facility i.e. the Local Finance Facility from Local Lenders due to the reasons explained in detail above. The Petitioner remains available to provide any additional information that is required by the Authority in connection with the Local Finance Facility and shall adhere to strict compliance of the benchmark guidelines of the Authority with respect to the Local Finance Facility.
- 5.4. The Petitioner requests that it is provided with an opportunity to present full supporting evidence and documents at a time directed by the Authority. The Petitioner reserves the right to take additional grounds as may be required.
- 5.5. The Petitioner submits that these grounds collectively establish a compelling case for the review and modification of the Impugned Tariff Decision. Each ground, as detailed above, is essential in demonstrating the need for this Modification Motion. The Petitioner



kindly requests the Authority's careful consideration of these grounds and a judicious review of the Impugned Tariff Decision in light of the presented arguments.

- 5.6. The Petitioner would humbly submit and highlight that the determination of the Authority on this Modification Motion also poses significant importance for the overall Energy Sector where the investor confidence, (particularly foreign investors) has significantly deteriorated in the recent years. Successful completion of this Project will not only give a positive signal to all international investment community, but will also bring much needed foreign exchange to the country.
- 5.7. Considering Authority's decision in Tariff Determination as referred in Section 4.1.3 of this Modification Motion, the Project will be dragged into another ambiguity and unknown, should the extension request is not granted which will significantly delay consumers to reach much needed cheap electricity.
- 5.8. Considering the limited time, the Authority is humbly requested to process this Modification Motion on urgent basis at the earliest, and if possible before the prescribed Financial Close Date i.e. 11 December 2023.

**RESPECTFULLY SUBMITTED  
FOR AND ON BEHALF OF THE PETITIONER**



**SYED MUMTAZ HASSAN  
COUNTRY MANAGER  
ZORLU SOLAR PAKISTAN LIMITED**

Date: November 27, 2023

