



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/DG(Lic)/IAA-01

465-485

January 12, 2024

Mr. Shah Jahan Miraz
Managing Director,
Private Power & Infrastructure Board (PPIB),
Emigration Tower, Plot No. 10, Mauve Area,
Sector G-8/1, Islamabad

Subject: **Certificate of Registration No. IAA/01/2024**
Application No. IAA-01
Private Power and Infrastructure Board (PPIB)

Reference: PPIB letter No. C(C02)PPIB/2021/LGI/O-56447 dated 08.10.2021

Enclosed please find herewith Determination of the Authority in the matter of application of Private Power and Infrastructure Board (PPIB) for Registration as Independent Auction Administrator along with Certificate of Registration No. IAA/01/2024 granted by the National Electric Power Regulatory Authority (NEPRA) to PPIB pursuant to Section-25(A) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended from time to time, to carry out the functions, operations and responsibilities of the Independent Auction Administrator.

2. Please quote above mentioned Registration No. for future correspondence.

Enclosure: As Above


(Engr. Mazhar Iqbal Ranjha)

Copy to:

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Ministry of Finance, Government of Pakistan, 'Q' Block, Pak Secretariat, Islamabad
3. Secretary, Ministry of Planning & Development, Government of Pakistan, 'P' Block, Pak Secretariat, Islamabad
4. Secretary, Energy Department, Government of Punjab, EFU House, 8th Floor, 6-D Jail Road, Lahore
5. Secretary, Energy Department, Government of Sindh, State Life Building -3, Dr. Zia-ud-din Ahmed Road, Karachi
6. Secretary, Energy & Power Department, Government of Khyber Pakhtunkhwa, Block-A, 1st Floor, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar.
7. Secretary, Energy Department, Government of Balochistan, Block-1, Balochistan Civil Secretariat, Zarghoon Road, Quetta
8. Managing Director, National Transmission & Despatch Co. 414-WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
9. CEO, Central Power Purchasing Agency (Guarantee) Ltd. 73 East, A.K.Fazl-ul-Haq Road, Blue Area, Islamabad

P-1/2

- | | |
|--|--|
| 10. Chief Executive Officer
Lahore Electric Supply Company (LESCO)
22-A, Queen Road, Lahore | 11. Chief Executive Officer
Gujranwala Electric Power Company (GEPCO)
565/A, Model Town, G.T Road, Gujranwala |
| 12. Chief Executive Officer
Multan Electric Power Company (MEPCO)
NTDC Colony, Khanewal Road, Multan | 13. Chief Executive Officer
Peshawar Electric Supply Company (PESCO)
NTDC House, Shami Road, Peshawar |
| 14. Chief Executive Officer
K Electric Limited (KEL)
KE House, 39 B
Main Sunset Boulevard, DHA Phase-II, Karachi | 15. Chief Executive Officer
Quetta Electric Supply Company (QESCO)
Zarghoon Road, Quetta |
| 16. Chief Executive Officer
Tribal Areas Electricity Supply Company
213-NTDC House
Shami Road, Peshawar | 17. Chief Executive Officer
Faisalabad Electric Supply Company (FESCO)
Abdullahpur, Canal Bank Road,
Faisalabad |
| 18. Chief Executive Officer
Sukkur Electric Supply Company (SEPCO)
Old Thermal Power Station,
Sukkur | 19. Chief Executive Officer
Hyderabad Electric Supply Company (HESCO)
HESCO Headquarter
WAPDA Complex, Hussainabad, Hyderabad |
| 20. Chief Executive Officer,
Islamabad Electric Supply Company,
IESCO Head Office, Street No.40,
G-7/4, Islamabad | |

National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Application of Private Power and Infrastructure
Board for Registration as an Independent Auction Administrator

January 12th, 2024
Case No. IAA-01

(A). Background

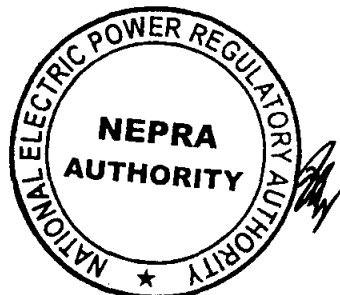
(i). The legislature through amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act") envisaged the development of a competitive electric power market in the country by introducing new categories of licences as well as registration of other market participants & service providers. Accordingly, the Authority through its determinations dated December 05, 2019 and November 12, 2020 approved the high level design and detailed design of the Competitive Trading Bilateral Contract Market (CTBCM) respectively.

(ii). The detailed design of CTBCM envisaged that there will be a registered entity to act as an Independent Auction Administrator (IAA) *inter alia*, to facilitate XW-DISCOs/Suppliers of Last Resorts (SoLR) to comply with their capacity obligations through the procurement of new capacity and energy to serve their load. In line with the detailed design of competitive market, the Private Power & Infrastructure Board (PPIB) has approached the Authority for registration as an IAA.

(B). Filing of the Application

(i). In terms of Section-25A of the NEPRA Act, PPIB submitted an application on October 11, 2021 for Registration as an IAA for the purpose of implementation of the competitive market/CTBCM.

(ii). The Authority considered the matter on December 14, 2021 and decided to put it on hold until relevant rules by the Federal Government in the matter are in field to assess the legal credentials of the application. Later on, the Authority



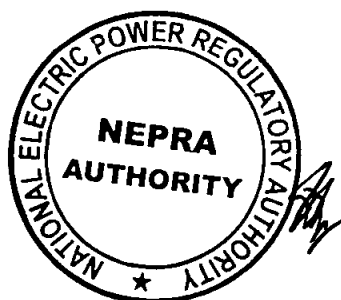
re-considered the application on March 01, 2022 and decided to process the same as it could not delay it for an indefinite time due to the absence of relevant rules.

(iii). Accordingly, the Authority admitted the application for consideration of the grant of Registration and published notices in one (01) Urdu and one (01) English newspaper on March 05-06, 2022 to invite comments from the general public, interested parties, and affected persons in the matter. Further to the said, separate letters were sent to different stakeholders on March 08, 2022, seeking their comments for assistance of the Authority.

(C). Comments of Stakeholders

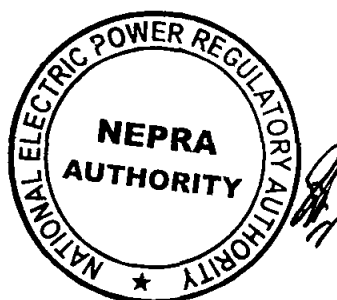
(i). In reply to the above, the Authority received comments from five (05) stakeholders. These included K-Electric Limited (KEL), Lahore Electric Supply Company Limited (LESCO), Punjab Power Development Board (PPDB), Gujranwala Electric Power Company Limited (GEPCO) and Pakhtunkhwa Energy Development Organization (PEDO). The salient points of the comments offered by stakeholders are summarized below:

- (a). KEL submitted that the IAA will facilitate XW-DISCOs/SoLRs in their procurement planning by aggregating demand through competitive auctioning. According to Section 14.1 of the detailed design of CTBCM, approved by the Authority, IAA has been designated the role of power procurement planning for XW-DISCOs only. KEL has the option to use the services of IAA, if required. In its Evaluation and Integration Plan for CTBCM submitted for approval of the Authority, KEL has emphasized that being responsible for power planning of its service area, without any sovereign guarantee, it has added efficient generation through additions in its own generation fleet as well as by executing bilateral contracts with IPPs, and will continue to perform this function in accordance with relevant rules and regulations. Moreover, in its comments in the matter of draft NEPRA (Electric Power Procurement) Regulations, 2022 (the "Procurement Regulations"). KEL highlighted that



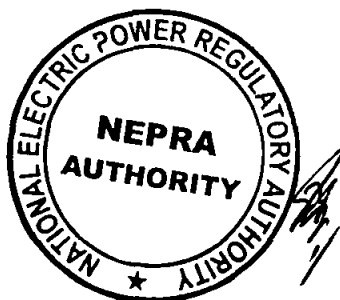
being a private entity, it should be allowed to plan, procure and carry out competitive bidding for power projects in line with applicable rules to cater demand for its service territory, as dependency on PPIB in its role of IAA will essentially negate the essence of privatization. In view of the above, KEL understands that the application of PPIB for Registration as IAA for procurement planning and carrying out competitive auctions shall be applicable to the extent of state-owned or XW-DISCOs only, and KEL being a privatized entity, will continue to plan and procure power as obligated in Article-8 of its Transmission Licence read with Section 32 of the NEPRA Act, as well as carry out competitive auction in its service territory as per relevant rules, regulations and the approved CTBCM design.

- (b). LESCO in its comments raised a few queries: (i). Is the proposed merger of AEDB and PPIB a prerequisite before registration? (ii). Will the PPRA Rules apply in the procurement of electric power? (iii). The revised Commercial Code and the Procurement Regulations are still under process and not yet approved; (iv). PPIB has sent the draft Security Package Documents (SPDs) only for the solar and further deliberations and proceedings are awaited from the PPIB side; (v). MIMG during its 6th meeting held on November 08, 2021, advised PPIB to arrange the workshop for DISCOs on SPDs which still has not been held; (vi) DISCOs will not be responsible for any issue arising, in the process of power procurement administered by IAA at any later stage; (vii). No procurement shall be on a take or pay basis; (viii). A workflow of the procurement process with timelines mentioned against each step may be added for clarity; (ix). In addition to the model of Brazil, other regional and international benchmarks of countries, having profiles similar to Pakistan may be added; (x). Generally, the term "procurement" is used in a different sense than "auction"; (xi). It looks strange that the proposed power



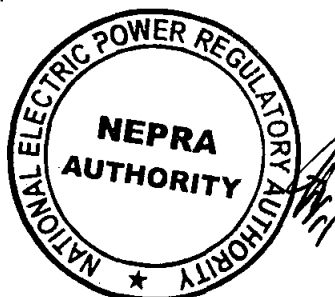
procurement process will be administered by IAA, and in the end the contract will be signed by the XW-DISCOs/SoLRs. This is not in line with the existing practices in DISCOs in case of procurement of material/works/services; (xii). Electricity market/power procurement-related trainings, which is a new subject for XW-DISCOs/SoLRs, are still not held for newly established Market Implementation & Regulatory Affairs Departments (MIRADs) in DISCOs. Therefore, LESCO requested the capacity building of MIRADs before the launch of CTBCM.

- (c). PPDB submitted that presently PPIB and AEDB have applied for registration in accordance with Section-25A of the NEPRA Act. The intent of both the applications is that they will procure power for consumers of DISCOs/SoLRs but it is not clear that a particular DISCO/SoLR shall approach to which of the two IAAs. Will the DISCO/SoLR have the option for approaching a particular IAA? PPIB has applied for an exclusive IAA under Section-25A whereas, the said section stipulates that any person providing an electric power service can apply for IAA provided minimum prescribed capital requirements and maintenance of adequate facilities for reliable and efficient provision of services is available with the applicant. Further, PPIB has indicated that its procurement planning shall be through the Indicative Generation Capacity Expansion Plan (IGCEP), whereas IGCEP selects the base-load plants while the CTBCM requires the daily and monthly procurement requirements which may be supplied by the peaking plants therefore, the said discrepancy requires clarification. In its application, it has been indicated that PPIB and AEDB will be merged whereas both have applied as IAA. Will the Authority register both as IAA or one IAA registration will be made? The application does not contain any consent from the other participants of the market such as DISCOs on whose behalf the



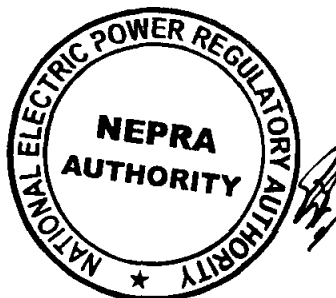
competitive bidding for the power and energy auction will be conducted. Similar consents will also be required from the System Operator (SO). CTBCM requires Market Operator (MO) to provide credit cover administration in place of Government guarantees through IAA whereas the application is silent in this regard. Lastly, Provincial Grid Company(s) (PGCs) may be encouraged to participate as IAA(s).

- (d). GEPCO in its comments welcomed the filing of IAA applications by PPIB and AEDB as a milestone action towards timely launch of the CTBCM. GEPCO submitted that it understands that submission of separate applications by the above said two applicant organizations is due to valid administrative and legal reasons; and that, ultimately both organizations shall be merged and therefore, registered or licensed, as the case may be, as one single entity. i.e. IAA subject to the applicable legal and/or regulatory framework. GEPCO stated that registration of the said organizations as IAA shall undoubtedly transparently streamline the power procurement process and shall help Ex-WAPDA DISCOs as Supplier(s) of Last Resort in ensuring security of supply through competitive bidding-based power acquisition programs. GEPCO has no objection to the Registration of AEDB and PPIB as IAA. GEPCO requested the Authority to arrange and convene series of detailed interactive workshops/seminars for better understanding of the auction process /regime enunciated in the draft Procurement Regulations. GEPCO also suggested the proposed interactive workshops/seminars to be based on mock or real data to elaborate the whole process starting from Demand Forecasting to the final execution of the Power/Energy Purchase Agreements between the Market Participants together with delineation of pre-requisite and post requisites for each of the steps of whole process. While considering and before deciding on the applications under review, GEPCO requested that



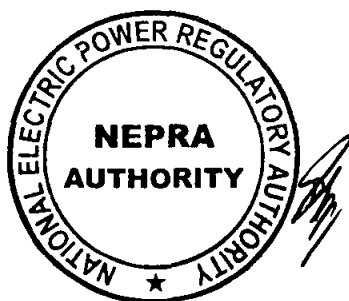
honorable Authority shall duly consider and provide clear verdict on the Legacy or otherwise bilateral status of Committed and Candidate power projects being or to be processed by AEDB and/or PPIB. The reference to the "Committed" and "Candidate" is to those projects which form part of the IGCEP 2021-30 already approved by the honorable Authority on September 24, 2021 or any other future iteration of IGCEP before Commercial Market Operation Date (CMOD).

- (e). PEDO submitted that as per CTBCM, the role of IAA is to conduct the competitive auction for the approved Capacity Procurement Plan and obtain all required regulatory approvals. The IAA will not sign the contract on behalf of the DISCOs, but it will be only a facilitator, and will not be a licensed supplier. Under clause 2.2.1 of the ARE Policy 2019 of Competitive Bidding-Mode one; "The RFP and the associated contract package will be prepared by the Steering Committee and approved by the Board of AEDB. Requisite approvals of NEPRA and other competent forums will be obtained. The Provincial Energy Departments will then conduct the bidding using the RFP and the contract package approved as afore-said. One representative of AEDB will be associated with the bidding process conducted by the Provincial Energy Departments. The outcome of the bidding will be processed by the Provincial Energy Departments with NEPRA for approval and award of tariff to the successful bidders. Thereafter, the Government of Pakistan (GoP) acting through AEDB will award the concessions to the successful bidders, who will then be required to sign the contract package and furnish performance guarantees within the timeframes stated in the bid documents". Clause 2.8 of the ARE Policy 2019 states that the Steering Committee shall be formed as a sub-committee of the Board of AEDB by resolution at its first meeting immediately following the promulgation of this Policy. The decisions of the Steering



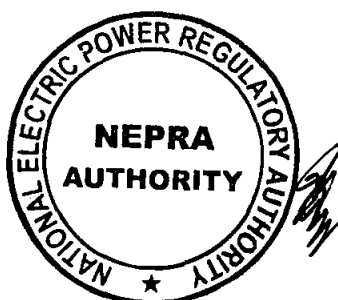
Committee shall be by consensus. The Steering Committee will prepare provisional Current Year RE Procurement Plan (CYREPP) and make such revisions to the CYREPP as may be required by the Board consistent with this Policy, so as to enable the Board of AEDB to approve the CYREPP. Now considering the above facts, if AEDB or any other federal entity will be nominated as an IAA which will conduct auctions for power from AREs resources then it will be in contradiction with ARE policy 2019. As Provinces have been given the role of carrying out the competitive bidding under the CCI approved policy, therefore in the CTBCM and other documents the role of provinces be defined as IAA. Further the NEPRA Competitive Bidding Tariff (Approval Procedure) Regulations, 2017 are applicable in cases where detailed feasibility studies are available. As per the said regulations, the bidding process shall be conducted by the relevant agency, such as in the case of six solicited hydropower projects of cumulative capacity of 518 MW, wherein the competitive bidding was carried out by the provincial government through PEDO under above mentioned regulations; hence these regulations give mandate to the provinces to conduct competitive bidding. Keeping in view the above situation, PEDO recommended that in the CTBCM and for auction administration, the role of IAA may be given to Provincial Energy Departments. It also recommended that ARE Policy 2019 may be implemented in letter and spirit and Provincial Energy Departments may be allowed to conduct auctions of power from the energy resources available within their territory/jurisdiction as Provincial Government will be in better position to administer the project development.

(ii). The Authority examined the above comments of stakeholders and in view of the observations raised, considered it appropriate seeking perspective of PPIB in the matter. On the observations of KEL, it was submitted that pursuant to the approved CTBCM design, the IAA will be a registered entity to facilitate DISCOs



to comply with their capacity obligations through the procurement of new capacity and energy to serve their load. Furthermore, pursuant to Section-14 of the approved CTBCM design, the function of IAA has been introduced to provide different services primarily to DISCOs/SoLRs and also other participants, if required or requested by the respective participants, in procuring new capacity to manage the transition towards a fully bilateral contract market. The IAA will be providing support to DISCOs/SoLRs, and other participants including KEL as and when requested, in procurement of new capacity on competitive terms as per provisions of the applicable regulations to be specified by the Authority. On the other hand, PPIB is seeking exclusivity to perform functions as an IAA pursuant to Section-25A of the NEPRA Act to the extent of state-owned DISCOs/SoLRs only and not otherwise. Notwithstanding the same, while the approved CTBCM design leaves discretion for KEL to perform functions similar to IAA within its service territory, PPIB understands that given that consumer tariff in KEL territory being fully regulated under the NEPRA Act and CTBCM design clearly earmarks sellers and buyers being two distinct entities, leaving procurement process with KEL while at the same time it may act as buyer and seller may give rise to conflict of interest situation that should be avoided. PPIB is therefore of the view that in the interest of transparency and good governance it will be more prudent that KEL should also use services of PPIB/AEDB as IAA for its service territory. Barring where a compulsion to use services of IAA would undermine or be in conflict with concession terms granted to KEL as privatized entity, NEPRA being the regulator of electric power services should make it compulsory for KEL to use IAA services. It will not only engender transparency in the procurement of power but also lessen the burden of regulatory due diligence/oversight in relation to power procurement processes by KEL.

(iii). With regards to comments of PPDB, it was submitted that since the merger of AEDB and PPIB (though approved in principle by Federal Government) by way of amendment in PPIB Act 2012 is still under consideration before the Parliament, DISCOs/SoLRs will be required to approach both the entities according to their respective mandate i.e. AEDB, for renewable technologies and PPIB, for the remaining technologies. However, once the said merger has been implemented, all DISCOs/SoLRs will be required to approach the single merged entity of PPIB/AEDB



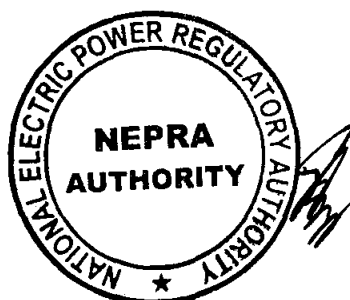
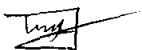
to avail the services of the IAA. Thus, eventually there will be a single IAA to offer services for procurement of power for SoLRs.

(iv). On the observations of PPDB regarding non-exclusive IAA under Section-25A of the NEPRA Act, PPIB added that it is the very scheme of power market as envisaged in the design of CTBCM already approved by the Authority. It may be noted that CTBCM is premised on the concept of central planning based on least cost principle that would naturally necessitate central procurement to be housed in an entity that is centrally administered. Towards that end, Section 4.4.7 of the CTBCM Detailed Design envisages the IAA as 'a registered entity' to facilitate DISCOs/SoLRs to comply with their capacity obligations through the procurement of new capacity and energy to serve their load. Such a 'registered entity' will *inter alia* conduct competitive auctions for the approved capacity procurement plan. Moreover, Section-14 (Functions of the Independent Auction Administrator) of the CTBCM Detailed Design states that as per the recommendation in the approval of the CTBCM, the function of IAA can be assigned to PPIB and AEDB at the start of the market, with necessary legal and regulatory adjustments. PPIB has, therefore, applied to serve as an exclusive IAA (alongside AEDB until the merger of PPIB and AEDB is effectuated) under Section-25A of the NEPRA Act by aligning its IAA Registration Application with the conception of the IAA mapped out in the approved CTBCM Detailed Design. In addition to the above, it is pertinent to highlight that considering the current institutional structure of the power sector, the IAA role naturally belongs to PPIB and AEDB, the organizations which are currently acting as one window facilitators of the federal government for adding generation capacity in the country through private and specific public sector investments and issue guarantees to investors on behalf of the GoP against performance obligations of Power Purchaser. Keeping in view the same, PPIB has been given the lead role in establishing IAA in conjunction with AEDB under the approved design of CTBCM. PPIB has all the requisite expertise, industry experience, skill set, and long-standing market reputation which make it best suited organization to perform the complex and intricate role of IAA which involves technical, commercial, financial, legal, and regulatory aspects of planning and procurement of generation capacity. Moreover, PPIB has been working diligently to complete the tasks assigned to it pursuant to the CTBCM Detailed Design and Implementation Roadmap and has been working



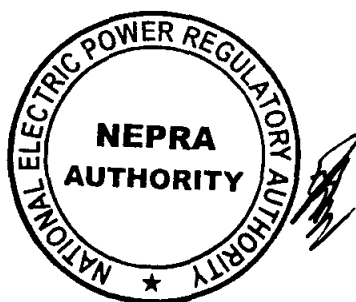
on capacity enhancement of its people, process and technology. PPIB/AEDB is therefore all geared up to assume the challenging role of an exclusive IAA.

(v). On the query of PPDB regarding planning through IGCEP or CTBCM, it was submitted that IGCEP is a procurement planning tool for the purposes of procurement of energy and capacity. On the other hand, CTBCM does not cater to daily and monthly procurement requirements which may be supplied by the peaking plants. At present, the approved CTBCM design does not envisage spot buying whether in Day-Ahead energy market or otherwise. PPIB in its functions as IAA will conduct competitive bidding for procuring new capacity for DISCOs/SoLRs in a wholesale market setting. It is amply clear from Section-3 (Transition from Vertically Integrated Utility or Single Buyer Model Towards a Competitive Market) of the CTBCM design that CTBCM is a competitive electricity market allowing the participation of 'multiple wholesale buyers and sellers' and bilateral contracts. Balancing mechanism or spot market/pools are only envisaged under the CTBCM Design to clear the difference between contractual quantities and actual energy consumption/demand requirements or capacity obligations under a balancing mechanism. PPDB appears to have confused a multiple buyers and sellers wholesale electricity market with bilateral contracts, with a spot market. To further elaborate the process through which IAA will function in CTBCM, it may be noted that the DISCOs/SoLRs shall inform IAA about their capacity obligations for the upcoming years and the gap that needs to be procured. IAA shall consolidate the gaps informed by all DISCOs/SoLRs and prepare a procurement plan while adhering to the selections (fuel, size, technology, etc.) made by the approved IGCEP while taking into regard all generation to be procured. As IGCEP will consider the requirements of peaking plants in addition to base-load requirements, the IAA will also induct peaking plants to fulfill the demand of any specific DISCO/SoLR as per their business and power acquisition plan to be approved by the Authority. It may be noted that daily and monthly procurement through competition within the market will be managed by the MO and SO. Whereas IAA will carry out procurement under short- and long-term Energy and/or Capacity contracts without having any involvement in hourly/daily dispatch and procurement.



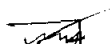
(vi). On the observations of PPDB regarding the merger of AEDB and PPIB, it was submitted that as noted earlier the draft bill titled PPIB (Amendment) Act 2021 has already been approved by the Federal Cabinet and at present it is pending consideration before National Assembly. Both PPIB and AEDB shall act as IAA independently within their respective mandate. Since business on and enactment of such bill by the Parliament cannot be predicted with precision for the sake of expediency it was decided that both entities will file their respective Registration application under Section-25A of the NEPRA Act. If the merger is not approved till the commercial operations date of CTBCM, both AEDB and PPIB will perform the role of IAA to procure power generation capacity for DISCOs through competitive auction processes pursuant to their mandates under their respective Acts.

(vii). With respect to comments of PPDB regarding consents of DISCOs /SoLRs and SO, it was added by PPIB that no requirement to secure such consents exists under Section-25A of the NEPRA Act, nor it is reflected in the CTBCM Design approved by the Authority. It is emphasized that the concept of IAA has been duly approved by the Regulator and the Federal Government as a matter of policy, and is binding on all government agencies. No further consent from market participants such as DISCOs/SoLRs is therefore necessitated or required. PPIB also clarified that credit cover will not be 'provided' to DISCOs rather the IAA will be assisting DISCOs in arranging credit cover. However, in case the financial health of DISCOs/SoLRs is found to be not creditworthy, the GoP through PPIB shall continue to provide a guarantee against payment obligations of DISCOs/SoLRs and Transmission Network Provider. On the other hand, the role of MO is limited to the settlement of payment in respect of balancing and ancillary functions, whereas any credit cover/guarantee for the DISCOs/SoLRs shall be administered by the IAA on behalf of the Federal Government. Section 5.9 (Security Cover Mechanism) of the CTBCM Design clearly states that if a DISCO/SoLR is not creditworthy to provide credit cover, the mechanism described through the IAA will provide support (Government support for low-performing DISCOs/SoLRs owned by the GoP). Similarly, Section 14.2 (Credit Cover) of the CTBCM Design also states that the IAA will 'assist' financially weak DISCOs/SoLRs in the arrangement of security covers and that the IAA will be in charge of managing the required processes to get the



guarantees granted to the eligible DISCOs/SoLRs. Therefore, in case a DISCO/SoLR is not creditworthy, PPIB as an IAA will issue guarantees on behalf of the GoP. Further, it is also of relevance to note that, Section 4.1.1 (Market Operator) of the CTBCM Design outlines that the MO will be responsible for the price calculation, security cover, settlement, and payment system for capacity and energy balancing mechanisms to clear differences between actual and contracted quantities.

(viii). About the comments of PPDB regarding assigning the role of IAA to PGCs, PPIB submitted that the primary function of a PGC is wire business. The wire transmission role of PGCs is restricted as per their licences and under the regulatory regime. The National Electricity Policy 2021 (the "NEP") envisages central planning and central procurement so far as procurement of power by DISCOs/SoLRs is concerned. Section 5.8 (Integrated Planning) of the NEP envisages the development of a future 'integrated' energy plan on a sustainable basis. The sub-section 5.1.1 of Section 5.1 (Generation) of the NEP also emphasizes the integrated, coordinated, and sustainable supply of electricity. Moreover, Sub-section 5.1.2. states that generation mix decisions will be made as per system of integrated planning (detailed in Section 5.8). Needless to mention that the CTBCM function also requires central planning and central procurement to be done by the IAA. Registering multiple IAAs is against the market design and concept of centralized procurement. It is of relevance to note that Section 14.1 (New Capacity Procurement) of the CTBCM design outlines that the IAA will be assisting 'in centralized power procurement of new capacity'. In addition to the above, it is significant to highlight that one power plant may be providing power to more than one province. In such a situation, it would not be logical or feasible to allow for auctions in one province for inter-provincial power distribution. Accordingly, allowing PGCs to also conduct auctions may lead to a conflict situation in view of centralized procurement being conducted by the Federal Government. KEL however, is a private entity and the CTBCM design approved by the Authority leaves open the option for KEL to undertake the activities of IAA. Accordingly, the same treatment as meted out to provinces is not necessitated when it comes to privatized entities such as KEL. The case of KEL is therefore distinguishable from that of the provincial governments. Notwithstanding the same, PPIB holds the opinion that KEL



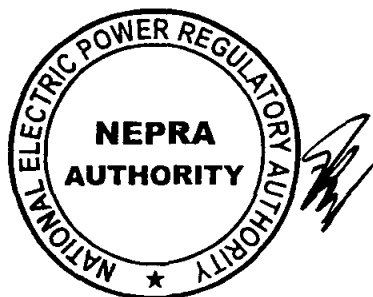
performing a multifarious regulated function whereby it will be generating and distributing power for its service territory, may lead to a conflict situation with the IAA performing a parallel role. It would therefore be preferable for the procurement process to be conducted by an independent agency constituted for this purpose, i.e. the IAA.

(ix). On the observations raised by LESCO regarding the proposed merger of AEDB and PPIB, it was submitted that the proposed merger of AEDB and PPIB is not a pre-requisite to Registration under Section-25A of the NEPRA Act. Nonetheless, the said merger is presently in the pipeline and once it is implemented the single merged entity is expected to perform the role of and provide services of the IAA. Notably, the draft Bill after approval by the Federal Cabinet has been laid before the National Assembly as per due procedure and hopefully will be passed by the Parliament soon. Till the time the merger is approved, both organizations shall perform the role of IAA to procure power generation capacity for DISCOs/SoLRs through a competitive auction process pursuant to the mandates under their respective Acts. PPIB understands that procurement of electric power with the intervention of an entity providing electric power services is a distinct and unique legal dispensation within the framework of the GoP power policies and NEPRA Act. Therefore, PPRA Rules will not be applicable to the procurement of electric power for the purposes of CTBCM. However, it will be pertinent to mention that akin to PPRA Rules, a standalone comprehensive procurement legal framework will be formulated under the NEPRA Act that will cover all end-to-end processes for planning and running of auctions to procure power for CTBCM. In this regard, the initial draft of the Procurement Regulations has already been prepared and is under consideration for review by stakeholders which will soon be finalized. The Market Commercial Code has recently been approved by the Authority along with the grant of licence to CPPA-G as MO. The work on the draft CTBCM SPDs is presently underway on the sidelines. However, the same is unrelated to and separate from the IAA Registration Application under consideration. Any queries and concerns regarding the SPDs, and requests for workshops to be conducted in relation thereto, are separate and unrelated to the IAA Registration Application. It is clarified that DISCOs/SoLRs will have a consultative role in the process of power procurement by the IAA, and a steering committee will oversee the same. It is noteworthy that



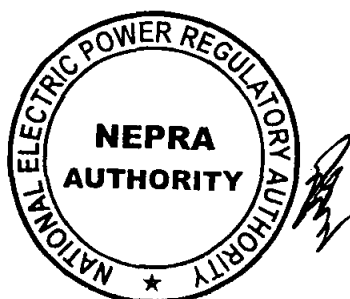
Section 4.4.7 of the CTBCM Design outlines the main tasks the IAA will perform. This section clearly states that the IAA will 'facilitate' DISCOs to comply with their capacity obligations through the procurement of new capacity and energy to serve their load. The IAA will *inter alia*, consolidate the requirement 'provided by each DISCO/SoLR' and prepare a Procurement Plan based upon the consolidated requirements and IGCEP. Further, pursuant to Section 4.4.7 the IAA will be conducting the competitive auction for the approved Capacity Procurement Plan and will 'assist' the DISCOs/SoLRs in finalizing the bilateral PPAs/EPAs. It is pertinent to stress that Section 4.4.7 clearly states that the IAA will not sign the contracts on behalf of the DISCOs/SoLRs, but it will be only a facilitator. It will not be a licensed electric power supplier. Similarly, Section 5.5 (New Capacity Procurement) of the CTBCM Design states that DISCOs/SoLRs will procure power in representation of their consumers and will be 'regulated as suppliers' to protect the interests of those consumers. Moreover, Section 14.1 (New Capacity Procurement) of the CTBCM Design also highlights that the IAA will 'if and as necessary, assist the DISCOs/SoLRs should any issue arise in the signing of the bilateral contract/commercial PPAs/EPAs with each generator that has been awarded in the auction'. Hence, the request of LESCO that DISCOs/SoLRs will not be responsible for any issue arising in the process of power procurement administered by IAA at any later stage, cannot be entertained in view of the clear allocation/demarcation of risks and responsibilities under the approved CTBCM Design. Also, the procurement process will be carried under the provisions of the Procurement Regulations. All parties will therefore be responsible up to the extent they are made liable pursuant to the provisions of the relevant rules, regulations, codes, and guidelines.

(x). On the query of LESCO regarding whether procurement shall be on a "Take or Pay" basis, PPIB replied that there are different types of contracts available in the market. Under a "Take or Pay" arrangement/agreement, the buyer agrees to purchase from the seller over a specified period a minimum quantity of energy/capacity at an agreed price. If the buyer does not take such a minimum quantity, he will still be obliged to pay a penalty as if he had, if the Seller was able and willing to deliver the same. On the other hand, a "Take and Pay" contract is a commitment to off-take a commodity at a certain price, and if the buyer does not off-



take it pays the pre-agreed price of the commodity. For the avoidance of doubt the fact that a contract is "Take or Pay" or "Take and Pay" has nothing to do with the obligation to pay capacity payment which is charged against the availability of a power complex. A contract providing both capacity payment against availability and energy payment against delivered energy in legal parlance is called a Pass-Through Off-take agreement. The structure of the PPA will underpin whether and which procurements will be made on a "Take or Pay" or "Take and Pay" basis. Moreover, this is usually dependent upon factors such as the market conditions. As such a blanket bar cannot be imposed on "Take or Pay" arrangements, and neither can any definite surety be given at this premature stage in the market development that no procurement shall be on a "Take or Pay" basis. Generally speaking in most jurisdictions, courts do not concern themselves with the adequacy of consideration or the parties entering into a bad bargain. The CTBCM framework does not force participants to have "Take or Pay" capacity payments, rather the parties are free to negotiate the terms bilaterally including "Take or Pay" or "Take and Pay". Market participants will be given a choice of adopting a Market Contract from a list of various types of given supply contracts i.e. Generation Following, Load Following, Capacity Only, Energy Only and Fixed Quantity, etc. in view of particular market conditions applicable to them. The IAA shall carry out the process for power procurement through competitive auction in line with CTBCM framework and the Procurement Regulations either on a "Take or Pay" or "Take and Pay" basis pursuant to prevailing demand supply and market situations. It is highlighted that elaborative charts have already been provided in the IAA Registration Application, which can be improved upon further. Precise timelines will be provided on a case-by-case basis.

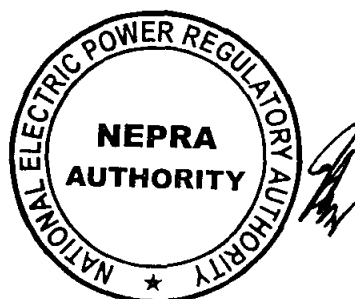
(xi). PPIB further clarified that the case of Brazil has been mentioned in the IAA Registration Application for illustrative purposes and as an example of a successfully implemented competitive electricity market. Various market models were reviewed, and the Brazilian Model was considered more relevant/similar to IAA design, therefore it was referred to in the report on the recommendation of an international consultant, MRC who prepared the CTBCM concept and detailed design being implemented in Pakistan. It may be noted that the exact Brazil model has not been imported/adopted in the case of Pakistan and the CTBCM design encompasses many features tailor-made to cater to the needs of the electricity



market of Pakistan. As such comprehensive discussion of one such example is adequate for the purpose of the IAA Registration Application.

(xii). On the observations of LESCO regarding the use of the terms "procurement" and "auction"; PPIB submitted that Black's Law Dictionary, Eight Edition defines an 'auction' as 'A sale of property to the highest bidder', whereas 'procurement' is defined therein as 'The act of getting or obtaining something.' An auction is therefore a bid for the sale of goods or services, whereas, procurement is the process of procuring goods and services. Auction is therefore a mode of procurement. PPIB's role as IAA in CTBCM will be to provide services to procure power for DISCOs through competitive 'auction'. Accordingly, the terminology 'procurement' and 'auction' used in the IAA Registration application is apt and not erroneous in any manner.

(xiii). While addressing the concern of LESCO that the proposed power procurement process will be administered by the IAA, while the contract will be signed by the DISCO/SoLR, it was submitted by PPIB that the question boils down to the very design of a power utility market. This question would have been better asked or commented upon at the time when the CTBCM design was submitted and approved by the Authority. Since now CTBCM design has now been approved not only by the Authority but by the Federal Government, it will be imprudent to question its fundamentals later in time. Section-14 (Functions of the Independent Auction Administrator) of the CTBCM Design clearly spells out that the IAA will be 'assisting' the centralized procurement of new capacity and administering the competitive auctions for the approved Capacity Procurement Plan. This section further expressly states that the IAA will only 'assist' the DISCOs/SoLRs should any issue arise in the signing of the bilateral contract/commercial PPAs/EPAs with each generator that has been awarded in the auction. Moreover, Section 4.4.7 (Independent Auction Administrator) of the approved CTBCM design also states in clear terms that the IAA will not sign the contracts on behalf of the DISCOs/SoLRs, but it will be only a facilitator. It will not be a licensed supplier. The role of IAA under the CTBCM design is therefore only that of a facilitator and the principle of privity of contract also demands that the DISCO/SoLR and generator enter into a contractual relationship. It is however highlighted that the CTBCM design also envisages that gradually the

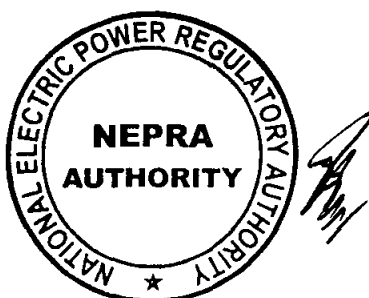


process of procurement may be devolved on DISCOs/SoLRs subject to the condition that they have adequate and requisite professional capabilities to handle such kinds of auctions.

(xiv). Regarding training of DISCOs/SoLRs with respect to the procurement of power, PPIB added that this issue is not directly related to the IAA Registration Application and hence requires no response for the purposes of this application. Nonetheless, it is of significance to mention that CPPA-G has established the Power Sector Center of Excellence (PSCE) in collaboration with LUMS Energy Institute at LUMS. The PSCE is aimed to impart market-relevant training to the professionals of power sector entities involved in the implementation and later operations of the competitive electricity market. As per CPPA-G, through PSCE, 25 numbers of courses with 127 numbers of training-days will be offered under which 844 professionals from 18 power sector entities will be trained in the first year and this process will continue towards enhancement of the capacity of DISCOs/SoLRs and other entities professionals.

(xv). Regarding the understanding of GEPCO that separate IAA registration applications were submitted by PPIB and AEDB due to administrative and legal reasons that ultimately both organizations will be merged, PPIB confirmed that this understanding is correct. The merger of PPIB and AEDB is presently in the pipeline and is expected to be finalized soon. Once the merger is in place the single merged entity or PPIB and AEDB will be performing the functions allocated to the IAA under the CTBCM design. About the request of GEPCO regarding workshops and seminars for a better understanding of the auction process and regime, PPIB submitted that the workshops/seminars are an unrelated matter to the IAA Registration Application under consideration. Nonetheless, such workshops/seminars are being organized regularly and are expected to be continued in the future.

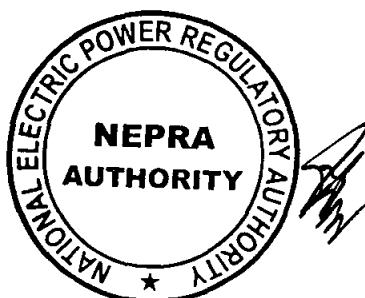
(xvi). On the observations of PEDO regarding the IAA application, PPIB submitted that premised on the ARE Policy, 2019 and NEPRA Competitive Bidding Tariff (Approval Procedure) Regulations, 2017, PEDO has argued that the role of IAA may be given to Provincial Energy Departments in the CTBCM and Provincial Energy Departments may be allowed to conduct auctions of power from the energy



resources available within their territory and jurisdiction. In this regard, it is reiterated and emphasized that the NEP envisages central planning and central procurement so far as procurement of power by DISCOs/SoLRs is concerned. It is noteworthy, that Section 5.8 (Integrated Planning) of the NEP envisages the development of a future 'integrated' energy plan on a sustainable basis. Similarly, Section 5.1 (Generation) of the NEP also emphasizes the integrated, coordinated, and sustainable supply of electricity. Moreover, sub-section 5.1.2. states that generation mix decisions will be made as per the system of integrated planning (detailed in Section 5.8 therein). Needless to mention that the CTBCM function also requires central planning and central procurement to be done by the IAA under the approved CTBCM Design. It is significant to stress that Section 14.1 (New Capacity Procurement) of the CTBCM Design outlines that the IAA will be assisting in centralized power procurement of new capacity. Accordingly, registering multiple IAAs is not only against the market design and concept of centralized procurement, rather it may compromise the procurement in optimal quantum and at least cost. Additionally, it must also be borne in mind that one power plant may be providing power to more than one province. In such a situation it would not be logical or feasible to allow for auctions in one province for inter-provincial power distribution. Accordingly, allowing Provincial Energy Departments to conduct auctions may lead to a conflict situation in view of centralized procurement being conducted by the Federal Government. In view of the above and to ensure that the vision of centralized planning and procurement in CTBCM reflected in the NEP and CTBCM Design, is brought to fruition and duly implemented, the role of IAA should exclusively remain with PPIB/AEDB. Further to the merger of PPIB and AEDB, the merged entity will be assuming this role and carrying out centralized competitive auctions along with other functions assigned to the IAA under the CTBCM Design.

(xvii). The Authority reviewed/examined the above submissions/rejoinder of PPIB and found the same plausible. Accordingly, the Authority considered it appropriate to process the application of PPIB for the Registration as IAA, as stipulated in the National Electric Power Regulatory Authority (Registration) Regulations, 2022 (the "Registration Regulations").





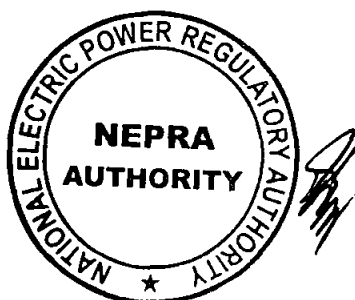
(D). Findings/Observations

(i). The Authority has examined the submissions of PPIB including the information provided with its application, comments of the stakeholders, rejoinder submitted by PPIB, the relevant provisions of the NEPRA Act, Detailed Design of CTBCM, relevant regulations, and other applicable documents in the matter. The observations/findings in the matter are explained in the following paragraphs.

(ii). The Authority has observed that PPIB is a federal entity that was created in 1994 as a "One-Window Facilitator" on behalf of the GoP to promote private investments in the power sector. In 2012, PPIB was made a statutory organization through the Private Power and Infrastructure Board Act 2012 (the "PPIB Act"). GoP further expanded the role of PPIB allowing it to facilitate public sector power and related infrastructure projects in IPP mode, for which the PPIB Act was amended in November 2015.

(iii). The Authority has noted that PPIB has submitted the application for the grant of Registration under Section-25A of the NEPRA Act. In this regard, it is relevant to mention that the NEPRA Act was amended on May 02, 2018, wherein different new provisions were introduced to provide a framework for the development of a competitive market in the country. In addition to other amendments, *inter alia*, Sections-25A was also introduced in the NEPRA Act which stipulates that any person providing electric power services, other than generation or an electric power service requiring a licence under this Act, shall be registered with the Authority in the manner and subject to such conditions as may be prescribed by the Federal Government.

(iv). Further, the Authority through its determination dated November 16, 2018, registered the CPPA-G as a MO under the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 ("the Market Rules"). Under the said registration, the Authority mandated and directed CPPA-G for the development and implementation of the competitive power market based on policy guidelines of the Federal Government and requirements of the Authority. CPPA-G prepared the high-level/conceptual design of the competitive market/CTBCM and submitted the same for approval. The Authority vide its

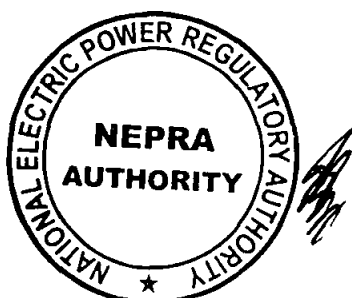


determination dated December 05, 2019, approved the conceptual design of CTBCM.

(v). The Authority while approving the high-level/conceptual design directed the CPPA-G to submit an updated and Detailed Design of the CTBCM Model and its Implementation Roadmap, after consultation with the market participants, service providers, and other relevant stakeholders. In compliance with the said directions of the Authority, CPPA-G submitted the Detailed Design of the CTBCM along with its Implementation Roadmap on February 05, 2020 which was approved by the Authority through its determination dated November 20, 2020.

(vi). In this regard, the Authority in its determination dated December 05, 2019 while approving the high-level design of the CTBCM, *inter alia*, observed that an important function in the CTBCM Model is to ensure the security of supply for the forecasted demand of the DISCOs/SoLRs. In this regard, the conceptual model of CTBCM proposed a regulated function of IAA. The IAA will be a state-owned entity responsible for tendering new capacity procurement contracts for DISCOs/SoLRs, aggregating the demand of DISCOs/SoLRs to comply with their capacity obligations. It will procure as a demand aggregator for DISCOs/SoLRs, but each DISCO/SoLR will sign a bilateral contract on its own. Another function of the IAA will be managing the required processes to get the guarantees granted to the DISCOs/SoLRs eligible for guarantee support of the GoP. In this regard, the Authority is of the considered opinion that two entities of the Federal Govt. i.e. AEDB and PPIB are already facilitating developers in the development of projects in the public and private sector. In consideration of the said, these entities have a case for consideration of Registration to take over the role of IAA as envisaged under the CTBCM.

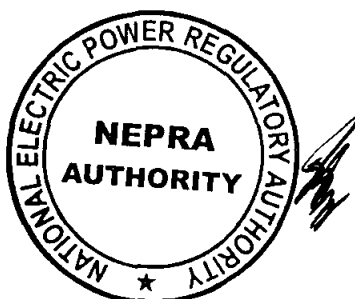
(vii). The main functions that IAA will be performing were also covered in the detailed design of CTBCM submitted by CPPA-G, as a Market Service Provider i.e. IAA will provide non-discriminatory services to the Market Participant. In this regard, Section 4.4.7 and Section-14 of the detailed design of CTBCM stipulated that the IAA will be a registered entity to facilitate DISCOs/SoLRs to comply with their capacity obligations through the procurement of new capacity and energy to serve their load. The main tasks of IAA will be the following:



- (a). Consolidate the requirements provided by each DISCO to meet capacity obligations;
- (b). Preparation of the Procurement Plan based on the consolidated requirements and taking into consideration the IGCEP to determine quantity to be auctioned (e.g. capacity) and if differentiated by technology or technology-neutral;
- (c). Obtain the required regulatory approvals for the Procurement Plan;
- (d). Prepare and obtain the regulatory approval of PPAs/EPAs templates for the centralized auctions for procurement of new contracts (new generation) for DISCOs/SoLRs, and coordination as applicable with relevant agencies on procedures and mechanisms to exchange data and clear allocation of rights and responsibilities of each one;
- (e). Prepare the standard bidding documents and submit the same for approval of the Authority and compliance with the relevant regulations;
- (f). Conduct the competitive auctions for the approved Capacity Procurement Plan;
- (g). Assist the DISCOs/SoLRs in finalizing the bilateral PPAs/ EPAs with each generator that has been awarded in the auction; and
- (h). The IAA will not sign the contracts on behalf of the DISCOs/SoLRs, but it will be only a facilitator, not a licensed Supplier.

(viii). Further, Section 14.2. (CREDIT COVER) of the Detailed Design stipulated that the IAA will assess the financial health of all DISCOs/SoLRs to determine their credit rating and their ability to provide credit cover. The IAA will assist financially weak DISCOs/SoLRs in the arrangement of security covers. Some low-performing DISCOs/SoLRs may not have the creditworthiness to obtain the

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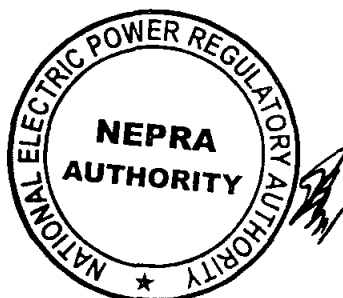


required security cover for contracts and market participation on their own. To facilitate the eligible DISCOs/SoLRs for their participation in the CTCBM, there will be a guarantee support scheme from the GoP. The IAA will be responsible for managing the required processes to obtain the guarantees for the eligible DISCOs/SoLRs whose eligibility will be approved by the competent forum. This scheme will only apply to government-owned DISCOs/SoLRs that are financially weak.

(ix). In this regard, it is also relevant to mention that the Authority has notified the Procurement Regulations on December 06, 2022. The said regulations provide a detailed procedure for the competitive auction and the duties of the IAA in this regard. It is further clarified in the Procurement Regulations that till such time the Authority directs that the competitive auction may be conducted by the respective SoLR individually or jointly, the competitive auction under the said regulations shall be conducted by the IAA.

(x). In view of the functions of IAA and the proposal of assigning the same to PPIB, the Authority while reviewing/examining the detailed design of CTBCM, carried out detailed deliberation on the same. In this regard, the Authority also investigated the matter that: (a). Does PPIB have the required understanding of their future role as IAA in the proposed competitive market? and (b). Does PPIB has the required capacity and expertise to develop standardized agreements and auction documents for the competitive market? In response to the said, PPIB confirmed that it is prepared for its proposed role in the CTBCM.

(xi). The Authority would also like to highlight that at the time of submission of the application, neither the relevant Rules (setting the manner and conditions for Registration) as required under Section-25A of the NEPRA Act were notified nor the Registration Regulations were in the field. However, to avoid any regulatory gap the Authority decided to process the application in the absence of relevant Rules and Regulations in the pronouncements of the Superior Court of Pakistan, wherein it has been determined that the absence of the Rules or inaction of the government functionaries to frame the Rules cannot be held to be prejudicial to the rights of the other party. In view of the said, the Authority considered that PPIB cannot be refused

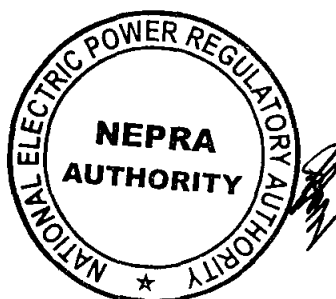


to grant a Registration in the absence of the required Rules and therefore it decided to move ahead with the request of PPIB. Further to the said, during the processing of the application PPIB confirmed that after framing of Rules and regulations, it will comply with any additional documents/data/information, as required.

(xii). In this regard, the Authority notified the NEPRA (Registration) Regulations 2022 (the "Registration Regulations"), and the NEPRA (Electric Power Procurement) Regulations, 2022 (the Procurement Regulations") on March 28, 2022, and December 06, 2022, respectively. Further, the Federal Government has also notified the Registration (Manner and Conditions for Entities providing Electric Power Services) Rules, 2023 (the "Registration Rules") on August 25, 2023, as required under Section-25A of the NEPRA Act. In this regard, the Authority considers that the application of PPIB is in substantial compliance with the requirements of the Registration Rules and Regulations.

(xiii). The Authority has observed that the approved CTBCM design envisages that at the start of the market, the roles and functions of IAA will be assigned to PPIB and AEDB, whereas, the future course of action to consider other entities for this function will be decided as per conditions in the market. In this regard, the DISCOs as SoLRs will be required to approach both entities according to their respective mandate i.e. for renewable technologies AEDB whereas for the remaining technologies, PPIB will be responsible. Accordingly, both entities filed separate applications for registration as IAA. However, recently upon promulgation of the PPIB (Amendment) Act, 2023 notified through the Gazette of Pakistan, Extraordinary, Part-1, as an Act No. XXVI of 2023 dated June 10, 2023, AEDB has merged with PPIB, consequently, the AEDB Act, 2010 (Act XIV of 2010) stands repealed/dissolved henceforth. Eventually, the services of AEDB have been entrusted to PPIB by virtue of the operation of law. Accordingly, the Authority has closed further proceedings on the application of AEDB and decided to grant a single Registration in the name of PPIB to act as IAA for the DISCOs/SoLRs.

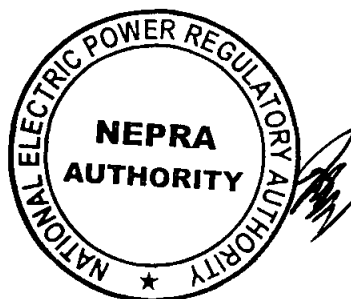
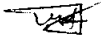
(xiv). The Authority has reviewed the application for registration as the IAA as well as other submissions which revealed that PPIB is building the necessary experience, skill set, human resource, market reputation, and credibility amongst



national and international sponsors, lenders, multilateral institutions, government, and private stakeholders to perform the said role of IAA in a diligent, efficient and effective manner in the future electricity market. Regarding, the budget/finances to carry out the IAA functions, the Authority has observed that PPIB has submitted that: (a). the estimated fees as prescribed under the PPIB (Fee and Charges) Rules, 2018, which is payable to PPIB for facilitating the private sector companies, will initially suffice to meet the budgeted cost of IAA; and (b). In case additional funds are needed, fees from DISCOs/SoLRs and other Market participants to whom IAA will provide services may be proposed on various transactions. Thus, PPIB considers that it has not only adequate financial resources to render services in its capacity as an IAA but also has plans to generate additional financial resources as and when required in the future.

(xv). PPIB has submitted that in case additional funds are needed, fee from DISCOs/SoLRs and other Market participants to whom IAA will provide services may be proposed on various transactions. In this regard, it is hereby clarified that under Section-7(3)(a) of the NEPRA Act, determining tariff, rates, charges, etc. is the sole prerogative of the Authority. In this regard, PPIB will be required to file a petition for determination of Auction Administration Charges. In view of the said, the Authority directs PPIB to charge the DISCOs/SoLRs or any other entity availing its IAA services, only such tariff/fee which has been determined, approved, or specified by the Authority. Accordingly, in addition to other terms & and conditions, an article on tariff/charges has been included in the Registration.

(xvi). The Authority has observed that Regulation-8 of the Registration Regulations stipulates that a Registration may be granted for a period as determined by the Authority on a case-to-case basis. Whereas Rule-4(1) of the Registration Rules stipulates that subject to the provisions of the NEPRA Act and these Rules, the Authority may register an applicant who has satisfied the prescribed conditions, for a minimum term of ten (10) years. Further, PPIB has also not requested any specific term for the Registration. Accordingly, the Authority fixes the term of Registration of PPIB as an IAA to ten (10) years. In this regard, along with other terms & and conditions, an article on the term of Registration has also been included.



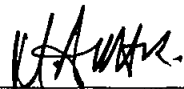
(E). Approval of the Authority

(i). In view of the above, the Authority considers that the application of PPIB for the grant of Registration as an IAA is compliant with the relevant provisions of the NEPRA Act, the Registration Rules, and the Registration Regulations. Further, the grant of the Registration to PPIB as an IAA is necessary for the implementation of the CTBCM regime and for bringing transparency and efficiency in the procurement of electricity through competitive bidding.

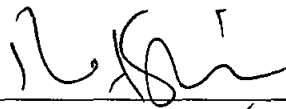
(ii). Foregoing in view, the Authority hereby grants Registration to PPIB to act as an IAA on the terms and conditions set out in the Registration. The grant of Registration is subject to the provisions contained in the NEPRA Act, relevant rules, regulations framed thereunder and other Applicable Documents.

Authority

Maqsood Anwar Khan
(Member)



Rafique Ahmed Shaikh
(Member)



Mathar Niaz Rana (nsc)
(Member)

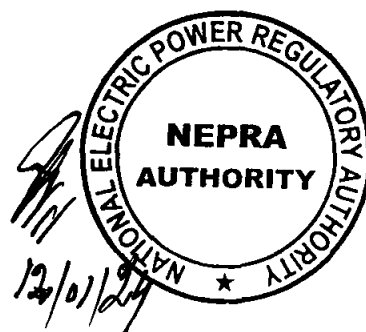


Amina Ahmad
(Member)

Waseem Mukhtar
(Chairman)







**National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan**

CERTIFICATE OF REGISTRATION

No. IAA/01/2024

In exercise of the powers conferred under Section-25(A) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended from time to time, the Authority hereby grants Registration to:

PRIVATE POWER AND INFRASTRUCTURE BOARD

to carry out the functions, operations, and responsibilities of the Independent Auction Administrator subject to and in accordance with the terms and conditions specified herein.

Given under my hand on this 12th day of January Two Thousand & Twenty-Four and expires on 11th day of January Two Thousand & Thirty-Four.



Registrar

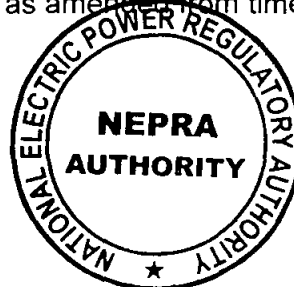




Article-1
Definitions

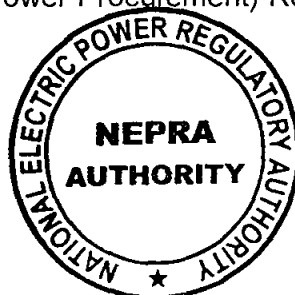
1.1. In this registration, unless the context otherwise requires:

- (a). "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997) as amended from time to time;
- (b). "Applicable Documents" means the rules, regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, agreement, or document issued or approved under the Act;
- (c). "Application" means an application made to the Authority for registration in accordance with the provisions of the Registration Regulations;
- (d). "Authority" means the National Electric Power Regulatory Authority constituted under Section 3 of the Act;
- (e). "Bidding Documents" means the documents including templates of agreements, RFPs, and any other supporting documents prepared and submitted by the Independent Auction Administrator for a competitive auction and approved by the Authority;
- (f). "Commercial Code" or "Market Commercial Code" means the commercial code prepared and maintained by the Market Operator pursuant to sections 23A and 23B of the Act and approved by the Authority;
- (g). "Competitive Auction" means a competitive process of prequalification obtaining bids and auction awards, organized and carried out by an Independent Auction Administrator in accordance with the Procurement Regulations;
- (h). "Competitive Supplier" means a person licensed under Section 23E of the Act to supply electric power to only those consumers who are located in the service territory specified in its licence and who meet the consumer eligibility criteria as laid down by the Authority in National Electric Power Regulatory Authority Consumer Eligibility Criteria (Electric Power Suppliers) Regulations, 2022 as amended from time to time;



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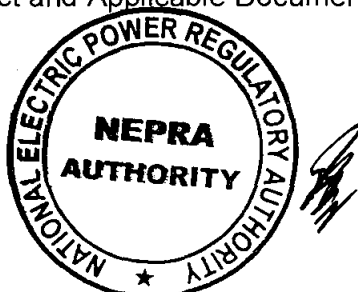
- (i). "CTBCM" or "Competitive Trading Bilateral Contract Market" means the electric power market established in accordance with the high-level and detailed designs approved by the Authority vide its determinations dated 5th day of December 2019 and 12th day of November 2020 as may be amended by the Authority from time to time;
- (j). "Electric Power Supplier" means an electric power supplier as defined in the Act and shall include Competitive Suppliers and Suppliers of Last Resort;
- (k). "Grid Code" means the Grid Code 2023, prepared by the System Operator under Section 23H of the Act and approved by the Authority;
- (l). "IGCEP" or "Indicative Generation Capacity Expansion Plan" means the rolling generation capacity expansion plan prepared by the System Operator in accordance with the Grid Code and approved by the Authority;
- (m). "Independent Auction Administrator" or "IAA" means any entity registered with the Authority to provide the services of organization and administration of competitive auctions for electric power procurement by electric power suppliers;
- (n). "Market Operator" means a person licensed under the Act to perform the functions of the market operator in accordance with the Act and the Applicable Documents;
- (o). "Market Participant" means any person who has signed a market participation agreement with the Market Operator;
- (p). "Power Acquisition Programme" means the electric power procurement needs and plan of an electric power supplier as specified in the Procurement Regulations;
- (q). "Power Purchase Agreement" means the power purchase agreement or energy purchase agreement signed between the Supplier of Last Resort and generation companies, as the case may be;
- (r). "Procurement Regulations" means the National Electric Power Regulatory Authority (Electric Power Procurement) Regulations, 2022 as amended or



replaced from time to time;

- (s). "Registered Person" means the **Private Power and Infrastructure Board (PPIB)**;
- (t). "Registered Services" means the services for which the Registered Person is authorized under this Registration;
- (u). "Registration" means the registration granted to a person under Section 25A of the Act and other Applicable Documents, and includes the accompanying terms and conditions;
- (v). "Registration Regulations" means the National Electric Power Regulatory Authority (Registration) Regulations, 2022 as amended or replaced from time to time;
- (w). "Registration Rules" means the Registration (Manners and Conditions for Entities providing Electric Power Services) Rules, 2023 as amended or replaced from time to time;
- (x). "Supplier of Last Resort" means a person who holds an electric power supply licence for the service territory specified in its licence and is obligated to supply electric power to all consumers located in that service territory at the rates determined by the Authority, and is also obligated to provide electric power supply to the consumers, located within its service territory, of any competitive supplier who defaults on its obligations of electric power supply;
- (y). "System Operator" means a person licensed under the Act to perform the functions of the system operator in accordance with the Act and the Applicable Documents; and
- (z). "XW-DISCOs" means the Ex-WAPDA DSICOs in their function as the Suppliers of Last Resort, obligated to perform supply of electric power activities in accordance with Section 23E of the Act and Applicable Documents.

1.2. Words and expressions used but not defined herein shall have the same meaning as assigned in the Act and Applicable Documents made thereunder.



Article-2
Grant of Registration

The Authority hereby grants this Registration to the Private Power and Infrastructure Board to undertake the functions of Independent Auction Administrator subject to the provisions of the Act, rules and regulations made under the Act, other Applicable Documents, and the terms and conditions of this Registration contained herein.

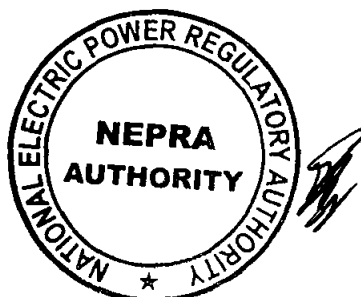
Article-3
Scope of the Registration

Under this Registration and subject to compliance with the Applicable Documents, the Registered Person is authorized to undertake the functions of Independent Auction Administrator for procurement of electric power in accordance with the Procurement Regulations as amended or replaced from time to time, *inter alia*, including:

- (a). coordination with the XW-DISCOs for the preparation of the consolidated Power Acquisition Programme, while taking into consideration the IGCEP and capacity obligations as defined and established in the Market Commercial Code;
- (b). preparation and taking subsequent regulatory approval of Bidding Documents for the centralized auctions for new electric power procurement for the relevant XW-DISCOs;

Provided that a competitive auction under this Registration for procurement of electric power for XW-DISCOs shall be conducted by the Independent Auction Administrator, in accordance with the power policies approved by the Council of Common Interests and applicable documents, till such time the Authority directs that the competitive auction may be conducted by the respective supplier of last resort individually or jointly, as the case may be keeping in view the capacity developed by the relevant XW-DISCO to conduct competitive auction on its own.

- (c). coordination with relevant agencies on procedures and mechanisms to exchange data and clear allocation of rights and responsibilities of each one with regard to conducting competitive auctions;



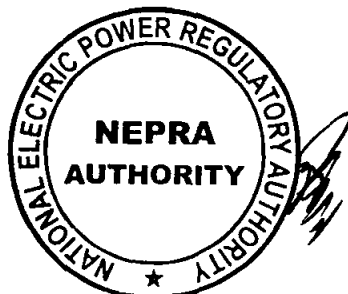
- (d). preparation of the standard Bidding Documents and submission, as necessary, for the approval of the Authority, in compliance with the Procurement Regulations;
- (e). conducting competitive auctions for the approved Power Acquisition Programme to the extent of combined procurement for XW-DISCOs and in accordance with the approved Bidding Documents;
- (f). assistance of the relevant XW-DISCOs, if required, in finalizing the bilateral Power Purchase Agreement with the relevant generation companies;
- (g). assistance of financially weak XW-DISCOs in the arrangement of security covers and guarantee support from the Federal Government for the awarded Power Purchase Agreements;
- (h). preparation of the detailed annual power procurement plan it will administer, clearly stipulating competitive auction volume to be processed each year with precise timelines consistent with the approved power acquisition programme, and demonstrating year-on-year improvements reflecting past experience; and
- (i). provision of Registered Service(s) to K-Electric Limited and any other electric power suppliers in accordance with the Procurement Regulations.

Article-4
Term and Commencement

4.1 This Registration shall come into force from the date of its issuance and shall be valid for a term of ten (10) years, subject to compliance with the Act, the Registration Regulations, the Procurement Regulations, terms and conditions of this Registration and other Applicable Documents.

4.2 If the Registered Person intends to renew the term of this Registration, it may submit to the Authority, an application for renewal of the Registration, at least ninety (90) days prior to the expiry of this Registration in accordance with the Registration Regulations.

4.3 In the event the Authority decides to grant renewal of the Registration, the Authority may renew the Registration on such revised terms, conditions, and scope as



the Authority deems appropriate in accordance with the Act and Applicable Documents.

4.4 The Authority may grant or refuse an application for renewal of the Registration, after recording reasons in writing thereof and taking into account, *inter alia*, the following grounds:

- (a). The interests of the consumers and the electric power industry as a whole, to promote the principles of transparency, non-discrimination, fair competition, and ease of doing business;
- (b). The capacity of the XW-DISCOs to undertake Registered Services on their own, in accordance with the Applicable Documents; and
- (c). Any other grounds that the Authority may deem fit to consider.

Article-5
Annual Registration Fee

The Registered Person shall pay to the Authority the annual registration fee in the amount and manner specified in the National Electric Power Regulatory Authority (Fees) Regulations, 2021, as amended or replaced from time to time.

Article-6
Modification of Registration

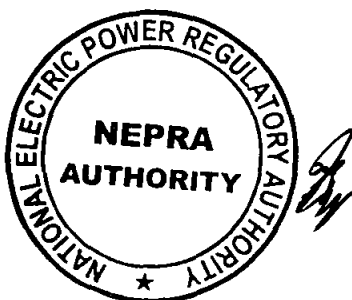
The Authority may, on its own motion or upon application by the Registered Person, amend or modify this Registration in accordance with Section-26 of the Act, or any Applicable Documents.

Article-7
Transfer and Assignment of Registration

The Registered Person shall not, without the prior written approval of the Authority, surrender, assign, or transfer its Registration to any person.

Article-8
Compliance with Rules

8.1 The Registered Person shall, at all times, ensure that it is in compliance with the Registration Rules as may be revised by the Federal Government from time to time.



8.2 The Registered Person shall immediately inform the Authority in writing if circumstances exist that justify the reasonable expectation that the Registered Person may not have sufficient resources available to provide Registered Services for a period of twelve (12) months.

Article-9
General Obligations

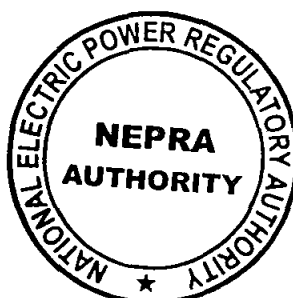
During the term of this Registration, the Registered Person shall perform the general obligations in accordance with Registration Regulations and all relevant provisions of the Procurement Regulations.

Article-10
Auction Design

10.1 The Registered Person shall be required to design, develop and implement competitive auctions in accordance with the Procurement Regulations, and shall have, *inter alia*, the following features:

- (a). Simplicity and Easy Implementation: The auction design should be simple to understand and implement, minimizing complexity and reducing the likelihood of errors;
- (b). Capacity to Handle Weak Competition: The auction design should be able to accommodate and effectively handle weak competition to ensure a fair and transparent bidding process;
- (c). Discourages Anti-Competitive Behavior: The auction design should discourage any form of anti-competitive behavior, ensuring a level playing field for all prospective bidders;
- (d). Least Possible Vulnerability to Dishonest Practices: The auction design should be designed with the least possible vulnerability to dishonest practices and fraud, promoting transparency, integrity and trust in the competitive auction process;
- (e). Competitively Attract Resources: The auction design should competitively attract resources to balance the supply and demand of energy, promoting efficient market outcomes; and
- (f). Match Principles of Auction: The auction design should match the





principles of the competitive auction to the circumstances of the bidders and the needs of procuring parties, ensuring that the auction is tailored to the needs of the relevant parties.

10.2 The Registered Person shall ensure that the auction design is regularly reviewed and updated to reflect changing market conditions and emerging best practices. Any changes to the auction design shall be communicated to all relevant parties and the Authority in a timely and transparent manner.

Article-11
Tariff/Charges

The Registered Person shall not levy any tariff, fee, rate, or charge for its Registered Services which has not been approved/specified by the Authority.

Article-12
Obligation with Respect to CTBCM

12.1 The Registered Person shall facilitate the development of a liquid and efficient competitive electric power market development and may submit to the Authority any proposals in furtherance of this objective.

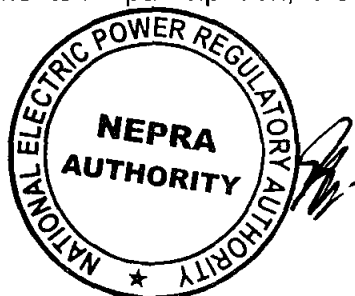
12.2 The Registered Person shall not engage in any activity that may disrupt or impede competition in the competitive electric power market that may impair its function as an impartial Independent Auction Administrator.

12.3 At any time during the conduct of its functions as Independent Auction Administrator, if the functions of the Registered Person are in conflict with its other statutory role, then such conflict shall be intimated to the Authority to seek specific directions.

Article-13
Effective Conduct of Competitive Auction

The Registered Person shall ensure that the competitive auction encourages participation and ensures fairness for all bidders, as specified in Procurement Regulations including the following:

- (a). **Effective Communication:** The Registered Person must ensure that all relevant information about the competitive auction, including the date, time, location, and requirements for participation, is effectively communicated to



potential bidders. This includes using various communication channels such as email, website announcements, social media, and print media to reach potential bidders;

- (b). Elimination of Barriers to Entry: The Registered Person should strive to eliminate any barriers to entry that may prevent potential qualified bidders from participating in the competitive auction. This includes ensuring that the bidding process is open and transparent, the requirements for participation are reasonable and achievable, and that the bidding venue is accessible to all potential bidders;
- (c). Adequate Monitoring System: The Registered Person must have an effective and efficient monitoring system in place to detect any abnormal bidding behaviors, including bid manipulation or collusion. This monitoring system should include mechanisms for detecting irregularities in the bidding process and taking appropriate action to ensure balance, fairness and transparency;
- (d). Transparent Auction Process: The Registered Person must ensure that the auction process is transparent and all bidders are treated fairly. This includes disclosing all relevant information about the auction and ensuring that the bidding process is open and transparent. The Registered Person should also establish clear guidelines for the bidding process in its Bidding Documents.

Article-14 **Non-Discrimination**

The Registered Person shall perform the functions of the Independent Auction Administrator reliably, transparently, objectively, equitably, independently, and in a timely, non-discriminatory, and unbiased manner. The Registered Person shall not discriminate between prospective bidders during the course of competitive auctions.

Article-15 **Availability of Resources**

15.1 The Registered Person shall employ a sufficient number of qualified personnel to ensure that its functions are conducted effectively, efficiently, reliably, and prudently.



15.2 The Registered Person shall ensure that it possesses the technical, technological, and financial capability, material, and human resources, and shall also ensure that it has a proper organizational structure in place, to perform its functions in an effective, efficient, reliable, and prudent manner.

15.3 The Independent Auction Administrator shall ensure timely implementation of its Resource Plan submitted as part of the application for grant of Registration and shall submit bi-annual reports to the Authority including any updates and changes in the aforementioned plan.

Article-16
Provision of Information

16.1 The Registered Person shall be obligated to provide information to the Authority in accordance with Section 44 of the Act.

16.2 The Registered Person shall be subject to such penalties as may be specified in the relevant regulations of the Authority, for failure to comply with the directions of the Authority or furnish such information as may be required from time to time by the Authority and which is or has been in the control or possession of the Registered Person.

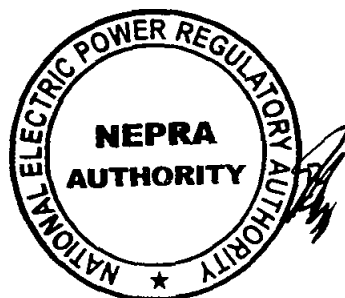
16.3 The Registered Person shall furnish to the Authority such information, documentation, or data, in such manner and time, as the Authority may require from time to time.

16.4 The Registered Person shall submit progress reports to the Authority in accordance with the Registration Regulations and Procurement Regulations on the status of activities being undertaken and, where required by the Authority and applicable law, publish the required reports in an appropriate manner.

Article-17
Compliance with Applicable Documents

17.1 The Registered Person shall comply with all applicable documents, codes, guidelines, directions, and standards issued by the Authority from time to time.

17.2 The Registered Person shall provide to the Authority, for its review, yearly reports relating to compliance with the terms and conditions of this Registration.



Article-18
Settlement of Disputes

Any dispute arising out of or in relation to this Registration or the activities performed by the Registered Person in pursuance of this Registration, or the Registration Regulations shall be settled in accordance with the relevant provisions of the Applicable Documents including Registration Regulations and Procurement Regulations, as the case may be.

Article-19
Risk Management

The Registered Person shall promptly and diligently adhere to all reasonable risk management, containment, and reduction measures related to its functions as an Independent Auction Administrator and submit a risk mitigation plan as part of the annual report.

Article-20
Duty to Maintain Confidentiality

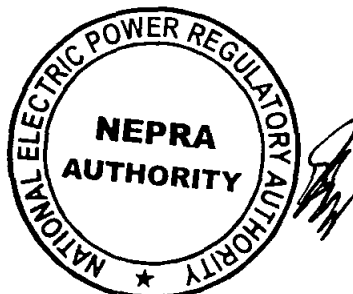
The Registered Person shall maintain the confidentiality of all information and documents in its possession, in accordance with the Registration Regulations and other Applicable Documents.

Article-21
Investigation and Proceedings by the Authority

21.1 Without prejudice and in addition to the powers of the Authority under the Act, and rules and regulations made thereunder, where the Authority determines that the Registered Person is in violation of any applicable law or the terms and conditions of this Registration, the Authority may conduct investigations and proceedings in the manner specified under Section 27A of the Act.

21.2 Where it comes to the attention of the Registered Person that another registered person or licensee has breached its Registration or any Applicable Document, the Registered Person shall report such suspected non-compliance to the Authority.

21.3 Any contravention or non-compliance on the part of the Registered Person or any of its officers with respect to this Registration, or the terms and conditions and time limits prescribed herein, shall constitute grounds for the initiation of penal action by the Authority.



21.4 Any instrument, document, contract, or agreement, or any part thereof, may be declared void if executed in contravention or non-compliance of this Registration, the provisions of the Act, the rules and regulations made thereunder, or any other Applicable Documents.

Article-22
Maintenance of Record

22.1 The Registered Person shall keep a complete and accurate record of all aspects of its registered functions in accordance with the Registration Regulations. The Registered Person shall maintain the abovementioned record in hard as well as in electronic form.

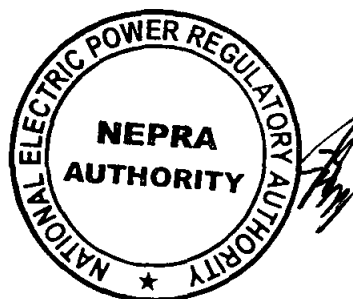
22.2 All records and data maintained in an electronic form shall, subject to just claims of confidentiality, be accessible by staff authorized by the Authority.

Article-23
Accounting Practices

23.1 The Registered Person shall keep its accounts and prepare financial statements pertaining to its registered functions, in accordance with the Applicable Documents, and submit the same to the Authority along with the relevant operational, performance, and audit reports, on annual or such shorter intervals as the Authority may require.

23.2 Without prejudice to the provisions of the Applicable Documents regarding the audit of the accounts, the Authority may, after giving the Registered Person an opportunity to be heard in this regard, appoint independent auditors of national/international repute, for the audit of the accounts of the Registered Person, where the Authority has reason to believe that the accounts provided to the Authority by the Registered Person do not provide a complete, true and fair view of the business of the Registered Person, provided that such audit shall be restricted to accounting matters under question and shall not be carried out more than once in a financial year.

23.3 The costs of audit as referred to in Sub-Article 23.2 shall be borne by the Registered Person.



Article-24
Communication

24.1 The Registered Person shall designate a person that will act as a primary contact with the Authority on the matters related to this Registration. The Registered Person shall promptly notify the Authority of any change in the contact details.

24.2 All communication with the Authority must be done in writing unless otherwise directed by the Authority, through facsimile transmission, or by other electronic sources.

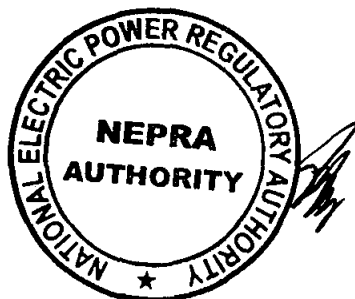
Article-25
Economic Purchasing of Services and Assets

The Registered Person shall ensure that the procurement of assets is undertaken in the most economical manner, in accordance with the applicable laws of the Federal Government or agency.

Article-26
IT Infrastructure

26.1 The Registered Person shall make available/develop state-of-the-art IT infrastructure/system to perform its functions. It shall be ensured that the IT system is in line with IT systems globally deployed by entities performing similar functions as the Registered Person. The systems shall be adequately secured as per the requirements of the Applicable Documents and relevant information technology and operational technology standards. The Registered Person shall engage in the organization of a cybersecurity protection system to measure and manage risks, as well as to define and maintain processes.

26.2 The Registered Person shall establish an electronic auction platform linked to its website for the purpose of providing access to Bidding Documents, and auction information, receiving and evaluating bids, and carrying out the competitive auction process to ensure transparency and promote market confidence, combined with a communications strategy to reach prospective and potential bidders, as many as possible.



Article-27
Effective Coordination

The Registered Person shall ensure prompt and effective coordination with the relevant Service Providers, Market Participants, other relevant government agencies, and stakeholders for site developments, successful conduct of competitive auctions and to comply with the provisions of the Applicable Documents.

Article-28
Revocation, Suspension, and Cancellation

Upon being satisfied that the Registered Person is not discharging its functions in accordance with the terms and conditions of this Registration and the Applicable Documents, or otherwise fails to perform Registered Services, the Authority may initiate proceedings for suspension, revocation, or cancellation of the Registration under the relevant regulations or the Act and take such other action as may be necessary to safeguard the interests of all stakeholders and the power industry as a whole.

