



**APPLICATION FOR MODIFICATION
OF NTDCL TRANSMISSION LICENCE NO. TL/01/2002**

BY

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED (NTDCL)

OFFICE OF

MANAGING DIRECTOR (NTDCL), 414 WAPDA HOUSE, LAHORE

NATIONAL TRANSMISSION & DESPATCH COMPANY LTD.

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Managing Director
414-WAPDA House
Lahore

No. MD(NTDC)/ LA/Sc31-32

May 6, 2015

✓ **Registrar**

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

Subject:- APPLICATION FOR MODIFICATION IN NTDC TRANSMISSION
LICENCE NO. TL/01/2002

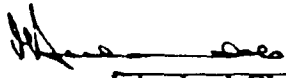
Dear Sir,

NEPRA granted licence No. TL/01/2002 dated 31st December 2002 to National Transmission and Despatch Company Limited ("NTDCL") w.e.f. 31st December 2002 for a period of 30 years valid upto 30th December 2032 pursuant to Section 17 of Regulations of Generation, Transmission and Distribution Power Act, 1997 (XL of 1997) and subject to provisions of Section 7(4).

Pursuant to Article 10 (2), Part II of National Electric Power Regulatory Authority Licensing (Application and Modification Procedure) Regulations, 1999 an application for Modification in the Transmission Licence along with all relevant documents is enclosed herewith for your information and approval, please. The Board of Directors of NTDC has approved filing of this modification to Transmission Licence before the Authority.

Best regards,

Yours sincerely


(Muhammad Arshad Ch.)
Managing Director

Enclosure:-

Copy:-

- Joint Secretary, NTDCL, Ministry of Water and Power, Islamabad

(A) BRIEF HISTORY

- (1) Pursuant to Section 17 of Regulations of Generation, Transmission and Distribution Power Act, 1997 (XL of 1997) and subject to provisions of Section 7(4) thereof, the NEPRA Authority granted Transmission Licence No. TL/01/2002 on 31st December 2002 to National Transmission and Despatch Company ("NTDCL") for a period of 30 years valid upto 30th December 2032.
- (2) Primarily, NTDC seeks modification to the Article 7 and 8 of the Transmission Licence in furtherance of the policy of the Government of Pakistan to allocate the functions of procuring power on behalf of ex-WAPDA DISCOS and the settlement, administration and development of competitive power markets to a separate corporate entity namely, Central Power Purchasing Agency Company (Guarantee) Limited (CPPA (G)).
- (3) The functions of the Central Power Purchasing Agency (CPPA) were allocated to NTDC as a stopgap measure in addition to its core transmission and system operation business. CPPA was contemplated to be a standalone entity but for practical reasons at the time of NTDC's licence this could not be achieved and thus was included in the NTDC licence. The market is now at the point where a separate CPPA (G) can be established and operated effectively and further the envisioned market reforms.
- (4) The Government of Pakistan, in pursuance of achieving a competitive market, has set up CPPA (G) and is now in the process of transferring the agency functions (power procurement on behalf of ex-WAPDA DISCOS and the function of settlement, administration and development of competitive power market). While the power generation entities are finalizing their arrangements with CPPA (G), the CPPA functions are no longer required to be housed at NTDC.

Impact on Tariff, Quality of Service and Performance

- (5) NTDC was set up to carry out the transmission network and systems operation business and its licence dated 31 December 2002 also emphasizes these as the core business. CPPA and development of competitive markets (including CRPEA) functions were in addition to its core business. This modification would help increase the quality of service and performance by the licensee in accordance with the spirit of the Transmission Licence granted by this Authority.
- (6) This modification would not have any net impact on the retail tariff; and in fact, it would make financial management of power sector more efficient. The NTDC revenue requirement and use of system charges will be reduced to reflect the


removal of the CPPA functions and associated costs and this will result in NTDC filling a tariff petition reflecting the changed costs.

(B) RELIEF SOUGHT

In light of the above, it is requested that the Authority may be pleased to consider and approve the Licensee Proposed Modification to the Transmission Licence No. TL/01/2002 dated 31 December 2002 in terms of the **“text of proposed modifications”** in the following pages.

(C) ATTACHMENTS

1. Text of Proposed Modifications to the Transmission Licence No. TL/01/2002 dated 31st December 2002
2. Resolution of the Board of Directors of NTDC approving the amendments and authorizing the filing of amendment petition
3. Deposit receipt of PKR 200,000/- as fee for amendment petition


(Muhammad Arshad Ch.)
Managing Director
for and on behalf of NTDC

Current Licence	Modification	Explanation
DEFINITIONS ADDED, DELETED OR MODIFIED		
"balancing services" for the purpose of Article 8 means services to be rendered under a balancing arrangement for the purpose of bilateral contracts for dispatching plants, access to additional generation for system needs and establish a price for each operating time period at which differences between contractual and real time positions are settled;	Modification in Definition: "balancing services" means services to be rendered under a balancing arrangement for the purpose of bilateral contracts for dispatching plants, access to additional generation for system needs and establish a price for each operating time period at which differences between contractual and real time positions are settled;	To eliminate reference to Article 8 Competitive Trading Arrangements, as competitive market development function is transferred to CPPA G, in accordance to AoA and MoA of CPPA (G). The meaning/definition remains the same. Modification to Article 21 Ancillary Services establishes the conditions under which these services can be procured.
No Definition	"CPPA (G)" means the Central Power Purchasing Agency Company (Guarantee) Limited	Definition added as expression used in modified articles
"separate business" means each of the transmission business of the Licensee, tie-line business of the Licensee, the provision of settlement services and any other business of the Licensee, undertaken separately;	Modification in Definition: "separate business" means each of the transmission business of the Licensee, tie-line business of the Licensee, and any other business of the Licensee, undertaken separately;	Change in definition is to remove the settlement services.
"sale period"	DELETED	The expression is no longer used in the modified licence
No definition	Power Purchase Agreement (PPA) means those agreements between Hydels and WAPDA or IPPs (operating under a Power Policy of the GoP) or GENCOs and NTDC to supply power.	Comment: Definition of PPA is needed as it used in modified article 7 and 11.

Current Licence	Modification	Explanation
Articles		
<p>Article 7: Procurement of Electric Power</p> <p>(1) Prior to the competitive market operation date (CMOD), the "central power purchasing agency" (CPPA) of the Licensee to be established under Article 8 of this Licence may purchase or procure electric power to meet the demand of the eight ex-WAPDA distribution companies (XWDISCOS), on behalf of these distribution companies in the following terms:-</p> <p>(a) pending approval of Licensee's power acquisition programme in terms of sub-article (4), the CPPA shall purchase or procure electric power on behalf of XWDISCOS to meet their demand through contracts with generation licensees duly approved by the Authority of a period not exceeding one year;</p> <p>(b) following the approval of Licensee's power acquisition programme in terms of sub-article (4), the CPPA may purchase or procure all or part of its power supplies from any of generation licensees in accordance with the Licensee's power acquisition programme.</p> <p>Provided that this sub-article shall not apply to existing contracts between the Licensee and generation licensees for the purchase of electric power duly approved by the Authority or contracts, which are backed by sovereign guarantees and all such contracts shall</p>	<p>Revision:</p> <p>Replace with:</p> <p>(1) The Licensee will not expand, modify or extend any PPA with IPPs that it has signed or has been assigned/novated under 2002 License, except to transfer or novate those PPAs to CPPA (G) from the date hereof, provided that (i) as a transitional arrangement, the Licensee will sign a Business Transfer Agreement with CPPA (G) transferring the managements of the billing and settlement functions of PPAs signed by or novated in favour of NTDC,; and (ii) the Licensee shall submit every [2] months a progress report to the Authority describing progress and delays, if any, and measures to be taken to accelerate the process and resolve causes of delays, until the transfer/ assignment is completed.</p> <p>(2) Subject to (1), the Licensee shall ensure that neither the Licensee nor any of its affiliates or related undertakings on its own or in concert with others purchase or acquire electric power for the purpose of sale to a third party, save for the purpose of balancing and ancillary services for the provision of a safe and reliable system, as may be</p>	<p>(1) Assigning these functions to CPPA (G) until all the PPAs are novated to CPPA (G) and ensuring that NTDC does not engage in any new procurement except for balancing and ancillary services.</p>

continue to remain enforceable up to their full term.

(2) The CMOD is initially set as 1 July 2009. However the CMOD may be revised, (a) to an earlier date if the Authority, after consultation a agreement of the Federal Government determines that infrastructure and market is developed to support a competitive trading arrangement, (b) to a later date in case the infrastructure or market is not adequately developed to support a competitive arrangement by 1 July 2009. In such case the Authority may in consultation with the Federal Government and stakeholders postpone the date by another year and further yearly extensions, subject to a maximum postponement of 3 years from 1 July 2009 i.e. latest up to 1 July 2012.

(3) After the CMOD, the Licensee shall ensure that neither the Licensee nor any of its affiliate or related undertaking on its own or in concert with others purchase or acquire electric power for the purpose of sale to a third party save for the purpose of balancing services for the provision of a safe and reliable transmission system.

Provided that: (a) all contracts approved by the Authority prior to CMOD for the purchase of electric power, or (b) contracts which are backed by sovereign guarantees, shall continue to remain enforceable up to their full term.

(4) The Licensee shall, no later than 90 days following the date of notification of NEPRA

established in competitive trading arrangement approved by the Authority.

And,

(3) The Licensee shall not take any measure to prevent or unduly delay changes to applicable documents to which it is party and are required for the development of competitive electricity market and complete and timely enforcement and operation of competitive electricity market.

rules pursuant to section 32 of the Act, submit its power acquisition programme to the Authority for approval.		
Article 8: Competitive Trading Arrangements	Deleted Article: Text "Article 8: Competitive Trading Arrangements"	Heading remains so that Licence numbering is consistent. Removed because NTDC will no longer be responsible for trading of power.
Article 11: Tariff Sub-Article 1 (1) Within one hundred and eighty (180) days of the date of grant of this Licence, the Licensee shall submit to the Authority an application for determination of tariff in respect of Licensee's transmission business.	Modification: Replace with: (1) No later than thirty (30) days of the complete transfer or novation of all PPAs to CPPA (G), the Licensee shall submit to the Authority an application for determination of tariff in respect of Licensee's transmission business.	NTDC will need to submit a new tariff application once all PPAs have transferred to CPPA (G) to account for its purely Transmission Network and System Operator role. This is consistent with the continued need for NTDC to have a transfer price to CPPA (G) to cover the cost of generation until such time as all PPAs are transferred or novated.
Article 12: Connection and Use of System - Requirement to Offer Terms (6) Subject to the provisions of sub-article (8) and not later than ninety (90) days following receipt of an application made by any person the Licensee shall offer to enter into an agreement with the applicant:- (a) for carrying out of any work necessary to connect the Licensee's transmission system to any other system for the transmission or sale of electricity;	Modification: Delete text "or sale of electricity" from sub article (6) (a)	NTDC will no longer offer to sell electricity.
Article 15: Grid Code (1) The Licensee shall ensure that there is in force at all times a Grid Code, which meets the requirements under this Article. The Licensee	Modification: Article 15: Grid Code Delete sub article (2)-(5) Re-number remaining sub articles	The licence was written before a Grid Code had been promulgated. The deleted sub articles provided instructions to NTDC on

<p>shall implement and comply with the provisions of such Grid Code.</p> <p>(2) The Grid Code shall include but not be limited to:</p> <ul style="list-style-type: none"> (a) Connection Code (b) Operating Code (c) Planning Code (d) Scheduling and Dispatch Code (e) Metering Code (f) Protection Code (g) Commercial Code <p>(3) The Grid Code shall be drawn-up after consultation with the licensees and other interested parties to the extent possible with a view:-</p> <ul style="list-style-type: none"> (a) to achieve the performance standards (transmission) to be prescribed under the Act; (b) to facilitate the development, maintenance and operation of an efficient, co-ordinated, safe, reliable and economical system for transmission of electric power; (c) to facilitate competition in the provision of electric power; and (d) to cover all material technical aspects relating to connections to and the operation and use of the Licensee's transmission system including the operation of electric lines and electric plant connected to the Licensee's transmission system in so far as relevant to the operation and use of Licensee's transmission system. <p>Provided that, in respect of sub-article (3), clause (a), the Authority may, pending the</p>		<p>developing the Grid Code and regulatory compliance until such Grid Code was enforce. Now that there is an approved and in place Grid Code these are not needed.</p> <p>As the Grid Code is administered by NTDC and the CPPA and market development functions are eliminated in the modification, the responsibility of the Commercial Code would be outside NTDC, in CPPA G, as a separate independent Code for the administration of billing and settlement, and future competitive power market</p>
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notification of NEPRA performance standards (transmission), require the Licensee to draw up the Grid Code for the purposes of operation of the transmission system in accordance with the WAPDA relevant manuals or prudent utility practices in such manner and subject to such conditions as the Authority may specify.

(4) Where no Grid Code of the form provided for under this Article is in force at the time grant of this Licence, the Licensee will not be considered in breach of sub-article (1) provided that within one month or such other time as the Authority may allow from the grant of this Licence the Licensee submits its existing grid operating procedures (EGOP) to the Authority; which shall be complied by the Licensee till the approval of a comprehensive Grid Code by the Authority.

(5) The Licensee shall, within ninety (90) days of the grant of this Licence, submit a comprehensive Grid Code (as referred in sub-article (1) above) which must be formulated after consultation with the licensees and other stakeholders.

(6) The Licensee shall in consultation with authorised electricity operators periodically review and where necessary, propose revision of the Grid Code for the approval of the Authority.

(7) In implementing and complying with the Grid Code, the Licensee shall ensure that neither it nor its affiliates shall unduly discriminate in any manner between the

<p>purchasers, procurers, providers or recipients of electric power or ancillary services.</p> <p>(8) Upon request of the Licensee or any other authorised electricity operator following consultation with the Licensee the Authority may issue directions relieving the Licensee of its obligation to comply with certain provisions of the Grid Code in respect of a portion of the transmission system.</p>		
<p>Article 18: Functional Separation</p> <p>(1) The Licensee shall ensure that each of the following functions are performed independently in both accounting and management terms:</p> <p>(a) transmission network planning, design and operation and maintenance (the "wire business);</p> <p>(b) system operation and dispatch;</p> <p>(c) power procurement in accordance with terms and conditions subject to the arrangements under CPPA and purchase of ancillary services subject to the provision of Article 21 and a financial settlement system;</p> <p>(d) bilateral contract registration and notification of bilateral trading.</p>	<p>Removed:</p> <p>Remove sub article (c) and (d)</p>	<p>Sub article (1) (c) and (d) are deleted to eliminate the CPPA and market development functions from NTDC and they will be transferred to CPPA (G).</p>
<p>Article 19: Prohibited Activities</p> <p>(1) The Licensee shall not at any time, directly or indirectly, acquire or undertaking of any sort, any beneficial interest in or associate itself with, as far as the generation and</p>	<p>Modification:</p> <p>Replace with:</p> <p>(1) The Licensee shall not at any time, directly or indirectly, acquire or undertaking of any sort, any beneficial interest in or associate</p>	<p>Consistent with the removal of CPPA (G) functions, sub article 1 is modified to specifically prohibit marketing or trading of electricity.</p>

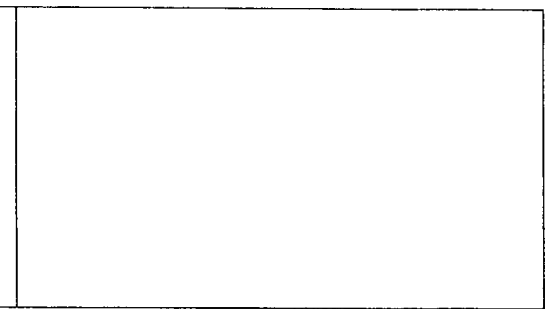
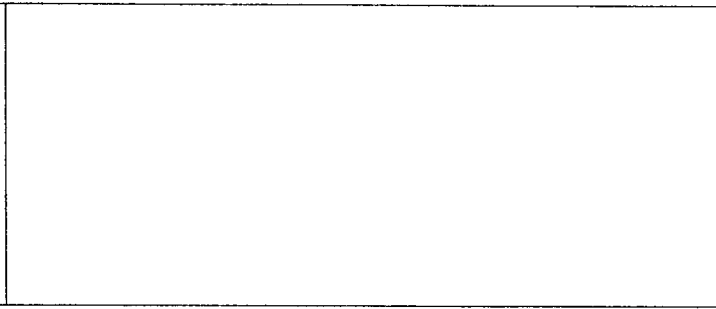
distribution businesses of electric power are concerned with any other licensee or persons involved in the generation and distribution businesses or intending to generate or distribute electric power within or without its service territory.	itself with, as far as the generation, distribution, marketing or trading businesses of electric power are concerned with any other licensee or persons involved in the generation and distribution businesses or intending to generate distribute, market or trade electric power within or outside its service territory.	
<p>Article 20: Transmission System Operation, Central Dispatch</p> <p>(8) The Licensee shall establish and operate with the approval of the Authority a settlement system inter alia for the calculation of any outstanding amount to be paid or received by licensees and authorised electricity operators in respect of sales and purchases of electricity in accordance with the trading system in operation.</p> <p>(9) The Licensee shall maintain records for the existing arrangements prior to the commencement of SBP trading arrangement and the period before the CMOD for a period of five (5) years. Such record shall consist of the following information:-</p>	<p>Modification:</p> <p>Replace with:</p> <p>(8) The Licensee shall establish and operate with the approval of the Authority systems for balancing services and ancillary services to be paid or received by licensees and authorised electricity operators in accordance with the commercial code in operation.</p> <p>(9) The Licensee shall maintain records for a period of five (5) years. Such record shall consist of the following information:-</p>	Consistent with the removal of CPPA (G) functions, sub article 1.
<p>Article 21: Purchase of Ancillary Services</p> <p>(1) Upon such notification of the date by the Authority in the Official Gazette, the Licensee shall have the right to purchase and offer, provide and charge for ancillary services apart from electrical energy and electrical capacity made available or provided pursuant to this Licence.</p> <p>(2) In contracting for the provision of ancillary services pursuant to sub- article</p>	<p>Modification:</p> <p>Retain Article 21 in entirety except change last sentence to:</p> <p>Provided that, this sub article (3) shall cease to apply on the competitive market date.</p>	After PPAs are with the CPPA (G), NTDC will have to require ancillary services separate from electric power. Change reflects that it will still do this after the competitive market date.

<p>(1), the Licensee shall purchase or otherwise acquire ancillary services from the most economical sources available to it having regard to the quantity and nature of the services required to enable it to discharge its obligation under Article 19 and to the diversity, number and reliability of the services available at the time of purchase.</p> <p>(3) Prior to the date referred to in sub-article (1), nothing contained in this Licence shall be construed so as to:-</p> <p>(a) regard ancillary services independent of or separate from electric power save to the extent of bilateral contracts with Bulk Power Consumers; or</p> <p>(b) confer a right on the Licensee to offer, provide or charge for ancillary services as services independent of or separate from the availability of electrical capacity or electrical energy and all obligations of Licensee in this respect shall mean and include ancillary services.</p> <p>Provided that, this Article shall cease to apply on CMOD</p>		
<p>Article 23: Commercial Code</p> <p>(1) The Licensee shall at all times maintain a commercial code approved by the Authority to facilitate trading under different market</p>	<p>Revision:</p> <p>Replace with:</p> <p>The Licensee will comply with all relevant provisions in the Commercial Code approved by</p>	<p>Reflects the creation of CPPA (G) and the formal submission of a commercial code to NEPRA.</p>

<p>conditions and between and amongst licensees and BPCs.</p> <p>(2) Prior to CMOD and during the SBP trading period the commercial code shall include the methodology:-</p> <p>(a) to establish a transfer price/sale rate for the power procured by the CPPA on behalf of XWDISCOS. Such rate shall be calculated for the sale period by:-</p> <ol style="list-style-type: none"> i. weighted average rate of all power generating stations used during the period where capacity and energy charges are calculated separately; ii. adding a transmission charge to the rate calculated in accordance with sub-article (2), clause (a), sub-clause (i); iii. calculation of capacity charge and average energy charge transfer price for distribution companies; <p>(b) to establish rates for peak and off-peak period and for shorter periods ultimately leading to the rates on hourly basis applicable at a date to be set by the Authority;</p> <p>(c) to establish mechanism for trading pursuant to bilateral contracts between generation licensees and BPC and between generation licensees and distribution companies.</p> <p>(3) The sale period shall initially be fixed for a month (00'00 hours of 1st of the month to 00'00 hours of 1st of the next month). Later on, at an appropriate time as directed by the Authority, the sale period may be shortened to</p>	<p>the Authority relevant to transmission, reliable operation, balancing and ancillary services, dispatch and provision of information to CPPA (G) as market operator or the power exchange as applicable.</p>	
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a day (24 hours), peak/off-peak in a day and to 4 hourly, hourly and half hourly intervals.

(4) Subsequent to CMOD, the commercial code shall specify the principles for CTBCM trading and settlement mechanism under that arrangement.



NATIONAL TRANSMISSION & DESPATCH COMPANY LTD.

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Office of the
Company Secretary NTDC,
Room # 407-WAPDA House, Lahore

No.C.S/NTDC/4899-4904

Dated: 05 / 05 / 2015

NOTIFICATION

Approval for filing an application for modification of NTDC

Transmission License before NEPRA

1. The Board of Directors NTDC through Resolution by Circulation No. 289 has approved filling of an application for modification of NTDC Transmission License before NEPRA in pursuance of the decision of the ECC dated 30th April 2015, whereby the functions of procuring power and the settlement, administration and development of competitive power markets, presently being undertaken by NTDC will no longer fall within NTDC mandate and will be transferred to and undertaken by the Central Power Purchasing Agency Guarantee Limited.
2. The Board of Directors of NTDC has authorized Managing Director NTDC to file the application for modification of NTDC Transmission License before NEPRA.


Muhammad Dilbar Ghouri
Company Secretary NTDC

Copy to:

1. Chairman Board of Directors of NTDC
2. Managing Director NTDC
3. Ms Natasha J Khan, Legal Consultant Ministry of Water & Power Islamabad.
4. Finance Director NTDC
5. G.M (CPPA) NTDC
6. Legal Advisor NTDC
7. Section Officer (NTDC)
8. Section Officer (Project Finance) Ministry of Water & Power.
9. P.S to Secretary Water & Power.
10. P.S to Additional Secretary Ministry of Water & Powers Islamabad.

NATIONAL TRANSMISSION & DESPATCH COMPANY LTD.

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Office of the
Company Secretary NTDC,
Room # 407-WAPDA House, Lahore

No.C.S/NTDC/4905-15

Dated: 06 / 05 / 2015

NOTIFICATION

Approval for filing an application for modification of NTDCL Transmission

License before NEPRA

Reference this office Notification No. 4899-4904 dated 5.5.2015.

In continuation of above notification the following Para is added to be an integral part of above notification and placed as Para No. 2:-

Para No. 2 "It is further resolved that the two committees set up to review the documentation pertaining to the transfer of business and functions to the Central Power Purchasing Agency Guarantee Limited will make all efforts to ensure timely completion of work within the ECC approved timelines, and smooth transition of functions as envisaged under the power sector reform program. The in principle agreement of the Board to the structural changes envisaged under the reform program with respect to the NTDC is also hereby reiterated."

In view of above insertion of Para 2, the existing Para 2 of above notification (already sent) is renumbered as Para 3 for all intents and purposes.


Muhammad Dilbar Ghouri
Company Secretary NTDC

Copy to:

1. Chairman Board of Directors of NTDC
2. Managing Director NTDC
3. Ms Natasha J Khan, Legal Consultant Ministry of Water & Power Islamabad.
4. Finance Director NTDC
5. G.M (CPPA) NTDC
6. Legal Advisor NTDC
7. Section Officer (NTDC)
8. Section Officer (Project Finance) Ministry of Water & Power.
9. P.S to Secretary Water & Power.
10. P.S to Additional Secretary Ministry of Water & Powers Islamabad