



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No: NEPRA/R/RA-SPA/01-2025/16408-30

October 14, 2025

Chief Executive Officer

Central Power Purchasing Agency (Guarantee) Limited
73 East, A.K. Fazl-ul-Haq Road, Blue Area, Islamabad

Subject:

**DETERMINATION OF THE AUTHORITY IN THE MATTER OF APPLICATION
OF CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
FOR REGISTRATION AS SPECIAL PURPOSE AGENT AND APPROVAL OF
THE AGENCY CODE**

Reference: Your application submitted vide letter No. CPPA-G/2022/CEO/8943-45 dated 07.11.2022.

Enclosed please find herewith Determination of the Authority in the matter of Application of Central Power Purchasing Agency (Guarantee) Limited for Registration as Special Purpose Agent and Approval of the Agency Code alongwith Note of Ms. Amina Ahmed, Member NEPRA, Certificate of Registration (No. SPA/01/2025) and Agency Code Special Purpose Agent 2025.

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

Enclosure: As Above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

Copy for Info: (The Determination of the Authority, Certificate of Registration and the Agency Code can be download from NEPRA Website www.nepra.org.pk)

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Ministry of Planning & Development, Government of Pakistan, 'P' Block, Pak Secretariat, Islamabad
3. Secretary, Ministry of Finance, Government of Pakistan, 'Q' 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. Managing Director, NGC, 414 WAPDA House, Lahore
8. Managing Director, Private Power & Infrastructure Board (PPIB), Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
9. Chief Executive Officer, ISMO Building, Pitras Bukhari Road, H-8/1, Islamabad
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, Islamabad Electric Supply Company (IESCO) IESCO Head Office Street 40 Sector G-7/4, Islamabad
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, Tribal Areas Electricity Supply Company (TESCO) 213-NTDC House Shami Road, Peshawar
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- 22.

National Electric Power Regulatory Authority

(NEPRA)

Determination of the Authority in the Matter of Application of Central Power Purchasing Agency (Guarantee) Limited for Registration as Special Purpose Agent and Approval of the Agency Code

**October , 2025
Case No. RA-SPA/01**

(A). Background

(i). The Authority in terms of Section 17 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act"), granted a transmission licence to the National Transmission and Despatch Company Limited (NTDC) in 2002 which, *inter-alia*, envisaged the development of the Competitive Trading Bilateral Contract Market (CTBCM), however, the same remained dormant. In this regard, the Government of Pakistan (GoP) decided to carve out the functions related to market development from NTDC and entrusted the same to an entity in the name of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), which was established in 2009.

(ii). In consideration of the above, the Authority granted a Registration No. MOR/01/2018, dated November 16, 2018, to CPPA-G under the NEPRA Market Operator Registration, Standards and Procedure Rules, 2015 (the "Market Rules"), authorizing it to act as an agent for the procurement of electric power on behalf of the DISCO(s) and to develop a model of the CTBCM for approval by the Authority. Accordingly, CPPA-G submitted the high-level as well as detailed design of the CTBCM, which the Authority approved subsequently. The CTBCM design envisaged the establishment of a special-purpose entity to administer the legacy contracts. The Authority, in its determination dated May 31, 2022, pertaining to the grant of Market Operator Licence, directed CPPA-G to apply for registration as a Special Purpose Agent (SPA), accompanied by the draft Agency Code.



(B). Filing of Application

(i). In consideration of the above, CPPA-G, in terms of Section 25A of the NEPRA Act read with relevant provisions of the NEPRA (Registration) Regulations, 2022 (the "Registration Regulations"), submitted an application on November 07, 2022 for registration along with a draft Agency Code.

(ii). The Registrar reviewed the submitted application and found it compliant with the Registration Regulations and therefore registered it for further processing. Accordingly, in light of regulatory practice, a public notice was published in the press on March 13, 2023, inviting comments from the relevant stakeholders, interested/affected parties, and the general public.

(iii). Further, on March 21, 2023, the Registrar issued separate letters to the relevant ministries, their attached departments, representative organizations, and other experts, inviting their comments to assist the Authority in arriving at an informed decision.

(C). Comments of Stakeholders

(i). In response to the above, the Authority received comments from eight (08) stakeholders, including Pakistan Engineering Council (PEC), Multan Electric Power Company Limited (MEPCO), Gujranwala Electric Power Company Limited (GEPCO), Hyderabad Electric Supply Company Limited (HESCO), Faisalabad Electric Supply Company Limited (FESCO), Quetta Electric Supply Company Limited (QESCO), Lahore Electric Supply Company Limited (LESCO), and K-Electric Limited (KEL).

(ii). In its comments, PEC sought clarification about the status of CTBCM implementation. Whereas, all the above DISCOs in their role as Suppliers of Last Resort (SoLRs) supported the request of CPPA-G for the grant of registration to act as SPA; however, they raised observations on different clauses of the Agency Code, including but not limited to (a). Mechanism for Allocation of Capacity Charges, including Maximum Demand Indicator (MDI), allocation factors, and associated transitional arrangements; (b). Delayed Payment Charges and related billing and subsidy adjustments; (c). Assessment of components of the Power Purchase Price (PPP); (d). Payment of Distribution Margin and related systems;



(e). Mechanism and management of Escrow Accounts and Credit Cover provisions; (f). Credit Cover including sovereign guarantees and security mechanisms; (g). Billing, payment, and settlement mechanisms, including invoicing, dispute resolution, and settlement statements; (h). Eligibility Criteria for SPA Code Participants; and (i). Reporting mechanisms, annual reporting timelines, and review and amendment procedures for the SPA Code.

(iii). In this regard, MEPCO, *inter alia*, suggested linking the annual report with the financial year, replacing "SPA Code Participant Representing Demand" with "Supplier" and correcting mathematical expressions. It also suggested involving participants in meter reading, holding SPA accountable for non-payment, and submitting periodic reports. MEPCO also sought clarity about the management of escrow accounts and amendments to the methodology for proposed allocation factors and raised observations on the terminology and expressions used in the SPA Code as well as on the dispute-resolution mechanism. HESCO sought clarification on bilateral contracts signed prior to the Competitive Market Operations Date (CMOD) of the CTBCM, the composition of the Agency Code Review Panel (ACRP), and financial year-based reporting.

(iv). GEPCO and QESCO raised concerns regarding the requirement of credit cover beyond sovereign guarantees, sought revisions in the structure of the ACRP, and proposed annual report timelines, additional reports, changes in terminology used, and replacing escrow accounts with revenue accounts. They also highlighted the need to correct certain mathematical formulas. FESCO suggested applying capacity charges based on actual MDI, separating the computations of delayed payments, assessment of Power Purchase Price (PPP), retaining distribution margins, and handling of the funds in excess of the escrow. LESCO proposed including references to the approvals of the Authority and Market Commercial Code (MCC) where necessary. Further, LESCO suggested a few changes in the definitions and made certain queries about the mechanism pertaining to the conflict resolution, organizational roles, allocation factors, and the mechanism for SPA fee. KEL proposed redefining credit cover to limit sovereign guarantees to state-owned entities only. It also suggested refining the eligibility criteria for participants of the Agency Code, ensuring transparency in the



computations for transfer price, use-of-system charges, and the applicability of its Power Purchase Agency Agreement (PPAA) for its capacity allocation.

(D). Rejoinder on Comments

(i). The Authority reviewed the above comments/observations of stakeholders, which were largely on the Agency Code, and considered it appropriate to seek the perspective of CPPA-G. In response, CPPA-G submitted a detailed response to the comments/observations along with a revised/modified Agency Code. The salient points of the rejoinder are summarized in the following paragraphs.

(ii). On the observations regarding the detailed structure, criteria, and appointment process for the ACRP, it stated that the proposed composition of the same is adequate. On timelines for submission of the annual report, CPPA-G stated that the submission within one (01) month of the close of the financial year is a relatively stringent deadline to achieve. Concerning the use of the term, *supplier*, CPPA-G clarified that the same is used in the context of its scope as agent of the DISCO(s)/SoLR(s). Regarding the observations on expressions for capacity charges and energy charges (Settlement differences) and their adjustments, CPPA-G agreed to consider these in the amended SPA Code. However, CPPA-G did not agree to the proposal to exclude settlement of imbalances pertaining to legacy contracts in the calculation of energy charges, stressing that the imbalances arising as a result of market participants drawing energy from legacy pool needs to be accounted for under the SPA Code.

(iii). On the use of multiple methodologies for capacity charges, CPPA-G elaborated that these reflect different transitional scenarios and are therefore to be maintained as described. About disputes over invoices, CPPA-G elaborated that the existing mechanisms for verification, dispute notification, recalculation, and resolution under the SPA Code and PPA(s) are adequate. CPPA-G confirmed that its settlement systems are compliant with the International Cybersecurity Standards and, therefore, the same is considered reliable. On the issue of estimated settlement statements during failure of the system, CPPA-G submitted that this should be considered a temporary situation, and the same will be subject to normalization on system restoration. On the observations on Escrow Account or Escrow Management Agreement, it was elaborated that the same related to the provisions for the Credit



Cover envisaged under the MCC, which has been considered accordingly with minor amendments. CPPA-G clarified that observations made on the financial health or constraints of DISCO(s) are beyond the scope of the Agency Code, and the obligations under the PPA(s) remain binding on all the parties involved. On the provisions of the payment system(s) and handling of the shortfalls that DISCO(s) face, CPPA-G elaborated the established procedures for revenue transfer, prioritization of payments, and practical handling based on government financial support and operational priorities.

(iv). CPPA-G explained in detail the role of various entities including the System Operator (SO) and Metering Service Providers (MSP) and elaborated that their respective roles are governed under other codes and agreements rather than the Agency Code. Further, the fee will be charged only to the participants of the Agency Code representing demand (referred to as the demand participants, i.e., DISOCs/SOLRs and KEL in the Agency Code) as per the agency agreements and the existing regulatory framework. On the audit requirements, CPPA-G confirmed its obligation to conduct the financial audits as stipulated under the Companies Act, 2017 (the Companies Act). Further, the Auditor General of Pakistan also has oversight on its relevant affairs. About the process of the amendment to the Agency Code, CPPA-G clarified that any amendment shall be approved by the Authority. Further, if any party is aggrieved, it shall have the right to seek any remedy available under the framework for its grievances. Regarding the mechanisms for the factors for commercial allocation and capacity charges, CPPA-G elaborated that the same require mutual consensus among the demand participants. On the reporting mechanism and the required transparency, CPPA-G confirmed that all the details about the participants, relevant reports, amendments to the Agency Code, and operational data shall be made available in the public domain by uploading the same on its official website.

(v). The Authority considered the above response along with the revised Agency Code and observed that significant revisions/improvements were still required in the same. Accordingly, the Authority directed to take up the matter with CPPA-G for discussions/consultations at the professional levels to improve the Agency Code, especially the provisions related to: (a). settlement of bilateral contracts of DISCOs without involvement of SPA; (b). definition of Legacy Contracts;



(c). change of the name of the Power Procurement Agency Agreement (PPAA) to Special Purpose Agency Agreement (SPAA); (d). settlement of imbalances and ancillary services charges of DISCOs pertaining to Legacy Contracts through SPA; (e). provision of credit cover by MO to SPA for imbalances of legacy contracts; (f). transition of mechanism for capacity charges from non-coincidental to coincidental MDI and leading to allocation factors-based methodology; (g). settlement of use of system charges of National Grid Company (NGC) and Pak Matari-Lahore Transmission Company (Pvt.) Limited (PMLTC); (h). mentioning names of specific generation plants in the payment principles, etc.

(vi). In view of the foregoing, CPPA-G submitted a revised version of the Agency Code on March 5, 2024; however, review of the same revealed that most of the observations, discrepancies, and inconsistencies in the Agency Code were not addressed and required further deliberations.

(E). Hearing and Findings

(i). The Authority considered the matter and decided to hold a hearing with relevant stakeholders, including DISCO(s), KEL, NGC, National Power Control Centre (NPCC/System Operator), Board of Investment (BOI), Ministry of Planning, Development and Special Initiatives (MoPD&SI), the Punjab Power Development Board (PPDB), CPPA-G, Generation Companies, and USAID-PSIA. In this regard, the Authority approved the various issues to be discussed at the proposed hearing, which was held on April 25, 2025. CPPA-G and other stakeholders who attended the hearing presented their viewpoints on the framed issues, which are summarized below:

(a). Whether the revised Agency Code submitted by CPPA-G addressed all written comments from NEPRA and stakeholders, as well as agreements reached in consultative sessions? If not, in that case, what is the proposed way forward and timelines to address the same?

(i). CPPA-G confirmed that it had tried its best to address all the written comments received from stakeholders, including those raised by the Authority, and stated that if any further clarification or deliberation is required, the same will also be provided.



(ii). On the above, MEPCO stated that the revised Agency Code submitted by CPPA-G, after various consultations and discussions, mostly incorporates the observations of the various stakeholders, including those of the Authority. Whereas GEPCO highlighted that CPPA-G has incorporated significant observations of the stakeholders, however, some of the concerns need deliberation and redressal.

(iii). PPDB expressed that the province of Punjab constitutes over 78% of the consumption of electricity of the National Grid, which makes up over 83% of revenue collection; therefore, PPDB stated that there should be a representation of the Government of Punjab in the proposed ACRP. Further, it was highlighted that the Detailed Design of the CTBCM does not provide clear provisions regarding the establishment, roles, and responsibilities of SPA, creating inconsistencies with the MCC. PPDB also mentioned that the revised Agency Code lacks a mechanism for the approval of the Authority of demand-based agreements, which may hinder fair allocation of generation projects.

(iv). The Authority observed that key issues and comments including but not limited to the structure and composition of the ACRP, timelines for submission of various reports, overlap with the MCC, inconsistencies in the definition of various terms compared with the applicable documents, and the timelines as well as procedures for transition to an escrow account-based payment system, have been reasonably considered and addressed. However, to ensure consistency and alignment with other applicable documents, the Authority has further refined the composition of the ACRP, its code of conduct, and the procedure for amendments, and these incorporations are duly reflected in the Agency Code, which has been approved. Regarding the comments of PPDB, the Authority observes that the code participants operating within the respective provinces are already represented in the ACRP; therefore, the inclusion of additional provincial entities is not appropriate.

(v). However, the Authority does not approve the submissions of CPPA-G regarding (i). settlement of bilateral contracts of DISCO(s) through SPA at par with Legacy IPP(s); (ii). definition of the Legacy Contracts, (iii). not replacing the term PPAA with the SPAA, (iv). settlement of imbalances and ancillary services charges of DISCO(s) pertaining to Legacy Contracts through SPA; (v). provision of credit



cover by the MO to the SPA for imbalances of the Legacy Contracts; and (vi). signing of agreements by DISCO(s) to shift to the allocation factor-based methodology. In this regard, the detailed findings of the Authority are provided in the succeeding paragraphs.

(b). What is the rationale behind the revision of the transfer pricing mechanism, settlement and payment system, and excluding certain essential provisions regarding transaction and financial audit, deletion of Annexure III, and addition of delayed payment charge and Annexure D, etc., in the Agency Code as compared to the Commercial Code 2018?

(i). CPPA-G confirmed that the draft Agency Code has enhanced clarity and transparency by explicitly outlining the mechanism for computing the transfer price and classifying its components. On the contrary, the Commercial Code of 2018 was generally mechanical in nature and did not adequately reflect the realities of operational constraints, particularly the persistent shortfall in cash. CPPA-G submitted that, based on the experience gained during the past nine (09) years, it is evident that the payment system must be designed in a manner that accommodates varying financial scenarios.

(ii). Regarding exclusion of certain essential provisions about market transactions and financial audit, CPPA-G submitted that relevant clauses have been incorporated into the Agency Code in line with the legal requirements set out under the Companies Act. Further, it was stated that the financial audit framework envisaged in the draft Agency Code already encompasses all transactions carried out by CPPA-G. Transactions falling exclusively within the domain of the MO, specifically those concerning contracts to be executed under the competitive market as envisaged in the MCC, have been excluded from the scope of audit.

(iii). With regard to the deletion of Annexure III (pertaining to Initial Settlement, Billing and Payment Procedures), CPPA-G submitted that the same was applicable for a period of three (03) months as per clause 9.1.1 of the Code of 2018. The relevant clauses have accordingly been updated and incorporated into the appropriate chapters of the draft Agency Code.



(iv). Concerning the addition of delayed payment charges, CPPA-G submitted that since the inception of the regime of the IPP in Pakistan and subsequently pursuant to the regulatory framework under the NEPRA Act, delayed payment charges have consistently been included in the Power Purchase Agreements (PPAs) and Energy Purchase Agreements (EPAs) executed by the SPA/power purchaser with IPP(s). It was explained that despite the existence of such clauses and the financial obligations they impose, the delayed payment charges were neither in the Commercial Code 2015 nor in that of 2018. The draft Agency Code, therefore, intends to address this gap by explicitly incorporating provisions relating to delayed payment charges on principal amounts payable to IPP(s), thereby aligning the Agency Code with the contractual and regulatory obligations.

(v). Regarding the inclusion of Annexure D (relating to Commercial Allocation Factors), it was submitted that the said annexure was incorporated into the draft Agency Code to outline specific preconditions required for the transition from the existing transfer pricing mechanism based on non-coincidental peak to the one based on allocation factors. CPPA-G submitted that this inclusion is aligned with the provisions of the MCC, the draft Market Participation Agreement (MPA), as well as the CTBCM final test run report submitted for approval of the Authority.

(vi). MEPCO commented that changing transfer pricing, payments, and audits in the Agency Code may raise transparency concerns. To ensure clarity, it was suggested to make improvements based on the experience gained from the Commercial Code 2018. GEPCO suggested retaining the provisions of the Commercial Code 2018 to ensure transparency in settlement and payment systems, audits, etc. Further, any overlap between the Agency Code and MCC should be avoided. In addition, the Annexure D pertaining to commercial allocation should be deleted as it is the domain of MCC.

(vii). KE stressed that capacity charges should continue to be billed based on the MDI under its PPAA and ICA instead of commercial allocation factors. Further, KE requested clarity on the mechanism for settlement of energy charges, losses of NTDC, and adjustments, with all commercial transactions governed in accordance with the existing agreements of KE.



(viii). The Authority observed that the submission of CPPA-G, asserting that the Agency Code enhances clarity and transparency by explicitly defining the mechanism for computing the transfer price and its constituent components, is well-founded. The Authority is of the considered view that such clarity is essential, as the calculation of transfer price directly impacts market settlements and the liquidity across the sector. Any ambiguity in this regard may cause inefficiencies and a lack of predictability in settlement processes, resulting in disputes. Therefore, the Authority agrees with the inclusion of this mechanism in the finalized Agency Code.

(ix). With respect to financial audit provisions, the Authority considers merit in aligning the draft Agency Code with the requirements of the Companies Act, 2017. The said alignment avoids duplication, ensures consistency with established corporate governance practices, and minimizes regulatory arbitrage. Further, the Authority considers that limiting the scope of the transaction audit to SPA functions is a reasonable refinement, as it prevents unnecessary expansion of audit requirements beyond the intended operational limits. However, necessary provisions for the conduct of such an audit, including approval of its terms of reference, have been added in the Agency Code.

(x). On the issue of delayed payment charges and deletion of Annexure-III, the Authority is satisfied with the reasoning that CPPA-G provided. The levy of delayed payment charges serves a dual purpose; firstly, it incentivizes timely payments by sector entities; secondly, it compensates the financial costs incurred due to delayed settlements. The Authority considers that the said mechanism is consistent with established financial prudence and best international practices. With regards to Annexure-III, it was a transitory annexure applicable for a limited period which has already lapsed; therefore, the Authority accepts submissions of CPPA-G. In addition to this, the Authority observes that Annexure-A of the submitted Agency Code, containing excerpts from existing PPA(s) relating to invoicing and calculation of energy and capacity charges, is redundant. Accordingly, the same has been omitted from the Agency Code being approved. Regarding the inclusion of Annex-D pertaining to Commercial Allocation Factors proposed by CPPA-G, that issue is appropriately addressed in the dedicated analysis under issue (d) in the succeeding paragraphs.



(xi). In view of the foregoing, the Authority considers that the submissions of CPPA-G, to the extent accepted, enhance transparency, legal certainty, and enforceability of the Agency Code. The rejections that the Authority has made are based on the need to preserve regulatory integrity and prevent arbitrary changes.

(c). Which contracts should be considered as part of the Legacy Contracts (CPPAG) to be administered by CPPA-G under SPA Registration on CMOD as the cut-off date or thereafter?

(i). CPPA-G submitted that, as per the NEPRA (Electric Power Procurement) Regulations, 2022 (the Procurement Regulations), the SoLR is required to undertake any new procurement that lies outside the ambit of CPPA-G. In this regard, specific reference was made to *inter-alia* regulation 8 of the Procurement Regulations wherein CPPA-G shall administer (i) PPA(s)/EPA(s) already executed with or assigned to it; and (ii). PPA(s)/EPA(s) that shall be executed with those projects 'committed' under the latest Indicative Generation Capacity Expansion Plan (the IGCEP) approved prior to the CMOD. In view of the foregoing, CPPA-G submitted that, because the Procurement Regulations preclude it from executing any PPA(s)/EPA(s) subsequent to the date of notification of said regulations, the Authority may reconsider creating sufficient flexibility in the draft Agency Code to accommodate future projects such as those 'committed' under the latest IGCEP prior to the CMOD, or designated as 'strategic' by the competent authority where it would be required to serve as the SPA/power purchaser.

(ii). MEPCO submitted that all contracts/agreements executed before CMOD may be considered as legacy contracts. GEPCO commented that all contracts signed and administered prior to the CMOD be declared as Legacy Contracts, including projects that CPPA-G has already signed and are under construction or commissioning. Further, GEPCO suggested that the future contracts should be signed by the relevant DISCO(s) in their capacity as SoLR(s) pursuant to the Procurement Regulations. KE suggested that all PPAs/PPAAs signed between CPPA-G and DISCOs, KE, and generation companies signed prior to CMOD should be considered as Legacy Contracts.



(iii). The Authority reviewed the above submissions and, after detailed deliberations, is of the considered view that the issue requires a holistic assessment of the statutory provisions, policy, and regulatory framework. In this regard, the Authority is of the considered opinion that the NEPRA Act, the NE Policy, the NE Plan, and the subsequently developed regulatory framework clearly envisage the competitive market as the way forward. In order to truly follow the path, the existing single buyer regime must end at the commencement of the competitive market, i.e., CMOD. It is pertinent to mention that Strategic Directive 45 of the NE Plan provides that *"...the electric power from the power pool of legacy contracts, i.e., contracts executed prior to the CMOD, shall be allocated to each Supplier of Last Resort..."* Further, Regulation 3(1)(b) of Registration Regulations expressly includes, among the activities requiring registration, *"the administration of existing long-term power procurement contracts executed by CPPA-G, prior to competitive market operation date (CMOD) of the CTBCM."*

(iv). In addition, the determination of the Authority dated May 31, 2022, pertaining to the grant of the MO Licence including approval of MCC, clearly defined the Legacy Contracts as *"a PPA or EPA (including international interconnection agreements (import/export), off-take arrangements with WAPDA and NTDC) which are signed or administered by the CPPA-G or KE before the CMOD."* In consideration of the said, it is clearly concluded that CMOD is the cut-off date for CPPA-G to execute the PPA(s)/EPA(s) in its role as agent of DISCO(s)/SoLR(s), which is clearly the legislative intent and that of the market design at which both are converging.

(v). Further, the proposal of CPPA-G to include future projects, whether strategic or otherwise, within the ambit of Legacy Contracts is contrary to the explicit policy and regulatory framework. The Authority considers that any project conceived or committed after the CMOD must be treated strictly in accordance with the applicable policy and regulatory framework prevailing at the relevant time. Therefore, such projects need to be considered for bilateral contracts with the relevant DISCO(s)/SoLR(s) and not through CPPA-G.

(vi). The Authority considers that the transition towards bilateral procurement is not incidental, rather a deliberate cornerstone of the CTBCM design, aiming to instill commercial discipline, strengthen accountability, and align



procurement decisions with the financial performance of the respective SoLR(s). Therefore, the Authority is of the view that mandating DISCO(s) to contract bilaterally will also foster the institutional capacity required for the administration and settlement of such contracts, while gradually preparing them for privatization in accordance with the broader reform objectives of the sector.

(vii). The Authority also finds it necessary to emphasize that allowing CPPA-G to continue centralized procurement of post-CMOD projects would be inconsistent with the fundamental principles of CTBCM. The market reform design is predicated on a transition away from a regime dependent on sovereign guarantees and centralized contracting, towards a financially sustainable, market-driven procurement structure. Acceptance of the proposal of CPPA-G would blur the boundary between transitional legacy obligations and forward-looking market-based contracting mechanisms, thereby risking a reversal of hard-earned reform progress. Such a step would not only dilute the reform intent but could also perpetuate inefficiencies, fiscal risks, and institutional dependencies that the CTBCM was specifically conceived to address.

(viii). Accordingly, and in line with the approved market design as well as the reform trajectory endorsed by the GoP, the Authority hereby approves the following definition of Legacy Contracts, which is also provided in the Agency Code:

"Legacy Contract" means a Power Purchase Agreement ("PPA") or an Energy Purchase Agreement ("EPA"), including international interconnection agreements (import/export), off-take arrangements with WAPDA or NGC, which are signed or administered by the CPPA-G before the CMOD;

Explanation: For the avoidance of doubt, any amendment, modification, extension, novation, or supplement to any Legacy Contract, solely to the extent of existing contracted capacity or term, shall also be administered by the SPA.

- (d). **With the operationalization of the SMS project by NTDC and availability of one and a half years of data for the coincidental system peak, whether the provisions regarding shifting capacity charging mechanism to the coincidental peak instead of the non-coincidental peak be included in**



the Agency Code, similar to the proposed amendments in the Market Commercial Code?

(i). CPPA-G submitted that the MDI is the basis of allocation of capacity and the formula of charging the Capacity Transfer Rate (CTR) remains the same irrespective of the basis of determining the MDI on a coincidental or non-coincidental basis.

(ii). MEPCO suggested adopting the methodology of the coincidental peak instead of the current non-coincidental practice. GEPCO recommended an immediate shift to a capacity charging mechanism based on the system coincident peak, which will lead to a smooth transition to a commercially allocated capacity charging mechanism.

(iii). KE agreed with the billing of capacity charges linked with MDI on a coincidental peak basis. It was further submitted that all commercial transactions, including settlement, billing, and payment, etc., should be governed by respective contracts, including the PPAA between KE and CPPA-G.

(iv). The Authority has examined the merits of shifting from the non-coincidental to the coincidental peak-based methodology, with a transition period leading to a commercial allocation factor-based mechanism. It is pertinent to mention that under the existing arrangement, the MDI of DISCO(s)/SoLR(s) is calculated based on non-coincidental peaks, without accounting for the diversity in load patterns across the national grid. Although DISCO(s)/SoLR(s) may broadly exhibit similar seasonal demand trends, the timing of their peak demands does not necessarily align with the system peak. As a result, reliance on non-coincidental peaks leads to situations where peak demand of a DISCO/SoLR occurs at a time that does not correspond with the national system peak, thereby not reflecting its actual contribution in the same. This results in an allocation of capacity charges that does not fully capture cost causation, creating inequities among DISCO(s)/SoLR(s) and may distort economic signals for future investment, system expansion, market efficiency, and liquidity.

(v). In light of the above, the Authority is of the view that the transition to a coincidental peak-based methodology must be adopted, considering that the data for



the last three (03) years is now available and MO has confirmed this fact in its final test run report of the CTBCM. This approach will ensure that the capacity charges are allocated in a fair manner that reflects the actual contribution of each DISCO/SoLR to the national system peak. This shall promote fairness, enhance cost reflectivity, and introduce efficiency in the cost allocation and charging mechanism. More importantly, it will lay the foundation for the eventual adoption of the commercial allocation factor-based methodology, which is a critical element of the CTBCM design, as envisaged under the MCC and endorsed in the NE Plan. The commercial allocation factor methodology offers a forward-looking basis for cost allocation, aligns tariff signals with demand patterns, and provides predictability and stability that are essential for efficient long-term power system planning and sustainable procurement arrangements.

(vi). The Authority has also considered the proposal of CPPA-G that DISCO(s)/SoLR(s) should be contractually obligated to implement the commercial allocation factor-based methodology. The Authority maintains that the MCC and the NE Plan already provide a comprehensive and binding framework for the calculation and periodic revision of the same; therefore, introducing a separate contractual obligation in the Agency Code would not only be redundant but may also create unnecessary complications and duplications in its implementation. The Authority, therefore, determines that the application of commercial allocation factors shall be governed solely under the framework provided in the MCC and the NE Plan without requiring additional bilateral arrangements by DISCO(s)/SoLR(s).

(vii). Accordingly, the Authority hereby approves a phased transition mechanism, comprising an initial three (03) month trial on the coincidental peak followed by a nine (09) month commercial application period, after which the commercial allocation factors methodology will be implemented. This approach will result in a fair, equitable, and practical mechanism for transfer charge as contained in the Agency Code being approved.

(e). **Whether Bilateral Contracts settlement should be executed by SPA based on MSP commercial metering data or pursuant to data provided by MO in its settlement statements, considering losses, commercial allocation factors, etc.?**



(i). CPPA-G submitted that metering data obtained at the Common Delivery Points (CDPs) may include energy pertaining to the DISCO(s)/SoLR(s) as well as other market participants. It is the responsibility of the MSP to provide accurate metering information to the MO, which in turn will run the settlement statement and compute the energy belonging to the DISCO(s)/SoLR(s) and other market participants. In view of this, the SPA shall perform settlements based on the information provided by the MO in accordance with the Agency Code. In view thereof, the market management system (MMS) has been configured and tested accordingly.

(ii). MEPCO commented that settlement of bilateral contracts may be carried out using the data from the commercial metering mechanism through MSP. This will ensure accuracy and transparency in the settlement process after considering factors like losses and commercial allocation. In view thereof, relying on the settlement statement(s) of MO may not reflect the specific details; therefore, the same alone will not be sufficient for a fair settlement, whereas commercial metering data may allow for fair settlement for all market participants. GEPCO remarked that the settlement of bilateral contracts should be performed on the settlement statements of MO due to the necessary need for adjustment of losses and commercial allocation, etc. KE submitted that the issue pertains to the public sector DISCO(s)/SoLR(s) and does not include the bilateral contracts of KE. It added that the billing/settlement advice should be based on the data that MO will be providing after accounting for any adjustments to be made to the data that MSP had provided.

(iii). The Authority observes that the metering data presently provided by the MSP is insufficient for settlement purposes, as the same is in consolidated form without differentiating the units of bilateral contracts from those of Legacy Contracts. Therefore, to ensure transparent, fair, and accurate settlement of Legacy Contracts, the MO shall provide the required data clearly differentiating/separating the units of bilateral and Legacy Contracts. Accordingly, the Authority hereby directs the MO to provide the data required by the SPA for the settlement of Legacy Contracts.

(f). Whether it is prudent for the SPA to make the payment for bilateral contracts executed directly by the DISCO(s)/SoLR(s) with generation companies and backed by sovereign guarantees, at par with the existing Legacy Contracts?



(i). CPPA-G commented that to avoid discriminatory treatment between the generation companies having GoP-backed PPA(s)/EPA(s) under the sovereign guarantee, including both the legacy IPP(s) and those with bilateral contracts, it is necessary to treat these at par with one another.

(ii). MEPCO submitted that SPA should not make the payments for bilateral contracts executed directly between DISCO(s)/SoLR(s) and generation companies backed by sovereign guarantees. In the future, the approach may lead DISCO(s)/SoLR(s) to get engaged in power purchase agreements according to their needs and requirements. Therefore, SPA may manage and administer only the Legacy Contracts. Moreover, GEPCO also stated that the settlement and payment of future bilateral contracts that DISCO(s)/SoLR(s) will execute should become their direct responsibility. GEPCO further suggested that the Authority may decide judiciously, keeping in view the policy and regulatory framework and long-term objectives of the power sector, including but not limited to the considerations of liquidity, independence, and capacity of DISCO(s)/SoLR(s), as well as a uniform tariff regime and subsidies from the GoP. Furthermore, financially stable DISCO(s)/SoLR(s) may be made independent in making payments for bilateral contracts whereas others with recovery shortfalls may be allowed to allocate available funds at par with the pool of SPA, with timelines for transition.

(iii). The Authority is of the considered opinion that the SPA should not assume the responsibility of the settlement of bilateral contracts executed post CMOD. Under the approved design of CTBCM, the DISCO(s)/SoLR(s) are required to evolve into commercially autonomous entities, capable of handling the bilateral contracts independently, agreeing to mutually settled commercial terms, managing and settling their obligations for payments directly with counterparties, and bearing full financial responsibility. This transition is fundamental to introducing commercial discipline, strengthening efficiency, and ensuring alignment of institutional and contractual obligations with the financial performance of each DISCO/SoLR to help improve their creditworthiness. Accordingly, the Authority holds that bilateral contracts entered into by DISCO(s)/SoLR(s) shall be settled directly between the contracting parties, without SPA involvement.



(iv). At the same time, the Authority recognizes the prevailing ground realities wherein several DISCO(s)/SoLR(s) continue to suffer from weak governance and inefficiencies resulting from high losses, low recoveries against approved targets, and governance constraints. These inefficiencies result in a shortfall in revenue collection, rendering some DISCO(s)/SoLR(s) unable to meet their obligations in totality. If bilateral payments are to be prioritized under such circumstances without a coordination mechanism between SPA and DISCO(s)/SoLR(s) for Legacy Contract settlements, this may risk creating a shortfall in payment for the SPA and expose it to legal and operational risks under the Legacy Contracts. In view of the said, the Authority hereby decides that it shall be the responsibility of the DISCO(s)/SoLR(s) to make bilateral settlements, including payments to future contracts and fee(s) payable to the relevant entities. Where deemed necessary, the DISCO(s)/SoLR(s) may engage in consultation with the SPA and agree on a mechanism under the SPAA. However, it is emphasized that in making such payments, each DISCO/SoLR shall ensure that its financial commitments do not compromise or prejudice the timely discharge of obligations under Legacy Contracts through the SPA.

(v). The Authority has also considered the submissions of the NGC, seeking continuation of its current arrangement for recovery of use of system charges through the transfer price mechanism that CPPA-G administers, proposing further that settlement of PMLTC transmission service charges also be included within the same mechanism. Although the Authority acknowledges the importance and magnitude of such charges, the submission that these fees should continue to be settled through the SPA is not agreed with. As already clarified, the role of SPA is limited to the settlement of the Legacy Contracts. Any function outside this scope must be performed by the relevant entities themselves pursuant to the applicable policy and regulatory framework.

(vi). In this context, it is important to note that under the CTBCM model, DISCO(s)/SOLR(s) will increasingly enter into bilateral contracts with generators, other market participants, and service providers. Simultaneously, participants using the network will be required to pay wheeling charges through Use of System Agreements to DISCO(s), which will, in turn, have back-to-back contractual arrangements to pass through the respective charges and fees to NGC, ISMO, or



other entities, as the case may be. These flows are contractual and bilateral in nature and cannot be routed through the SPA, which is not a party to these transactions and has no role in the settlement of the same under the CTBCM.

(vii). Accordingly, the Authority determines that NGC shall recover its own charges, as well as those of the PMLTC, directly from the demand participants through bilateral arrangements. The same approach shall apply to the recovery of ISMO fees. However, in view of the absence of an operational mechanism or contractual framework for such direct recovery at present, the Authority considers it appropriate to allow a transition period of twelve (12) months from the CMOD, as reflected in the Agency Code being approved. During this transition, the SPA shall continue to pay the charges and fees of NGC, PMLTC and ISMO after collecting the corresponding amounts from the DISCO(s), as per the practice in vogue. On completion of this transition period, NGC and ISMO shall be required to recover respective charges directly from DISCO(s) through bilateral agreements under the applicable regulatory framework.

(viii). The Authority is of the considered view that this approach balances the need for a systematic transition with the overarching objectives of the market reforms. Further, it also ensures protection of the settlement of the Legacy Contract, while gradually shifting DISCO(s)/SoLR(s), NGC, and ISMO towards direct contractual accountability and market-aligned financial discipline.

(g). Whether the ancillary services charge should be included in capacity transfer rate (CTR) and energy transfer rate (ETR) calculations or be part of capacity transfer charge (CTC) and energy transfer charge (ETC)?

(i). CPPA-G submitted that, as per the Commercial Code of 2018, the term CTC was used, whereas in the Agency Code, Total Capacity Charge (TCCi) has been used. However, CTR is computed as per Agency Code as follows: -

$$CTR = \frac{TCC}{TD_{MDI}}$$

Whereas TCC is calculated as per the following formula;



$$TCC = \sum_{i=1}^{GC} (CpGenCap_i + PsTh_i - CpGenCap_{adj} - LD_i) \\ \pm Ancillary Services_{MO} + \sum_{i=1}^{NC} CP_Imp_i - \sum_{i=1}^{NC} CP_Exp_i$$

(ii). Therefore, the ancillary services and other charges which do not involve the generation of kWh will be added in the 'TCC'. In case of ancillary services and other charges that involve the generation of kWh, it will be added in the 'TEC' (Total Energy Charges) because each kWh has been defined as supply under the Sales Tax Act 1990.

(iii). MEPCO commented that the Ancillary Services Charge (ASC) should be included in a hybrid arrangement in both CTC and ETC instead of the rate. GEPCO commented that the mechanism of ASC is covered and approved as part of the MCC; accordingly, ASC should be chargeable to DISCOs/SOLRs as part of the charge instead of the rate to ensure the equitable treatment, settlement, and application of the provision of the approved MCC. Whereas KE requested clarification regarding the inclusion of ASC in the CTR and its illustration for post-CMOD settlement.

(iv). PPDB submitted that the ASC lacks sufficient backing in terms of computation or findings from the trial test period, and before implementing this charge and associated mechanism, a thorough due diligence process is necessary.

(v). The Authority considers it appropriate that, as a matter of principle, the MO shall directly invoice the DISCO(s)/SoLRs for the charges of the ancillary services. This is consistent with the framework of the CTBCM, wherein DISCO(s) are required to progressively undertake their financial obligations in a direct and accountable manner, without the intermediation of the SPA. The Authority is cognizant of the present limitations, as MO does not have in place the necessary market participation agreements with DISCO(s)/SoLR(s) and lacks an established commercial interface with them for the debit and credit of payments relating to ASC and imbalance settlements.



(vi). To ensure an orderly and practical transition, the Authority considers it necessary to allow a transitional arrangement for a period of twelve (12) months from CMOD, whereby MO shall calculate the ASC that each DISCO is liable to pay and communicate the same to the SPA. Further, the SPA shall then incorporate these charges in the invoices issued to each DISCO/SoLR, but separately from the formulas of the TCC and the TEC. During this transition, the MO shall be obligated to provide complete details of the ASC to the SPA, which shall, in turn, charge the same to the respective DISCO through their respective invoices of capacity and energy charges.

(vii). After the completion of the twelve (12) month transition period from the CMOD, the role of the SPA shall revert strictly to the administration of Legacy Contracts, and the MO shall assume full and direct responsibility for invoicing ASC to the DISCO(s) in accordance with the provisions of the MCC. The same transitional arrangement and timeline shall also apply for the invoicing and settlement of imbalances of DISCO(s)/SoLR(s) under the BME and the BMC.

(viii). The Authority is satisfied that the above approach will result in a balance between the long-term objectives by placing full financial accountability on DISCO(s) and the practical necessity of maintaining continuity during the transition period. This will provide sufficient time for the MO to establish the required commercial interface and enter into MPA, simultaneously ensuring that all financial obligations continue to be administered transparently and without interruption.

(h). Whether it is prudent to establish an Escrow Account between SPA and MO for payments related to imbalances and other charges concerning the Legacy Contracts of CPPAG?

(i). CPPA-G submitted that, at present, all energy transactions are conducted within the legacy system that CPPA-G administered in its capacity as agent of the DISCO(s). In this regard, all the risks of payment rest within the legacy system, which was previously safeguarded under the sovereign guarantee of the GoP. Therefore, an escrow account between the MO and the SPA is necessary to mitigate any risk to the 'legacy' payment stream.



(ii). MEPCO expressed that it will be prudent to establish an escrow account between the SPA and MO for settlement of imbalances and other charges related to the Legacy Contracts. The escrow account(s) will facilitate the parties/market participants to make payments accordingly and may resolve the disputes that may arise due to transactions in the market. GEPCO stated that pursuant to the MCC, the market participants are obligated to provide energy-based security cover to MO, covering the guarantee for settlement. The said arrangement is in the form of cash deposits, which is 2.5 times of their expected payment of imbalances and will be sufficient to cover any risk of default; therefore, there is no need for MO to establish such escrow accounts for SPA not aligned with MCC. If required, MCC may be amended, and all participants may be treated equally without any discrimination. KE stated that commercial transactions pertaining to it must be governed in accordance with its PPAA.

(iii). The Authority observes that the MCC already empowers the MO to maintain adequate credit cover from all market participants, including DISCO(s). In order to ensure financial security and to prevent default or delay in settlement of imbalances, including those arising under Legacy Contracts, the MCC provides a robust two-layer security mechanism, sufficient to comprehensively mitigate financial risk in the market.

(iv). The Authority considers that Legacy Contracts have been registered with the MO in a way that places the risk of imbalances on DISCO(s). This means that generators are not exposed to any risk. This approach is fair to keep the original agreements intact and is consistent with the design of the CTBCM.

(v). The Authority further notes that, as earlier decided, for a transitional period of twelve (12) months from the CMOD, the BME and BMC settlements shall be undertaken by the SPA until market participation agreements are signed and accounts of DISCO(s) are fully linked with the MMS. Thereafter, the MO shall assume complete responsibility for settlements of imbalances directly with DISCO(s), and the role of SPA shall cease in this regard.

(vi). In view of the above, the Authority considers that financial liability during the transition, which ultimately lies with DISCOs, and that the MO will maintain



the required credit cover as per the MCC, there is no justification for establishing a separate escrow-based credit cover arrangement between the MO and SPA. Such a measure would not only duplicate the existing security cover mechanism but also create unnecessary incremental costs. More importantly, applying such an arrangement solely to the SPA would amount to discriminatory treatment, contrary to the principle of equal treatment of all market participants.

(vii). The Authority accordingly determines that the credit cover mechanisms embedded within the MCC sufficiently secure these transactions. Any proposal for additional security arrangements, if ever considered, must apply uniformly across the market. Accordingly, the concern raised by CPPA-G regarding settlement risk and the need for separate escrow cover is not supported by the structure of the CTBCM or the allocation of risk under the registration of Legacy Contracts. Foregoing in view, the Authority does not agree with the proposal of CPPG-A regarding the establishment of an escrow account between SPA and MO for payments related to imbalances and other charges concerning the legacy contracts.

(i). Whether a time period should be specified for the transition from the Master Collection Account (MCA) of SPA and the Revenue Collection Accounts (RCA) of DISCOs to Escrow Account Management?

(i). CPPA-G submitted that the proposed escrow arrangement is intended to safeguard the SPA *vis-a-vis* its obligations towards the IPPs under the PPAs/EPAs, though, pursuant to the PPAAs executed between CPPA-G and DISCOs. The DISCOs remain the principal and primary obligor of payment obligations owed to the IPPs. However, being the counterparty to the EPAs/PPAs, nonetheless, CPPA-G is responsible for making payments on behalf of DISCO(s) to the IPPs. As such, these payment obligations, compounded by historical shortfalls in amounts remitted by the DISCO(s) for the settlement of these obligations, necessitate the establishment of the proposed escrow arrangements. In view of the foregoing, CPPA-G submitted that the draft Agency Code proposes that the escrow account management mechanism shall be triggered after the attainment of the ability to discharge all of their obligations, by DISCO(s).



(ii). MEPCO expressed that the time period should be specified for the transition from payments from the existing mechanism to the escrow mechanism for proper fund management. GEPCO stated that payment discipline is a key pillar of the power sector and market reforms. The Commercial Code of 2018 had provisions for the payment system governed through escrow account management, but could not be implemented, so considering the current practice, the transition from the MCA to escrow account should be ensured. The financial health of different DISCOs would improve at different time intervals, which may be considered. KE reiterated its comments as provided at Issue (h) above.

(iii). The Authority has examined the submission of CPPA-G regarding the establishment of escrow accounts and linking activation of the same with the readiness of DISCO(s) to fully meet their financial obligations. The Authority considers that the said proposal is well-grounded and agrees with the same.

(iv). The Authority further notes that the functioning of escrow accounts requires stability, predictability, and adequacy of cash flows. Escrow mechanisms are designed to provide certainty to creditors and contractual counterparties by ring-fencing revenues and ensuring prioritised disbursements. In order to ensure effectiveness, escrow arrangements are therefore best implemented in a phased and sequenced manner, once DISCO(s)/SoLR(s) are positioned to sustain the arrangement on a continuing basis.

(v). The Authority is conscious of the fact that introducing escrow accounts prematurely, without first addressing the structural weaknesses in the financial performance of DISCOs, may create additional administrative costs without serving its intended purpose.

(vi). Accordingly, the Authority considers it both prudent and necessary to link the commencement of escrow management arrangements with the financial readiness of DISCOs. Therefore, once DISCO(s)/SoLR(s) are able to demonstrate consistent recovery performance and the capacity to meet their financial obligations in full, the escrow accounts shall be operationalised through commercial banks.



(j). Whether it is advisable to specify payment priority among code participants in the Agency Code for cash flow management in case of shortfall of payments with SPA? Furthermore, whether specific amounts of "Generation Participants" should be specified in the payment priority provisions of the Agency Code?

(i). On the above, CPPA-G explained that the draft Agency Code does not prescribe any mandatory payment priority. In this regard, specific reference is made to clause 8.2.2 of the draft Agency Code, which provides a framework delineating the types and nature of payments to be settled as per the proposed payment mechanism in the event of a shortfall. Further, clause 8.2.4 of the draft Agency Code provides broad principles for the consideration of CPPA-G in settlement of payments which might arise under the PPA(s)/EPA(s).

(ii). With regard to the issue of whether specific amounts for generation participants may be included in the aforementioned payment principles, the draft Agency Code does not prescribe any mandatory payment priorities. Rather, it provides CPPA-G with the broad principles of its roles and responsibilities. However, the Authority may decide the issue of specifying particular amounts while approving the code.

(iii). MEPCO expressed that setting payment priorities in the Agency Code may help with the issues of cash flows. Therefore, instead of specifying exact amounts for generation participants, a flexible approach like sharing payments fairly or setting up a tiered system could work better. GEPCO stated that payment priority in case of shortfall is made part of the draft Agency Code, which gives more transparency and may be treated as a merit order in the Agency Code, so that SPA, as an agent of DISCO(s), ensures the payment to the generation participants accordingly after collecting amounts from demand participants. In view of the said, the provision of priority for payment is supported. However, no specific amounts mentioned and approved for any generation participants, and SPA may be allowed to deal with the same.

(iv). The Authority agrees with the inclusion of a mechanism for allocation of funds in the Agency Code under conditions of recurring or permanent payment



shortfalls by DISCO(s). The rationale for such a mechanism is rooted in ensuring discipline and transparency in the cash flow of the sector. In this regard, it is observed that CPPA-G had already been following a similar system under its internal Standard Operating Procedures (SOPs). However, internal procedures, being non-statutory, lack enforceability and can be altered without regulatory oversight. Therefore, the Authority considers that covering the said procedure in the Agency Code provides regulatory backing, enhances sectoral confidence, and ensures that the mechanism is binding on all parties.

(v). The Authority does not agree with the proposal of CPPA-G that its Board of Directors (BOD) may be empowered to amend or alter the aforementioned mechanism incorporated in the Agency Code. The Authority considers that allowing the BOD to change the above mechanism would undermine the role of the ACRP, specifically established to oversee such matters. The Authority is of the view that the Agency Code, being a regulatory instrument, is subject to its oversight; therefore, amendment(s) to the same may be carried out through a stipulated mechanism contained therein. The Authority, therefore, does not agree to the submissions and decides to omit the proposed clause in the Agency Code to be approved. Instead, an alternate provision obligating the BOD to ensure strict implementation of the mechanism for payment in the Agency Code to be approved has been incorporated.

(vi). Further, the Authority has removed the provisions pertaining to the payment of bilateral contracts of DISCOs and the fee of relevant entities through the SPA. Moreover, the provisions for payments of specific amounts to certain generation participants have also been removed to ensure non-discriminatory settlement.

(k). Whether CPPA-G should continue to charge SPA and MO fees together as CPPA-G fees to demand participants until the separation of MO and SPA or otherwise?

(i). CPPA-G submitted that at present it serves in the capacity of both the SPA/power purchaser and as the MO, and in this regard, the Authority has determined a consolidated fee for both functions. However, once CPPA-G/the SPA and the MO are bifurcated into distinct legal entities, in that case, the two entities will be required to have their fees determined separately.



(ii). MEPCO commented that it will be suitable for CPPA-G to continue charging SPA and MO fees together until the legal separation of both. GEPCO submitted that as long as MO and SPA are part of the same entity, the charge may be combined as a fee for CPPA-G. KE expressed that, as SPA and MO will be two separate legal entities with separate functions, the SPA and MO fees should be charged separately for better transparency and accounting purposes.

(iii). The Authority considers that through its determination dated April 30, 2025, the licence for MO has already been transferred from CPPA-G to the newly incorporated entity in the name of Independent System and Market Operator of Pakistan (Guarantee) Limited (ISMO). In light of the above, the matter of treatment of the fee of MO stands suitably addressed.

(I). Whether the Agency Code should include CPPA-G as MO and NTDC as MSP and SO as part of the Agency Code Review Panel and list of Agency Code participants?

(i). CPPA-G submitted that clause 2.3.1 of the draft Agency Code provides for the establishment of the ACRP, and the composition of the same includes participants of the SPA Code. The said composition of the ACRP does not form an exhaustive list, as the clause in question does not prevent including the MO (whether within CPPA-G or as an independent entity) or the MSP and SO, whether as independent entities or as part of NGC. With regards to consideration of MO, MSP, and SO as participants of the SPA Code, CPPA-G submitted that the draft Agency Code defines the term "SPA Code Participant" to include the DISCO(s) and IPP(s), i.e., entities involved in transactions relating directly to the sale and/or purchase of electricity within the 'legacy' regime. In consideration of the fact that MO, MSP, and SO do not participate in such transactions, it is not appropriate to consider these as "SPA Code Participants" under the draft Agency Code however, these entities may participate in the amendment process prescribed under the draft Agency Code.

(ii). MEPCO and GEPCO commented that the draft Agency Code may include MO, SO, and MSP as part of the ACRP. Further, GEPCO also suggested that the composition, constitution, and structure of ACRP should be aligned with the



principles of the approved MCC and Grid Code and operationalized with similar conditions and code of conduct.

(iii). KE submitted that the ACRP must ensure full and equal representation of all the stakeholders, including it. Further, KE suggested the inclusion of MO in the ACRP upon legal separation of CPPA-G into MO and SPA to avoid any potential conflict of interest.

(iv). The Authority considers that NGC, in its capacity as MSP, holds the primary responsibility for the provision of metering data, whereas ISMO, in its roles as SO and MO, is obligated to provide data to the CPPA-G for the settlement of Legacy Contracts.

(v). In order to ensure the smooth flow of information and a structured exchange of communication between entities, the Authority is of the considered view that both NGC and ISMO shall be treated as Code Participants, limited to their respective roles relating to the administration and settlement of Legacy Contracts under the Code and other applicable documents.

(m). Whether the provisions for signing of PPAA's by CPPA-G as SPA with entities other than XW-DISCOs and KE be included in the Agency Code, in order to enable CPPA-G for sale of surplus electricity from legacy contracts to other electric power suppliers (SEZs, etc.) for improved assets efficiency and liquidity of the sector, subject to approval from relevant forums?

(i). CPPA-G submitted clauses relating to the definition and description of demand participants may be amended to reflect future scenarios where, upon the approval of applicable Governmental policies and provision of transactional structure by the Authority, CPPA-G will be required to act as a procurement agent for Special Economic Zones (SEZs). Further, during the aforementioned discussion sessions, CPPA-G also proposed to introduce provisions for DISCOs to be privatized in the future. Further, CPPA-G shall amend the draft Agency Code to reflect this understanding.



(ii). MEPCO submitted that CPPA-G, acting as SPA, may execute PPAAAs for the sale of surplus electricity to entities other than DISCOs/KE, subject to defined terms and prior consultation with all DISCOs, which may reduce overall electricity cost and capacity burden. GEPCO emphasized that although capacity and energy are reserved for DISCOs, a Federal Government policy decision is necessary to allow supply to SEZs through separate PPA(s)/EPA(s), with CPPA-G/SPA continuing as Agent of DISCOs to protect obligations and enhance efficiency, liquidity, and affordability in the power sector.

(iii). KE submitted that legacy contracts serve the regulated demand of SoLRs, and under the existing regulatory framework, supply to SEZs should only be made through DISCOs/KE under a new tariff category. It was emphasized that direct sales could distort consumer mix, affect the privatization of DISCO(s)/SoLR(s) and create idle capacity cost issues. Hence, the proposal requires holistic evaluation within the regulatory framework and with stakeholder consultation.

(iv). BOI supported the sale of electricity by CPPA-G to SEZs at the pool price with enabling provisions in the Agency Code, and proposed exemption of SEZs from the uniform tariff regime to allow competitive tariffs not exceeding those outside SEZ areas. It was emphasized that, as the SEZ law has an overriding effect, no tariff or supply arrangement should place SEZ developers or enterprises at a disadvantage compared to industries outside the zones. The MoPD&SI, in its comments, supported the inclusion of provisions in the Agency Code enabling CPPA-G, as SPA, to sign PPAAAs with entities such as SEZs in addition to DISCOs/KE.

(v). The Authority has examined the submissions and subsequent developments relevant to the matter. It is noted that the Government of Pakistan has already approved an O&M regime for SEZs, while the Authority has, through S.R.O 1098(I)/2025 dated June 19, 2025, notified supplier-to-supplier sale amendments in the NEPRA Licensing (Electric Power Suppliers) Regulations, 2022. In view of these regulatory advancements, the Authority is of the considered view that, given the recent developments in the matter, designating the SPA as the agent of SEZs is no longer needed.



(vi). With respect to the proposal of CPPA-G for introducing provisions relating to the potential privatization of DISCOs, the Authority has deliberated on the same. In this regard, the Authority has observed that although privatization of certain DISCOs remains under active consideration at the policy level, there is, at present, no transaction in execution as the modalities are yet to be finalized. In such circumstances, the Authority is of the view that inserting pre-emptive provisions into the Agency Code would be premature and may necessitate substantive revisions once the terms of privatization are finalized.

(vii). At the same time, the Authority recognizes the importance of a flexible regulatory framework that remains adaptable to future developments. It is therefore considered appropriate to retain the current concept of DISCO(s)/SoLR(s) and KE as demand participants. However, a facilitative clause in Chapter 5 of the Agency Code has been incorporated, providing that in the event any existing DISCO/SoLR is privatized in the future, the transfer pricing mechanism applicable to such an entity shall be governed by the terms and conditions of its respective SPAA.

(F). Approval of the Authority

(i). In light of the findings in the preceding paragraphs, the Authority is of the considered view that the role of CPPA-G shall be limited to the administration and settlement of Legacy Contracts after the CMOD. Any function extending beyond this scope shall be excluded from its mandate.

(ii). In view of the above, the Authority considers that the application of CPPA-G for Registration as SPA is compliant with the relevant provisions of the Act and the Registration Regulations. Further, the grant of the Registration and approval of the Agency Code are necessary for the timely operationalization of the CTBCM and bringing transparency to transactions in the system.

(iii). Accordingly, the roles and responsibilities of CPPA-G, in its capacity as agent of the DISCOs and KE for Legacy Contracts, have been explicitly demarcated in its Registration and in the approved Agency Code. Any functions beyond this scope are to be assumed by the respective entities after a transitional period of twelve (12) months from the CMOD, as elaborated in the preceding paragraphs.



(iv). Foregoing in view, the Authority hereby approves (a). the grant of Registration to CPPA-G to perform the functions of; and (b). the Agency Code (with Changes), as annexed to this determination. The grant of this 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)



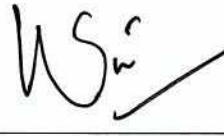
Rafique Ahmed Shaikh
(Member)




Amina Ahmad^e
(Member)



Waseem Mukhtar
(Chairman)





 my note is attached

Note of Member (Law)

The below is in regards to the definition of 'Legacy Contracts':

Whilst the exact date of CMOD is not known, it is expected that it will be in October of this year. Assuming for the purposes of this note that CMOD is on 27 October 2025, that means that all generation projects that are under development and have met all the requirements of the law (the Act, Rules, Regulations, guidelines, codes, standards etc.), the power policy and plan, are 'committed' or 'optimized in the IGCEP and included in the power acquisition programme, and have procured the numerous approvals, consents, authorizations, licenses etc. from the various bodies required to set up a project in Pakistan, will on 28 October 2025, be unable to proceed with the project as they will be unable to sign a PPA/EPA. In other words, a project that has somehow managed to navigate its way through all the obstacles and hurdles (of which there are no doubt, many) in this maze of ever increasing and changing requirements and has been given the green light at every other corner, will now have to be temporarily or permanently shelved because on 28 October it will no longer have a bankable contract nor a purchaser.

The issue is not that the PPA/EPA with DISCO's may provide for increased risk for the generating companies (generating companies should be able to assess their own risk appetite, if any known increased risk makes the project unfeasible, the company can choose, at an early stage not to proceed with the project), the issue is that even if a project is willing to enter into such a PPA/EPA, no such PPA/EPA is available and no DISCO is ready to sign it. Whilst an exercise (for development of the standardized PPA/EPA templates for execution between DISCOs and generation companies) was reportedly initiated in 2021-22, it remained at a nascent stage and to date the security package has not been finalized despite the fact that multiple communications in this respect were sent by NEPRA to relevant entities.

My concern on this matter is not project specific, I do not even know if there are any such projects that are otherwise ready and will be adversely affected only by this - if we, as a country, believe that we do not need any further addition of generation for some time, we should stop processing such projects, there is absolutely no justification in adding more generation if it is not required. On the flip side however, IF we do want all or some of the projects under development to proceed to commercial operations, we should stop creating new hurdles at every corner. This is a complete failure on the part of those that were responsible for developing the new security package and ensuring DISCOs 'readiness'.

AA

Amina Ahmed



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

CERTIFICATE OF REGISTRATION

No. SPA/01/2025

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

**Central Power Purchasing Agency (Guarantee) Limited (having
Corporate Universal Identification No. 0068608)**

to act as an agent of XW-DISCOs and K-Electric Limited to govern and ensure smooth administration and settlement of Legacy Contracts subject to and in accordance with the terms and conditions specified in the annexure attached herewith.

Issued under my hand on this 14th day of October Two Thousand & Twenty-Five, and expiring on the 13th day of October Two Thousand & Thirty-Five.


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). "Agency Code" means the specific procedure or set of procedures to administer the Legacy Contracts, prepared and revised by the SPA with the approval of the Authority from time to time;
- (c). "Applicable Documents" means the rules, regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, agreements or documents issued or approved under the Act;
- (d). "Authority" means the National Electric Power Regulatory Authority constituted under Section 3 of the Act;
- (e). "Code Participant" shall have the same meaning as assigned under clause 2.51(h) of the Agency Code;
- (f). "Competitive Trading Bilateral Contract Market or CTBCM" means the electric power market established in accordance with the high-level and detailed designs approved by the Authority vide its determinations dated 5th December 2019 and 12th November 2020, as may be amended by the Authority from time to time;
- (g). "Legacy Contract" shall have the same meaning as assigned under clause 2.51(x) of the Agency Code;
- (h). "KE" means K-Electric Limited or its successor(s) or permitted assignee in its role as the Supplier of Last Resort;
- (i). "Registered Person" means the Central Power Purchasing Agency (Guarantee) Limited, and its successor(s) or permitted assignee;



- (j). "Registered Services" means the electric power services for which the Registered Person is authorized under this Registration;
- (k). "Registration" means the registration granted to the Registered Person to act as an agent of XW-DISCOs and KE to govern and ensure the smooth administration and settlement of Legacy Contracts;
- (l). "Registration Regulations" means the National Electric Power Regulatory Authority (Registration) Regulations, 2022, as amended, or substituted from time to time;
- (m). "Registration Rules" means the Registration (Manner and Conditions for Entities providing Electric Power Services) Rules, 2023;
- (n). "Special Purpose Agent" or "SPA" means the person registered under Section 25A of the Act to perform the functions as provided in this Registration and the Agency Code;
- (o). "Supplier of Last Resort" or "SoLR" 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;
- (p). "System Operator" or "SO" means a person licensed under section 23G of the Act; and
- (q). "XW-DISCOs" means the Ex-WAPDA Distribution Companies 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 to them in the Act and Applicable Documents made thereunder.



Article-2

Grant of Registration

The Authority hereby grants this Registration to the Central Power Purchasing Agency (Guarantee) Limited to undertake the functions of SPA, subject to the provisions of the Act, the terms and conditions of this Registration, and Applicable Documents.

Article-3

Scope of the Registration

3.1 The SPA shall perform its functions in accordance with this Registration, Agency Code, and other Applicable Documents. The key functions that the SPA shall perform are:

- (a). governing and ensuring the smooth administration and settlement of the Legacy Contracts in accordance with the relevant provisions of the Act, the Agency Code and Applicable Documents; and
- (b). establishing and governing the commercial and financial settlement system among Code Participants.

3.2 The detailed roles and responsibilities that the SPA shall perform are specified in the Agency Code annexed to this Registration.

Article-4

Term and Commencement

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

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

4.3 Where the Authority decides to grant renewal of the Registration, it may do so on such revised scope, terms, or conditions as it deems appropriate.

4.4 The Authority may grant or refuse an application for renewal, provided that reasons for such a decision shall be recorded in writing.



Article-5
Annual Fee

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

Article-6
Modification of Registration

The Authority may, either on its own motion or upon application by the Registered Person, amend or modify this Registration in accordance with Section 26 of the Act read with Rule 5 of the Registration Rules, and other 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

The Registered Person shall, at all times, comply with the Registration Rules and shall promptly notify 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, the Agency Code, and all other Applicable Documents.

Article-10
Tariff/Charges

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



Article-11
Obligation with Respect to CTBCM

11.1 The Registered Person shall support and facilitate the development, operation and sustainability of a liquid, transparent and efficient competitive electric power market.

11.2 The Registered Person shall not engage in any conduct or practice that has the purpose or effect of preventing, restricting, distorting, or impeding competition in the competitive electric power market.

Article-12
Availability of Resources

12.1 The Registered Person shall, at all times, employ and maintain a sufficient number of appropriately qualified and experienced personnel to ensure the effective, efficient, reliable, and prudent performance of its functions.

12.2 The Registered Person shall ensure that it possesses and maintains at all times the requisite technical and financial capability, material, and human resources, and an adequate organizational structure to discharge its functions in an effective, efficient, reliable, and prudent manner.

Article-13
Provision of Information

13.1 The Registered Person shall be obligated to provide such information to the Authority in accordance with Section 44 of the Act, and any other Applicable Documents.

13.2 Failure to comply with the directions of the Authority or to furnish such information as may be required by the Authority from time to time shall render the Registered Person liable to penalties in accordance with the relevant regulations of the Authority.

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

13.4 The Registered Person shall submit progress reports to the Authority in accordance with the Registration Rules and Registration Regulations on the status of



activities being undertaken and shall, where required by the Authority or applicable law, publish such reports in an appropriate manner.

Article-14
Compliance with Codes and Standards

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

14.2 The Registered Person shall submit to the Authority annual reports demonstrating compliance with the terms and conditions of this Registration in such form and manner as the Authority may prescribe.

Article-15
Settlement of Disputes

Any dispute arising out of, or in connection with, this Registration or the activities performed by the Registered Person pursuant hereto, or under the Registration Regulations, shall be resolved in accordance with the applicable provisions of the Registration Regulations and where relevant, the Agency Code.

Article-16
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 SPA.

Article-17
Duty to Maintain Confidentiality

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

Article-18
Investigation and Proceedings by the Authority

18.1 Without prejudice to, and in addition to, the powers conferred upon the Authority under the Act, and rules and regulations made thereunder, where the Authority determines that the Registered Person has violated any applicable law, regulation, 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.



18.2 Where it comes to the knowledge of the Registered Person that another registered person, licensee, or concurrence holder has breached the terms of its Registration or any Applicable Document, the Registered Person shall promptly report such suspected non-compliance to the Authority.

18.3 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.

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

Article-19 **Maintenance of Record**

19.1 The Registered Person shall maintain complete, accurate and up-to-date records of all aspects of its registered functions in accordance with the Registration Regulations and other Applicable Documents. Such records shall be maintained in both physical and electronic forms.

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

Article-20 **Accounting Practices**

20.1 The Registered Person shall maintain proper books of 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 an annual or such other intervals as the Authority may require. In this regard, the Registered Person shall conduct operational and financial audits in compliance with applicable laws and standards, as set forth in the Agency Code.



20.2 Without prejudice to the provisions of the Applicable Documents regarding audit of the accounts, the Authority may, after giving the Registered Person an opportunity of hearing, appoint independent auditors of national or international repute from a panel specified by the Authority through a notification in the official Gazette to 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.

20.3 All costs associated with the above-referred audits shall be borne by the Registered Person.

Article-21 **Communication**

21.1 The Registered Person shall designate an authorized representative to act as a primary contact with the Authority on all matters relating to this Registration. The Registered Person shall promptly notify the Authority in writing of any change in the contact details of the representative.

21.2 All communication with the Authority shall be in writing, unless otherwise directed by the Authority, and may be transmitted through facsimile, electronic means, or any other mode approved by the Authority.

Article-22 **Effective Coordination**

The Registered Person shall, at all times, ensure prompt, effective and transparent coordination with the Code Participants and other relevant stakeholders for compliance with the provisions of the Applicable Documents.

Article-23 **Directions of the Authority**

The Registered Person shall comply with and give full effect to all directions, orders, and instructions issued by the Authority from time to time, and shall furnish such information, data, analyses, reports, and studies as may be required or directed by the Authority.



Article-24
Revocation, Suspension and Cancellation of Registration

Upon being satisfied that the Registered Person is not discharging its functions in accordance with the terms and conditions of the 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 the Act or the relevant regulations and may take such other measures as it deem necessary to safeguard the interests of all stakeholders and the power sector at large.





AGENCY CODE

SPECIAL PURPOSE AGENT
2025



✓ Wab

ACRONYMS

ACRP	Agency Code Review Panel
CDP	Common Delivery Points
CMOD	Commercial Market Operation Date
COD	Commercial Operation Date
CPPA-G	Central Power Purchase Agency (Guarantee) Limited
CTBCM	Competitive Trading Bilateral Contract Market
EPA	Energy Purchase Agreement
FBR	Federal Board of Revenue
GOP	Government of Pakistan
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
ISMO	Independent System and Market Operator of Pakistan
KE	K-Electric
MDI	Maximum Demand Indicator
MO	Market Operator
MSP	Metering Service Provider
NEPRA	National Electric Power Regulatory Authority
NGC	National Grid Company, formerly known as National Transmission and Dispatch Company (NTDC)
O&M	Operation and Maintenance
PHL	Power Holding Limited
PMLTC	Pak Matari-Lahore Transmission Company
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
SO	System Operator
SBLC	Stand By Letter of Credit
SPA	Special Purpose Agent
SPAA	Special Purpose Agency Agreement
WAPDA	Water and Power Development Authority



BACKGROUND

The Agency Code establishes the governing framework for the CPPA-G in its role as a Special Purpose Agent of the Ex-WAPDA DISCOs and KE under the CTBCM regime.

The Agency Code addresses the following core areas:

1. Continuation of SPA Functions: CPPA-G shall continue to perform settlement and administrative functions in respect of Legacy Contracts.
2. Cessation of Procurement Functions: CPPA-G shall no longer undertake the procurement of electric power for and on behalf of Ex-WAPDA DISCOs and KE for any future requirements.

To give effect to this transition, the existing PPAA shall be superseded by a new SPAA. Pursuant to the SPAA, CPPA-G shall remain responsible solely for settlement and administration of Legacy Contracts and shall have no authority to procure electric power on behalf of Ex-WAPDA DISCOs subsequent to the declaration of CMOD of the CTBCM.

This Agency Code shall become effective on and from the date of its approval.



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I. INTRODUCTION

- 1.1.1 Pursuant to the provisions of the Regulation of Generation Transmission and Distribution of Electric Power Act, 1997 and Rule 3 of the NEPRA (Market Operator Registration, Standards and Procedure) Rules, 2015, the Authority granted certificate of registration No. MOR/01/2018 dated 16.11.2018 to the CPPA-G. The registration primarily assigned CPPA-G the following roles:
- (a). procurement of electric power on behalf of DISCOs under the single-buyer regime while permitting DISCOs to also procure on their own; and
 - (b). development of a competitive wholesale electricity market in Pakistan.
- 1.1.2 Vide the terms and conditions of the aforementioned certificate of registration, the Authority directed CPPA-G to separate its power procurement and agency functions from its market operator functions. This functional separation was reiterated in the High-Level Design of the CTBCM approved by the Authority vide its determination dated 05.12.2019, as well as in the Authority's determination of 12.11.2020 wherein the Authority approved the Detailed Design and the Implementation Roadmap of the CTBCM.
- 1.1.3 Subsequently, the Authority granted market operator license No. MOL/01/2022 to CPPA-G under sections 23A and 23B of the Act. The market operator licence obligated functional segregation of the Agency and MO functions followed by their legal separation. In compliance with the direction on functional separation, CPPA-G successfully completed the segregation of its two functions. Furthermore, legal separation of the MO functions has also been completed through the transfer of the MO licence to the newly incorporated ISMO vide Authority's determination dated 30.04.2025.
- 1.1.4 In paragraph H(ii)(d) of the determination of the Authority dated 31.05.2022 regarding the grant of MO licence, the Authority directed CPPA-G to submit an application for registration as a SPA along with the draft Agency Code to perform its role as agent of DISCOs. In compliance thereof, CPPA-G submitted application for registration as SPA along with draft Agency Code for the review and approval of Authority. Following the regulatory proceedings, this Agency Code was approved by the Authority.

1.2 TITLE

- 1.2.1 This code shall be called the Agency Code.



1.3 SCOPE, APPLICABILITY AND COMMENCEMENT

- 1.3.1 The Agency Code (herein after "this Code" or "Agency Code") shall govern the functions of the SPA pursuant to its Registration granted under Section 25A of the Act and the SPAAs executed between the SPA and DISCOs and KE.
- 1.3.2 This Code shall apply to the DISCOs and KE (defined as "Demand Participants").
- 1.3.3 This Code shall apply to the generators that are the selling parties in Legacy Contracts (defined as "Generation Participants").
- 1.3.4 From the commencement of the commercial operations of the CTBCM, and as agreed in the SPAA, the SPA shall act as the agent of the Demand Participants solely for the settlement of Legacy Contracts. In accordance with the applicable legal, policy and regulatory framework, the Demand Participants shall enter into bilateral contracts to meet their future capacity and energy requirements. Such bilateral contracts shall be settled directly between the parties and shall not fall under the administration of the SPA.
- 1.3.5 This Code shall become effective on and from the date of its approval, and the commercial code, as approved by the Authority on 16.11.2018 and amended from time to time, shall stand repealed.

1.4 OBJECTIVES

- 1.4.1 The general objectives of this Code are:
- (a). to govern the effective and efficient functioning of the SPA for the smooth and transparent administration of Legacy Contracts in accordance with the provisions of the Act, the SPA Registration, and the Applicable Documents; and
 - (b). to establish and govern the commercial and financial settlement and payment system for the administration of Legacy Contracts among Demand Participants and Generation Participants.



2. IMPLEMENTATION, ENFORCEMENT, INTERPRETATION, AND CODE REVIEW

2.1 IMPLEMENTATION

- 2.1.1 The SPA shall be responsible for implementing and enforcing this Code, ensuring transparency, fairness, and non-discrimination.
- 2.1.2 All other Code Participants shall abide by this Code and support the SPA in this function, by timely and properly complying with their rights and obligations as stipulated in this Code.

2.2 NON-COMPLIANCE

- 2.2.1 Non-compliance with any of the provisions of this Code by the SPA or any of the Code Participants shall be treated as a violation of the Agency Code.
- 2.2.2 The Authority may impose fines or other sanctions as specified in the Applicable Documents in the event of demonstrated non-compliance with any provision of this Code.

2.3 ENFORCEMENT

- 2.3.1 Any Code Participant that has evidence that any other Code Participant or the SPA has violated or is violating any provision of this Code may file a complaint with the Authority providing the information that justifies and substantiate the complaint. Any non-compliance identified by the SPA shall be immediately reported to the Authority.
- 2.3.2 The Authority may initiate investigations or proceedings pursuant to the Applicable Documents, if it identifies or receives information regarding possible violations of any provision of this Code by any Code Participant or the SPA.
- 2.3.3 The enforcement process by the SPA, for an alleged violation by a Code Participant shall be conducted in accordance with the following steps:
 - (a). The SPA shall send a written notice to the Code Participant describing the alleged violation and the recommended measures or actions to rectify the alleged violation;
 - (b). The Code Participant shall respond in writing, within ten (10) working days from receipt of the notice, to demonstrate that there has not been a violation, or if it agrees to a violation, the measures taken to prevent recurrence, clarifying if these differ from the measures or actions stated in the notice;



- (c). If the SPA is satisfied with the response of the Code Participant, it shall prepare and submit to the Authority within fifteen (15) days a report for information, including justification, measures and actions taken, if any.
- (d). If the SPA is not satisfied with the response, it shall prepare, within fifteen (15) days, a report documenting the alleged violation by the Code Participant and submit it to the Authority, including the proposed measures or actions, for the Authority to continue the assessment, require additional information as necessary, and follow procedures under the Applicable Documents to make the final decision.

2.4 INTERPRETATION

- 2.4.1 In the case of any inconsistency or contradiction between the provisions of this Code and the Act or any rules, regulations, the SPA Registration, or Legacy Contracts, the provisions of the Act, rules and regulations, or the SPA Registration or Legacy Contracts, as applicable, shall prevail to the extent of such inconsistency.
- 2.4.2 This Code shall apply exclusively to the administration of Legacy Contracts. It shall not affect, nor be affected by, the provisions of the Market Commercial Code or the Grid Code.
- 2.4.3 The SPA has the right to interpret this Code as it considers is most appropriate.

Provided that the SPA shall be under the obligation to convey this interpretation, and its justification thereof to the Authority, and publish said interpretation on its website. If any Code Participant differs from this interpretation, it shall be entitled to file its objections with the Agency Code Review Panel (ACRP) for further processing as provided in this Code.

- 2.4.4 The Authority may, on its own motion or upon the request of a Code Participant or the ACRP, review any such interpretation by the SPA or by the ACRP, and provide such interpretation as it considers most appropriate which shall be applicable thereon.
- 2.4.5 Nothing contained in this Code, shall be construed or interpreted in a manner that extinguishes, reduces, derogates from, is inconsistent or at variance with, or otherwise adversely affects, any rights, liabilities and terms set forth in any implementation agreement, Legacy Contract, or in any rule, regulation, license or Applicable Document issued, approved, or notified, under the Act, before approval of this Code.



2.46 This Code, and all actions undertaken thereunder by the SPA and the Code Participants, shall be governed by the applicable laws.

2.5 DEFINITIONS

2.5.1 Capitalized words and expressions used in this Code, unless the context otherwise requires, shall have the following meaning:

- (a). "Act" means the Regulation of Generation, Transmission, and Distribution of Electric Power Act, 1997 (XL of 1997), as amended from time to time;
- (b). "Agency Code Operating Procedure" or "ACOP" means the specific procedure or set of procedures established for carrying out commercial operations, processes, and functions by the SPA pursuant to this Code;
- (c). "Annual Report" means the report prepared by the SPA and submitted to the Authority pursuant to clause 2.10 of this Code.
- (d). "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;
- (e). "Authority" means the National Electric Power Regulatory Authority established under section 3 of the Act;
- (f). "Code" means the Agency Code;
- (g). "Code of Conduct" means the operating procedure developed by the SPA and approved by ACRP relating to the conduct of functions of ACRP as part of this Code;
- (h). "Code Participant" has the meaning ascribed thereto in clause 3.1.1 of this Code;
- (i). "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;
- (j). "Competitive Market Operation Date" or "CMOD" means the date determined or declared by the Authority for commencement of commercial operations of the CTBCM;
- (k). "Commercial Metering System" for the purpose of settlement of Legacy Contracts means the system, established according to the terms of the Legacy Contracts and requirements of the Grid Code and Distribution Code,



to measure the energy injected into or withdrawn from the Transmission or Distribution Network by a Code Participant and used for settlement purposes. The characteristics of the metering system and communications are set in other codes;

- (l). "Common Delivery Points" or "CDPs" means the metering locations on the NGC network, which are between the NGC and the DISCOs' network, or between the DISCOs' network and the power plants of Generation Participants connected to DISCOs' or NGC's network or between any two networks for which measurement is required to execute settlement of Legacy Contracts by the SPA.
- (m). "Competitive Trading Bilateral Contract Market" or "CTBCM" means the electric power market established in accordance with the high-level and detailed design approved by the Authority vide its determinations dated December 5, 2019, and November 12, 2020, respectively as may be amended by the Authority, from time to time;
- (n). "Credit Cover" means the guarantee provided by the Demand Participants to cover the risk of non-payment of their liabilities under this Code, which includes the following:
 - (i). The sovereign guarantee provided to Generation Participants by the Federal Government;
 - (ii). The escrow management agreement with Ex-WAPDA DISCOs as Demand Participants as per the clause 8.2.2;
 - (iii). the form of secured payment procedure as provided under the provisions of the SPAA with KE;
- (o). "Demand Participant" means an Ex-WAPDA DISCO and KE that has a valid SPAA signed with SPA as approved by the Authority;
- (p). "Escrow Account" has the meaning ascribed thereto in the clause 8.2.2 of this Code;
- (q). "Export" or "Back-Feed Energy" means a measure of the electrical energy transferred from the grid to a power plant or complex selling in a Legacy Contract of a Generation Participant;
- (r). "Ex-WAPDA DISCO" or "DISCO" means the Electric Power Supplier licensed under sections 23E and 23F of the Act, which was established pursuant to the



unbundling of WAPDA, including those carved out of the unbundled companies.

- (s). "Federal Government" or "GOP" means the Government of Pakistan, as the context permits;
- (t). "GENCOs" means all government-owned thermal electric power generation companies incorporated pursuant to the unbundling of WAPDA and licensed to carry out generation functions by the Authority;
- (u). "Generation Participant" means a generation company or an entity that is the selling party in a Legacy Contract whose settlement is administered by SPA;
- (v). "Grid Code" means the code prepared by the system operator licensee under section 23H of the Act and approved by the Authority;
- (w). "Independent Power Producer (IPP)" for the purpose of this Code means those electric power-generation companies having Legacy Contracts under (a) the 1994 Power Policy or prior thereto, (b) the 1995 Power Policy, (c) the 2002 Power Policy, (d) the 2006 Renewable Energy Policy, or (e) the 2015 Power Generation Policy or any other policy;
- (x). "Legacy Contract" means a Power Purchase Agreement ("PPA") or an Energy Purchase Agreement ("EPA"), including international interconnection agreements (import/export), off-take arrangements with WAPDA or NGC, which are signed or administered by the CPPA-G before the CMOD;

Explanation: For the avoidance of doubt, any amendment, modification, extension, novation, or supplement to any Legacy Contract, solely to the extent of existing contracted capacity or term, shall also be administered by the SPA.

- (y). "Market Operator" or "MO" means a person licensed under section 23A of the Act to perform the functions of the Market Operator;
- (z). "Master Account" has the meaning ascribed thereto in the clause 8.1.2 of this Code;
- (aa). "Metering Service Provider" has the meaning ascribed thereto in the Market Commercial Code;
- (bb). "National Transmission and Despatch Company Limited" or "NGC" means the National Grid Company licensed by the Authority under the Act;
- (cc). "Registration" means the registration granted to a person under section 25A of the Act and includes the accompanying terms and conditions;



- (dd). "Settlement Statement" has the meaning ascribed thereto in clause 7.5 of this Code;
- (ee). "Settlement System" shall have the meaning ascribed thereto in clause 7.4 of this Code;
- (ff). "Special Purpose Agent" or "SPA" means the Central Power Purchasing Agency (Guarantee) Limited, registered under section 25A of the Act and performing the function as agent of Demand Participants for the settlement of Legacy Contracts as specified in the registration granted by the Authority;
- (gg). "Special Purpose Agency Agreement" or "SPAA" means the agreement, signed by SPA with each Demand Participant duly approved by the Authority, pursuant to which the SPA will be designated as the agent of the Demand Participant for the purposes of administering the settlement of the Legacy Contracts as provided in the SPA Registration and this Code;
- (hh). "Special Purpose Agent Fee" or "SPA Fee" shall have the meaning as ascribed to the term in clause 10.1 of this Code;
- (ii). "System Operator" or "SO" means a person licensed under the section 23G of the Act;
- (jj). "WAPDA" means the Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958.

2.5.2 Words and expressions used but not defined in this Code shall have the same meaning as assigned in the Act, or under any rules and regulations notified and codes approved thereunder.

2.6 AGENCY CODE REVIEW PANEL

- 2.6.1 An Agency Code Review Panel (ACRP) shall be established by the SPA, whose duties shall include reviewing, proposing and recommending amendments to this Code for approval of the Authority.
- 2.6.2 The ACRP shall be chaired by the SPA and include as members representatives designated by the Code Participants. It shall also include a representative of NEPRA, as observer without voting rights.
- 2.6.3 The ACRP shall consist of:
 - (a). chairman from the SPA;
 - (b). one (01) member from the NGC;



- (c). one (01) member from the ISMO;
- (d). one (01) member from Provincial Grid Companies and Special Purpose Transmission Licensees on a 3-year rotational basis in alphabetical order;
- (e). one (01) member from KE;
- (f). three (03) members from each Ex-WAPDA DISCO in their licensed role of Suppliers of Last Resort (on a 3-year rotation basis alphabetically);
- (g). one (1) member from WAPDA;
- (h). one (1) member from Pakistan Atomic Energy Commission (PAEC);
- (i). three (03) members from Independent Power Producers, having valid Legacy Contracts;
- (j). one (01) member from GENCOs;
- (k). one (01) member from the public sector Generation Companies;
- (l). one (01) member from Alternative and Renewable Energy Technologies, having a valid Legacy Contract;
- (m). one (01) member from the industry or an academic institution (on a 3-year rotation basis);
- (n). one (01) member nominated by the Authority without voting rights.

2.6.4 The ACRP shall:

- (a). keep the Agency Code and its implementation under regular review keeping in view the local and global developments and make recommendations to the Authority for approval;
- (b). propose amendments and/or exemptions to the Agency Code based on the principles, objectives and purposes laid down herein with adequate justification, including expected impact thereof;
- (c). consider any amendments which may be necessary to the Agency Code arising out of any unforeseen circumstances referred to it by SPA or any Code Participant.
- (d). consider and approve new or amendments to existing ACOPs for the implementation of the Agency Code, with the explanation and justification thereof;
- (e). incorporate and publish all the amendments approved by the Authority on its website;



- (f). provide interpretation of any provisions of the Agency Code when requested by any Code Participant;
 - (g). resolve disputes between SPA and any Code Participants, when requested by the parties in dispute and report the resolution of the dispute to the Authority; and
 - (h). consider any modifications that may be necessary to the Agency Code arising out of unforeseen circumstances referred to it by SPA or any Code Participant.
- 2.6.5 To convene a meeting, at least ten (10) members of the total strength of the ACRP shall constitute a quorum.
- 2.6.6 The ACRP shall be chaired by the SPA and its secretariat shall be managed by the SPA.
- 2.6.7 Decisions of the ACRP shall be taken by the majority of its voting members present and in the event of a tie, the chairman shall have a casting vote.
- 2.6.8 Members of the ACRP shall have technical or commercial knowledge and expertise in the operation of power systems, metering and contracts, and shall not be members of the Board of Directors but shall be officers or employees of the companies in the relevant categories they represent.
- 2.6.9 At the time of the approval of this Code, the existing members of the review panel of the Commercial Code shall continue and any new representative as per clause 2.6.3 shall be inducted into the ACRP within one (01) month of the approval of this Code.
- 2.6.10 The term for each member of the ACRP shall be three years. A member of the ACRP, whose term has expired, shall be eligible for re-nomination for a further term of three years.
- 2.6.11 The ACRP shall comply at all times with its Code of Conduct, which shall be developed by the SPA, and approved by the ACRP, within three (3) months of the approval of this Code. This Code of Conduct shall:
- (a). provide procedures for the smooth functioning of the ACRP and shall include, inter-alia, procedures regarding nomination of Code Participants, meeting frequency, quorum, voting, decision recording, etc.
 - (b). include provisions to ensure that no vote is made in a meeting of the ACRP by a representative who has a conflict of interest with the decision being made in such a meeting.



2.6.12 Following the establishment of the ACRP pursuant to clause 2.6.1, the SPA shall notify and publish the profiles of the ACRP members on its official website.

2.7 PROCEDURE FOR PROPOSING AMENDMENTS

2.7.1 The ACRP may propose:

- (a). amendments to this Code, provided such proposals are based on the principles, objectives and purposes set forth herein, and are accompanied with adequate justification, including the anticipated impact of the proposed changes; and
- (b). the introduction of new or amendments to existing ACOPs, necessary for the implementation of this Code, together with appropriate explanations and justifications.

2.7.2 A Code Participant, or any other interested party, may file a written request to the SPA proposing amendments to this Code. The amendment application or request shall contain the following:

- (a). the chapters, provisions or clauses proposed to be amended;
- (b). a clear justification of the amendments, including any distortion, gap, or issue of concern in the existing Agency Code;
- (c). description of how the proposed amendments would address the issues and conditions identified in the justification;
- (d). an indicative or summary text proposed for the amendment;
- (e). any other information and supporting document(s) necessary to explain and justify the proposed amendment.

2.7.3 The SPA shall respond by giving a written notice to the party making the submission and publish the same on its website for consultation inviting comments from all Code Participants and other interested persons.

2.7.4 The SPA shall submit the proposed amendment to the ACRP for review and approval by the Authority. The meeting of the ACRP shall be convened within twenty (20) working days of the request for amendment to deliberate on the said amendment.

2.7.5 If deemed necessary, ACRP shall hold consultation meetings with the party that submitted the proposed amendment, other Code Participants, and any other interested party filing written comments. The ACRP shall review the proposed amendment and, if considered reasonable and justified, submit a written report



to the Authority within thirty (30) working days indicating the amendments proposed, and the reasons for its recommendation.

- 2.7.6 The Authority shall consider the Amendment and may require additional information from the SPA or the ACRP, or carry out public or stakeholders' consultations to arrive at an informed decision. If the amendment is approved by the Authority, the Agency Code shall accordingly be amended.
- 2.7.7 A proposed amendment to this Code may be rejected by the ACRP, if the proposal is found to:
- (a). unfairly discriminate against any Code Participant or class of Code Participants.
 - (b). be inconsistent with the objectives and purposes of this Code, or inconsistent with the Act or the Applicable Documents.
- 2.7.8 Upon rejection of the proposed amendment, the ACRP shall prepare a report and submit the same to the Authority explaining the reasons for its decision and publish the same on the SPA website.
- 2.7.9 If the Authority considers that an amendment in the SPA Code is required to be made, the Authority may direct the SPA to make such amendment(s) within thirty (30) days and submit the draft SPA with relevant amendments for the approval of the Authority.
- 2.7.10 The SPA may convene a meeting of the ACRP to consider and submit recommendations on the amendment to the Authority, in support or otherwise, for consideration.
- 2.7.11 If the SPA or the ACRP does not comply with the directions of the Authority within the specified period without providing just cause, the Agency Code shall be deemed to have been amended.

2.8 AGENCY CODE AMENDMENT AND EXEMPTION PROCESS

- 2.8.1 The Authority shall approve this Code, its amendments or any exemption from its provisions. While approving any amendment or exemption, the Authority may consider but not be constrained by the recommendations of the ACRP on the relevant matter.
- 2.8.2 All requests for amendment to or exemption from this Code shall be submitted to the ACRP and thereafter processed and examined by the ACRP.
- 2.8.3 The ACRP after thorough evaluation shall make recommendations to the Authority for approval or rejection of the proposed exemption.



- 2.8.4 The SPA shall maintain an up-to-date approved copy of this Code, including all approved Amendments incorporated in the text of the document, on its website. Further, the SPA shall also publish the details of every exemption granted on its website.
- 2.8.5 The ACRP shall periodically review this Code at least once every three years (03) and propose any amendments that may be required to improve the provisions of this Code in light of the evolving dynamics.

2.9 SPECIAL PURPOSE AGENCY AGREEMENTS

- 2.9.1 The SPA and each Demand Participant shall sign a SPAA to be approved by the Authority, prior to the declaration of the CMOD or within three (03) months of approval of this Code whichever is earlier, pursuant to which the SPA shall be designated as the agent of the Demand Participants for the purposes of administering the settlement of the Legacy Contracts as provided in the SPA Registration and this Code;

Provided that the scope of the SPAA shall be strictly in accordance with the SPA Registration and this Code. In the event of any inconsistency of the SPAA with the Applicable Documents including SPA Registration and this Code, the provisions of the Applicable Documents shall prevail.

Provided further that until the execution of the SPAA, the existing Power Procurement Agency Agreement shall remain in full force and effect, solely to the extent necessary to discharge those functions assigned to the SPA pursuant to the SPA Registration and this Code.

2.10 ANNUAL REPORT

- 2.10.1 The SPA shall prepare an Annual Report entailing the problems experienced during the implementation of this Code and its Operating Procedures, progress and achievement of its purpose, and describing amendments made to this Code or under consideration. This report shall be submitted by the SPA to the Authority within three (03) months of completion of each fiscal year and uploaded on the SPA website.
- 2.10.2 The Annual report shall include but not be limited to the following:
- (a) the statistics of Legacy Contracts settlement transactions;
 - (b) problems identified in the implementation of this Code and ACOPs and the manner of addressing the same;



- (c). interpretations made for this Code by SPA and the rationale, and any conflicts of interpretation of this Code with Code Participants, and interpretations by NEPRA;
- (d). any exemption granted to a Code Participant or any provision made in compliance with this Code or ACOPs, and the duration agreed for the exemption or provision and the reasons thereof, and inform when the exemption or the provision has ended;
- (e). issues identified in the implementation of this Code and the manner of addressing the same.
- (f). details of any proposed amendments, complaints or violations by the Code Participants;
- (g). report on Economic Merit Order Deviation and its annual financial impact; and
- (h). any other actions and plans to identify any problem to improve the performance, transparency, feasible implementation or efficiency, and realization of the objectives of this Code.



3. AGENCY CODE PARTICIPATION & TERMINATION

3.1 CODE PARTICIPANTS

3.1.1 The following will be Code Participants:

(a). Demand Participants:

- (i). The Electric Power Suppliers licensed under sections 23E and 23F of the Act, of Ex-WAPDA DISCOs, including any other Electric Power supplier carved out of the existing Ex-WAPDA DISCOs having valid SPAAs, which shall share the capacity and energy through the Legacy Contracts;
- (ii). KE, to the extent of its share in purchases from the Legacy Contracts as per its SPAA with the SPA; and

(b). Generation Participants:

- (i). Generation Companies or other entities having valid Legacy Contracts.
- (c). The ISMO and the NGC only to the extent of their role administration and settlement of Legacy Contracts as set out in this Code, Legacy Contracts, and other Applicable Documents;

3.1.2 The Code Participants shall provide the following information to the SPA:

- (a). Each Demand Participant shall provide their banking details under their pre-existing payment arrangements with CPPA-G.
- (b). Where an escrow management agreement or SBLC or master collection account agreement for Credit Cover is required, the respective Demand Participant shall provide the required information to the SPA.
- (c). Where a Credit Cover requirement is to be met through an escrow management agreement, SBLC, or master collection account agreement, the respective Demand Participant shall furnish to the SPA all information, documentation, and details necessary to establish and maintain such arrangements in accordance with the applicable provisions of this Code.
- (d). Each Generation Participant shall provide its banking details, including any specific requirements of standing instructions under any arrangement / Legacy Contract, to the SPA.

3.1.3 The SPA may request additional information from Code Participants as and when required to carry out its functions under this Code.



3.2 MAINTENANCE OF THE CODE PARTICIPANTS & CONTRACTS INFORMATION

- 3.2.1 The SPA shall organize, maintain, and publish on its website the information regarding the Code Participants.
- 3.2.2 The SPA shall maintain a register of Code Participants, recording therein all Legacy Contracts, SPAAs or any other legal agreements, as applicable, in effect between the SPA and the Code Participants.

3.3 WITHDRAWAL OF CODE PARTICIPANT

- 3.3.1 Participation of a Code Participant will end only once the following conditions have been met:
- (a). For Generation Participants, participation shall end pursuant to the expiry/ termination of their respective Legacy Contract;
 - (b). For Demand Participants, participation can end pursuant to the expiry/ termination of their respective SPAAs or termination of all Legacy Contracts;
- 3.3.2 Notwithstanding the above, the Code Participant whose participation has ended shall remain liable for all of its obligations and liabilities as a Code Participant that incurred or arose prior to the date of its withdrawal.



4. SPA FUNCTIONS

4.1 ROLES AND RESPONSIBILITIES OF THE SPA

- 4.1.1 The SPA shall act and perform its functions in accordance with the SPA Registration and this Code.
- 4.1.2 The SPA shall, *inter-alia*, be responsible for the following functions:
- (a). administration, maintenance, and implementation of this Code;
 - (b). supervision, enforcement and ensuring compliance with this Code by the Code Participants;
 - (c). verification and validation of invoices based commercial meter reading provided by the MSP or scheduling & dispatch report provided by the SO, in accordance with the terms and conditions of the Legacy Contracts of the Generation Participants;
 - (d). calculation of monthly energy and capacity transfer charges of Demand Participants pursuant to this Code;
 - (e). establishment and maintenance of a payment system for collection and disbursement of payments from and to the Code Participants pursuant to this Code;
 - (f). management of cash flow, treasury management and other relevant banking functions for collection and disbursement of payments as provided under this Code;
 - (g). administration of the development of and amendments to this Code for submission to the Authority for approval and provision of secretarial support to the ACRP;
 - (h). collection of information and statistics and publication of relevant information and reports under this Code on the SPA website or as required by the Authority from time to time;
 - (i). administration of governance mechanisms, including proposing amendments to the Code, dispute resolution and reporting;
 - (j). timely preparation and submission of annual and monthly reports to the Authority; and
 - (k). performance of any other function incidental to this Code and SPA Registration or required pursuant to a regulatory direction;



5. ADMINISTRATION OF LEGACY CONTRACTS

5.1 COMMERCIAL TRANSACTIONS AND TRANSFER PRICE

5.1.1 The SPA shall administer commercial transactions with Generation Participants in accordance with terms and conditions stipulated in the respective Legacy Contracts, and will consist of, as applicable:

- (a). sale of energy and capacity by Generation Participants under the Legacy Contracts;
- (b). import or export of electric power including capacity and/or energy, as applicable;
- (c). purchase of electric power by the Generation Participants as per their respective Legacy Contracts i.e., Back-Feed Energy;

5.2 GENERATOR INVOICES AND VALIDATION

5.2.1 Each Generation Participant shall prepare and submit to the SPA invoices for energy and capacity in accordance with the:

- (a). terms, conditions, and methodologies prescribed in its respective Legacy Contract; and
- (b). tariffs approved and notified by the Authority or notified by the Federal Government, as the case may be.

5.2.2 The SPA shall receive the invoices for energy and, if applicable, the corresponding capacity imported during the month, pursuant to the terms and conditions reflected in the corresponding Legacy Contracts.

5.2.3 The SPA shall prepare the invoices for the energy exported / Back-Feed Energy and, if applicable, the corresponding capacity sold during the month, pursuant to the terms and conditions in the corresponding Legacy Contracts or as provided in Annex-A of this Code.

5.3 TRANSFER CHARGE

5.3.1 The transfer charge mechanism is used to derive the formula for the transfer price for the settlement of Legacy Contracts, invoices and the payment notifications raised against each Demand Participant. This formula is as below:

$$TC_i = CC_i + EC_i + GST_i + SPAF_i$$

Where:

TC_i = Transfer Charges (TC) of the Demand Participant "i" in PKR



CC_i = Capacity charge of Demand Participant "i" calculated pursuant to clause 5.7.1 or 5.7.2 or 5.8.1 as applicable, to this Code, in PKR

EC_i = Energy charge of Demand Participant "i" calculated pursuant to clause 5.7.3 or 5.7.4 or 5.8.3 as applicable, of this Code, in PKR

GST = General Sales Tax applicable to Demand Participant "i" pursuant to the Transfer Charges

$SPAF_i$ = The share of Demand Participant "i" in the amount of CPPA's Agency Fee as approved or determined by NEPRA and notified from time to time;

- 5.3.2 Notwithstanding the provisions of clause 5.3.1 above, for a period not exceeding twelve (12) months from the date of CMOD, the following formula for the transfer charge shall be applied:

$$TC_i = CC_i + EC_i + GST_i + UOTSC_i + TSC_i + SPAF_i + ISMOF_i$$

Where:

TC_i = Transfer Charges (TC) of the Demand Participant "i" in PKR

CC_i = Capacity charge of Demand Participant "i" calculated pursuant to clause 5.7.1 or 5.7.2 or 5.8.1 as applicable, of this Code, in PKR

EC_i = Energy charge of Demand Participant "i" calculated pursuant to clause 5.7.3 or 5.7.4 or 5.8.3 as applicable, of this Code, in PKR

GST = General Sales Tax applicable to Demand Participant "i" pursuant to the Transfer Charges

$UOTSC_i$ = The amount of Use of Transmission System Charges billed by NGC to Demand Participant "i" through SPA pursuant to the applicable tariff as determined by the Authority and notified from time to time;

TSC_i = The amount of PMLTC's Transmission Service Charge billed by NGC to Demand Participant "i" through SPA pursuant to the applicable tariff as determined by the Authority and notified from time to time for Demand Participant "i"

$SPAF_i$ = The amount of CPPA's Agency Fee pursuant to the applicable tariff as determined by the Authority and notified from time to time for;

$ISMOF_i$ = The amount of ISMO Fee pursuant to the applicable tariff as determined by the Authority and notified from time to time for Demand Participant "i;"

- 5.3.3 Within the period of twelve (12) months as provided in clause 5.3.2 above, the NGC and ISMO shall develop their own mechanisms, including signing of bilateral connection agreements and market participation or service provider



agreements, as the case may be, for recovery of their charges/fees directly from the Demand Participants without involvement of the SPA;

5.4 CALCULATION OF TOTAL CAPACITY CHARGE

5.4.1 The SPA shall calculate the total amount to be paid for capacity, corresponding to the Legacy Contracts, by the Demand Participants as per the following:

- (a). The total amount of the capacity component of invoices submitted by the Generation Participants for the month under Legacy Contracts or a provision made where the invoice is not received by the SPA; plus
- (b). The total amount of pass-through item invoices submitted by the Generation Participants for the month under the Legacy Contracts; minus
- (c). The adjustment of the difference between the amount of capacity component or pass-through item invoices submitted by the Generation Participants, and the corresponding amounts verified by the SPA in the preceding month, as a result of verification; minus
- (d). Any deductions on account of liquidated damages applicable under the Legacy Contracts and realized; plus;
- (e). The invoices for capacity corresponding to imports having Legacy Contracts for the month, which will also include the adjustment of exchange gains/losses; minus
- (f). The invoices for capacity corresponding to exports having Legacy Contracts for the month, which will also include the adjustment of exchange gains/losses.

Mathematically:

$$TCC = \sum_{i=1}^{GP} (CpGenCap_i + PsTh_i - CpGenCap_{iadj} - LD_i) + \sum_{i=1}^{NI} CP_Imp_i - \sum_{i=1}^{NE} Cp_Exp_i$$

$$CTR = \frac{TCC}{TD_{MDI}}$$

Where:

TCC = Total capacity charges, expressed in PKR

$CpGenCap_i$ = Cost for capacity component for the Legacy Contracts of Generation Participant "i" for the month in PKR

LD_i = Liquidated damages payment under the Legacy Contracts by the Generation Participant "i" for the month in PKR



$PsTh_i$ = Pass-through costs (called supplementary charges in some Legacy Contracts invoiced by the Generation Participants "i" for the month in PKR

$CpGenCap_{iadj}$ = Adjustment for disallowed costs for capacity component of Generation Participant for the previous month in PKR

CP_Imp_i = Fixed (capacity) payments for the import "i" for the month, provided such kind of payment is included in the corresponding Legacy Contract, in PKR

CP_Exp_i = Fixed (capacity) payments received from Generation Participants "i" receiving Export, provided such kind of payment is included in the corresponding Legacy Contract, in PKR

GP = Total number of Generation Participants

NI = Total number of Generation Participants involved in imports, which have Legacy Contracts

NE = Total number of Generation Participants involved in Export, which have Legacy Contracts

CTR = Capacity Transfer Rate in PKR/MW

TD_{MDI} = Total MDI of Ex-WAPDA DISCOs after subtracting the firm capacity as determined by the MO for bilaterally contracted capacity of the Ex-WAPDA DISCOs plus the MDI of KE. This MDI shall be calculated in accordance with the criteria set by the Authority from time to time.

5.5 CALCULATION OF TOTAL ENERGY CHARGES

5.5.1 The total amount to be paid for energy by Demand Participants is calculated as:

- The amount of energy component of invoices submitted by the Generation Participants for the month under the Legacy Contracts or a provision made where the invoice is not received by the SPA; minus
- The total amount against Back-Feed Energy for Generation Participants during the month; minus
- The adjustment of the difference between the amount of energy invoices submitted by the Generation Participants in the preceding month, and the corresponding amounts verified by the SPA; plus
- The invoices for energy corresponding to imports having Legacy Contracts for the month; minus
- The invoices for Energy corresponding to exports having Legacy Contracts for the month.

Mathematically:



$$TEC = \sum_{i=1}^{GP} CpGenEn_i - \sum_{i=1}^{GP} BFE_i - \sum_{i=1}^{GP} CpGenEn_{iadj} + \sum_{i=1}^{NI} EP_Imp_i - \sum_{i=1}^{NE} ER_Exp_i$$

$$ETR = \frac{TEC}{TEU}$$

Where:

TEC = Total energy charges, in PKR

$CpGenEn_i$ = The amount of energy sales component for Legacy Contracts of invoices submitted by the Generation Participant "i" for the month, in PKR

$CpGenEn_{iadj}$ = Adjustment for disallowed costs for energy component for Legacy Contracts of Generation Participant "i" for the previous month, in PKR

BFE_i = The total amount of Back-Feed Energy payments, payable by the Generation Participant "i" for Legacy Contracts, for the month, in PKR

EP_Imp_i = Energy payments for the energy imported, as per the provisions of the corresponding Legacy Contracts, for the month, in PKR

ER_Exp_i = Energy revenues for the energy exported, as per the provisions of the corresponding Legacy Contract, for the month, in PKR

GP = Total number of Generation Participants which have Legacy Contracts with energy payments, as determined by the Authority

NI = Total number of Generation Participants involved in imports, which have Legacy Contracts

NE = Total number of Generation Participants involved in exports, which have Legacy Contracts

ETR = Energy transfer rate, in PKR/kWh

TEU = Energy recorded of all Demand Participants as per the Commercial Metering System in kWh pertaining to the Legacy Contracts.

5.6 PHASES OF CALCULATION OF TRANSFER CHARGES FOR DEMAND PARTICIPANTS

5.6.1 There shall be two phased approaches for the calculation of transfer charges for Ex-WAPDA DISCOs:

- (a). Phase 1: This phase shall be applicable from the date of CMOD and shall remain applicable for a period of 12 months. During this phase, the capacity charges will be transferred to the Demand Participants based on MDI. Initially for three months, the MSP shall provide the MDI data on a coincidental basis and the SPA shall calculate the CTR on a trial basis based on the coincidental MDI. After the trial period of three months, the SPA shall transition from the



current non-coincidental MDI mechanism towards a coincidental MDI mechanism for the calculation and charge of the CTR.

- (b). Phase 2: This phase shall commence upon the end of phase 1. During this phase, the capacity charges shall be transferred to the Ex-WAPDA DISCOs based on the commercial allocation factors determined as per the provisions of the Market Commercial Code.

5.7 CHARGES APPLIED TO DEMAND PARTICIPANTS DURING PHASE 1

- 5.7.1 The Capacity charge applied to each Demand Participant shall be calculated by the SPA on an MDI basis (not subject to GST) as follows:

$$CC_i = CTR \times MDI_i$$

Where:

CC_i = Capacity charges of Demand Participant "i", in PKR

CTR = Capacity transfer rate in PKR/MW (calculated as per 5.4.1)

MDI_i = MDI of the Demand Participant "i" related to the Legacy Contracts, in MW

- 5.7.2 Notwithstanding the provisions of clause 5.7.1 above, for a period of twelve (12) months from the date of CMOD, the formula for CC shall also include ancillary services charges and Balancing Mechanism for Capacity (BMC) charges, if applicable, not subject to sales tax as per applicable laws, to be communicated by the MO to the SPA.

$$CC_i = CTR \times MDI_i \pm ASC_{MOi} \pm BMC_i$$

Where:

ASC_{MOi} = The ancillary services charge notified by MO to the Ex-WAPDA-DISCO "i" and communicated to SPA (not chargeable to GST as per applicable revenue Laws)

BMC_i = The Balancing Mechanism for capacity charge notified by the MO to the Ex-WAPDA DISCO "i" and communicated to SPA.

Provided that within the period mentioned at 5.7.2, the XW-DISCOs shall open their accounts under the Market Commercial Code for the payment of such ancillary service charges and BMC charges directly to the MO without the involvement of the SPA.

- 5.7.3 The energy charge applied to each Demand Participant shall be calculated by multiplying the energy transfer rate with energy related to the Legacy Contracts as per the Commercial Metering System for each Demand Participant (subject to GST) in the relevant month as follows:



$$EC_i = ETR \times EU_i$$

Where:

EC_i = Energy charge of each Demand Participant, in PKR

ETR = Energy transfer rate, calculated pursuant to clause 5.5.1, in PKR/kWh

EU_i = Energy recorded of Demand Participant "i" as per the Commercial Metering System in kWh pertaining to Legacy Contracts.

- 5.7.4 Notwithstanding the provisions of clause 5.7.3 above, for a period of twelve (12) months from the date of CMOD, the formula for EC shall also include ancillary services charges, subject to sales tax as per applicable laws, and Balancing Mechanism for Energy (BME) charges pertaining to XW-DISCOs to be communicated by the Market Operator to the SPA.

$$EC_i = ETR \times EU_i \pm ASC_{MOi} \pm BME_i$$

Where:

ASC_{MOi} = The ancillary services charge notified by MO to the Ex-WAPDA DISCO "i" communicated to SPA (chargeable to GST as per applicable revenue Laws)

BME_i = The invoices/settlement statement from MO corresponding to the BME notified to Ex-WAPDA DISCO "i" and communicated to SPA during the Settlement Period.

Provided that within the period mentioned above, the XW-DISCOs shall open their accounts under the Market Commercial Code for the payment of such ancillary charges and imbalance charges directly to the MO.

5.8 CHARGES APPLIED TO DEMAND PARTICIPANTS DURING PHASE 2

- 5.8.1 The capacity charges applicable to Ex-WAPDA DISCOs shall be calculated in the following way:

$$CC_i = [TCC - (CTR \times MDI_{KE})] \times CAF_i$$

Where:

CC_i = Capacity charges of Ex-WAPDA DISCO "i," expressed in PKR

TCC = Total capacity charges calculated pursuant to the clause 5.4.1, in PKR

CAF_i = Commercial allocation factors of the Ex-WAPDA DISCO "i" calculated pursuant to the provisions of the Market Commercial Code.

All other terms have the same meaning as described above.

- 5.8.2 The Capacity Charge applied to KE shall be calculated as follows:



$$CC_{KE} = CTR \times MDI_{KE}$$

Where:

CC_{KE} = Capacity charges of KE, in PKR

CTR = Capacity transfer rate, calculated pursuant to clause 5.4.1 in PKR/MW

MDI_{KE} = MDI of the KE, in MW

- 5.8.3 The energy charge applied to each Demand Participant shall be calculated as follows:

$$EC_i = ETR \times EU_i$$

Where

EC_i = Energy charge of each Demand Participant "i," in PKR

ETR = Energy transfer rate, calculated pursuant to clause 5.5.1, in PKR/kWh

EU_i = Energy recorded of Demand Participant "i" as per the Commercial Metering System in kWh pertaining to Legacy Contracts.

5.9 DELAYED PAYMENT CHARGES

- 5.9.1 The delayed payment charges applicable to Demand Participants shall be calculated as follows:

- For K-Electric, the delayed payment charges shall be calculated in accordance with the provisions of its SPAA with the SPA, and such information shall be published on the SPA website.
- For Ex-WAPDA DISCOs, the delayed payment charges verified by the SPA shall be calculated by the ratio of payables by each Ex-WAPDA DISCO for the transfer charge of electricity. The Ex-WAPDA DISCOs may independently create a provision for accruing the total costs of late payment interest in accordance with their own respective payables to the Generation Participants.

Mathematically:

$$DPC_j = \frac{\sum_{i=1}^{GP} DPC_i}{\sum_{j=1}^n OA_j} \times OA_j$$

Where;

"j" = The Ex-WAPDA DISCO

DPC_i = The amount of delayed payment charge invoices submitted by the Generation Participant "i" for Legacy Contracts for the month



OA_j = The outstanding amount payable for Legacy Contracts by each Ex-WAPDA DISCO "j" under this Code to the Generation Participants.

GP = Total number of Generation Participants who have submitted delayed payment charge invoices

n = Total number of Ex-WAPDA DISCOs

5.10 GENERAL SALES TAX (GST)

- 5.10.1 The GST applied by the Generation Participants on any invoice, on the SPA Fee, and/or applied on any other item of the total energy charges, which are subject to GST, in accordance with the applicable revenue laws, shall be transferred to the relevant Demand Participants.

5.11 SPECIAL PURPOSE AGENT FEE

- 5.11.1 The SPA Fee shall be calculated in accordance with the methodology set out in Chapter 10 of this Code and shall be submitted to the Authority for approval.

5.12 NGC USE OF TRANSMISSION SYSTEM CHARGES

- 5.12.1 Subject to the clause 5.3.2, the NGC shall calculate its use of system charges as well as that of PMLTC receivable from each Demand Participant in accordance with the determination of the Authority. The NGC shall issue invoices to the relevant Demand Participants, with a copy to the SPA for the purpose of calculating the Transfer Charge. Each recipient shall verify the invoice and notify the SPA of the undisputed amount payable. The SPA shall settle such payables in accordance with the provisions of this Code.

5.13 INDEPENDENT SYSTEM AND MARKET OPERATOR FEE

- 5.13.1 Subject to the clause 5.3.2, the ISMO shall calculate its fee receivable from each Demand Participant in accordance with the determination of the Authority. The ISMO shall issue invoices to the relevant Demand Participants, with a copy to the SPA for the purpose of calculating the Transfer Charge. Each recipient shall verify the invoice and notify the SPA of the undisputed amount payable. The SPA shall settle such payables in accordance with the provisions of this Code.

5.14 TRANSFER PRICING FOR DEMAND PARTICIPANTS PRIVATIZED IN THE FUTURE

- 5.14.1 Notwithstanding the provisions of Chapter 5, the transfer pricing mechanism for existing Demand Participants privatized in the future shall be in accordance with the terms and conditions of their respective SPAAAs.



6. COMMERCIAL METERING: METER READING AND DATA COLLECTION

- 6.1.1 All energy and capacity used for settlement of Legacy Contracts shall be measured through the Commercial Metering System in accordance with the Grid Code and Market Commercial Code.
- 6.1.2 The Metering Service Provider shall ensure that the metering information related to the Generation Participants submitted to the SPA and the MO on a periodically is identical and consistent in all manner. In the event of any updates or revisions to previous metering information, the updated information shall be provided simultaneously to both the SPA and the MO.
- 6.1.3 For the purposes of settlement of Demand Participants, the ISMO shall provide to the SPA all the relevant information, including energy withdrawal, MDI or any other required data, in accordance with the Market Commercial Code.
- 6.1.4 The SPA shall base its settlement calculations on the metering data received in accordance with applicable codes. In the event of discrepancies or retrospective adjustments, the SPA shall use the revised or adjusted data as provided by the relevant entity for settlement purposes.



7. SETTLEMENT & BILLING

7.1 GENERATION INVOICES

- 7.1.1 The Generation Participants shall submit their invoices for each billing period to the SPA pursuant to the terms and conditions in their respective Legacy Contracts.
- 7.1.2 The periodicity, submission and due dates of the generation invoices shall be determined in accordance with the provisions of their corresponding Legacy Contracts. The Generation Participants shall upload these invoices to the designated portal of the SPA as well as submit the printed invoices to the designated offices of the SPA.
- 7.1.3 The invoices submitted by the Generation Participants shall be based on meter readings at the CDPs according to the provisions of the relevant Legacy Contracts.

7.2 VERIFICATION OF INVOICES FOR GENERATION

- 7.2.1 The SPA shall verify the submitted invoices, checking their completeness, adequacy, and consistency with the Legacy Contracts and notified generation tariffs. The verification process shall *inter alia* include the following checks:
- (a). Amounts of energy and capacity invoiced:
- (i). The amount of energy invoiced shall be consistent with the metering data collected from the Commercial Metering System in accordance with the Grid Code and the Market Commercial Code;
 - (ii). The amount of capacity invoiced shall be consistent with the information verified by the System Operator pursuant to the Legacy Contracts and Applicable Documents.
- (b). Capacity and capacity purchase price:
- (i). The available capacity shall be based on the annual capacity tests, conducted by the SPA according to the provisions of the Legacy Contracts;
 - (ii). The declared available capacity (in MW) of each Generation Participant shall be provided by the System Operator, in accordance with the procedures and provisions of the Grid Code and consistent with the relevant Legacy Contracts, as applicable, and submitted in the time and formats specified in the Grid Code. The SPA shall utilize the data provided by the ISMO.



- (iii). Capacity tariffs shall be as specified in the relevant Legacy Contracts, including where applicable, those based on tariff determinations or notifications issued by the Authority
 - (iv). Any correction factor and/or indexation factor, if required to be applied, shall be calculated and applied in accordance with the provisions of the corresponding Legacy Contract and as determined by the Authority.
- (c). Energy purchase price:
- (i). Energy tariff determined by the Authority.
 - (ii). Any correction factors and/or adjustment and indexation mechanisms, if required to be applied, shall be calculated and applied in accordance with the provisions of the corresponding Legacy Contracts and as determined by the Authority for the energy purchase price/tariff calculations.
 - (iii). In the event the Legacy Contracts and tariff determinations include adjustments or corrections linked to meteorological conditions, the SPA shall ensure that appropriate methodologies are applied for the measurement and recording of the plant site temperature, atmospheric pressure, wind speed, solar irradiance, hydrological data or any other relevant meteorological conditions as required for the verification of the invoices.
- (d). Supplemental charges (pass through items):
- (i). Where the invoice issued by the Generation Participants, as per the corresponding Legacy Contracts, contains any supplemental charges (i.e. those relating to pass-through items), the same shall only be reimbursed upon submission, by the Generation Participants, of the original cash payment receipts justifying the incurrence of such cost (net of tax credit, if any).
 - (ii). Any additional (pass-through) charge, as per the corresponding Legacy Contracts, shall only be processed after the incurrence of such cost by the Generation Participants. The incurrence of such cost shall be substantiated by the Generation Participants through submission of original payment receipts.
 - (iii). The SPA shall, monthly, submit a statement to the Authority showing all such verifications, disbursements and adjustments.



- (iv). The payment for a pass-through item shall be made based on the tariff/amount thereof determined/approved by the Authority and as per the corresponding Legacy Contracts.

7.3 GENERATION: DISPUTED AND UNDISPUTED AMOUNTS

- 7.3.1 If the verification processes determine the accuracy and adequacy of the invoice received from the Generation Participant, the corresponding values included in the invoice shall be labelled as "undisputed amounts" and shall be used in the settlement process.
- 7.3.2 If as a result of the verification process, the SPA considers the invoice received is incorrect or some inadequacies exist therein, the SPA shall:
- (a). inform the corresponding Generation Participant of the deficiencies detected in their invoices, along with the requisite explanation as necessary, requiring the Generation Participant to submit the required document(s) within five (05) days that justify the values in its invoice or a revised and corrected invoice;
 - (b). recalculate the invoice amount, in accordance with the SPA's interpretation of the provisions of the corresponding Legacy Contract, labelling these amounts as "undisputed amounts";
 - (c). label the difference between the original invoiced amounts and the undisputed amounts as "disputed amounts".
- 7.3.3 In the event the Generation Participant considers that the observations and/or corrections made by the SPA are appropriate, it shall submit a revised and corrected invoice within five (05) working days following its receipt of the observations from the SPA.
- 7.3.4 In the event the Generation Participant does not agree with the observations and/or corrections made by the SPA, it shall notify the SPA about such disagreement, reaffirming the amounts included in the original invoice, attaching all explanations, evidence and/or Legacy Contracts interpretations it considers appropriate.
- 7.3.5 In the event the Generation Participant only partially agrees with the SPA's observations, it shall notify the SPA, to the extent of the disagreed amount(s), about such disagreement, reaffirming the amounts included in the original invoice and attaching all explanations, evidence, supporting documents, and/or Legacy Contracts interpretations it considers appropriate.



- 7.3.6 The SPA shall review the claims made by the Generation Participant pursuant to clauses 7.3.4 or 7.3.5 of this Code and:
- (a). Accept them, if the SPA considers the explanations, evidence, supporting documents and/or interpretations of the Legacy Contracts submitted by the Generation Participant to be acceptable. In that event, it shall correct the non-disputed and disputed amounts, as it corresponds; or
 - (b). Reject them, if the SPA considers that the observations initially made remain applicable, as the information submitted by the Generation Participant does not demonstrate otherwise.
- 7.3.7 The invoices submitted by the Generation Participant shall be trued up monthly with regard to the amounts disputed by the SPA. The Generation Participant's payment statements shall be equal to the invoices for the current month less the amounts disputed by the SPA in the invoices submitted in the previous month(s). In the event of any disagreement between the SPA and the Generation Participant in relation to the invoiced amounts, the procedures prescribed by the corresponding Legacy Contracts shall be applied to settle such disagreements.
- 7.3.8 If it is revealed at any subsequent date that a calculation of an invoice of a Generation Participant has been made or an amount has been claimed fraudulently and/or in a manner contrary to the provisions of the relevant Legacy Contracts such amounts shall be recovered from such Generation Participant. Recovery shall be made through adjustment in subsequent invoices or direct demand along with delayed payment charges thereon without regard to any limitation of time.

7.4 SPA SETTLEMENT SYSTEM

- 7.4.1 The SPA shall administer the Settlement System monthly.
- 7.4.2 The SPA shall be responsible for the development and maintenance of the required software and data systems for the operation of the Settlement System.
- 7.4.3 The SPA shall be responsible for the accuracy of the outputs of the Settlement System.
- 7.4.4 The Settlement System shall be administered as per the following procedure:
- (a). calculate the settlement of each Demand Participant as per the calculation of charges provided therefor in Chapter 5; and
 - (b). calculate the SPA fee as determined by the Authority.



7.5 SETTLEMENT STATEMENT

7.5.1 Within ten (10) working days of the beginning of each month, and on completion of the requisite information required for monthly settlement, the SPA shall send to each Demand Participant its corresponding monthly Settlement Statement through electronic mail or the web portal. The Settlement Statement shall be deemed duly delivered when made available electronically. The requisite information is available when:

- (a). The metering data of all the CDP points of all the Code Participants has been received in accordance with the provisions of Chapter 6 of this Code;
- (b). The energy and capacity purchase invoices from the Generation Participants, have been received;
- (c). The Generation Participants have declared their invoices on the FBR Portal;
- (d). For those Generation Participants who have not submitted invoices, a provision for their energy and capacity purchase invoices has been made;
- (e). The data for the Back-Feed Energy invoices has been finalized and said invoices have been processed;
- (f). The dispute notices for the previous months on the invoices submitted by the Generation Participants have been finalized to true up the invoices for the previous month as per verification by the SPA, to be included in the settlement and payment;
- (g). The invoices for delayed payment charges submitted by the Generation Participants have been duly verified, to be included in the settlement and payment;
- (h). The SPA has issued its SPA Fee invoices to the Demand Participants;
- (i). The adjustments to the previously issued Settlement Statements shall be added for the current month subject to the restrictions applicable as per the relevant revenue laws.

7.6 DISPUTE ON THE SETTLEMENT STATEMENT

7.6.1 A Code Participant may raise a dispute with regard to the monthly SPA Settlement Statement, accompanied by valid justifications and supporting documents, within sixty (60) working days following its receipt. This dispute may relate to:



- (a). A calculation error by the SPA, in which case the Code Participant shall issue a notice of dispute to the SPA and upon resolution thereof, the SPA shall make an adjustment in the original Settlement Statement or in the current month Settlement Statement, as practicable.

7.6.2 The SPA and the Code Participants shall make all reasonable efforts to settle the dispute mutually and amicably within fifteen (15) working days of the date after the said dispute is submitted to the SPA. In the event, the SPA and the Code Participant are unable to settle said dispute, any of the parties may refer the matter to the dispute resolution mechanism in the SPAA or Legacy Contracts, as the case may be, or any other mechanism as determined by the Authority.

7.7 FAILURE OF THE SETTLEMENT SYSTEM

7.7.1 In the event of an emergency and/or the failure of the settlement system and/or circumstances beyond the control of the SPA, the SPA may issue an estimated Settlement Statement and/or modify the schedule for the issuance of monthly Settlement Statements.

7.7.2 The SPA shall make reasonable efforts to cope with the emergency and restore its systems as soon as practicable. However, in such events, the SPA shall immediately inform all Code Participants of the temporary procedural changes as soon as practicable and once the emergency and/or failure of the settlement system and/or circumstances beyond the control of the SPA have elapsed, the SPA shall resume applying the routine procedures provided therefor in this Code. Any corrections to the estimated Settlement will be adjusted in the Settlement Statement for the next month.

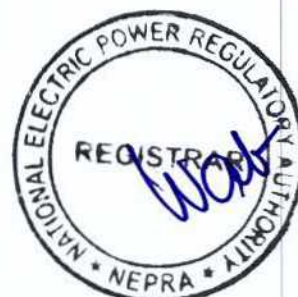
7.8 ISSUING OF PAYMENT NOTIFICATIONS

7.8.1 Within five (5) working days after the issuance of the Settlement Statement, the SPA shall:

- (a). Issue the corresponding payment notification to each Demand Participant in respect of the monthly Settlement Statement of their account showing the following:
 - (i). The total amount overdue (if any) at the start of the month;
 - (ii). The payments received during the month;
 - (iii). The amount due for the current month Settlement Statement;
 - (iv). The total amount payable; and
 - (v). As applicable, supporting data.



- 7.8.2 In this process, the SPA shall act as an independent entity, without assuming payment responsibilities for and on behalf of any other entity. The obligation of making any payments and the settlement of any outstanding debts shall remain with the relevant Code Participants. For the avoidance of doubt, the SPA shall not be held liable for any kind of non-payment by any of the Code Participants.
- 7.8.3 In relation to the invoices received by the SPA from the Generation Participants, the SPA shall act as an agent of the Demand Participants without assuming any of their payment responsibilities. These payments and debts shall remain with the Demand Participant and the SPA shall not be held liable for non-payment by any Code Participant.



8. PAYMENT SYSTEM

8.1 COMPONENTS OF THE PAYMENT SYSTEM

8.1.1 The payment mechanism related to the Demand Participants shall be as follows:

- (a). The Ex-WAPDA DISCOs are secured by way of the Sovereign Guarantees issued by the Federal Government in favour of the Generation Participants. The payment system to be adhered to by the Ex-WAPDA DISCOs shall be as follows:
 - (i). Subject to clause (ii) below, the revenue accounts operated by Ex-WAPDA DISCOs shall have standing instructions for the transfer of revenues equivalent to their liabilities towards Generation Participants, the NGC/PMLTC charges, the SPA fee, the ISMO fee and payments to the MO for its undisputed settlement statements through SPA;
 - (ii). The decision to make bilateral payments, including payments pursuant to bilateral contracts entered into by the Ex-WAPDA DISCOs and fees payable to relevant entities upon the completion of the transition period set forth in Chapter 5 of this Code, shall rest with the respective Ex-WAPDA DISCOs, as a matter of their internal financial management.

Provided that the Ex-WAPDA DISCOs may, where deemed appropriate, engage in consultation with the SPA in this regard and may agree on a mechanism in this context under the SPAA.

Provided further that in making such payments, each Ex-WAPDA DISCO shall ensure that the financial commitments undertaken do not compromise or otherwise prejudice the timely discharge of payment obligations under Legacy Contracts through the SPA.

- (b). K-Electric shall operate and maintain the master collection account agreement, in accordance with its SPAA as approved by the Authority.

8.1.2 The payment system related to the Settlement Statements issued by the SPA to Code Participants shall be based on the following components:

- (a). For SPA:
 - (i). A Master Account, owned and managed by the SPA; and
 - (ii). conventional bank accounts, owned and managed by the SPA.
- (b). For Ex-WAPDA DISCOs:

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- (i). revenue collection bank accounts for the transfer of payments due to the SPA Master Account;
 - (ii). shall, subject to 8.2.2., Escrow Account in a bank having a minimum long-term credit rating of A from credit rating panel approved by the State Bank of Pakistan, that receives, accepts and processes immediately any payment in accordance with the escrow management agreement(s); and
 - (iii). conventional bank accounts.
- (i). For Generation Participants, conventional bank accounts owned and operated by each Generation Participant.
 - (ii). For KE, the approved payment mechanisms under the respective SPAA shall be followed.

8.2 PAYMENT INSTRUCTIONS FOR EX-WAPDA DISCOs

8.2.1 The following payment system for Ex-WAPDA DISCOs shall be followed:

- (a). In the event an Ex-WAPDA DISCO discharges its liabilities under this Code in full each month, the procedure provided in clause 8.2.2 of this Code shall be followed.
- (b). In the event an Ex-WAPDA DISCO discharges its liabilities under this Code partially in some months but makes up the shortfall by the close of the corresponding financial year, the procedure provided in clause 8.2.3 of this Code shall be followed.
- (c). In the event there is a permanent/recurring shortfall where an Ex-WAPDA DISCO discharges its liabilities under this Code partially in some months and carries forward the shortfall to the next financial year(s), the procedure provided in clause 8.2.4 of this Code shall be followed.

8.2.2 The SPA shall assess and confirm that the Ex-WAPDA DISCO can make complete payments against the expected future SPA settlements. The Ex-WAPDA DISCO shall arrange for a banking Credit Cover by way of an escrow management agreement. The Escrow Agent shall be a bank having a minimum long-term credit rating of A from credit rating panel approved by the State Bank of Pakistan, and the Credit Cover shall be perpetual in nature. The escrow management agreement shall have the following framework:

- (a). pay the settlement amount submitted by the SPA on the due date;
- (b). pay the invoice for the SPA fee and other charges or fees, if applicable, on the due date;

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- (c). pay the taxes and duties payable on the due date;
- 8.2.3 In the event of a temporary shortfall in payments by an Ex-WAPDA DISCO, the payment system described in 8.2.2 above shall be followed.
- 8.2.4 In the event of a permanent/recurring shortfall in payments by an Ex-WAPDA DISCO, the following payment system shall be followed:
- (a). Operational experience has demonstrated that once a shortfall of power remittances by Ex-WAPDA DISCOs occurs in each month, the shortfall has never been made up by Ex-WAPDA DISCOs until the support of the Government of Pakistan is extended by way of equity injection or swaps of the energy payables through commercial lending from banks. Besides, debt servicing becomes more critical for the newer Generation Participants, where the amounts involved are more significant due to their front-end loaded tariffs. In addition, in most cases international financing is involved, where a default in debt repayment will trigger the default of the project sponsors, and subsequently create problems for the arrangement of further financing for working capital arranged by Generation Participants, public sector projects, and other upcoming projects in the national power sector. The allocation methodology to be followed in these constrained circumstances, with sporadic competitive considerations, requires the weighing of the factors and implications listed in clause 8.2.4(b) of this Code hereunder.
- (b). The required funds for the settlement of each Ex-WAPDA DISCO under this Code shall be transferred to the SPA as per the existing system of standing instructions issued to the respective banks of the Ex-WAPDA DISCOs. The method of allocation shall be applied as hereunder:
- (i). The SPA will disburse funds to the Generation Participants daily, as per the amount transferred to the Master Account from the Ex-WAPDA DISCO's revenue collection account and the subsidies received.
- (ii). The SPA shall consider, daily, the sum of the verified undisputed invoices overdue for the period from July 01, 2017, to date and the sum of the payments made during the same period to calculate the percentage of the payments against total billing, and said computed percentage will be maintained and closely matched with each Generation Participant. In doing so, the SPA shall, while keeping the overall percentages within close band, monitor and consider the factors enumerated in clause 8.2.4(b) which cause variation in these percentages.

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- (iii). The percentage variation(s) on their respective due dates when new invoices are subsequently submitted.
- (iv). Pursuant to the Legacy Contracts, the SPA shall follow the First In First Out (FIFO) methodology to retire overdue invoices, giving priority based on interests for late payment that applies to each invoice. The fund allocation basis shall be made on the following basis:
 - a). The SPA shall strive to ensure sufficient payments are made on account of fuel (energy purchase price including GST) to Generation Participants having lower variable cost. Further, subject to provisions of Chapter 5 of this Code, the SPA shall make payment to the Market Operator pursuant to a settlement statement issued under the Market Commercial Code so that security constrained economic dispatch remains uninterrupted.
 - b). The SPA shall strive to ensure sufficient payments on account of the capacity purchase price to allow the Generation Participants to discharge their respective debt service liabilities and to meet their operation and maintenance (O&M) requirements.
 - c). The SPA shall strive to ensure sufficient payments for the Generation Participant to have funds for the payment of taxes to the Government i.e. income tax, customs duty etc.
 - d). The SPA strives to avoid defaults in the payment of taxes to the Government i.e., income tax, customs duty etc;
 - e). The SPA shall take into consideration the seasonal requirements – i.e. different fuels' availability in the winter and summer months or over national holidays, particularly projects running on furnace oil and coal (being stockable fuels).
 - f). The SPA shall take into consideration that projects with take and pay-based invoices are paid over-and-above the percentage if such projects are seasonal in nature and are thereby non-operational for extended periods.
 - g). The SPA shall strive to ensure payment to WAPDA keeping in view its operational requirements plus fixed amounts on account of monthly net hydel profits. O&M payments thereto shall be based primarily on operational requirements.



- h). The SPA shall strive to ensure that payments to the GENCOs and nuclear-based projects are disbursed to maintain their operations and avoid any sort of default. The SPA shall not make advance payment(s) to the GENCOs.
- i). The SPA shall strive to ensure that the due payment is released on a best-efforts basis for the import of electric power.
- j). Subject to provisions of Chapter 5, the SPA shall strive to ensure that the payments are made to NGC against its Authority-determined UoSC to meet its operational requirements and in accordance with and in proportion to the funds collected from the Demand Participants against NGC's invoice(s) for its UoSC.
- k). The SPA shall strive to adjust the SPA Fee for its own operations.
- l). Subject to the provision of Chapter 5, the SPA shall ensure that payments are made to ISMO against its fee.
- m). The SPA shall strive to ensure that the financing cost surcharge, as collected and remitted separately by the Ex-WAPDA DISCOs, is paid to PHL for settlement of the markup on its debts. The disbursement of such funds shall be made by the SPA from its revenue collection to meet PHL's requirement in the event of a shortfall in the financing cost surcharge collection account, as may be required to avoid a bank default.

8.2.5 In the event the Federal Government provides assistance to the SPA to facilitate settlement of Demand Participants' obligations under the Legacy Contracts, the SPA shall consider the financial burden of Generation Participants and shall ensure that the amount so received is paid against overdue amounts payable to the Generation Participants. For this purpose, the SPA shall consider the following:

- (a). the overall overdue payables (from July 01, 2017, to date), according to the respective liquidity situations of the Generation Participants;
- (b). the liabilities of the fuel suppliers of Generation Participants and/or avoidance of defaults thereof; and
- (c). compliance with any particular instructions by the Federal Government in relation to the disbursement of any assistance provided, implemented in their true letter and spirit.



- 8.2.6 Non-cash adjustments among public sector entities are posted against the Generation Participants as per the instructions of the Ministry of Finance.
- 8.2.7 Payments to the Generation Participants under the master agreement and Legacy Contracts amendments will be adjusted against prior payables due to said Generation Participants before July 01, 2017, to fully settle old payables, with the balance amounts settled against any payables that have arisen after July 01, 2017.
- 8.2.8 The Board of Directors of SPA shall ensure that the allocation of funds is based on the above-mentioned sequence and principles.

8.3 PAYMENT INSTRUCTIONS FOR KE

- 8.3.1 KE shall pay the amounts indicated in the Settlement Statement and payment notification issued by the SPA under this Code, as per the method under its approved SPAA.

8.4 AGENCY CODE OPERATING PROCEDURES

- 8.4.1 Where this Code does not specify procedures for any activity mentioned herein or when the SPA in the application of this Code identifies a need to establish detailed procedures, the SPA shall, within six (06) months of such identification, develop Agency Code Operating Procedures (ACOPs) to address the same, in line with all areas covered under this Code, including, but not limited to, transactions verification and validations process, settlement and billing system, payment system, collections and disbursement process. The ACOPs and any amendment therein shall be approved by the ACRP.
- 8.4.2 The SPA shall be responsible for ensuring the consistency of the ACOPs with this Code and in the event, any inconsistency is identified, the same shall immediately be corrected.

8.5 ACCOUNTING PROCEDURES

- 8.5.1 The SPA shall establish and maintain detailed accounting procedures to:
- (a). carry out settlements in accordance with the provisions this Code;
 - (b). maintain accounting system as required under the Companies Act, 2017; and
 - (c). ensure compliance with the requirements of all applicable revenue laws.

8.6 REPORTING SYSTEM FOR NON-PAYMENT (OR PARTIAL PAYMENTS)

- 8.6.1 The SPA shall provide detailed information regarding the amounts not paid:



- (a). by a Demand Participant during each month and cumulative up to the current month;
 - (b). to the Generation Participant during the month and cumulative up to the current month;
- to the relevant stakeholders including the Authority and the Ministry of Energy (Power Division).

8.7 RECORD MAINTENANCE

8.7.1 The SPA shall maintain records of settlement payments to:

- (a). each Generation Participant having a valid Legacy Contract;
- (b). imports under Legacy Contracts;
- (c). for its SPA Fee.
- (d). other charges paid through the SPA during the transition period as provided under this Code.

8.7.2 The SPA shall keep records of settlement payments received from:

- (a). each Code Participant;
- (b). subsidies from the Federal Government;
- (c). exports under Legacy Contracts;
- (d). any other source, when and if applicable.



9. REPORTING MECHANISM

9.1.1 The SPA shall prepare the following reports and submit the same to the Authority in accordance with the contents, periodicity, and dates as provided in Annex B of this Code:

- (a). Account Settlement Statement Report.
- (b). Non-Payment Report.
- (c). Annual Report.
- (d). Report on Economic Merit Order Deviation and its financial impact, provided that the ISMO shall ensure the provision of all the relevant information and data as required by the SPA to prepare such report.



10.SPA FEE MECHANISM, AUDITS AND COMMUNICATIONS

10.1 SPA FEE MECHANISM

- 10.1.1 The SPA shall be financed through a charge imposed on Demand Participants. The mechanism for the calculation of the SPA Fee shall be established in accordance with the clause 10.1.4 and, once calculated, shall be submitted to the Authority for its approval in accordance with sub-section (3)(a) of section 7 of the Act and the SPA Registration.
- 10.1.2 The following costs associated with the operations of SPA are recovered through SPA Fee:
- (a). general establishment and administrative expenses;
 - (b). repair and maintenance;
 - (c). insurance;
 - (d). depreciation, if any; and
 - (e). financial Charges and other relevant costs.
- 10.1.3 The SPA shall file its petition for the proposed SPA fee. The SPA shall include and justify in the petition the costs detailed in 10.1.2, and estimated future capital expenditures required for its compliance with the provisions of this Code and the SPA Registration.
- 10.1.4 The formula for calculating the SPA Fee shall be the total costs as established in 10.1.2 and 10.1.3 divided by the peak demand of the Demand Participants. The detailed methodology, including the period that will cover the fee, and the formula shall be defined or approved by the Authority.
- 10.1.5 The Authority may require additional information or clarifications prior to approval of the SPA fee. Upon approval of the SPA Fee, the SPA shall it publish on its website.

10.2 SPA TRANSACTION AUDIT

- 10.2.1 As and when directed by the Authority, the SPA shall contract an accredited qualified independent auditor certified by The Institute of Certified Internal Auditors to conduct a transaction audit of the SPA functions and operations including but not limited to commercial transactions, the settlement, billing and payment system, reporting, and implementation of this Code.

Provided that the terms of reference (TORs) for the transaction audit shall be prepared by the SPA and approved by the Authority.



- 10.2.2 After the first audit, each new audit shall include reviewing changes and actions undertaken by the SPA after the recommendations and observations of the previous audit. The Auditor's report shall be sent to the Authority and published on the official website of the SPA.

10.3 SPA FINANCIAL AUDIT

- 10.3.1 At the end of each financial year, the SPA will contract an independent auditor to conduct an audit as required under the Companies Act, 2017.
- 10.3.2 The purpose of the financial audit shall be to meet the relevant IFRS issued by IASB as required under the Companies Act, 2017 and the State-Owned Enterprises Act, 2023:
- 10.3.3 The Auditor's report shall be distributed to all stakeholders as required under the Companies Act, 2017.

10.4 DATA SHARING AND COMMUNICATION

- 10.4.1 The SPA shall;
- (a). have and maintain an official website for communication, access to information to the public, and data sharing with the stakeholders as per the data protection laws of Pakistan;
 - (b). provide an open and equal access to reports and non-confidential information on the SPA official website to all stakeholders;
 - (c). publish on its website the monthly results of the settlement and payment systems related to the Code Participants.
 - (d). publish on its website a list of all Code Participants, which shall be maintained and updated regularly;
 - (e). publish on its website this Code and all ACOPs made for the implementation of this Code, if applicable.
 - (f). publish on its website amendment proposals to this Code for consultation;
 - (g). publish on its website any amendment to this Code or the ACOPs within a reasonable time period upon approval of such amendment by the Authority or the ACRP, as the case may be;
 - (h). publish on its website the financial audit and transaction audit report; and
 - (i). publish on its website and communicate any other information that is deemed necessary for the implementation of this Code.



- 10.4.2 The NGC in its role as MSP shall comply with all requirements related to provision of metering data pursuant to this Code;
- 10.4.3 The ISMO shall comply with all the requirements of the Legacy Contracts and provide the following information:
- (a). Information on hourly available capacity: Dependable Capacity; or Declared Available Capacity, Revised Declared Available Capacity, Adjusted Declared Available Capacity in kW.
 - (b). Hourly despatch instruction (and revised despatch instruction when applicable).
 - (c). Information on number of unit start-ups, and periods with forced/partial and schedule outages in kW.
 - (d). Energy withdrawal, MDI or any other required data pursuant to Chapter 6 of this Code.
 - (e). Any other information required by the SPA pursuant to this Code;
- 10.4.4 The Generation Participants shall comply with all the provisions of their respective Legacy Contract(s) and this Code.;
- 10.4.5 The Demand Participants shall;
- (a). Subject to the provisions of Chapter 8, immediately communicate to SPA the status of a situation in the event that there are insufficient funds in the Escrow Accounts to fully cover payments;
 - (b). Provide the information required pursuant to this Code or the SPAA.



ANNEX A: EXPORT ENERGY PAYMENT MECHANISM/BACK-FEED ENERGY

Except as otherwise provided in the Legacy Contracts, the following mechanism shall be followed for the settlement of Back Feed Energy or Export to Legacy Contracts.

The Back-Feed Energy Consumer Bill is a charge to Generation Participants for importing electricity from NGC's Grid and is referred to as the Back Feed or export energy Invoice. It is adjusted against the net of the determination of the ETR rate as mentioned in the clause 5.5.1, of this Code. The terms and conditions applicable in respect of Back-Feed billing are governed under the NEPRA Consumer Service Manual and/or the Schedule of Tariff of the relevant Demand Participant under whose territory the interconnection in consideration exists. The following information shall be made available on the face of the Back-Feed / export energy invoice:

- The name and address of the issuer, its NTN, STRN;
- The name and address of the consumer, its NTN, STRN;
- The applicable tariff category;
- Invoice number;
- Billing period;
- Issue date;
- Due date;
- Metering details;
- Charges, Surcharges, levies, taxes, adjustments or other components of calculation used in the determination of the amount payable by the consumer;
- Any additional information deemed necessary by the issuing office or as directed by the Authority.

The meter reading committee appointed by NGC is responsible for providing information regarding meter reading at each CDP for the energy exported to the Generation Participant as per the agreed perform a each month to enable SPA to work out the Back Feed energy bill/export energy invoices. Based on such information, the SPA shall calculate the Export Energy Invoices/ Back-Feed Energy Consumer Bills.

1. Tariff Category:

The tariff category is determined as per the voltage level at which the interconnection exists. The relevant schedule of tariff describes the related tariff category and also provides the applicable tariff.

2. Invoice date & Billing period:

The invoice date shall be taken as the last calendar date of the billing period. A billing period shall be one calendar month.



3. Issue and due dates:

The issue date of the bill shall be the actual date of its issuance, and the due date thereof shall be calculated in accordance with the provisions of the NEPRA Consumer Service Manual. The current provision in said manual requires the due date of such invoices to be fifteen (15) days from the date of their issuance.

4. Meter reading:

The Export Energy Invoice/Back-Feed Energy Consumer Bill shall contain the following meter reading components:

- Active Energy Meter Readings and Net/Total Energy usage in kWh
- Reactive Energy Meter Readings and Net/Total reactive Energy usage in kVARh
- Maximum Demand Index (MDI) Power Factor and Low Power Factor Details

5. Calculation of Net Energy and Net Reactive Energy

Net Energy usage shall be calculated for a billing month based on the Meter Reading performance submitted from the Metering Committee. Monthly Net Energy Usage is calculated for both Active (in kWh) and Reactive Energy (kVARh).

6. Calculation of Power Factor and Low Power Factor

Power Factor (PF) is a unitless quantity and is calculated as follows:

$$PF = \frac{\text{Active Power (W)}}{\text{Apparent Power (VA)}}$$

Or

$$PF = \frac{\text{Active Power (W)}}{\sqrt{([\text{Active Power (W)}]^2 + [\text{Reactive Power (VAR)}]^2)}}$$

Where,

- PF = Power Factor or ratio of Active to Apparent Power
- Active Power = Useful component of Apparent Power, measured in W, calculated from Net Active Energy usage
- Reactive Power = Wasteful component of Apparent Power, measured in VAR, calculated from Net Reactive Energy usage

As per the currently applicable Schedule of Tariff for DISCOs, the Power Factor should be 0.9; otherwise, a Low Power Factor Penalty is applied. LPF is calculated as follows:

$$LPF = 0.9 - PF; (\text{provided } PF < 0.9)$$

Where,



- LPF = Low Power Factor
- PF = Power Factor

7. Electricity Consumer Bill Calculations

A Generation Participant shall be considered a consumer of the Demand Participant for electricity import and the methodology and other terms and conditions used for calculating the consumer bill of that Demand Participant shall be applicable. For clarity, the formula for the calculation of the electricity bill is provided as under:

$$\text{Electricity Consumer Bill} = (VC + FC \pm FPA + \text{Misc. C} + \text{LPF Penalty} + \text{Electricity Duty} + \text{GST} \pm \text{Arrear/LPS})$$

Where,

- Electricity Consumer Bill in PKR
- VC = Variable Charges in PKR
- FC = Fixed Charges in PKR
- FPA = Fuel Price Adjustment in PKR
- Misc. C = Miscellaneous Charges and Factors as notified by the Federal Government from time to time through SRO and applicable to relevant tariff category of back-feed consumers in PKR
- LPF Penalty = Penalty arising in the event of Low Power Factor (LPF) in PKR
- Electricity Duty = Application of Electricity Duty in PKR. The current applicable rate is 1.5%.
- GST = Application of GST (as notified in percentage [%]) in PKR
- Arrears/LPS = Any addition or reduction in Bill (if required) in terms of Arrears or Late Payment Surcharge (LPS) in PKR

8. Application of Variable and Fixed Charges/Factors

Variable Charges are applied on Active Energy usage and are calculated as:

$$VC = \text{Tariff} \times \text{Total Energy Imported}$$

Where,

- VC = Variable Charges in PKR
- Tariff = Rate per kWh, as specified in the Tariff Schedule notified by the GOP

Fixed Charges are applied to the Active Energy usage is calculated as:

$$FC = \text{Tariff} \times \text{MDI}$$



Where,

- FC = Variable Charges in PKR
- Tariff = Rate per kW, as specified in the Tariff Schedule notified by GOP

9. Application of Fuel Price Adjustment (FPA)

FPA shall be applied as per the notification issued by NEPRA according to the following formula.

$$FPA_{Month} = FPA_{Month} \text{ Rate} \times (Total \text{ Energy Imported})_{Month}$$

Where,

- FPA_{Month} = positive or negative, in PKR, based on Fuel Price Adjustment, for a specific month
- $FPA_{Month} \text{ Rate}$ = Fuel Price Adjustment Rate for a specific month, in PKR per kWh, as notified by the Authority
- $(Total \text{ Energy Imported})_{Month}$ = Total Active Energy, in kWh, imported by Generation Participant for a specific month

10. Application of Miscellaneous Charges

Other charges or surcharges may be apply to electricity consumers on GOP notifications. The Miscellaneous Charge is calculated as follows:

$$Misc. C = Tariff \times Total \text{ Energy Imported}$$

Where,

- Misc. C = Miscellaneous Charges in PKR
- Tariff = Rate per kWh, as specified in GOP Notification.

This charge can also be applicable per kW if directed in the GOP Notification.

11. Application of LPF Penalty

In the event the Power Factor is less than 0.9, an LPF Penalty is applied as follows:

$$LPF \text{ Penalty} = LPF \times FC (Tariff) \times MDI \times 2$$

Where,

- LPF Penalty = Low Power Factor Penalty in PKR
- FC = Fixed Charges Rate, as specified in Tariff Schedule, in PKR
- MDI = Maximum Demand in kW



12. Application of Electricity Duty

Electricity Duty, as notified in percentage (%) by the GOP, is imposed on Variable Charges as follows:

$$ED = ED\% \times VC$$

Where,

- ED = Electricity Duty in PKR
- ED% = Electricity Duty Percentage, as notified by GOP (At present 1.5% is applied)
- VC = Variable Charges in PKR

13. Application of GST

GST, as notified in percentage (%) by the GOP, is taxed as follows:

$$GST = GST\% \times (VC + FC + Misc. C \pm FPA + LPF + ED)$$

Where,

- GST = Application of GST in PKR
- GST% = GST Percentage, as notified by the GOP (At present 17% is applied)
- VC = Variable Charges in PKR
- FC = Fixed Charges in PKR
- ED = Electricity Duty in PKR

14. Application of Bill Adjustment

Bill is adjusted (added or subtracted as required) if the need arises.

15. Application of Arrear/LPS

The SPA can also adjust the bill by incorporating arrears or Late Payment Surcharge (LPS) therein, if required (in PKR).

16. Application of Late Payment Surcharge (LPS)

If any bill is not paid by the consumer in full within the due date, a Late Payment Charge as per the rate and terms and conditions prescribed in the schedule of tariff of the relevant Demand Participant shall be levied. Currently, the rate of 10% (ten percent) is being charged on the amount billed (excluding GST).



ANNEX B: CALENDAR OF REPORTS

Report	Content	Periodicity	Dates	Submitted to
Account Settlement Statement Report	<ul style="list-style-type: none"> Billed Quantity (MW and GWh) including metered quantities used for settlement statement, if any. Amount Billed in PKR (capacity charges, energy charges, delayed payment charges, SPA Fee, GST, NGC UoTSC, if applicable, other charges (if any). Total receipts from Demand Participants. Total receipts of subsidy from the Government on behalf of Demand Participants. Total receipts of equity from the Government on behalf of Demand Participants. Total Receipts of dues from others on behalf of Demand Participants. Opening balance (Debit)/Credit. Closing balance (Debit)/Credit. 	Monthly	within 25 days of the end of the month	Demand Participants
Non-Payment Report	<ul style="list-style-type: none"> Identification of the Code Participants who have not paid the invoices issued by the SPA. The outstanding amounts. The impact on payments to Generation Participants. Other relevant information which permits the Authority; the Ministry of Energy, Power Division; or 	Monthly	Within 25 Days after the beginning of each month	<ul style="list-style-type: none"> Code Participants Authority Ministry of Energy (Power Division)



	the Ministry of Finance to appreciate the situation and take appropriate measures.			
	<ul style="list-style-type: none"> Operational highlights of the SPA's performance during the relevant financial year including obligations set out in Chapter 2 of this Code. 			<ul style="list-style-type: none"> Website
Annual Report	<ul style="list-style-type: none"> Financial Statements for the relevant financial year along with the auditor's report Other required disclosures as per applicable corporate laws and governance framework. 	Yearly	Within the 180 days of the close of the financial year	<ul style="list-style-type: none"> Code Participants Authority Ministry of Energy (Power Division)
Report on Economic Merit Order Deviation and its financial impact	<ul style="list-style-type: none"> As a consequence of operational labels in accordance with the Market Commercial Code. Financial impact due to RLNG shortage and excess consumption. Financial impact due to system constraints – specifying the nature of the constraint, duration, and cost impact. Financial impact due to the underutilization of efficient power plants. Summary table aggregating the total monthly financial impact from all factors above. Supporting calculations and assumptions, if any. 	Monthly	Within ten (10) days of the last date of the previous month	<ul style="list-style-type: none"> Authority Ministry of Energy (Power Division) Website



The Agency Code establishes the governing framework for the Central Power Purchasing Agency (Guarantee) Limited in its role as a Special Purpose Agent of the Ex-WAPDA DISCOs and K-Electric under the CTBCM regime.

