



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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

No. NEPRA/TRF-366/CPPA-G-2019/24089-24091  
November 13, 2019

Subject: **Determination of the Authority in the matter of Petition filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Determination of Market Operator Fee for the FY 2018-19 (Case No. NEPRA/TRF-366/CPPA-G-2019)**

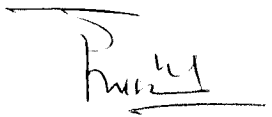
Dear Sir,

Please find enclosed herewith the subject Determination of the Authority (28 pages) in Case No. NEPRA/TRF-366/CPPA-G-2019.

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

3. The Order Part along with summary of directions of the Authority's Determination is to be notified in the official Gazette.

Enclosure: As above

  
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( Syed Safer Hussain )

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



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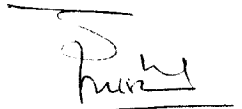
November 13, 2019

Chief Executive Officer  
Central Power Purchasing Agency Guarantee Limited (CPPA-G)  
Shaheen Plaza, 73-West, Fazl-e-Haq Road,  
Islamabad

Subject: **Determination of the Authority in the matter of Petition filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Determination of Market Operator Fee for the FY 2018-19 (Case No. NEPRA/TRF-366/CPPA-G-2019)**

The Authority has made its Determination on the subject matter. The Determination has been sent to Ministry of Energy (Power Division) for notification in the official Gazette vide letter No. NEPRA/TRF-366/CPPA-G-2019/24089-24091 dated 13.11.2019. A copy of the Determination is served herewith.

Enclosure: As above

  
13 11 19  
( Syed Safer Hussain )



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Registrar

No. NEPRA/TRF-366/CPPA-G-2019/24093

November 13, 2019

Managing Director,  
National Transmission & Despatch Co. Ltd.  
414 WAPDA House  
Shaharah-e-Qauid-e-Azam  
Lahore

Subject: **Determination of the Authority in the matter of Petition filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Determination of Market Operator Fee for the FY 2018-19 (Case No. NEPRA/TRF-366/CPPA-G-2019)**

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No. NEPRA/TRF-366/CPA-G-2019/24094

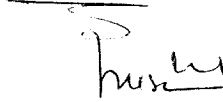
November 13, 2019

Mr. Muhammad Khalid  
House No. 88, Sector-L, Phase-I,  
DHA,  
Lahore Cantt

Subject: **Determination of the Authority in the matter of Petition filed by Central Power Purchasing Agency (Guarantee) Limited (CPA-G) for Determination of Market Operator Fee for the FY 2018-19 (Case No. NEPRA/TRF-366/CPA-G-2019)**

The Authority has made its Determination on the subject matter. The Determination has been sent to Ministry of Energy (Power Division) for notification in the official Gazette vide letter No. NEPRA/TRF-366/CPA-G-2019/24089-24091 dated 13.11.2019. A copy of the Determination is served herewith.

Enclosure: As above

  
13 11 19  
( Syed Safer Hussain )



**National Electric Power Regulatory Authority**  
**(NEPRA)**

**DETERMINATION OF MARKET OPERATOR FEE**

**FOR THE FY 2018-19**

**UNDER**

**NEPRA TARIFF STANDARDS & PROCEDURE RULES - 1998**

**OF**

**CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED (CPPA-G)**

**Islamabad**

**November <sup>13</sup>, 2019**

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**DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY  
CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED (CPPA-G) FOR  
DETERMINATION OF MARKET OPERATOR FEE FOR THE FY 2018-19**

**CASE NO. NEPRA/TRF-366-2019**

**PETITIONER**

**Central Power Purchasing Agency (Guarantee) Limited (CPPA-G)**

Shaheen Plaza, 73-West, Blue Area, Islamabad.

**INTERVENER**

**Mr. Muhammad Khalid, Resident, DHA Lahore**

**COMMENTATOR**

NIL

**REPRESENTATION**

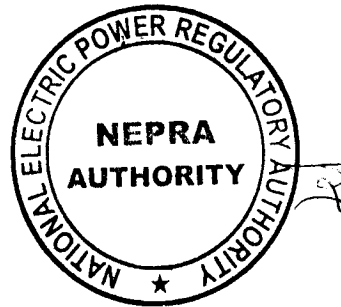
- Chief Financial Officer
- DG HR and Admn.
- Technical & Finance Team





**ABBREVIATIONS**

CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
MoF	Market Operator Fee
FY	Financial Year
GOP	Government of Pakistan
MoE	Ministry of Energy
NTDCL	National Transmission & Despatch Company Limited
GWh	Giga Watt Hours
KV	Kilo Volt
Kw	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PEPCO	Pakistan Electric Power Company
SRO	Statutory Regulatory Order
T&T	Transmission and Transformation Losses



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## 1. Background

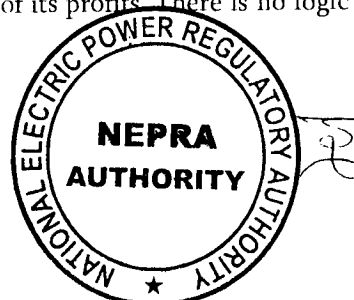
- 1.1. CPPA-G, hereinafter called "the Petitioner", filed petition for determination of its Market Operator Fee (MoF) for the FY 2018-19 in terms of Rule 3 and Sub-Rule 7 of the Tariff Standards & Procedure Rules-1998 ("the Rules") and in line with the Chapter 11 of the approved Commercial Code vide letter no. CPPA-G/2016/CEO/6985 dated 25 February, 2019.
- 1.2. CPPA-G in its Market Operation Fee Petition requested the following reliefs for the FY 2018-19:
  - To approve Market Operation Fee @ Rs. 2.3812 / kW / Month for the FY 2018-19.
  - For Immediate application of above mentioned Market Operations Fee under Sub-Rule 7 of Rule 4 of the NEPRA (Tariff Standards and Procedures) Rules, 1998.
  - Any other relief which the Authority deems fit.

## 2. Proceedings

- 2.1. In terms of rule 4 of the Rules, the Petition was admitted by the Authority on March 14, 2019. While admitting the same, the Authority considered Petitioner's request for the immediate application of the proposed fee, under rule 4 (7) of the Rules, noted that market operator fees determined by the Authority for the FY 2017-18 is already being charged by the Petitioner during the period under consideration, therefore, the request of the Petitioner for immediate application of the proposed fee is not logical and does not merit consideration.
- 2.2. The notice of admission / hearing was published in the newspapers on May 09, 2019 whereby hearing in the matter was scheduled to be held on May 14, 2019 at NEPRA Tower Islamabad. Separate notices of admission and hearing were also sent to the interested parties under Rule 4(5)(6) of the Tariff Rules 1998. Comments/Replies and filing of intervention request; if any, were desired from the interested parties within 7 days of the publication.

## 3. Filing of objections/ comments:

- 3.1. In response to the notice of hearing, Intervention Request (IR) was filed by Mr. Muhammad Khalid, resident DHA Phase-1, Lahore vide letter dated May 08, 2019. A brief of the IR filed by Mr. Khalid is as under;
  - ✓ The Revenue requirement of Rs.960.55 million, requested by CPPA-G, for the FY 2018-19 is not justified, keeping in view the actual expenditure of the Petitioner for the FY 2017-18, and luxurious expenses like Sports & recreation, Entertainment, Fitness center, International conferences, outsourced consultants i.e. media, design & renovation, BPR and other services relevant to recruitment. The Petitioner, as part of NTDC, had around 215 employees and was performing the same functions without any outsourced activity. Further, payment of Bonus is not justified as the Petitioner is not a profit earning organization that gives bonus out of its profits. There is no logic to maintain three offices



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by CPPA-G, which is only to keep its blue eyed employees at their home stations. Training of Finance & HR employees is not justified; similarly instead of Management trainees, the existing employees be sent on training.

- 3.2. The Intervener also, while referring to the provisions of Right of Access to Information Act 2017, requested for detail of working employees in term of their designations, profiles, pay packages etc., justification, job description and pay packages for the new recruitment, copies of audit reports of the Government audit and commercial audit, list of employees given bonus, number of vehicles along-with their fuel & O&M costs and travel & boarding/ lodging cost of officers and BoD members.

#### 4. Rejoinder by the Petitioner

- 4.1. The Intervention Request of Mr. Khalid was forwarded to CPPA-G vide letter dated May 14, 2019. The Petitioner is response vide its letter dated May 17, 2019 submitted that;

- ✓ The observations raised by the Intervener are based on general statements without any documentary proof. Most of the observations are not correct and based on lack of information. The Petitioner also attached copies of the three advertisements, published in the newspapers, for new appointments showing name of the post, required qualification and job description.

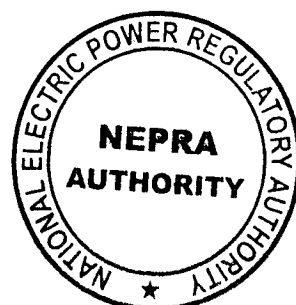
#### 5. Issues of the Hearing

- 5.1. On the basis of the pleadings, following issues were framed to be considered during the hearing and for presenting oral and documentary evidence;

- i. Whether the petitioner has complied with the directions of the Authority given in the earlier market operation fee determination?
- ii. Whether the requested General Establishment Cost is justified?
- iii. Whether the requested Administrative Costs, Repair & Maintenance, Insurance & Finance Charges are justified?
- iv. Whether the requested capital expenditure is reasonable and justified?
- v. What is actual amount of investment incurred vis-à-vis allowed?
- vi. Whether the requested Prior Year Adjustment and Other Income is justified?
- vii. Whether the request of the Petitioner to actualize costs based on financial statement for the FY 2018-19 is justified?
- viii. Whether CPPA-G has complied with the terms and conditions of its registration?
- ix. Any other issue that may come up during the hearing.

#### 6. Hearing

- 6.1. Hearing in the matter was held on May 14, 2019 at NEPRA Tower Islamabad which was attended by the Petitioner and other stakeholders i.e. media, general public etc.



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6.2. On the basis of the pleadings, record/evidence produced during the course of hearing and afterwards, the issue-wise findings of the Authority are given hereunder:

7. **Whether the petitioner has complied with the directions of the Authority given in the earlier market operation fee determination?**

7.1. The Authority gave certain directions to the Petitioner in its MoF determination for the FY 2017-18, which are discussed hereunder;

7.2. **To share complete model regarding Basket Price Assessment Model and Market Simulation Model with the Authority before December 31, 2018**

7.2.1. The Petitioner submitted that the Basket Price Model has been submitted to the Authority and a detailed presentation of the Market Simulation model is already given to NEPRA. The market simulation model was not formally submitted as some inputs like Generation Plan etc. were not firmed up at that time. Now, IGCEP has been submitted to NEPRA and CPPA has also got a copy of the same, Basket Price assessment model is under review with these inputs. Same will be submitted to NEPRA within few weeks.

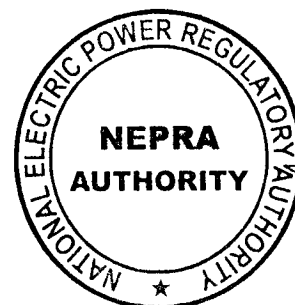
7.2.2. The Authority noted that the Market simulation model submitted by the Petitioner is under consideration and comments / input from stakeholders have been sought in this regard. Regarding, basket price assessment model, the Authority noted that CPPA-G was required to file the same with the Authority before December 31, 2018. The petitioner, however, submitted its report regarding setting up of power purchase price references for the FY 2019-20 in April, 2019, which is under consideration of the Authority.

7.3. **To continue sharing progress on PPA Bifurcation and HR Development on quarterly basis**

7.3.1. The Petitioner submitted that the bi-furcated PPA draft has been prepared and is under internal review and once approved by ECC, it is anticipated to be utilized for new generation contracts that may happen between mid of 2018 to June 2020 i.e. the Commercial Operations Date (COD) of the Competitive Trading Bilateral Contract Market (CTBCM). CPPA-G with the assistance of ADB's consultants, during this transition time period to CTBCM will also prepare and get approved the Market based bi-furcated PPAs that will come in action from June 2020 i.e. with the COD of CTBCM. On the HR report, the Petitioner submitted that a detailed report in this regard is attached with the Petition.

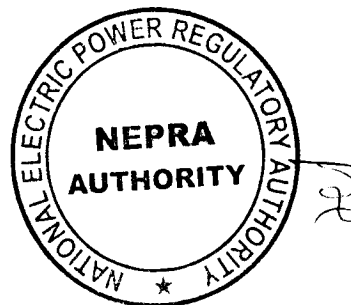
7.3.2. The report, inter alia provides an insight of various achievements by the Petitioner including implementation of ERP oracle HCM Module, Development of 27 HR policies and procedures which are under review by the Management i.e. Policies on Conflict of interest, code of conduct, contract management policy, harassment policy, healthy safety and environment, promotion & training and development policies etc., Hiring of third party recruitment firm and New Office Building. The Petitioner also submitted that it has successfully winded up its Lahore offices at WAPDA House and shifted all the relevant record to sunny view Lahore.

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- 7.3.3. In order to remain updated on the progress of HR development and PPA bifurcations, the Authority hereby directs the Petitioner to continue sharing its progress in this regard on quarterly basis.
- 7.4. **To submit progress of its ERP project implementation every quarter to the Authority**
- 7.4.1. The Authority had directed CPPA-G and NTDC to enter into a formal arrangement wherein a mechanism for calculation of impact of excess losses over & above the Authority's allowed limit be clearly stipulated. The Petitioner submitted that report of 1<sup>st</sup> quarter of FY 2018-19 has been submitted to the Authority whereas Report of the 2<sup>nd</sup> quarter is under development.
- 7.4.2. The Authority observed that the report referred by the Petitioner is a generalized performance report of CPPA-G whereas, the Authority had desired specific progress report on the ERP implementation in terms of Billing and Settlement Systems including utility specific solutions to deal with billing, settlement and payment mechanism, building IT infrastructure etc., for which an amount of around Rs.176 million was allowed to the Petitioner.
- 7.4.3. In view thereof, the Petitioner is again directed to provide a detailed report in terms of purchase of ERP software & license, its implementation, post Go-Live support & consultant level staff training, establishment of Data center, and web solutions including public access, portals and email services etc. for consideration/ perusal of the Authority.
- 7.4.4. The Petitioner is also directed to submit monthly reconciliation report of T&D losses with NTDC.
- 7.5. **To finalize agreement with NTDC without further delay and submit a copy of the same to the Authority**
- 7.5.1. The Authority in CPPA-G market fee determination for the FY 2016-17 directed CPPA-G and NTDC to enter into a formal arrangement wherein a mechanism for calculation of impact of excess losses over & above the Authority's allowed limit be clearly stipulated.
- 7.5.2. The Petitioner has submitted that a draft agreement in this regard has been prepared and is in finalization process, however, connection agreement between XWDISCO's and NTDC is also pending. CPPA-G has taken up the matter with NTDC and after the connection agreement, UoSC and Losses agreement will also be finalized.
- 7.5.3. Here it is pertinent to mention that CPPA-G shared the draft agreement during proceedings of its market operator fees for the FY 2017-18, however, the same has not yet been finalized even after lapse more than one year. In view thereof, the Petitioner is again directed to finalize the agreement without further delay and submit a copy of the same to the Authority.

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7.6. **To ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard**

7.6.1. Although, the Petitioner was directed to submit a comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables, however, the Petitioner has only attached an extract of its audited financial statements in this regard.

7.6.2. The Authority, therefore, directs the Petitioner to ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, showing the party wise breakup of amount payable & receivables and highlighting the reasons thereof.

7.7. **To provide a complete copy of its annual report for the FY 2016-17 including therein the complete detail of payable and receivables of the company. Similarly for future periods, the Report shall also be submitted accordingly and without delays**

7.7.1. The Petitioner has submitted its annual reports for the period FY 2016-17 and FY 2017-18 vide letters dated 27-12-2018. The Petitioner is directed to ensure submission of its Audited financial reports of every year in time.

8. **Issue# 2 Whether the requested General Establishment Cost is justified?**

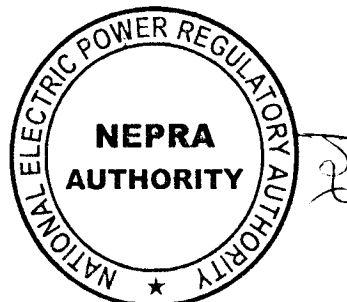
8.1. The Petitioner has requested General Establishment cost of Rs.654.80 million for the FY 2018-19. As per the Petitioner, the General Establishment Cost includes Pay & allowances, employees' benefits, trainings & capacity building and outsourcing consultancy services. A summary of the amount requested by the Petitioner for the FY 2018-19 vis a vis actual costs incurred and allowed for the FY 2017-18 is as under;

Description	FY 2017-18		FY 2018-19
	Allowed	Actual	Requested
Pay & Allowances	493.34	424.92	452.91
Employees Benefit	44.69	68.14	81.23
Bonus	18.13	17.7	21.96
New Hiring Cost including benefits	26.58	0	59.84
Training & Capacity Building	9.68	11.98	20
Outsource Consultancy	30.31	17.26	18.86
<b>Total</b>	<b>622.73</b>	<b>539.99</b>	<b>654.80</b>

8.2. **Pay & Allowances**

8.2.1. The Petitioner submitted that pay and allowances for FY 2018-19 are proposed at Rs. 452.91 million against the actual figure of Rs. 424.92 million for FY 2017-18 based on projections of 10% increase over "Actual Basis pay" of each employee for the period of June 2018 and keeping in view "pay scales structure" already approved by the BoD of CPPA-G.

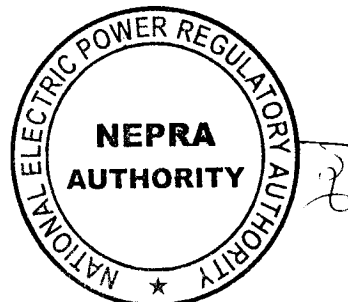
8.2.2. Regarding employees' benefits, the Petitioner submitted that it consists of provident fund, gratuity, earned leaves, EOBI, GLI, medical benefits and pension contribution obligation of deputation employees. The benefits of Rs.81.23 million have been projected keeping in view the "pay scales structure" already approved by the BoD, CPPA-G.



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- 8.2.3. The Petitioner further submitted that the management has created nine (09) posts at professional level to cope with the technical nature of the work that has increased over time and to ensure compliance with legal and regulatory directions. Amongst these 09 posts, 04 posts of professionals are created under Strategy and Market Development (SMD) Department, 02 in the Policy Governance and Corporate Planning (PG&CP) Department, 02 in the Finance Department and 01 in the Legal Department. Accordingly, the sanctioned strength of CPPA-G now stands at 227 employees as against its earlier sanctioned strength of 218 employees.
- 8.2.4. CPPA-G further explained that process to fill up 53 vacant posts in various departments has also been initiated and three advertisements in this regard have been published in the leading newspapers. Interviews for most of the advertised post have been completed; the process would be completed by the end of March 2019. Accordingly, three months impact of salaries has been included in the requested pay and allowances for the FY 2018-19.
- 8.2.5. The Petitioner also requested an amount of Rs. 21.96 million as bonus (one basic pay) for the eligible employees.
- 8.2.6. Here it is pertinent to mention that the Petitioner in its MoF for the FY 2016-17 submitted that although its sanctioned strength initially included 374 employees, however, owing to automation of back office processes i.e. implementation of ERP etc., the same was reduced to 218 employees. Now, as per the Petitioner, to cope with the increased technical nature of the work and ensure compliance with legal and regulatory directions, it has created nine (09) additional posts at professional level, thus its sanctioned strength stands as 227 employees.
- 8.2.7. The Authority considers that keeping in view the changing dynamics of the power sector and increasing role of CPPA-G in the context of opening up of the Market, the HR requirement of CPPA-G may not be assessed accurately and may vary from time to time. Thus, additional creation of posts, approved by the management of CPPA-G, does not seem out of place. The Authority however observed that CPPA-G, as submitted during hearing of the instant petition, it is in the process of Business Re-Engineering (BPR) in terms of segregation of its function as procurement agency and role as market operator, therefore, CPPA-G is directed to expedite its Business Re-Engineering process to accurately assess its HR requirements.
- 8.2.8. Regarding cost of Pay & Allowances, the Petitioner has claimed an amount of Rs.452.91 million for 199 working employees and Rs.59.84 million as new hiring cost for 53 employees. Thus, requesting total cost of around Rs.513 million for 252 employees as against its revised sanctioned strength of 227 employees. Upon inquiry regarding difference in number of employees vis a vis its sanctioned strength, the Petitioner submitted that impact of Management Trainee Officers (MTOs), is also included in the requested amount, however, MTOs are not hired against any sanctioned post. Further, while going through the information provided by CPPA-G, it has been noted with concern that list of 199 working employees includes around 22 employees who have either retired/ left CPPA-G or have been deputed back to their parent entity.
- 8.2.9. In view thereof and the fact that FY 2018-19 is about to end, the Authority in order to make fair assessment of the Petitioner's Pay & Allowances for the FY 2018-19, analyzed the provisional expenditure incurred by the Petitioner in this regard. As per the



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information provided by the Petitioner, its provisional expenditure till March 2019 under the head of Pay & Allowances, has been around Rs.337.22 million. However, since CPPA-G also provided its employee wise detail/ working of Pay & Allowances, therefore, to accurately assess the Petitioner's Pay & Allowances cost for the FY 2018-19, the employee wise detail/ working provided by the Petitioner has been considered. As per the provided detail and by applying therein an increment @ 10% on the running basic pay, the Pay & Allowances cost of the Petitioner for its working employees works out as Rs.415.581 million, which is hereby allowed for the FY 2018-19. Here it is pertinent to mention that while working out the proposed amount of Rs.415.581 million, the employees who have left CPPA-G have been excluded from the date of their departure as provided by CPPA-G.

8.2.10. Similarly for the employees' benefits, the same has been also worked out based on the employee wise detail provided by the Petitioner, after excluding therefrom, the impact of employees who have retired /left CPPA-G. The same works out as Rs.71.529 million, which is allowed to the Petitioner for the FY 2018-19.

8.2.11. Regarding cost of new hiring, the Petitioner has projected a cost of Rs.59.84 million based on six months salaries & benefits, however, as per submissions made in the petition, the process of new hiring is to be completed by the end of March 2019. In view thereof, the cost of new hiring including benefits is allowed only for the three months period i.e. April to June 2019, which accordingly works put as Rs.29.863 million. The same is allowed to the Petitioner for the FY 2018-19.

8.2.12. Regarding Bonus, the Petitioner has requested an amount of Rs.21.961 million @ one basic pay for its employees. However, after making adjustment of employees who have retired / left the organization, the said amount works out as Rs.19.022 million, which is hereby allowed to the Petitioner for the FY 2018-19.

### 8.3. Training & Capacity Building

8.3.1. Regarding, Training & Capacity Building costs, the Petitioner submitted that the same includes costs associated with local and foreign trainings courses / workshops planned for the employees and capacity building of management trainees. It was further submitted that the BoD, CPPA-G approved the policy of HR capacity building by induction of management trainees, who shall be inducted to move with future timeline mentioned in the market rules. Accordingly, keeping in view the previous trend, the Petitioner has requested an amount of Rs. 20 million for training and capacity building for the FY 2018-19, to be utilized for the following programs;

**SMD department training** includes International Workshop for Power Sector Entities (Wholesale Competitive Power Market Design in Pakistan) (Legal, Policy, Regulatory and Institutional Framework) - Comparison with International Models, Courses on Power Market Development, trainings on international exchange, Participation in International Conferences on Market Development, Electricity Market Professional (EMP) Program at LUMS and Indigenous Workshops on Power Market Development.

**IT department training** regarding Network developer, Oracle, Microsoft Share Point, ISMS, ITIL, COBIT, PMP.

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**Other miscellaneous trainings / workshops of PG & CP, Finance and HR department.**

- 8.3.2. A scrutiny of the provided information revealed that a major chunk of the requested amount i.e. around Rs.12 million is for Electricity Market Professional (EMP) Program at LUMS, involving training of all key stakeholders i.e. DISCOs, NTDC, NPCC, NEPRA and CPPA-G in terms of moving from single buyer market to competitive trading market. The said training has already been imparted. The remaining amount has primarily been requested for IT related trainings of the CPPA-G staff and Indigenous Workshops on Power Market Development.
- 8.3.3. Considering the fact that the FY 2018-19 is about to end, therefore, in order to have a fair assessment of the Petitioner's Training & Capacity Building cost, its actual expenditure in this regard during the FY 2018-19 and also for the last year i.e. FY 2017-18 has been analyzed. The Petitioner's actual cost for the FY 2017-18 under the head Training & Capacity Building remained at around Rs.11.98 million, whereas, its provisional expenditure till March 2019 is around Rs.21.38 million. The major reason for the increase in the expenditure being the Electricity Market Professional (EMP) Program organized by the Petitioner as LUMS regarding transition from single buyer to the competitive trading market. However, considering the fact that the Petitioner itself has requested an amount of Rs.20 million for the training & capacity costs, the Authority has decided to allow the same amount i.e. Rs.20 million under the head of training & capacity building for the FY 2018-19. The Authority, however, directs the Petitioner to get its Market Operation Fee approved from the Authority well in time in order to ensure that its actual expenses do not exceed the limits approved by the Authority.

**8.4. Outsourced Consultancy**

- 8.4.1. While justifying the required costs of Rs.18.855 million under the head of Outsourcing Services & Consultancy, the Petitioner submitted that it includes various HR services which are proposed to be outsourced in FY 2018-19 i.e. media consultant, design and renovation consultant, Business Process Re-Engineering (BPR) consultant and other services related to recruitment firm, janitorial, security, mineral water, photocopier and elevator operator, as detailed below;

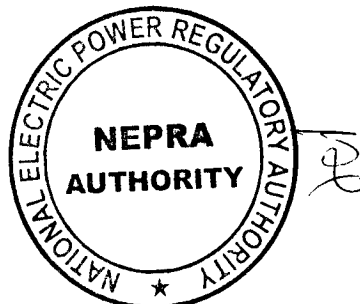
Consultants

S.No	Description	No of Month	Monthly	Yearly
<b>HR Department</b>				
1	Media Consultant	3	300,000	900,000
2	Design & Renovation Cost for Consultan	6	1,000,000	6,000,000
3	BPR Consultant Team	12	800,000	6,000,000
				12,900,000

Outsourcing Services

S.No	Description	Person	Monthly	Annual Cost
1	Recruitment Firm (Testing Services)	Nil	175,000	2,100,000
1	Security Services	10	160,000	960,000
2	Janitorial Services	10	250,000	1,500,000
3	Mineral Water	Nil	60,000	720,000
4	Photocopier Services	Nil	100,000	600,000
5	Elevator Operator	1	25,000	75,000
				5,955,000

**Outsourced Services & Consultancy Expenses 18,855,000**

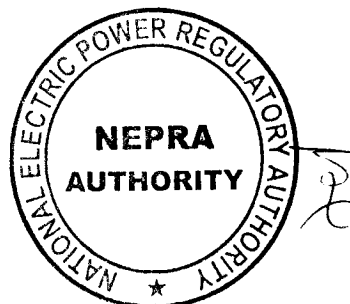


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- 8.4.2. The Authority to have a fair assessment of the Petitioner's request, analyzed the item wise detail of the cost requested by the Petitioner.
- 8.4.3. As per the break-up provided by the Petitioner, it is noted that major amount has been requested for the HR department i.e. Rs.12.90 million including Media Consultant, Design & renovation Consultant and BPR consultant teams. However, no further details / justification for the requested costs have been provided by the Petitioner.
- 8.4.4. Upon inquiry, the Petitioner submitted that both the Media and BPR consultants have not been hired yet, accordingly, the costs requested for the Media and BPR consultants have not been considered by the Authority. The Authority, however, fails to understand the reasons for inclusion of such costs in the MoF for the FY 2018-19, considering the fact that Petition has been filed by the Petitioner in March 2019 and hearing in the matter was held in May 2019. The Petitioner is directed to remain careful in the future and include only such costs in its request which are essential and prudent in nature.
- 8.4.5. For other outsourcing services costs i.e. Security, Janitorial, Mineral Water, Photocopier and Elevator operator amounting to Rs.3.855 million, being reasonable, is allowed to the Petitioner for the FY 2018-19.
- 8.4.6. Regarding Recruitment firm (Testing services) costs, the Petitioner has requested a fixed payment of Rs.175,000 per month for the entire year, whereas, such costs become due only once the process of recruitment is completed through a recruitment firm. In view thereof, and considering the fact that CPPA-G had initiated its recruitment process for hiring of 53 employees through a Recruitment firm, the Authority has assessed an amount of Rs.0.5 million for the Petitioner for the recruitment firm consultancy services for the FY 2018-19.
- 8.4.7. For the Design & Renovation consultant, the Petitioner did not provide any TORs for the task neither shared any contract/ agreement in this regard. Upon inquiry, the Petitioner submitted that consultancy charges shall be paid @ 1.25% of the renovation cost. The renovation cost, as per the financial bid evaluation, submitted by the Petitioner is Rs.79.864 million. Accordingly, the cost of Design & Renovation consultancy works out as Rs.0.9983 million, which is allowed to the Petitioner for the FY 2018-19 under the head Design & Renovation consultancy. The Petitioner, however, is again directed to ensure approval of its Market Operation Fee, well in time, in order to ensure that its actual expenses remain within the limits approved by the Authority.
- 8.4.8. In view of the foregoing discussion, the Petitioner is hereby allowed a total amount of Rs.561.35 million under the head of General establishment costs for the FY 2018-19 as detailed below;

*with*  
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Rs. in Mln	
<b>General Establishment Costs</b>	
Pay & Allowances	536.00
Salaries & Wages	415.58
Employee Benefits	71.53
Bonus	19.02
New Hiring	29.86
Trainings and Capacity Building	20.00
Outsources consultancy Expenses	5.35
<b>Total</b>	<b>561.35</b>

8.4.9. The Authority also observed that CPPA-G reflects the costs incurred on account of legal fees/ litigation charges in the capacity costs billed to DISCOs. The Authority directs CPPA-G that the said costs be made part of CPPA-G market operation fees and the same shall be got approved from the Authority.

**9. Issue # 3 Whether the requested Administrative Costs, Repair & Maintenance, Insurance & Finance Charges are justified?**

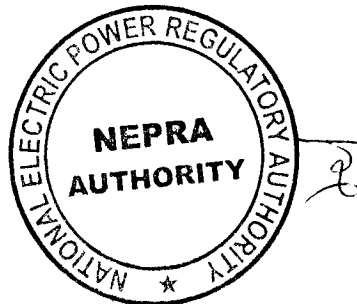
9.1. The Petitioner has requested Rs.166.86 million for the FY 2018-19 under the head of Administrative, Repair & Maintenance, Insurance and Finance Costs as per the following break-up;

Description	FY 2017-18		Rs. in Mln
	Allowed	Actual	FY 2018-19 Requested
Administrative Costs	84.09	83.49	133.86
Repair & Maintenance	8.98	17.98	31.49
Insurance	0.18	-	0.26
Financial Costs	1.08	1.25	1.25
<b>Total</b>	<b>94.33</b>	<b>102.72</b>	<b>166.86</b>

**Administrative Costs**

The Administrative costs, as per the Petitioner, includes rent, rate and taxes, power light, communication, office supplies and other expenses, Sports & Recreation/ entertainment, travelling expenses, BoD and Auditor Fees and other general miscellaneous expenses. The break-up of the requested amount of Rs.133.86 million, as provided by the Petitioner, is as under;

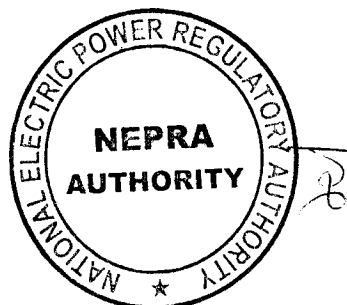
Description	Mln. Rs. FY 2018-19 Requested
Rent Rate & Taxes	67.15
Power Light etc.	11.01
Communication	12.82
Office Supplies & Other Expenses	6.22
Sports & Recreation/ Entertainment	2.99
Travelling Expenses	11.11
BOD and Auditor Fee	16.52
General Misc. Expenses	6.13
<b>Grand-total</b>	<b>133.86</b>



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Regarding Rent, Rate & Taxes, the Petitioner submitted that this mainly relates to the rent of new office building acquired by CPPA-G, pursuant to the approval from its BoD, due to space issues as the new office will enable CPPA-G to run/perform its operation more smoothly and in an efficient manner. The Petitioner further submitted that rent for the new building has been considered for nine (09) months period @Rs.6.499 million per month and rent for old NEECA building has been considered for 3.5 months @Rs.1.1 million per month. In addition, CPPA-G also holds around 2,325 and 1,589 square feet space in WAPDA house and WAPDA Sunny view Complex, Lahore respectively, for which rent has been estimated at around 4.7 million. Thus, a total amount of Rs.67.15 million has been requested under the Rent, Rate & Taxes for the FY 2018-19.

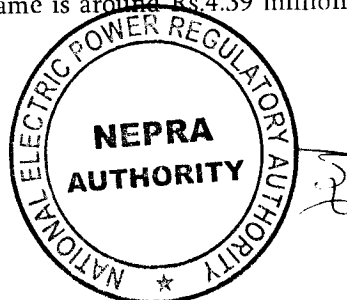
- 9.2. Here it is pertinent to mention that the Authority allowed an amount of Rs.40.81 million for rent, rate and taxes for the FY 2017-18, against which the Petitioner's actual expenses were Rs.40.94 million. Now, the Petitioner has requested an amount of Rs.67.71 million under this head mainly owing to shifting of its office to new building pursuant to approval from its BoD, due to space issues. The Petitioner has also shared its rental agreement in this regard. The claimed costs regarding rent of new office building is in line with the agreement, therefore, the Authority has decided to allow the same. However, the Petitioner is directed to ensure that all the legal formalities in this regard are completed and due process of law is followed while acquiring the new office building. The remaining amount pertaining to old NEECA building and WAPDA house & WAPDA Sunny view Complex, Lahore is also allowed as requested by CPPA-G. Accordingly, the Petitioner is allowed a total amount of Rs.67.15 million under the head of rent, rates & taxes for the FY 2018-19. The Authority at the same time directs the Petitioner to shift its entire office setup at Islamabad.
- 9.3. The Petitioner has requested an amount of Rs.11.01 million under the head Power, Light etc., which as per the Petitioner, has been estimated @ one million per month for the new office building keeping in view the average historical bill of almost the same size NEPRA building. For the old building, the cost has been estimated based on previous six (06) months average expenditure. Accordingly, for new building an amount of Rs. 9 million (*for 9 months*) and for old building an amount of Rs.1.8 million (*for 3.5 months*) has been projected by the Petitioner. Water and gas charges have been assumed at around Rs.0.2 million. Thus, the Petitioner has requested a total cost of Rs. 11.1 million under the head of power, light and water for the FY 2018-19.
- 9.4. Considering the fact that the FY 2018-19 is about to end, therefore, in order to make a fair assessment of the Petitioner's expenses under the head Power, Light etc., the provisional expenditure incurred by the Petitioner in this regard till March 2019 has also been analyzed which, as per the information provided by the Petitioner, is around Rs.5 million. Accordingly, keeping in view the submissions made in the Petition, the fact that the Petitioner has shifted to its new office having more space with increased electrical installations and comparison with other similar buildings, the amount requested by the Petitioner i.e. Rs.11.01 million seems reasonable; thus allowed for the FY 2018-19.
- 9.5. Regarding Communication, the Petitioner submitted that this head includes mainly the expenses relevant to telephone charges, employees' cell phone charges, internet charges, courier services charges for external communication through letters and expenses relevant



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to subscriptions and periodicals. Accordingly, the Petitioner, keeping in view the historical trend of these expenses and cell phone charges limits allowed to each employee, has requested an amount of Rs.12.72 million for the FY 2018-19.

- 9.6. While going through the information provided by the Petitioner, it has been noted that the amount requested by the Petitioner under Communications includes mobile phone charges for all 227 employees, including staff and new hiring as well. Further, communication charges for new hiring have been claimed for the entire year, instead from the date of hiring of these employees. In view thereof, the cost claimed by the Petitioner has not only been rationalized to this extent but also being allowed for the officers only; accordingly an amount of Rs.9.34 million is being allowed to the Petitioner under the head communication for the FY 2018-19.
- 9.7. For the remaining expenses i.e. office supplies, entertainment, sports & recreation, advertisement and publications, travelling, BOD & Auditor fee and other general miscellaneous expenses, the Petitioner submitted that an increase of Rs.5.61 million i.e. 15%, over the last year actual expenses, has been assumed for the FY 2018-19, thus requesting a total amount of Rs.42.98 million under these heads.
- 9.8. The Petitioner also requested to actualize the administrative expenses (upward /downward) based on the audited financial statements for the FY 2018-19.
- 9.9. Regarding BoD fees, the Petitioner has requested an amount of Rs.14.69 million by projecting an increase of around 8% on its actual expenses of Rs.13.640 million for the FY 2017-18. Being reasonable, the same is proposed to be allowed for the FY 2018-19.
- 9.10. For the Auditor's fees & SECP fees etc., the Petitioner has requested an amount of Rs.1.83 million, whereas its actual expenditure regarding Auditor Fees for the FY 2017-18 is Rs.676,000. The Petitioner did not provide any detailed justification for the increased amount. In view thereof, keeping in view the submissions made in the Petition and actual expenditure of the Petitioner for the FY 2017-18, an amount of Rs.876,000 is allowed to the Petitioner for the FY 2018-19 as Auditors' fees.
- 9.11. Regarding Travelling expense, the Petitioner has requested an amount of Rs. 11.11 million against its actual expenditure of Rs.9.66 million for the FY 2017-18. Considering the fact that the FY 2018-19 is about to end, therefore, in order to make fair assessment of the Petitioner's expenses under this head, the provisional expenditure incurred by the Petitioner in this regard till March 2019 has also been analyzed. As per the information provided by the Petitioner, the same is around Rs.4.6 million. Accordingly, keeping in view the submissions made in the Petition, the actual expenditure of the Petitioner for the FY 2017-18 and provisional expenditure till March 2019, an amount of Rs.6.13 million, is allowed to the Petitioner for the FY 2018-19.
- 9.12. Regarding Office supplies, the Petitioner has requested an amount of Rs.6.22 million against its actual expenditure of Rs.5.41 million for the FY 2017-18. Considering the fact that the FY 2018-19 is about to end, therefore, in order to make fair assessment of the Petitioner's expenses under this head, the provisional expenditure incurred by the Petitioner in this regard till March 2019 has also been analyzed. As per the information provided by the Petitioner, the same is around Rs.4.39 million. Accordingly, keeping in



view the submissions made in the Petition, the actual expenditure of the Petitioner for the FY 2017-18 and provisional expenditure till March 2019, an amount of Rs.5.85 million, is allowed to the Petitioner for the FY 2018-19.

9.13. For General & Misc. expenses and Sports/ Entertainment, the Petitioner has requested an amount of Rs.9.12 million for the FY 2018-19. The Petitioner's actual expenses till March 2019, as provided by the Petitioner i.e. Rs.2.92 million. Accordingly, keeping in view the actual expenditure of the Petitioner for the FY 2017-18, submissions made in the Petition, and provisional expenditure till March 2019, an amount of Rs.4 million, is allowed to the Petitioner for the FY 2018-19.

9.14. **Insurance and Financial Charges**

9.14.1. Regarding insurance and financial charges, the Petitioner submitted that insurance charges pertain to payment of insurance premium of various assets @ 3%, whereas financial charges are the normal bank charges, charged by banks, against total transactions/ projected payments of over Rs.1.5 trillion. The Petitioner accordingly requested Rs.0.26 million and Rs.1.25 million for insurance and financial charges respectively.

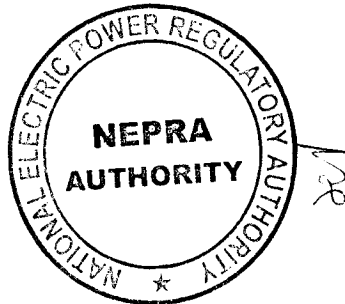
9.14.2. Considering the Petitioner's actual expenditure of Rs.1.25 million for the FY 2017-18 under the head Insurance & Financial charges and submissions made in the Petition, the request of the Petitioner for the FY 2018-19 i.e. Rs.1.51 million seems reasonable, therefore, the same is allowed by the Authority.

9.15. **Repair and Maintenance**

9.15.1. The Petitioner regarding Repair & Maintenance expenses explained that it includes repair and maintenance of furniture, office equipment, vehicle, repair and maintenance of IT equipment's and running cost of vehicle inclusive of fuel oil, oil and lubricants and annual fee and token taxes and requested an amount of Rs.31.49 million in this regard as detailed below;

Description	FY 2017-18		Rs. in Mln
	Allowed	Actual	FY 2018-19 Requested
General	1.7	4.13	4.54
IT Equipment		3.49	14.7
Vehicles - R&M	7.28	4.36	4.8
Vehicles - Fuel & Oil		5.81	7.26
Vehicles - License		0.19	0.19
<b>Total</b>	<b>8.98</b>	<b>17.98</b>	<b>31.49</b>

9.15.2. Regarding R&M of IT Equipment, the Petitioner has provide the following details;



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Sr.	Target	Actions	Budget	Qty	Total
1	Strategic Target 7: IT Infrastructure Transformation	IT/Electronic Equipment Insurance (@ 5% of book value/year): 260 laptops with mobility for fire and theft, 24 MFP printers for fire and theft, Data Center active equipment	1,000,000	1	1,000,000
		Internet Bandwidth Expansion from 30MB to 60MB	3,600,000	1	3,600,000
		CPPA-G official Website maintenance cost (SLA)	500,000	1	500,000
		CPPA-G Email Services from M/s Nayatel	480,000	1	480,000
<b>Total:</b>					<b>5,580,000</b>
2	Operational Software	Document Converter and compressor (Smallpdf): SMD (2 licenses), HRA (1 license), PGCP (2 licenses), IT (3 licenses)	8000 p.a.	8	64,000
		MS Office 365 Business (word, powerpoint, excel, access, publisher, outlook, one note, one drive space 1TB)	25000 p.a.	30	750,000
		Screen Recorder (Apowersoft): Finance (1 license), IT (1 license)	10000 p.a.	2	20,000
<b>Total:</b>					<b>834,000</b>
3	Tonners for IT Services	Tonners for MultiFunction Laser Printers	30,000	104	3,120,000
		Color Printers Tonners	50,000	24	1,200,000
		Other Tonners	10,000	32	320,000
		Colour Printer	50,000	3	150,000
		Misc. (External Hard Disk, USB Flash etc.)	500,000	1	500,000
<b>Total:</b>					<b>5,290,000</b>
4	Data Center Shifting	Data Center Shifting Cost	3,000,000		3,000,000
<b>Total:</b>					<b>3,000,000</b>
<b>Total Budget:</b>					<b>14,704,000</b>

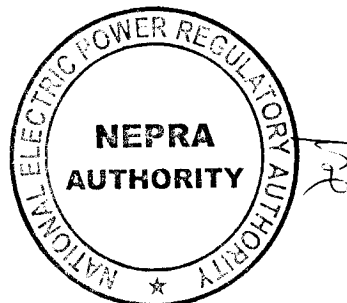
9.15.3. In order to have a fair assessment of the Petitioner's cost regarding R&M of IT equipment, the actual expenditure of the Petitioner for the FY 2017-18 and during the first nine months of FY 2018-19 have been analyzed. As per the Audited Financial Statements of the Petitioner for the FY 2017-18, its actual cost under the head R&M of IT equipment was Rs.3.68 million and its provisional expenditure till March 2019 remained at Rs.2.39 million. Thus, the Petitioner has requested an increase of more than 300% over its actual expenditure under this head for the FY 2017-18.

9.15.4. While going through the information provided by the Petitioner, it is observed that the insurance cost for 260 Laptops has been requested, whereas, the Petitioner has a sanctioned strength of 227 employees. Similarly, the costs claimed for tonners etc. is on the higher side. Moreover, the SLA cost for maintenance of the Petitioner's website is not justified as the same should be done in-house.

9.15.5. In view thereof, and keeping in view the actual expenditure of the Petitioner for the FY 2017-18 & during FY 2018-19, submissions made in the Petition, comparison of different costs, an amount of Rs.8 million is allowed to the Petitioner for the FY 2018-19 for R&M of IT equipment.

9.15.6. Regarding Vehicle R&M, Fuel etc., vehicle wise information provided by the Petitioner has been analyzed. As per the information provided the Petitioner, an average expenditure of over Rs.17,000 per month has projected for R&M each of the 23 vehicles i.e. Rs.4.8 million for the FY 2018-19. The Authority observed that although, most of the vehicles owned by the Petitioner are quite old, however, still the amount requested by the Petitioner @ Rs.17,000/month is on the higher side. Accordingly, keeping in view the submissions made in the Petition, the actual expenditure of the Petitioner for the FY 2017-18 and provisional expenditure till March 2019, an amount of Rs.1.02 million, is allowed to the Petitioner for the FY 2018-19 under the head R&M of Vehicles.

9.15.7. For the Fuel cost, keeping in view the allowed limits of Fuel for each vehicle as provided by the Petitioner, and prevalent fuel prices during FY 2018-19, the amount works out as



Rs.7 million. However, since most of the vehicles are pool vehicles, which are used on as & when required basis, thus, would not be fully utilizing their allowed limit of fuel, the Authority has decided to allow an amount of Rs.6 million for the FY 2018-19. Thus, a total amount of Rs.7.02 million is allowed to the Petitioner on account of R&M, Fuel and token taxes etc. of Vehicles for the FY 2018-19.

9.15.8. Regarding General R&M, the Petitioner submitted that primarily it is for R&M of old furniture including Tables, Chairs and Cabinets etc., shifted to its new office. Considering the fact that the FY 2018-19 is about to end, therefore, in order to make fair assessment of the Petitioner's expenses under this head, its provisional expenditure in this regard till March 2019 has also been considered which, as per the information provided by the Petitioner, is around Rs.3.11million. The Petitioner actual expenditure for the FY 2017-18 in this regard was Rs.4.13 million. Accordingly, keeping in view the submission of the Petitioner, its actual cost for the FY 2017-18 and provisional expenditure incurred till March, 2019, an amount of Rs.4 million is allowed for the FY 2018-19 for General R&M.

9.16. In view of the foregoing discussion, the Petitioner is hereby allowed a total amount of Rs.139.58 million under the head of Administrative Costs, Repair & Maintenance, Insurance & Finance Charges for the FY 2018-19 as detailed below;

Rs. in Mln	
<b>Administrative Costs</b>	
Rent Rate & Taxes	67.15
Power Light etc.	11.01
Telephone Fax & Postage Telegram etc.	9.34
Office Supplies & Other Expenses	5.85
Sports & Entertainment	1.00
Travelling Expenses	6.13
BoD & Audit Fee	15.56
General Misc. Expenses	3.00
<b>Total</b>	<b>119.05</b>
<b>Repair &amp; Maintenance</b>	
Repair and Maintenance	12.00
Vehicle Expenses Repair, Fuel & Oil	7.02
<b>Total</b>	<b>19.02</b>
<b>Insurance &amp; Financial Charges</b>	<b>1.51</b>
<b>Grand Total</b>	<b>139.58</b>

9.17. The request of the Petitioner for actualization of the allowed costs has been discussed as a separate issue.

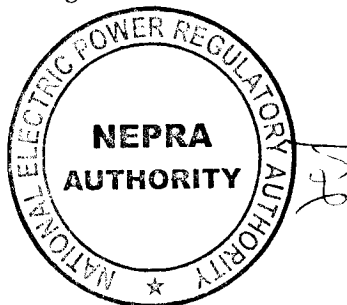
10. **Issue # 6 What is actual amount of investment incurred vis-à-vis allowed?**

11. **Issue #4 Whether the requested capital expenditure is reasonable and justified?**

11.1. The Petitioner has requested an amount of Rs.138.90 million for Capital expenditure to be carried out during the FY 2018-19 for the following heads;

- I.T Equipment & Software
- Office Space Renovation

11.2. The Petitioner provided the following details of its requested Capital Expenditure:



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Description	<i>Mln. Rs.</i>
	FY 2017-18 Requested
IT Equipment & Software	40.90
Office Space Renovation	98.00
<b>Total</b>	<b>138.90</b>

11.3. The Petitioner provided the following justification of the requested amounts;

**a) IT Equipment & software.**

ERP Financials including utility specific solutions to deal with billing, settlement and payment mechanism will tremendously improve CPPA-G capability to operate more effectively and also bring more transparency to market operation and provide timely information to all market participants. The proposed costs mainly include Data Institutionalization and Publishing, IT Infrastructure Transformation, Operational Software's, ERP Implementation (Extension), IT Management Solutions, record management, video conference solution, In-house Application Development Environment and a data center.

**b) Office Space Renovation**

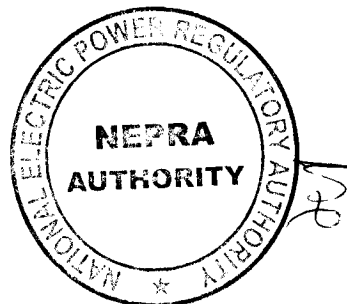
As CPPA-G has moved its office to a new building, therefore, to provide proper sitting space to employees, partitioning of the office is required as per the planned designed. A mosque, flooring, BOD rooms, record rooms, IT data center, discussion rooms on each floor, visitors sitting area, fitness center, cafeteria and other renovations are part of office space renovation plan. In this regard a tender has already been floated in the leading newspapers and in response, various firms have applied in the bid. After completion of bidding process as per PPRA rules and the final tender would be allotted to the successful bidder.

11.4. Here it is pertinent to mention that CPPA-G had been allowed a total CAPEX of Rs.264.78 million upto June 2018, against which CPPA-G's actual expenditure as per its audited financial statements for the FY 2017-18 has been Rs.114.01 million.

11.5. It is also pertinent to mention that the Authority, while determining the MoF of the Petitioner for the FY 2017-18, also adjusted back an amount of Rs.49.51 million, from the allowed CAPEX budget, due non-utilization of the same by CPPA-G. Thus, as of June 2018, CPPA-G had been allowed a CAPEX of Rs.215.27 million (*Rs.264.78 million less Rs.49.51 million*), whereas, its actual expenditure against the same has been Rs.114.01 million, meaning thereby that the Petitioner still has an un-utilized CAPEX of Rs.101.26 million which needs to be adjusted.

11.6. Detail of CPAEX allowed and the actual expenditure carried out by the Petitioner is as under;

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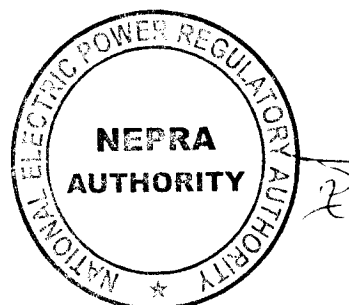





**CAPEX BUDGET VS UTILIZATION** Rs. in millions

	FY 2015-16	FY 2016-17	FY 2017-18	Total
<b>Allowed CAPEX</b>				
IT	-	-	6.85	6.85
Furniture	-	-	5.00	5.00
Vehicle	1.80	47.85	-	49.65
Others	6.78	10.68	-	17.46
ERP	-	175.82	-	175.82
Office Space Renovati	-	10.00	-	10.00
<b>Total</b>	<b>8.58</b>	<b>244.35</b>	<b>11.85</b>	<b>264.78</b>
<b>Utilization</b>				
Actual Spending	6.92	37.13	69.96	114.01
Adjusted as PYA	1.66	47.85	-	49.51
<b>Total</b>	<b>8.58</b>	<b>84.98</b>	<b>69.96</b>	<b>163.52</b>
<b>Available CAPEX</b>	-	159.37	(58.11)	101.26

- 11.7. In view of the foregoing discussion and keeping in view the actual CPAEX of the Petitioner, as per its Audited financial statements for the FY 2017-18, an amount of Rs.101.26 million available with the Petitioner under CAPEX has been adjusted from its instant MoF petition for the FY 2018-19 as PYA.
- 11.8. The Petitioner in its instant MoF petition has requested to allow a further CAPEX of Rs.40.90 million for the IT equipment & Software, which is primarily meant for the new inductions, in-house application development, video conferencing solution and data institutionalization etc. and Rs.90 million for office space renovation.
- 11.9. Here it is pertinent to mention that the Authority had allowed a CAPEX of Rs.182.67 million to the Petitioner for its IT equipment & Software till June 2018. The Petitioner, however, against the same has been able to utilize only an amount of Rs.90.476 million till June 2018. Further, as per the information provided by the Petitioner, its actual CPAEX during first six months of the FY 2018-19 i.e. till December 2018 is Rs.10.697 million which includes Rs.9.364 million on IT Equipment & software, Rs.1.13 million on furniture & fixture and Rs.0.23 million on office equipment. The Authority observed that although the Petitioner has not been able to fully utilize its allowed CAPEX in previous years and for the first six month of the FY 2018-19, its actual CPAEX as per the provided information is around Rs.11 million, however, keeping in view the submissions of the Petitioner regarding Data Institutionalization and Publishing, IT Infrastructure Transformation, Operational Software's, ERP Implementation (Extension), IT Management Solutions, record management, video conference solution, In-house Application Development Environment, data center and the fact that the Petitioner has recruited additional staff, the Authority's has decided to allow the requested CAPEX of Rs.40.90 million, for IT Equipment & Software for the FY 2018-19. The said amount is being allowed keeping in view the role of the Petitioner as Market Operator and prospective benefits i.e. transparency & control over transactions, timely verification & accurate invoicing, facilitation in settlement among the market participants etc. The Authority, however, may consider to revise the subject cost once the actual expenditure of the Petitioner as per its Audited financial statements for the FY 2018-19 are available and the Petitioner provides complete justification of the amount incurred.





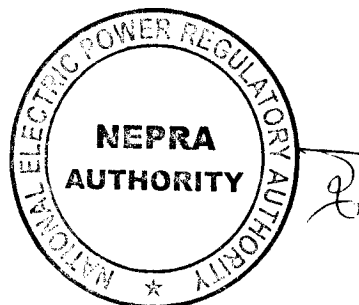
11.10. Regarding CAPEX of Rs.98 million requested for Office Space Renovation, the Petitioner provided the following details in respect of the works to be carried out;

Budget Estimate for Renovation & Commissioning of Office Fixtures & Furnitures			
Sr. #	Work	Description	Mln Rs.
1	<b>Civil Work &amp; Renovation Works:</b> Civil Works includes construction & commissioning of CCTV Room, Training Room, Security Room, Transport, IT, Admin Stores, Meeting Rooms, Wooden Skirting, Video Conference Room, Virtual Library, Cafeteria for employees.	a) Dismantling (Furniture, Fake Ceiling, Tile Flooring)	42.00
		b) Flooring for Condued wiring of Data Cable & Voice Calbe.	
		d) Frosted Paper on Glass & Blinds where applicable	
		e) Reception Back Wall & Construction of meeting rooms.	
		a) Water Proof PVC for ceiling & Glass partitioning.	
2	<b>Elevation Work:</b> Elevation Work starts right after completion of detailed floor plans. Elevation works includes: Clad Partitioning, Construction of Glass and wooden Cabins. Creation/Identification of doors and windows after partitioning. Levelling of ducts such as finished ground level and floor	b) Installation of Tempered Glass for office partition	2.00
		c) Block Masonry where ever required as per layout design.	
		d) Plaster work after completion of masonry work	
		e) Wood Composite Door where ever required.	
		f) Main Entrance Sliding Gate along with security pheraphanela.	
		a) cables and Wiring Accessories	
b) Cable Dismantling and comissioning			
c) Distribution Boards			
d) Switches & Sockets			
e) Lighting and alarm Fixtures			
f) Voice & Data Communication System			
g) CCTV System (IP Based)			
h) Addressable Fire Alarm System			
i) Excess Control System			
j) Bio Metric System IP Based			
4	<b>Furniture:</b> After the operationalization of CPPAG at Islamabad, total number of employees shifted from lahore to Islamabad were around 86 employees, now the total number of employees are more than 200, as per the current manpower requirements, CPPAG will require seating arrangement for around 175 Employees along with sitting area for visitors, Reception, Meeting and Video Conference rooms etc. Existing Furniture may also be refurbished as per the approved floor plan of the building.	a) Executive table, Executive Desk Set	20.00
		b) Senior Manager Table, Manager Table	
		c) Training Room Table, Board Room Table	
		d) Workstation I (3 Person), Accessories	
		e) Credenza Size 8'-0 & 0'-16"	
		f) Filing Cabinet Redo,	
		g) Round Table, Video Conferencing Table	
		h) Reception Table	
<b>Total</b>			<b>98.00</b>

11.11. The Petitioner although shared details of the works to be carried put, however, it did not provide any break-up/ details of the costs for the proposed works. Upon inquiry, the Petitioner submitted that tender in this regard has already been floated in the leading newspapers against which various firms have applied and as per the financial bid information, reported by the Petitioner, M/s Marks Designer has provided the lowest bid of Rs.79.864 million. In view thereof, the Authority has decided to allow the amount of Rs.79.864 million to the Petitioner for office renovation cost for the FY 2018-19. The Authority may consider to revise the allowed amount once the actual expenditure of the Petitioner as per its Audited financial statements for the FY 2018-19 are available and the Petitioner provides the documentary evidence along-with complete details/ justification of the amount incurred. The Petitioner is also directed to ensure that all the legal formalities in this regard are completed and due process of law is followed while carrying out the office renovation works.

11.12. In view of the foregoing discussion, the Petitioner is hereby allowed a total amount of Rs.120.764 million under the head of CAPEX for the FY 2018-19 as mentioned hereunder:

Rs. in Mln	
<b>CAPEX</b>	
IT Equipment & Software	40.90
Office Space Renovation	79.86
<b>Total</b>	<b>120.76</b>





**12. Issue #5 Whether the requested Prior Year Adjustment & Other Income is justified?**

12.1. The Petitioner has requested a negative amount of Rs.32.97 million under the head of Prior Year Adjustment. The Petitioner submitted that the Authority has allowed an amount of Rs.451.87 million (Rs.1.6592/kW/M) net of other income, to meet the revenue requirement of the company for FY 2017-18. The Authority in the Market Fee determination dated November 12, 2018 also mentioned that the allowed amounts are subject to actualization base on the actual finding of the results. The Petitioner further submitted that as the actual results of FY 2017-18 has arrived so, the determined revenue requirement is compared with actual result to find out the upward / downward revision of the allowed tariff. Accordingly, the Petitioner provide the following working of the PYA for FY 2017-18;

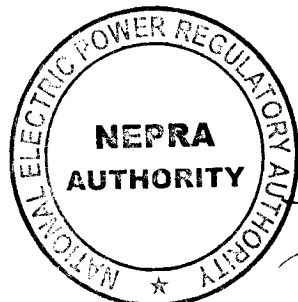
Rs. in Mlns.

FY 2017-18			
Determined	1.6592	22.695	451.87
Recovery	1.4610	22.765	399.12
			52.75
<b>O&amp;M Expenses</b>			
Determined	717.05		
Actual	642.71		(74.34)
<b>Other Income</b>			
Determined	(230.00)		
Actual	(241.38)		(11.38)
<b>Tax</b>			
Determined	108.35		
Actual / Provisional	108.35		-
<b>PYA for FY 2017-18</b>			<b>(32.97)</b>

12.2. The PYA claim of the Petitioner has been analyzed in light of the working submitted by the Petitioner, the MoF allowed to the Petitioner for the FY 2017-18 and the amount actually recovered by the Petitioner during the FY 2017-18. The Authority accordingly has assessed a negative PYA amount of Rs.134.23 million for the FY 2017-18, to be adjusted from the instant MoF of the Petitioner for the FY 2018-19 as detailed below;

Rs. in Mln

FY 2017-18		
Determined		451.88
Recovered		399.12
		52.76
<b>O&amp;M Expenses</b>		
Determined	717.05	
Actual	642.71	(74.34)
<b>Other Income</b>		
Determined	230.00	
Actual	241.38	(11.38)
<b>Capex</b>		
Allowed	264.78	
Spended/Adjusted	163.52	(101.26)
<b>Total PYA for FY 2017-18</b>		<b>(134.23)</b>



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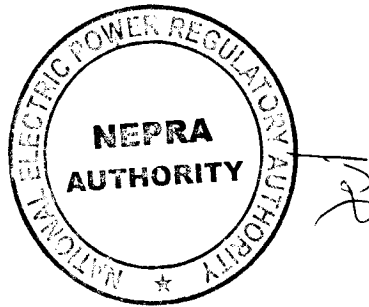


- 12.3. Here it is pertinent to mention that the excessive amount of Rs.101.26 million available with the Petitioner under CAPEX has also been adjusted while working out the aforementioned negative PYA for the FY 2017-18.
- 12.4. Regarding other income, the Petitioner has requested an amount of Rs.309.62 million for the FY 2018-19. However, no justification has been provided for the requested amount.
- 12.5. The Authority keeping in view the actual income of the Petitioner i.e. Rs.241.38 million for the FY 2017-18, considers the amount requested by the Petitioner for the FY 2018-19 as reasonable; hence allows the same i.e. Rs.309.62 million subject to its actualization once the Audited financial statements of the Petitioner for the FY 2018-19 are available.

13. **Issue # 5 Any other issue – Payment of withholding Tax**

- 13.1. The Petitioner has claimed an amount of Rs.53.73 million on account of Taxes paid, however, no supporting evidence/documents were provided in this regard.
- 13.2. Upon inquiry, the Petitioner provided certain document i.e. Tax Deduction Certificates, Copies of internet bills and tax on cash withdrawal certificates. A detailed scrutiny of the submitted documents revealed that the claimed amount also included Rs.32.25 million, pertaining to tax period FY 2018, which has already been allowed to the petitioner in its MoF for the FY 2017-18. Thus, not considered for the instant MoF i.e. FY 2018-19. The remaining amount of Rs.14.07 million being justified is allowed to the Petitioner for the FY 2018-19. The Petitioner is directed to remain careful in future and ensure that no such costs are claimed, which have already been allowed by the Authority.
- 13.3. Based on the assessments made in the preceding paragraphs the Market Operation fee of the Petitioner for the FY 2018-19 is assessed as per the following details;

Revenue Requirement (Mln. Rs.)	391.92
Average Monthly MDI (MW)	23,507
MoF (Rs./kW/M)	1.3894



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Rs. in Mln	
<b>General Establishment Costs</b>	
Pay & Allowances	536.00
Salaries & Wages	415.58
Employee Benefits	71.53
Bonus	19.02
New Hiring	29.86
Trainings and Capacity Building	20.00
Outsources consultancy Expenses	5.35
<b>Total</b>	<b>561.35</b>
<b>Administrative Costs</b>	
Rent Rate & Taxes	67.15
Power Light etc.	11.01
Telephone Fax & Postage Telegram etc.	9.34
Office Supplies & Other Expenses	5.85
Sports & Entertainment	1.00
Travelling Expenses	6.13
BoD & Audit Fee	15.56
General Misc. Expenses	3.00
<b>Total</b>	<b>119.05</b>
<b>Repair &amp; Maintenance</b>	
Repair and Maintenance	12.00
Vehicle Expenses Repair, Fuel & Oil	7.02
<b>Total</b>	<b>19.02</b>
<b>Insurance &amp; Financial Charges</b>	<b>1.51</b>
<b>Grand Total</b>	<b>139.58</b>
<b>Tax Paid</b>	<b>14.07</b>
<b>CAPEX</b>	
IT Equipment & Software	40.90
Office Space Renovation	79.86
<b>Total</b>	<b>120.76</b>
<b>PYA</b>	<b>- 134.23</b>
<b>Other Income</b>	<b>-309.62</b>
<b>Total Revenue Requirement</b>	<b>391.92</b>

14. Issue#7 Whether the request of the Petitioner to actualize costs based on financial statement for the FY 2018-19 is justified?

14.1. The Petitioner has requested for actualization of its Administrative Cost and office renovation CAPEX (upward/downward) based on the audited Financial Statements for the FY 2018-19.

14.2. Although, the Petitioner has requested to actualize all of its administrative costs, however, the Authority may consider to actualize only the Pay & Allowances part of the Petitioner's expenses, CPAEX and other income, once the Audited Financial Statements of the Petitioner for the FY 2018-19 are available. For the remaining heads, the amount allowed shall be considered as the maximum cap, subject to its downward revision only, if the actual expenditure of the Petitioner remains lower than the amount proposed.



*Author*  
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15. **Issue#8 Whether CPPA-G has complied with the terms and conditions of its registration?**
- 15.1. The Authority observed that the matter regarding compliance of CPPA-G with its terms & conditions of registration is being taken-up with CPPA-G separately.

16. **ORDER**

- I. The Central Power Purchasing Agency Guarantee (CPPA-G) is hereby allowed to charge such fee on such terms and conditions as provided hereunder:
- II. Central Power Purchasing Agency Guarantee (CPPA-G), for provision of Market Operator and allied services, is allowed to recover its assessed fees for the FY 2018-19 on the following rates, based on projected average monthly MDI of 23,507 MW for the FY 2018-19.

**Market Operator Fee (MOF) = Rs. 1.3894/kW/month**

- III. CPPA-G shall charge the DISCOs, a transfer charge for procuring power from approved generating companies and its delivery to DISCOs for a billing period as under;

$$TP = CTP_{(Gen)} + UOSC_{(Trans)} + MOF + ETP_{(Gen)}$$

***Where:***

- TP = Transfer Price to XWDISCOs or any other Market Participant
- $CTP_{(Gen)}$  = Capacity Transfer Price to XWDISCOs or any other Market Participant in Rs./kW/Month
- $UOSC_{(Trans)}$  = Use of System Charge to XWDISCOs or any other Market Participant in Rs./kW/Month
- MOF = Market Operator Fee to XWDISCOs or any other Market Participant in Rs./kW/Month
- $ETP_{(Gen)}$  = Energy Transfer Price to XWDISCOs or any other Market Participant in Rs./kWh
- $CTP_{(Gen)}$  =  $\frac{GenC}{PD(sys)}$
- $UOSC$  =  $\frac{USCF}{PD(sys)}$

***Where:***

- $GenC$  = Summation of the Capacity Cost pertaining to generation in Rupees for a billing period minus the amount of liquidated damages received during that billing period.
- $USCF_{(Trans)}$  = NTDCL transmission charge in Rupees for a billing period.
- MOF = CPPA-G market operator charges in Rupees for a billing period.
- $PD(sys)$  = Peak Demand of the System recorded during a billing period in kW.



2

**Note :** To calculate the CTP, UOSC and MOF in Rupees for each XWDISCOs or any other Market Participant for a billing period, the rate of CTP, UOSC and MOF will be further multiplied by the particular XWDISCO or any other Market Participant demand recorded at the time of system peak in kW.

$$\text{ETP} = \frac{\text{GenE}}{\text{EUs}}$$

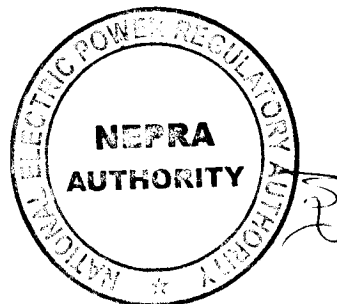
**Where:**

GenE = Total Energy charge in Rupees during a billing period.

EUs = Energy units (kWh) recorded at the Common Delivery Metering Points of all the DISCOs or any other Market Participant during a billing period.

- IV. CPPA-G shall, for the purpose of clarity intimate to all XWDISCOs or any other Market Participant the generation part of the Transfer Charge, during a billing period, by deducting from the Transfer Charge, the Transmission Charge or Use of System Charges of NTDC and the Market Operator fee of CPPA-G.
- V. The following generation entities and extraneous sources of import of electricity stand approved who would be providing electric power to CPPA-G for onward delivery to the XWDISCOs or any other Market Participant;
- i. All Hydroelectric Generating Stations owned and operated by WAPDA.
  - ii. Chashma Nuclear Power Generating Station.
  - iii. All IPPs selling power to WAPDA under a long-term contract for which sovereign guarantees have been provided by the Federal Government.
  - iv. The thermal generation companies formed out of unbundling of WAPDA for a period up-to 01.07.2009 or till the Competitive Market Operation Date determined by the Authority (whichever is later).
  - v. Other generation entities (in the public sector, private sector or under public-private partnership, initiated, sponsored or developed by the Federal Government or any Provincial Government) approved by NEPRA to provide power to CPPA-G for onward delivery to the XWDISCOs or any other Market Participant for a specific period.
  - vi. Sources of electricity imported from another country or the territory of Azad Jammu and Kashmir under an approval of the Federal Government for provision of power to meet the demand of any or all of the XWDISCOs or any other Market Participant as approved by NEPRA.
  - vii. Electricity purchased by CPPA-G from any generation company within Pakistan through Power Purchase Agreement pursuant to NEPRA Interim Power Procurement Regulations, 2005.

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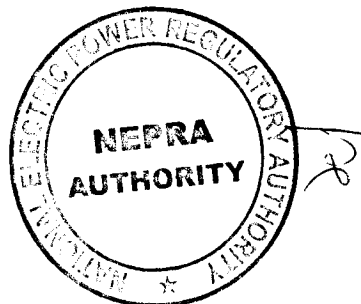




17. **Summary of Directions**


The directions of the Authority given in the preceding paragraphs of the instant determination are reproduced as under. The Petitioner is directed to;

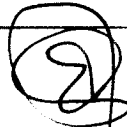
- i. Expedite the process regarding basket price assessment model and share the same with NEPRA without further delay by December 31, 2019.
  - ii. Continue sharing its progress on PPA Bifurcation and HR Development on quarterly basis.
  - iii. Provide a detailed report in terms of purchase of ERP software & license, its implementation, post Go-Live support & consultant level staff training, establishment of Data center, and web solutions including public assess, portals and email services etc. for consideration/ perusal of the Authority by December 31, 2019.
  - iv. Finalize the agreement with NTDCL without further delay and submit a copy of the same to the Authority by December 31, 2019.
  - v. Ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, showing the party wise breakup of amount payable & receivables and highlighting the reasons thereof.
  - vi. Ensure submission of Audited financial reports of every year in time.
  - vii. Expedite the Business Re-Engineering Process to accurately assess its HR requirements by March 31, 2020.
  - viii. Get Market Operation Fee approved from the Authority well in time i.e. before the start of the financial year, in order to ensure that actual expenses of the Petitioner do not exceed the limits approved by the Authority.
  - ix. Ensure that all legal formalities are completed and due process of law is followed while acquiring the new office building.
  - x. Ensure that all the legal formalities are completed and due process of law is followed while carrying out the office renovation works.
  - xi. Ensure that costs once allowed are not again claimed in subsequent petitions.
  - xii. Reflect the costs incurred on account of legal fees/ litigation charges under a separate head and the said costs be made part of market operation fees, to get the same approved from the Authority.
  - xiii. Shift its entire office setup at Islamabad by June 30, 2020.
  - xiv. Submit reconciliation report of T&D losses with NTDC on monthly basis.
  - xv. Submit the Plant wise Capacity Payment data as per the format already provided to CPPA-G along-with existing format on monthly basis.
18. The order part along-with summary of directions of the Authority of the instant determination are intimated to the Federal Government for notification in the official gazette under Section 31(7) of the NEPRA Act.







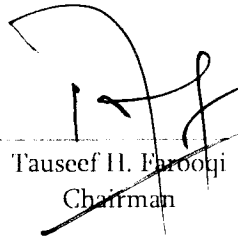
AUTHORITY

  
Saif Ullah Chattha 11.11.2019  
Member

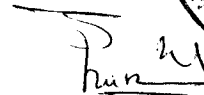
  
2/11/19  
Rehmatullah Baloch  
Member

  
Rafique Ahmed Shaikh  
Member

  
Engr. Bahadur Shah  
Vice Chairman

  
Tauseef H. Feroqi  
Chairman



  
13.11.19