



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.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/R/ADG(Trf)/TRF-243/TWEPL-2013/19234-19236
April 9, 2021

Subject: Decision of the Authority in the matter of Application filed by Central Power Purchasing Agency Guarantee Ltd. (CPPA-G) for Adjustment in Components of Tariff pursuant to Signing of Master Agreement with Act Wind Power (Pvt.) Ltd. (AWPPL) (Case No. NEPRA/TRF-243/TWEPL-2013)

Dear Sir,

Please find enclosed herewith the subject decision of the Authority (05 Pages) in Case No. NEPRA/TRF-243/TWEPL-2013.

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 of the Authority's Decision is to be notified in the official Gazette.

Enclosure: As above

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


(Iftikhar Ali Khan)

CC:

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



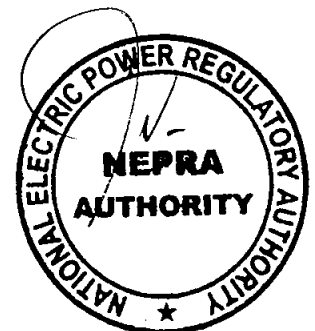
DECISION OF THE AUTHORITY IN THE MATTER OF APPLICATION FILED BY CENTRAL POWER PURCHASING AGENCY FOR ADJUSTMENT IN COMPONENTS OF TARIFF PURSUANT TO SIGNING OF MASTER AGREEMENT WITH ACT WIND POWER (PRIVATE) LIMITED

1. Introduction

- 1.1. The Committee for Negotiations, notified by the Government of Pakistan through notification number F.No.IPPs- 1(12)/2019-20 dated 3rd June 2020, following successive rounds of discussions with the Independent Power Producers (IPPs) and other power sector stakeholders, signed Memorandum of Understanding (MOUs) with 47 IPPs.
- 1.2. Government of Pakistan through notification number F.No.IPPs-1(12)/2020 (Vol-II) dated October 07, 2020 constituted the Implementation Committee, inter-alia, to convert the MOUs into a binding agreement between the Parties.
- 1.3. The report of the Implementation Committee along with the payment mechanism and initialled agreements was considered by Economic Coordination Committee of the Cabinet in case No. ECC 45/05/2021 dated February 08, 2021 and approved the same.
- 1.4. Central Power Purchasing Agency (Guarantee) Limited (CPPAGL) and Act Wind Power (Private) Limited (AWPPL) (formerly Tapal Wind Energy (Pvt.) Ltd.) signed Master Agreement on February 12, 2021. As per clause 2.1 of the agreement, the parties have jointly developed a tariff adjustment application to be submitted to NEPRA as a necessary condition to bringing into effect the agreed contractual amendments.
- 1.5. AWPPL is a 30 MW wind power project that was awarded upfront tariff by the Authority on November 21, 2013. Subsequently, the Authority vide decision dated January 22, 2016 granted onetime adjustment for exchange rate variation in the debt servicing component of AWPPL. Subsequently, AWPPL achieved Commercial Operations Date (COD) on October 8, 2016.

2. Filing of Application

- 2.1. Pursuant to the Master Agreement, CPPAGL vide letter No. CPPA/CEO/2021/8201 dated February 17, 2021 filed application for adjustment in components of tariff of AWPPL, approved vide above referred tariff decisions.
- 2.2. The application was filed by CPPAGL as motion for leave for review, pursuant to rule 16(6) of the NEPRA (Tariff Standards and Procedure) Rules, 1998, read together with Regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009 and Section 31 of the NEPRA Act, while requesting for the following:





- i. Reduce the Return on Equity (ROE) component to 13% per annum.
- ii. Reduce O&M component by 20%.
- iii. Reduce cap for insurance during operations amount to 0.7% of the EPC cost.
- iv. Provision for future reduction in debt component upon successful conclusion of debt renegotiations with the company's lenders.
- v. Approve the tariff adjustments to become effective as provided in clause 2.2, clause 2.3 and Annex B of the Master Agreement and notified accordingly.

3. **Admission of the Application**

3.1 The Authority admitted the subject application on February 25, 2021 and decided to hold hearing in the matter on March 03, 2021. Accordingly, Notice of Admission/Hearing was published in the national newspapers on February 26, 2021, inviting comments from the stakeholders. Individual notices were issued on February 26, 2021. Hearing was held on March 03, 2021 through video link on Zoom and was attended by representatives of CPPAGL and IPPs.

4. **Analysis and Decision of the Authority**

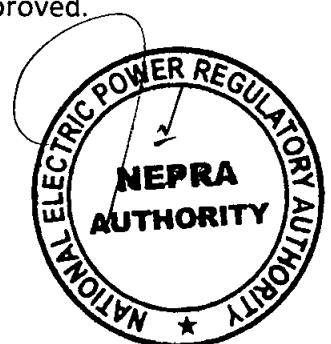
4.1 The discussion with respect to each parameter/component of tariff, as requested by CPPAGL for revision and decision of the Authority is as follows:

i. **Return on Equity**

The Authority in the tariff decision of AWPPL approved reference ROE component of Rs. 4.9780/kWh, including Return on Equity during Construction (ROEDC) component of Rs. 0.7391/kWh. The said component was worked out on the basis of rate of return of 18% (USD based). CPPAGL has requested to revise the equity return downward to 13%. During the proceedings of the subject Application, CPPAGL through letter dated March 16, 2021 clarified that the mechanics used to compute the ROEDC component in the tariff application of thermal power projects be used for AWPPL. Accordingly, with the negotiated rate of 13%, the revised ROE component of AWPPL works out to be Rs. 3.6437/kWh, including ROEDC of Rs. 0.5823/kWh, which is hereby approved.

ii. **Operations & Maintenance Cost**

The Authority in the tariff decision of AWPPL approved O&M component of Rs. 1.6040/kWh. In the subject Application, CPPAGL has requested to revise the aforesaid O&M component downward by 20%. Accordingly, the revised O&M component come out to be Rs. 1.2832/kWh, which is hereby approved.





iii. Insurance during Operations

The Authority in the tariff decision of AWPPL approved insurance cost component of Rs. 0.7833/kWh, which was worked out on the basis of 1% of the approved EPC cost using parity of Rs. 97.60/USD. In the tariff decision, the Authority also decided that in case of insurance denominated in USD, insurance cost component of tariff will be adjusted only on account of USD/PKR exchange rate variation annually, not exceeding the insurance cost actually incurred. It was also given in the tariff decision that for availing this adjustment, AWPPL would have to substantiate through authentic documentary evidence that the insurance cost allowed to it (from COD to date) does not exceed the insurance cost actually incurred. It can be noted that the option was given to AWPPL in the tariff decision whether to claim the adjustment of insurance cost or otherwise.

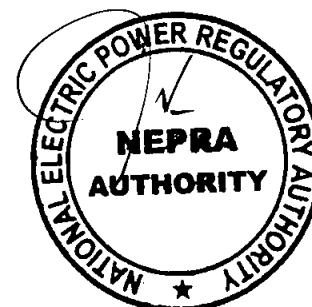
In the subject Application, CPPAGL has requested to revise the said limit of annual insurance from 1% to 0.7% of the EPC cost approved for AWPPL. Further, CPPAGL has requested that insurance cost allowed to AWPPL shall be adjusted annually, as per actual, subject to reduced cap of 0.7%. The Authority has considered these requests of CPPAGL and decided to approve the same.

iv. Debt Renegotiations

The Authority in the tariff decision of AWPPL worked out the approved tariff based on debt to equity ratio of 75:25. The project is 100% financed through local debt which was approved at KIBOR + 3%, to be serviced in 10 years' time starting from the COD of AWPPL, on equal annuity basis. The Authority noted that following has been decided in Master Agreement with AWPPL:

AWPPL shall coordinate with its lenders and make all efforts in order to give effect in letter and spirit to (i) the debt tenor shall be extended by a period of five (5) years, (ii) the existing spread shall be reduced by 75 basis points over LIBOR, as applicable, and by 125 basis points over KIBOR, as applicable; provided that the entire savings arising out of debt renegotiations shall be passed on to the Purchaser.

CPPAGL in the subject application has requested the Authority to include above referred provision. The Authority considered the said request of CPPAGL and decided to include the provision of debt renegotiation in this Decision. The Authority also directs CPPAGL to continuously pursue with AWPPL on this matter.





v. **Effective Date**

The Authority noted that Clause 2.2 of the Master Agreement signed with AWPPL provides that the revised tariff shall be effective on the date when the last instalment under the Payment Mechanism has been paid to the Company. Further, Clause 2.3 of the Master Agreement provides that, subject to the terms of this Agreement, after the determination of the revised tariff in line with the Tariff Adjustment Application and payment of the first instalment under the Payment Mechanism, and till Revised Tariff Effective Date, the Parties agree that the Company shall commence giving discount in invoices consistent with the notified tariff and this Agreement. From and after the Revised Tariff Effective Date, billing and invoicing shall be as per the revised tariff. The Authority has considered the said clauses and decided to approve the same through this Decision.

5. **ORDER**

The Authority hereby reviews the tariff decisions of Act Wind Power (Private) Limited, to the extent of following:

- ROE Component of Rs. 4.9780/kWh has been revised to Rs. 3.6437/kWh.
- O&M Component of Rs. 1.6040/kWh has been revised to Rs. 1.2832/kWh
- The cap of 1% in respect of annual insurance has been revised to 0.7% of the EPC cost of AWPPL. The insurance cost shall be adjusted annually, on actual basis, subject to maximum of 0.7% of the EPC cost of AWPPL converted in PKR using the Rs./USD parity value, prevailing on the 1st day of insurance coverage period.
- AWPPL is directed to make all efforts for debt renegotiations on the terms, as agreed in the Master Agreement. Once achieved, the tariff of AWPPL shall be adjusted to reflect the negotiated terms. CPPAGL is directed to continuously pursue with AWPPL on this matter.
- All the revised tariff components of this Decision, apart from insurance, shall be adjusted as per the mechanism prescribed in the COD tariff decision of AWPPL.
- This above revisions, in the tariff decision, shall apply in accordance with the timelines as agreed in the Master Agreement.





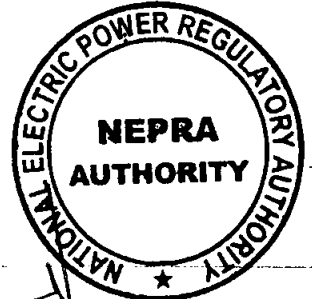
6. The Order of the Authority is intimated to the Federal Government for notification in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

Rehmatullah Baloch
Member

Engr. Rafique Ahmed Shaikh
Member

Tauseef H. Farooqi
Chairman



9/4/21