



# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-352/HAEPL-2016/19228-19230  
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 Artistic Energy (Pvt.) Ltd. (AEPL) (Case No. NEPRA/TRF-352/HAEPL-2016)**

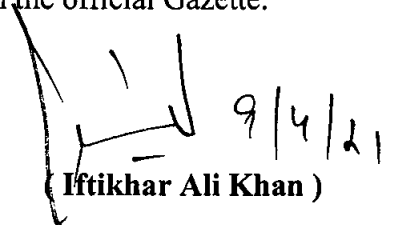
Dear Sir,

Please find enclosed herewith the subject decision of the Authority (05 Pages) in Case No. NEPRA/TRF-352/HAEPL-2016.

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

  
( Iftikhar Ali Khan )

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

CC:

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



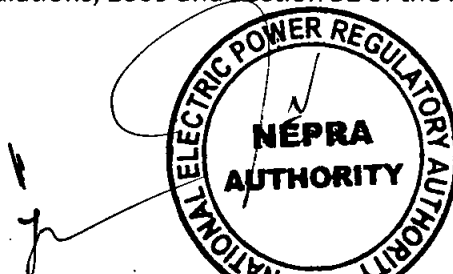
**DECISION OF THE AUTHORITY IN THE MATTER OF APPLICATION FILED BY CENTRAL  
POWER PURCHASING AGENCY IN COMPONENTS OF TARIFF PURSUANT TO SIGNING OF  
MASTER AGREEMENT WITH ARTISTIC ENERGY (PRIVATE) LIMITED**

**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 3<sup>rd</sup> June 2020, following successive rounds of discussions with the Independent Power Producers (1PPs) 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 initialed 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 Artistic Energy (Private) Limited (AEPL) 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 for bringing into effect the agreed contractual amendments.
- 1.5. AEPL is a 49.3 MW wind power project that was awarded upfront tariff by the Authority on March 31, 2016. Upon achievement of Commercial Operations Date (COD) on March 16, 2018, AEPL's tariff was adjusted vide decision of the Authority dated April 04, 2019 which was then modified on February 14, 2020 (COD tariff decision).

**2. Filing of Application**

- 2.1. Pursuant to the Master Agreement, CPPAGL vide letter No. CPPA/CEO/2021/8201 dated February 17, 2021 filed Applications for adjustment in tariff components of AEPL, approved vide COD tariff decision.
- 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:





- a. Reduce the Return on Equity (ROE) component to 13% per annum.
- b. Reduce O&M component by 20%.
- c. Reduce cap for insurance during operations amount to 0.7% of the EPC cost.
- d. 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.
- e. Tariff sharing with the power purchaser at 50% of the applicable tariff for the energy in excess of the Net Annual Plant Factor (NAPF) at P90 level.

### 3. **Admission of 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.
- 3.2 Post hearing, CPPAGL vide letter dated March 16, 2021 submitted, inter alia, to also include following clause in the "Grounds of Tariff Adjustment" of AEPL:

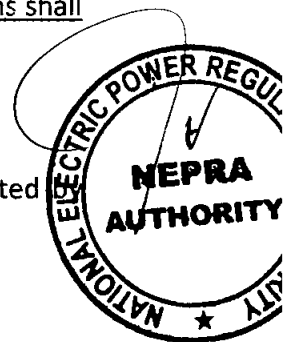
Pursuant to Master Agreement, CPPAGL and AEPL have agreed to coordinate with its lenders and make all efforts in order to give effect to (i) the debt tenor shall be extended by a period of 5 years, (ii) the existing spread shall be reduced by 75 basis points over the LIBOR, as applicable, and by 125 basis points over KIBOR, as applicable; provided that the entire savings arising out of debt negotiations shall be passed on to the consumers.

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

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

#### i. **Return on Equity:**

The Authority vide COD tariff decision of AEPL approved reference ROE component of Rs. 3.6623/kWh, including Return on Equity during Construction (ROEDC) component of Rs. 0.5926/kWh. The said component was worked out on the basis of rate of return of 17% (USD based). CPPAGL has requested to revise the equity return downward to 13% per annum. 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 AEPL. Accordingly, with the negotiated rate of 13%, the revised ROE component of AEPL works out to be Rs. 2.8311/kWh, including ROEDC of Rs. 0.4837/kWh, which is hereby approved.

**ii. Operations & Maintenance Cost**

The Authority in the COD tariff decision of AEPL approved O&M cost of Rs. 1.5039/kWh. In the subject Application, CPPAGL has requested to revise the aforesaid O&M cost downward by 20%. Accordingly, the revised O&M component comes out to be Rs. 1.2031, which is hereby approved.

**iii. Insurance during Operations**

The Authority in the COD tariff decision of AEPL approved the maximum limit of 1% of EPC cost, subject to actual, in respect of annual insurance cost. In the subject Application, CPPAGL has requested to revise the said limit of 1% to 0.7% of the EPC cost approved for AJPPL. The Authority has considered this request and decided to change the cap of annual insurance to 0.7% of the EPC cost of AEPL.

**iv. Tariff Sharing Mechanism**

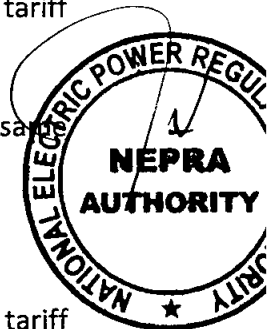
The parties have agreed that the tariff-sharing mechanism shall stand unamended for the Net Annual Plant Capacity Factor (NAPF) up to the NAPF approved and specified in the Lenders' technical advisor report (P90 Level) which is 184,300,000 kWh per annum.

Provided that if the Seller achieves a NAPF beyond the P90 Level its applicable tariff shall be reduced to fifty percent (50%) of the prevailing Tariff Determination

The Authority has considered the aforementioned and decided to approve the same in line with the Master Agreement.

**v. Debt Renegotiations**

The Authority in the COD tariff decision of AEPL computed and approved tariff based on debt to equity ratio of 75:25. The project is 100% financed through local debt. Around 29% of the local debt was approved at KIBOR + 3% and remaining amount was allowed at fixed rate of 5.1% (concessionary financing issued by State Bank of Pakistan). Both loans were allowed to be serviced in 10 years' time starting





from the COD of AEPL, on equal annuity basis. The Authority noted that following has been decided in Master Agreement with AEPL:

AEPL 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 vide letter dated March 16, 2021 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 AEPL on this matter.

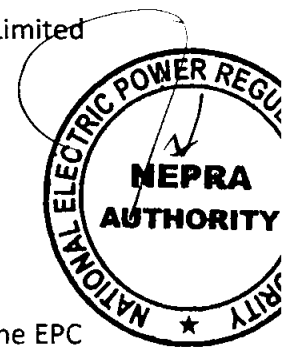
**vi. Effective Date**

The Authority noted that Clause 2.2 of the Master Agreement signed with AEPL 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 COD tariff decision of Artistic Energy (Private) Limited issued on February 14, 2020, to the extent of following:

- ROE Component of Rs. 3.6623/kWh has been revised to Rs. 2.8311/kWh.
- O&M Component of Rs. 1.5039/kWh has been revised to Rs. 1.2031/kWh
- The cap of 1% in respect of annual insurance has been revised to 0.7% of the EPC cost of AJPPL.





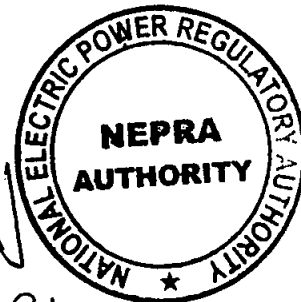
- For energy produced beyond 184.300 GWh (P90 level), 50% of the applicable tariff shall be paid to AEPL.
  - AEPL is directed to make all efforts for debt renegotiations on the terms, as agreed in the Master Agreement. Once achieved, the tariff of AEPL shall be adjusted to reflect the negotiated terms. CPPAGL is directed to continuously pursue with AEPL on this matter.
  - All the revised tariff components of this Decision shall be adjusted as per the mechanism prescribed in the COD tariff decision of AEPL.
  - This above revisions, in the COD 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