

Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/SA(Tariff)/PAR-122/20306-20308
August 7, 2020

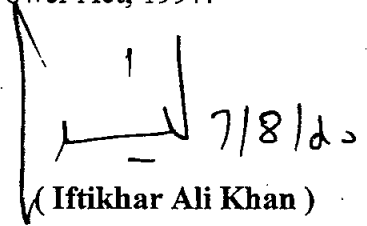
Subject: Decision of the Authority in the matter of Review Motion filed by the Federal Government (Ministry of Energy, Power Division) regarding the Decision of the Authority in the matter of Indexation of Fuel Cost Component of Noon Sugar Mills Limited for the Year 2016-17 (Case No. NEPRA/PAR-122)

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (06 Pages) in the matter of Review Motion filed by the Federal Government (Ministry of Energy, Power Division) regarding the Decision of the Authority in the matter of Indexation of Fuel Cost Component of Noon Sugar Mills Limited for the Year 2016-17.

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

Enclosure: As above


(Iftikhar Ali Khan)

Secretary
Ministry of Energy
'A' Block, Pak Secretariat
Islamabad

CC:

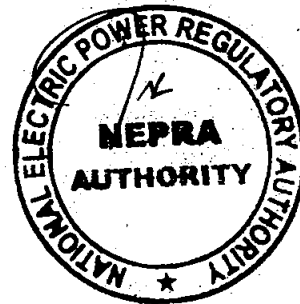
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

**Decision of the Authority in the matter of Review Motion filed by the Federal Government
(Ministry of Energy, Power Division) regarding the Decision of the Authority in the matter of
Indexation of Fuel Cost Component of Noon Sugar Mills Limited for the Year 2016-17 (Case No.
NEPRA/PAR-122)**

1. Ministry of Energy (Power Division) ("MOE") vide letter dated August 27, 2019 filed the subject review motion in respect of the Decision issued by National Electric Power Regulatory Authority ("NEPRA" or "the Authority") with respect to Noon Sugar Mills Limited ("NSML") issued on October 17, 2017 ("Impugned Decision"). In the Impugned Decision, the Authority revised the Fuel Cost Component ("FCC") of NSML to Rs. 6.72/kWh, applicable for the year starting from October 01, 2016 till September 30, 2017. MOE in the subject motion requested for the review of aforesaid revision in FCC. For this review, MOE also referred the decision of the Authority issued on July 16, 2019 which, inter alia, states that the FCC of Rs. 6.29 has been allowed to bagasse based captive power projects under the head of FCC.

Background of the Case

2. NSML is a bagasse based captive power plant located at Bhalwal, District Sargodha, Punjab. NSML was awarded Generation License by NEPRA for a gross capacity of 14.80 MW (Gross) on November 29, 2013 for a period of forty five (45) years.
3. Faisalabad Electric Supply Company (FESCO) vide letter dated April 16, 2014 submitted Power Acquisition Request (PAR) under NEPRA Interim Power Procurement (Procedures & Standards) Regulations 2005 (IPPR-2005) to purchase 4MW power from NSML. NEPRA vide letter dated July 03, 2014 granted permission to FESCO for negotiating Power Acquisition Contract (PAC) with NSML.
4. Later, FESCO vide letter dated August 06, 2014 submitted the negotiated PAC in respect of procurement of 4 MW bagasse based generation from NSML. The Authority vide decision dated January 27, 2015 approved the PAC between FESCO and NSML. The said decision was notified by



Federal Government in the official gazette vide SRO 211(I)/2015 dated March 10, 2015. Following tariff, on take-and-pay basis, was approved in the said decision:

Description	Rs./kWh
Fuel Cost Component	6.29
Fixed Cost component	1.53
Total Generation Cost of delivered Unit	7.82

5. As per para 7.2 of the above said decision, the FCC of NSML was allowed adjustment on yearly basis (w.e.f. 1st of October of each applicable year) as per the following formula:

$$FCC_{(Rev)} = FCC_{(Ref)} \times BFP_{(Rev)} / BFP_{(Ref)}$$

Where:

$$FCC_{(Rev)} = \text{Revised Fuel Cost Component of tariff for the applicable year.}$$

$$FCC_{(Ref)} = \text{Reference Fuel cost Component of tariff of Rs. 6.29/kWh.}$$

$$BFP_{(Rev)} = \text{Revised price of bagasse in Rs/ton as determined in accordance with mechanism set out below}$$

$$BFP_{(Ref)} = \text{Reference price of bagasse for the relevant year. Current reference price is Rs. 2,861.12/ton}$$

$$BFP_{(Rev)} = CPCIF(Rev) \times 6,905 / 23,810$$

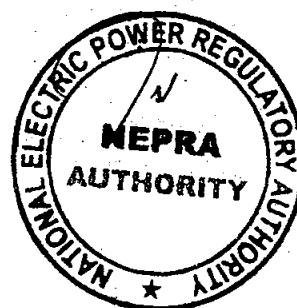
Where;

$$CPCIF_{(Rev)} = \{CPFOB(Rev) + MF(Rev) + MI(Rev)\} \times ER(Rev)$$

Where:

$$CPCIF_{(Rev)} = \text{Revised CIF price of coal in Rs/ton for the applicable year.}$$

$$CPFOB_{(Rev)} = \text{Revised FOB price of coal expressed in US$/ton based on monthly average of prices published in the Argus McCloskey's API4 index for the relevant year.}$$



$MF_{(Rev)}$ = Revised marine freight of coal per ton as worked out below.

$MF_{(Rev)}$ = $US\$ 19.19 \times BIX_{(Rev)} / BIX_{(Ref)}$

Where:

$BIX_{(Rev)}$ = Revised monthly average of the daily Bunker Index price for 380-CST published by the Bunker Index for the relevant year.

$BIX_{(Ref)}$ = Reference monthly average of the daily Bunker Index price of 380-CST published by the Bunker Index. Current reference for the month of April 2013 is US\$ 641.8219/ton.

$MI_{(Rev)}$ = $CPFOB_{(Rev)} \times 0.1\%$

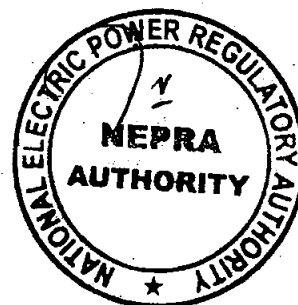
$ER_{(Rev)}$ = Revised monthly average PKR/US\$ exchange rate for the relevant month.

The constants such as 6905, 23810 and US\$ 19.19 were fixed values representing LHV value of Bagasse in Btu/kg, LHV value of coal in Btu/kg and fixed value of marine freight charges per ton of coal respectively.

6. FESCO vide its letter dated June 08, 2017 requested NEPRA to notify the revised FCC of NSML for the period starting from October 01, 2016 to September 30, 2017. Accordingly, the decision of the Authority in the matter of indexation of FCC of NSML was issued on October 17, 2017 wherein following rates were approved:

Period	FCC of NSML (Rs./kWh)
W.e.f from October 1, 2016 to September 30, 2017 (indexed)	6.72

7. The aforementioned approved rates were worked out in accordance with the mechanism approved by the Authority vide its decision dated January 27, 2015 and notified by Federal Government vide SRO 211(I)/2015 dated March 10, 2015.
8. Later, MOE vide a series of letters sought clarification from NEPRA regarding the increase in FCC of NSML for period starting from October 01, 2016. NEPRA responded to those letters stating the

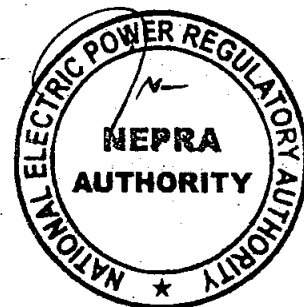


said increase was made in accordance with the prescribed mechanism which was made effective by MOE through notification. However, MOE did not notify that decision and filed the subject review motion.

9. FESCO applied for the adjustment of FCC of NSML for the subsequent years also, i.e. from October 2017 onwards, however, those requests were not processed in view of pending notification of earlier decision. Then, NSML vide letter dated October 23, 2019 informed the Authority that MOE has not notified the decision dated October 17, 2017 whereby NEPRA revised its FCC from Rs. 6.29/kWh to Rs. 6.72/kWh. Due to this reason, NSML submitted that its total payable since 2016 till 2019 has accumulated to the level of Rs. 52,745,416. Stating above, NSML requested that if the MoE is not notifying the revised FCC then approval may be accorded for its payment as per previous practice at last gazette notified rate for the year 2016-17 and gazette notification be done on old rates.

Analysis and Decision of the Authority

10. As stated above, the decision of approval of PAC was issued by NEPRA which was duly notified by the MOE. In the notified decision, the mechanism for the adjustment of FCC was prescribed. The Impugned Decision for the the adjustment of FCC of NSML was issued in accordance with the mechanism approved in the aforesaid notified decision.
11. The Authority has noted that exactly similar adjustment mechanism with respect to FCC was also approved under Upfront Tariff for Bagasse Cogeneration Power Projects based on high pressure boilers (60 bars and above) issued vide determination dated May 29, 2013. In accordance with that mechanism, the Authority issued FCC adjustment decisions for a number of bagasse power projects for three years, i.e. from October 01, 2015 till September 30, 2018, and those decisions were notified by MOE.
12. The Authority is of the view that MOE had the opportunity to file the review motion on decision of PAC approval whereby, inter alia, the adjustment mechanism of FCC was approved,



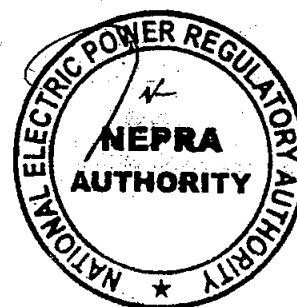
however, that decision was notified and made effective. It is not appropriate to challenge the FCC decision which was made in accordance with the decision notified by MOE. This act is also not justified keeping in view that FCC adjustments, based on similar mechanism, had been notified by MOE for bagasse projects developed under Upfront Tariff, 2013. In addition, the Authority also noted that the referral by MOE of the Authority's decision dated July 16, 2019 for the subject review is out of place as that decision is to be applicable from October 01, 2017 onwards.

13. Nevertheless, the Authority also noted that due to non-notification by the MOE, the generation company is not being paid. As a consequence thereof, NSML has requested for the downward revision of the FCC. Considering the request of the NSML, the Authority has decided to review the Impugned Decision. That is, the Authority has decided to revise the FCC of Rs. 6.72/kWh to Rs. 6.29/kWh, applicable for the period from October 01, 2016 to September 30, 2017. Furthermore, as requested by FESCO, the Authority has decided to approve the FCC for the subsequent years also for NSML as given in the Order part of this decision.

Order:

14. The Authority hereby approves the following FCC for the energy purchased by FESCO from Noon Sugar Mills Limited:

Period	FCC of NSML (Rs./kWh)
W.e.f form October 1, 2016 to September 30, 2017	6.29
W.e.f form October 1, 2017 to September 30, 2018	6.29
W.e.f form October 1, 2018 to September 30, 2019	6.04
W.e.f form October 1, 2019 to September 30, 2020	6.04



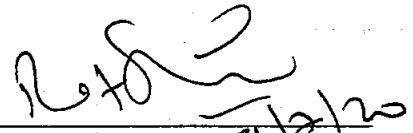
15. The above referred indexed tariff components are to be notified in the official gazette, in accordance with the provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

Authority

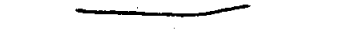


(Saif Ullah Chattha)
Vice Chairman

28.7.2020



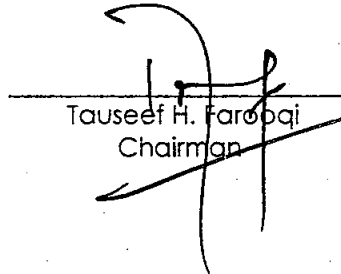
(Rafique Ahmad Shaikh)
Member



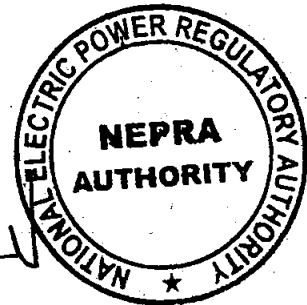
(Rehmatullah Baloch)
Member



Engr. Bahadur Shah
Member



Tauseef H. Farooqi
Chairman



7-8-20