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National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-600/KAPCO-2023/ 20646-50

August 04, 2023

Subject: **Decision of the Authority in the matter of Grant of Provisional Tariff requested by Kot Addu Power Company Limited. [CASE NO. NEPRA/TRF-600/KAPCO-2023]**

Dear Sir,

Please find enclosed herewith the subject decision of the Authority (total 06 Pages) along with Opinion of Mr. Rafique Ahmad Shaikh, Member NEPRA regarding grant of Provisional tariff requested by Kot Addu Power Company Limited. [Case No. NEPRA/TRF-600/KAPCO-2023].

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 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision or refer the matter to the Authority for reconsideration, within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

(Engr. Mazhar Iqbal Ranjha)

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

CC:

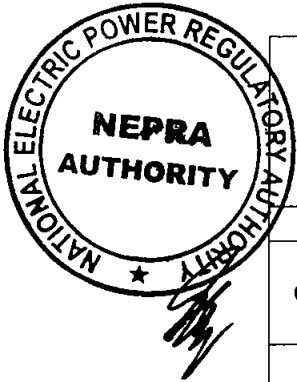
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block Pak Secretariat Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G) Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
4. Chief Executive Officer, Kot Addu Power Co. Ltd. (KAPCO) 5-B/3, Gulberg-III, Lahore, Tele: 042 – 3577 2912 – 19



DECISION OF THE AUTHORITY IN THE MATTER OF GRANT OF PROVISIONAL TARIFF REQUESTED BY KOT ADDU POWER COMPANY LIMITED.

BACKGROUND

1. Kot Addu Power Company Limited (hereinafter refer as “KAPCO”) was incorporated on April 25, 1996, as a public limited company under the companies Ordinance, 1984 for purpose of acquiring, operating and maintaining multi-fuel based generation facility/combined cycle thermal power plant, located at Kot Addu, District Muzaffargarh, Punjab. KAPCO has been operating and maintaining the power project for more than 25 years. The project comprises of generation facility that was divided into three (3) energy blocks, with each having a combination of gas and steam turbines and a switchyard facility. However, the project is now classified into: Plant 1, Plant 2 and switchyard facility connecting to 12 transmission lines and 4 autotransformers at 132kV/220kV levels (“Switchyard Facility”).
2. The Authority granted Generation License (No. PGL/020/2004 dated September 22, 2004) to KAPCO for a period of 17 years which expired on September 21, 2021. KAPCO requested for extension of its Generation License and the Authority vide its determination dated September 8, 2022 extended the term of its Generation License upto September 21, 2024 i.e. for the period of three (3) years.
3. KAPCO entered into a Power Purchase Agreement (PPA) with WAPDA for sale of electric power from its 1600 MW multi-fuel based thermal generation facility. The said PPA was for a period of 25 years commencing from June 27, 1996 which expired on June 26, 2021. The PPA was novated to CPPA-G on February 15, 2021 as a Power Purchaser. As per third (3rd) amendment in PPA dated February 11, 2021 signed between KAPCO and WAPDA the term of PPA was extended for 485 days effective from June 27, 2021 which expired on October 24, 2022.
4. KAPCO has submitted petition for determination of reference generation tariff for its 1600 MW (ISO) and Net Dependable Capacity (RSC) of 1345 MW thermal power generation facility and switchyard charges for five years from October 25, 2022. The requested tariff is reproduced hereunder:



Fuel	Energy Blocks	Energy Purchase Price	Capacity Purchase Price @30% Load Factor	Total Reference Tariff
		PKR/kWh	PKR/kW/h	PKR/kWh
Plant 1				
Gas/RLNG	Block I	28.4578	5.2936	33.7514
	Block IIA	30.6851		35.9787
	Block IIB	30.1558		35.4494
LSFO	Block I	23.4265	5.3784	28.8049
	Block IIA	24.9567		30.3351
	Block IIB	24.5277		29.9061

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HSD	Block I	64.3231	5.3589	69.6820
	Block IIA	69.3862		74.7451
	Block IIB	68.6640		74.0229
Plant 2				
Gas/RLNG	Block IIC	30.3166	4.7231	35.0397
	Block III	32.0890		36.8121
LSFO	Block IIC	24.8629	4.6736	29.5365
	Block III	No provision on LSFO		
HSD	Block IIC	68.8500	4.8306	73.6806
	Block III	72.4878		77.3184



5. KAPCO has requested two part tariff i.e. energy component and capacity component for Plant 1 on 'Take or Pay' basis and for Plant 2 on 'Take and Pay' basis. Similarly, the petitioner also requested two part switchyard tariff comprising energy transformation charges of Rs. 0.0512/kWh and fixed charges of Rs. 219.2581/kW/Month.

REQUEST FOR INTERIM TARIFF

6. Pursuant to Rule 4(7) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998, the Petitioner also requested the Authority to grant a provisional approval of tariff, allowing the Petitioner to supply power from generation facility to power purchaser and making the switchyard facility available, during period commencing from the date of determination of provisional tariff till the time the Authority arrives at its final determination.
7. As per the KAPCO, despite the generation facility not being operational since the expiry of the original PPA, due to repeated insistence of National Transmission & Despatch Company Limited ("NTDC") and directives of the Ministry of Energy, Power Division ("MOE"), the switchyard facility is being made available by KAPCO to NTDC. The Generation facility ran as a base load plant and played a crucial role in supply of power to the local areas of Multan Electric Power Company ("MEPCO"), Peshawar Electric Supply Company ("PESCO") and Faisalabad Electric Supply Company ("FESCO"). In the absence of a tariff, the petitioner cannot continue to play this crucial role in the supply of power the aforementioned distribution companies.
8. KAPCO submitted in its petition that NTDC has also written a letter to KAPCO, pursuant to a meeting held at MoE, regarding the expiry of the original PPA which was attended by represented of MoE, NTDC and CPPA-G. Based on meeting discussion, NTDC through letter requested to KAPCO to "ensure the availability of it's 220/132kV switchyard and other ancillary services after expiry of its PPA on October 21, 2022 at 24:00Hrs."
9. KAPCO further submitted that the facility also has a major role in the supply of electricity in emergency situations. It has a black-start facility (the "Black-start Facility") to support the system in case of country-wide blackout. NTDC also wrote a letter dated January 25, 2023 to the Petitioner in which it recognized the effectiveness of the Facility and its support for system restoration by using the Black-start Facility. NTDC, through the same letter, advised the

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Petitioner and the Power Purchaser to expedite the process of entering into a power purchase agreement so that the Petitioner can carry on its services.

10. Another reason for issuance of the Provisional Tariff Approval, as per the petitioner, is the impending summer season as there is overloading of the auto transformers due to the growing need of electricity.

ANALYSIS ON THE REQUEST FOR INTERIM TARIFF

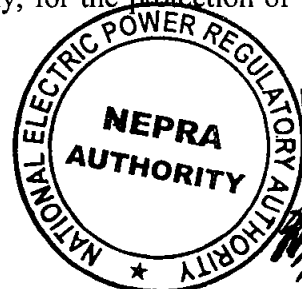
11. The request of immediate application of proposed tariff under Rule 4(7) has been examined. Rule 4(7) is reproduced as under:

"The Authority may, while admitting a petition, allow the immediate application of the proposed tariff subject to an order for refund for the protection of consumers, or for satisfactory security to be provided for refund, while the proceedings are pending before the Authority."

12. The Authority has also considered Section 5.2 of the approved IGCEP, pertaining to the assumptions of IGCEP. The assumption regarding KAPCO as per the IGCEP is as under:

"Minimum Despatch of 500 MW from Existing KAPCO CCPP (Block-I and Block-II) in the months of May to September uptill year 2025 has been considered, beyond its PPA expiry i.e., Oct. 2022, owing to network requirements/constraints, whereas, the remaining capacity (Block-III) has been retired as per PPA expiry. It is pertinent to mention that the requirement of KAPCO beyond its PPA expiry will be assessed in ongoing Transmission System Expansion Plan (TSEP), accordingly competent forum will be approached, after consensus among concerned stakeholders i.e., NTDC, CPPAG and KAPCO, for PPA extension or otherwise and the same will be considered in next iteration of IGCEP."

13. The Authority also observed that NTDC Board in its 236th meeting held on November 28, 2022 approved retention of 500 MW capacity from KAPCO i.e. Block 1 connected with 220 kV system and Block II only GTs & STs connected with 132 kV system. The net dependable capacity of these systems/units is 645 MW comprising 347 MW for block 1 and 298 for block II connected with 132 kV. The combined PAP submitted by DISCOs in April 2023 also include only 500 MW from KAPCO.
14. The Authority noted that as per the NEPRA Act, for determination of tariff, a minimum period of four months is provided. Since PPA has expired and there is no tariff in the field, the power plant cannot be despatched even if need arises (on constraints basis or as per merit order) otherwise a payment dispute will emerge.
15. In view of above discussion, the Authority has decided to accept the request of KAPCO for allowing provisional tariff under Rule 4(7) of NEPRA Tariff (Standards and Procedure) Rules, 1998, subject to final decision and order of refund, if any, for the protection of the consumers while the proceedings are pending before the Authority.

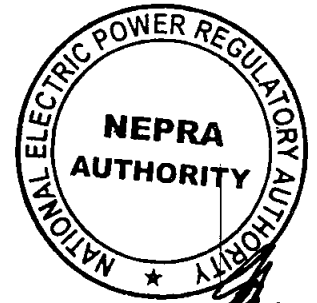




ORDER

16. Based on the documentary evidence and information provided by KAPCO, the Authority acceded the request of KAPCO and approves, under Rule 4(7) of the Tariff Standards & Procedure Rules -1998, provisional tariff on 'take and pay' basis at 80% availability factor on Gas/RLNG and LSFO (no HSD), subject to final decision and order of refund, if any, for the protection of the consumers while the proceedings are pending before the Authority.
17. The Allowed a provisional tariff is for a total capacity of 500 MW of Block-1 connected to 220 kV and Block-2 connected to 132 kV. The despatch shall be on economic merit order with no must-run despatch.

Components	Block	Allowed
		Tariff Rs./kWh
Fuel Cost Component Gas/RLNG	I	26.8647
	II	29.4660
Fuel Cost Component LSFO	I	21.1214
	II	23.1810
Fuel Cost Component HSD	I	-
	II	-
VO&M Gas/RLNG	I	0.6357
	II	0.6340
VO&M LSFO	I	1.1027
	II	1.3643
Fixed O&M Gas/RLNG	I,II	0.4232
Fixed O&M LSFO	I,II	0.4395
Cost of Working Capital Gas/RLNG	I,II	0.4183
Cost of Working Capital LSFO	I,II	0.3899
ROE Gas/RLNG	I,II	0.3388
ROE LSFO	I,II	0.3519
Total Gas/RLNG	I	28.6807
	II	31.2804
Total LSFO	I	23.4053
	II	25.7266



18. The application of provisional tariff shall be subject to following conditions:
- Tariff shall be on Take & Pay basis.
 - The fuel cost components have been worked out on the basis of LSFO Price of Rs.111,047.93/Ton including transportation charges and Gas/RLNG price of Rs.3,381.50/MMBTU (Rs.10,722.08/Hundred m³). The fuel cost component(s) shall be subject to adjustment for variation in fuel price(s).
 - The despatch shall be strictly in accordance with the economic merit order with no must-run despatch.
19. The above provisional tariff shall take effect from the date of issuance of the instant decision.

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NOTIFICATION

20. The above Order of the Authority is to be notified in the Official Gazette in accordance with the provision of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

AUTHORITY

Mathar Niaz Rana

Mathar Niaz Rana (nsc)
Member

Engr. Maqsood Anwar Khan

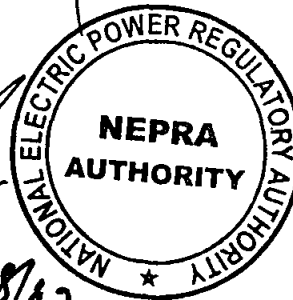
Engr. Maqsood Anwar Khan
Member

My opinion is attached.
Rafique

Engr. Rafique Ahmed Shaikh
Member

Amina Ahmed
Member

Tauseef H. Farooqi
Chairman



Opinion of Member Technical

Tariff on "Take & Pay" basis as allowed shall be given as "Merchant Plant" and in case of operation of plant out of merit, the difference in cost should be borne by the responsible agency i.e. NTDC/NPCC not the consumers for reasons that:

- a) The planning of transmission system and removal of constraints is the job of NTDC;
- b) And the constraints as mentioned by NTDC are controllable and can be managed through governance and planning.

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02/08/23

