



CENTRAL POWER PURCHASING AGENCY GUARANTEE LIMITED

(A Company of Government of Pakistan)

Shaheen Plaza | Plot no. 73-West | Fazal-E-Haq Road,
Blue Area, Islamabad

Fax: +92-51-9216949, Ph: +92-051- 9213616

www.cppa.gov.pk

No. CPPA-G/2019/CEO/6985

Dated: February 25th, 2019

The Registrar NEPRA
NEPRA Tower,
Islamabad.

For information & mya A.
— DRO I / D Reg - I
— SA (Gen) - SA (S)
— DG (M&E) - DG (W) Co. Chairman - m(t) / m(m&E)
— LA (ISP) - LA (EP). m(CA) - m(LC)
— MF

**SUBJECT: PETITION FOR THE DETERMINATION OF MARKET OPERATION FEE
FOR THE FINANCIAL YEAR 2018-19.**

Central Power Purchasing Agency (Guarantee) Limited is company functioning as the market operator to carry out market operation in accordance with the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rule, 2015 (the "Market Rules"), since June 2015. Under the Rule-3 of the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015, the National Electric Power Regulatory Authority has granted a certificate of registration to Central Power Purchasing Agency (Guarantee) Limited. The registration number of the Market Operator is MOR/01/2018.

As per Clause 11.1.1 of the Commercial Code, CPPA-G requires to file the petition of Market Operation Fee to Authority for the Determination. In this connection please find the documents as follows;

- Affidavit
- Market Operation Fee 2018-19
- Certified True Copy of Board Resolution.

It is further submitted that the Authority has not yet finalized the mechanism for determination of petition filing fee. The instant petition being filed without the fee and the same would be paid once it is decided by the Authority.

(Abid Latif Lodhi)
Chief Executive Officer

Senior Advisor TMT-1
DY No. 2431
Date: 05-03-19

REGISTRAR
DY No. 1953
Date: 05-03-19

Director (Tariff)
DY No. 274
Date: 07-03-19



CENTRAL POWER PURCHASING AGENCY GUARANTEE LIMITED

(A Company of Government of Pakistan)

Shaheen Plaza | Plot no. 73-West | Fazal-E-Haq Road,
Blue Area, Islamabad
Fax: +92-51-9216949, Ph: +92-051- 9213616
www.cppa.gov.pk

No. CPPA-G/2019/CEO/6985

Dated: February 25th, 2019

The Registrar NEPRA
NEPRA Tower,
Islamabad.

For information & my A.
— DRO I / D Reg - I
Cp. H.
— SA (Tech) - SATS 05 03 19
— DG (M&E) - ADG (L) cc: Chairman - m(t)/m(m&E)
— LA (IEP) - LA (EP) m(CA) - m(L)
— MF


**SUBJECT: PETITION FOR THE DETERMINATION OF MARKET OPERATION FEE
FOR THE FINANCIAL YEAR 2018-19.**

Central Power Purchasing Agency (Guarantee) Limited is company functioning as the market operator to carry out market operation in accordance with the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rule, 2015 (the "Market Rules"), since June 2015. Under the Rule-3 of the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015, the National Electric Power Regulatory Authority has granted a certificate of registration to Central Power Purchasing Agency (Guarantee) Limited. The registration number of the Market Operator is MOR/01/2018.

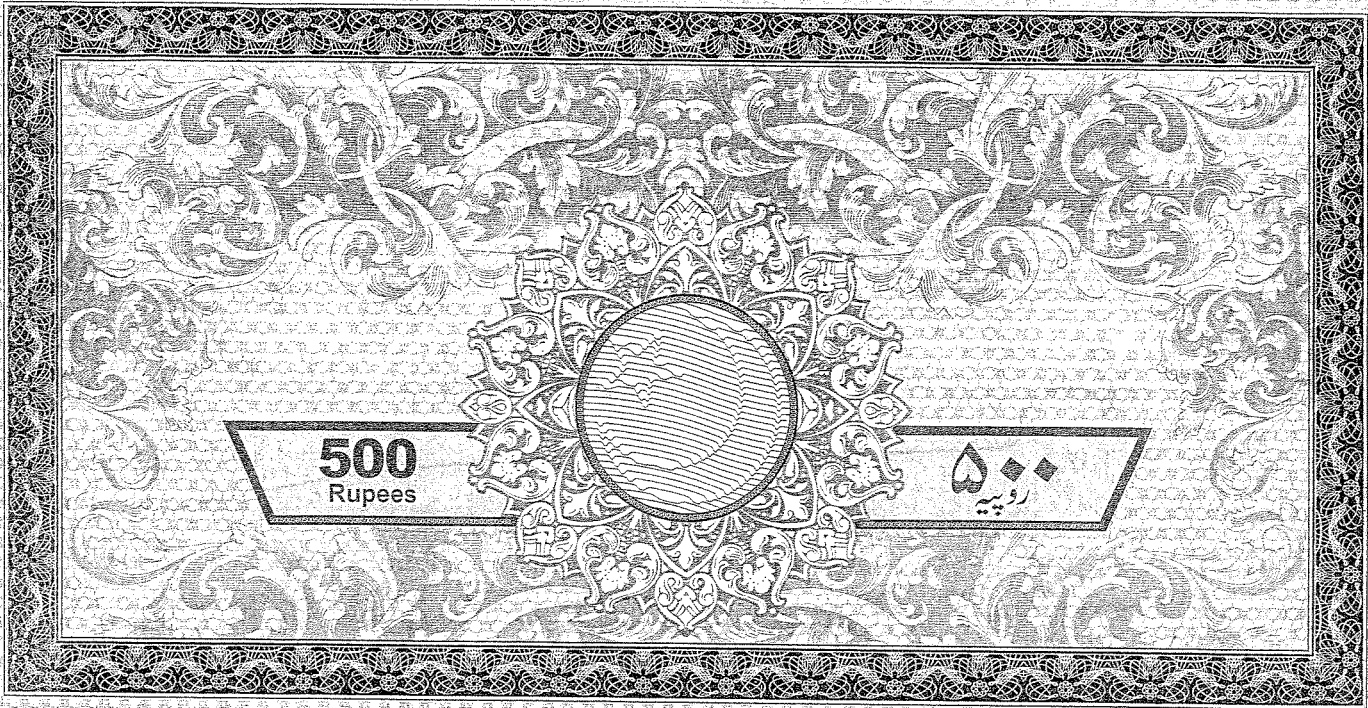
As per Clause 11.1.1 of the Commercial Code, CPPA-G requires to file the petition of Market Operation Fee to Authority for the Determination. In this connection please find the documents as follows;

- Affidavit
- Market Operation Fee 2018-19
- Certified True Copy of Board Resolution.

It is further submitted that the Authority has not yet finalized the mechanism for determination of petition filing fee. The instant petition being filed without the fee and the same would be paid once it is decided by the Authority.


(Abid Latif Lodhi)
Chief Executive Officer

REGISTRAR
Dy. No.: 1953
Dated: 05-03-19



The Affidavit of the Chief Executive Officer of the Petitioner, in Support of the Application

AFFIDAVIT

I, Abid Latif Lodhi, Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited being duly authorized representative / attorney of Central Power Purchasing Agency (Guarantee) Limited, hereby solemnly affirm and declare that the contents of the accompanying petition including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. I also affirm that all further documentations to be provided by me in connection with the accompanying petition shall be true to the best of my knowledge and belief.

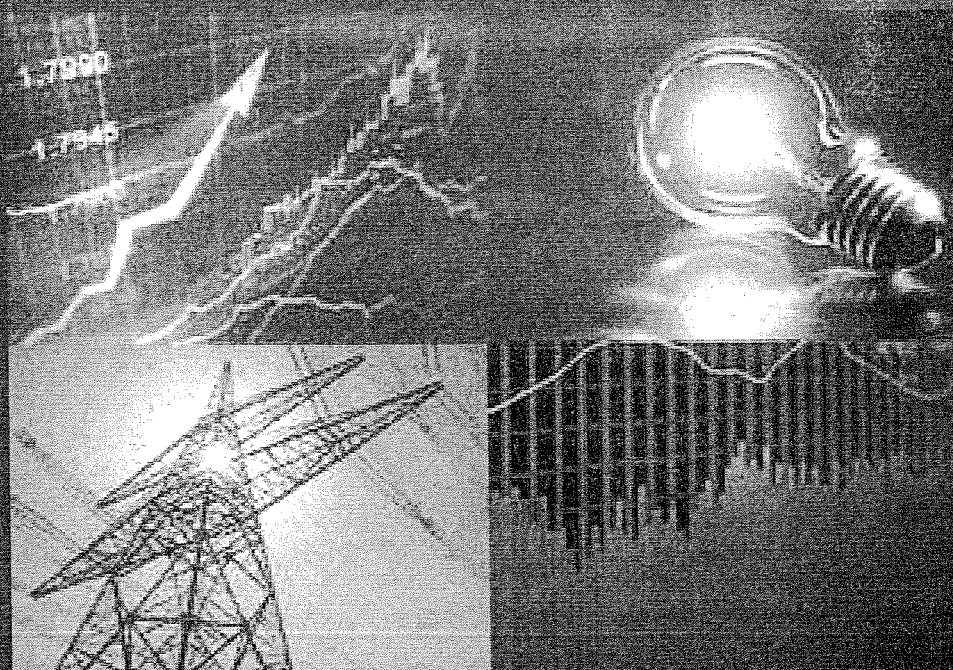
DEPONENT

Abid Latif Lodhi

Chief Executive Officer



PETITION FOR DETERMINATION OF
MARKET OPERATION FEE
FINANCIAL YEAR 2018-19



**PETITION FOR MARKET OPERATION FEE
UNDER RULE 3 AND SUB-RULE 7 OF RULE 4 OF NEPRA
(TARIFF STANDARDS AND PROCEDURES) RULES, 1998**

Before

**THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)
FOR DETERMINATION OF MARKET OPERATION FEE
FOR FINANCIAL YEAR 2018-19**

DATED: February 25, 2019

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

ADDRESS: Shaheen Plaza, Plot No. 73-West, Fazal-e-Haq Road, Blue Area, Islamabad, Islamabad.

Phone: 051-9213616

Fax: 051-9213617

CONTENTS

1. Petitioner Information	2
1.1. NAME.....	2
1.2. ADDRESS.....	2
1.3. COMPANY DETAILS.....	2
1.4. CPPA'S REGISTRATION AS MARKET OPERATOR.....	2
1.5. THE BOARD'S AUTHORIZATION.....	2
1.6. COMPANY REPRESENTATIVES.....	2
2. COMPLIANCE OF THE DIRECTIOS.....	3
3. Grounds and Facts Forming Basis of this Petition.....	4
4. Revenue Requirements for CPPA-G:.....	5
4.1. GENERAL ESTABLISHMENT COST.....	6
4.2. ADMINISTRATIVE COST.....	8
4.3. INSURANCE, FINANCIAL CHARGES.....	10
4.4. REPAIR MAINTENANCE.....	10
4.5. PRIOR YEAR ADJUSTMENT	11
4.6. CAPITAL EXPENSES.....	12
5. Proposed Market Operators Fee	13
6. PRAYERS:	13

I. Petitioner Information

I.1. NAME

Central Power Purchasing Agency (Guarantee) Limited (“CPPA-G”).

I.2. ADDRESS

Shaheen Plaza, Plot No. 73-West, Fazal-e-Haq Road, Blue Area, Islamabad, Islamabad.

I.3. COMPANY DETAILS

Central Power Purchasing Agency (Guarantee) Limited CPPA-G (the “Petitioner” or the “Company”) is a company incorporated under the Companies Ordinance 1984 (XLVII of 1984) and granted a Corporate Universal Identification No. 0068608 by the Security Exchange Commission of Pakistan in the year 2009.

Since June 2015, the petitioner is acting as Market Operator as in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the “Market Rules”).

I.4. CPPA’S REGISTRATION AS MARKET OPERATOR

In exercise of the powers conferred by Rule-3 of the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015, the National Electric Power Regulatory Authority has granted a certificate of registration to Central Power Purchasing Agency (Guarantee) Limited. The registration number of the Market Operator is MOR/01/2018.

I.5. THE BOARD’S AUTHORIZATION

Board of Directors (BoD) authorized the Chief Executive Officer and other senior officers to sign, file and represent this petition and to submit any additional document/information to the Authority (**Annex-A**).

I.6. COMPANY REPRESENTATIVES

The following officers of CPPA-G have been authorized by the Board of CPPA-G to sign, file and represent this petition and to submit any additional documents/information to the Authority:

- Mr. Abid Latif Lodhi, Chief Executive Officer
- Mr. Rihan Akhtar, Chief Financial Officer
- Mr. Majid Khan, Chief Legal Officer
- Mr. Mansoor Hussain, Chief Technical Officer
- Mr. Arshad Minhas, Chief Information Officer



2. COMPLIANCE OF THE DIRECTIONS

In the tariff determination of Market Operation Fee dated November 12, 2018 the Authority has passed certain directions. The issue wise status of the directions is given below;

Table.I Compliance of NEPRA's Directions I

#	Directions	Compliance Status
1.	To share its complete model regarding Basket Price Assessment Model and Market Simulation Model with the Authority before December 31, 2018.	In this regard a detail orientation of the model is already given to the professionals of the NEPRA. The model is in process of approval from the CPPA-G BoD and will be submitted to the Authority soon.
2	To continue sharing its progress on PPA Bifurcation and HR Development on quarterly basis.	<p>The Tripartite Agreement already approved by ECC will be utilized for new power procurement until mid of 2018.</p> <p>The bi-furcated PPA draft has been prepared and is under internal review. 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).</p> <p>CPPA 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 COD of CTBCM.</p> <p>HR development report upto Dec-18 is attached at Annex B.</p>
3.	To submit progress of its ERP project implementation every quarter to the Authority	Q1 report of FY 2018-19 has been submitted to Authority vide letter No. 354-57 Dated 16-11-2018. Report of Q2 FY 2018-19 is under development.
4.	To finalize the agreement with NTDCL without further delay and	A draft agreement has been prepared and in the finalization process. However, it is important to

	submit a copy of the same to the Authority.	highlight that the connection agreement between XWDISCO's and NTDC is also pending. The CPPA-G has taken up the matter with NTDC and after the connection agreement UoSC and Losses agreement will also be finalized.
5.	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,	The circular debt position as on 30 th June 2018 is attached at Annex-C for the information of the Authority.
6.	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 reports for future periods the Report shall also be submitted accordingly and without delays.	The annual report for period FY 2016-17 is submitted vide letter No. 34489-95 Dated 27-12-2018 and FY 2017-18 is submitted Submitted vide letter No. 34696-503 Dated 27-12-2018.

3. GROUNDS AND FACTS FORMING BASIS OF THIS PETITION

- i. In order to meet with the expenses for discharging the functions and plans mentioned above, the petitioner requires revenue to be approved by the Authority in terms of clause (e) of subsection 2 of Section 7 read with clause (j) of subsection 2 of Section 7 of the NEPRA Act and chapter 11 of the Commercial Code.
- ii. Chapter 11 of the Commercial Code deals with the Market Operation Fee and clause 11.1.1 provides that the existing cost associated with CPPA of NTDC shall be separated from the Use of System Charge (the "UoSC") of NTDC. In this manner, the UoSC of NTDC, already being paid by the ex-WAPDA DISCOs, shall be reduced by the amount corresponding to the expenses of CPPA-G.
- iii. As per the broad guidelines laid down in Chapter 11 of the Commercial Code, the general heads of costs associated with the operations of the petitioner have been provided in clause 11.1.2.



- iv. In terms of these broad guidelines the petitioner is also permitted to include any cost estimate for future capital expenditure required for compliance with current and future provisions contained in the Commercial Code.
- v. As such the total revenue requirement of the petitioner shall comprise of the existing cost separated from the UoSC of NTDC, additional operating cost in view of present operations independent of NTDC and the Capital cost required for effective operations of CPPA-G for compliance with present and future requirements of the Market Rules and Commercial Code shall form the Market Operation Fee of the petitioner.
- vi. These guidelines also provide that the formula for calculating the Market Operation Fee shall be similar to the formula of calculating the UoSC i.e. dividing total determined cost by peak demand of ex-WAPDA DISCOs.
- vii. Rule-9 (1) (d) of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules") state that "In addition to the obligations in the applicable documents, each market participant shall have the obligation to pay the market operation fee as per Commercial Code and such other charges as specified by the Authority."
- viii. Rule 7 (4) of the NEPRA (Tariff Standards and Procedures) Rules, 1998 state that "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"

In accordance with the revenue requirement of the company, CPPA-G is hereby submitting a petition for Market Operation Fee for FY 2018-19. This petition is filed in line with Rule 3 and Sub-Rule 7 of the Tariff Standards & Procedure Rules-1998 (Rules) and in line with the Chapter 11 of the approved Commercial Code by Authority vide letter no. CPPA-G/2016/CEO/1963.

4. REVENUE REQUIREMENTS FOR CPPA-G:

CPPA-G revenue requirement includes General Establishment Cost (Pay & Allowances, Training & Capacity Building, Outsource Services & Consultancy), Administration Cost (Rent, Rate & Taxes, power light & water, office supplies, Telephone fax & postage telegram, travelling expenses, representation & entertainment, professional fee & BoD fee, outside service employed and general miscellaneous expenses), Insurance, Finance Charges, Repair & Maintenance and Capital Expenditure (Capex) etc.



The head wise breakup of the revenue requirement for FY 2018-19 along with comparison of Authority allowed revenue requirement for FY 2017-18 is given below;

Description	FY 2017-18		Mln. Rs. FY 2018-19
	Approved Budget	Actual	Requested
General Establishment Costs	752.07	539.99	654.80
Administrative Costs	82.11	86.17	133.86
Repair & Maintenance	19.12	17.98	31.49
Insurance	0.18	-	0.26
Finance Charges	2.40	1.25	1.25
Total O&M Cost	855.88	645.39	821.65
CAPEX	25.85	47.36	138.90
Grand-total	881.73	692.75	960.55

The requested revenue requirements for FY 2018-19 is discussed in detail in the following paragraphs;

4.1. GENERAL ESTABLISHMENT COST

This head mainly includes cost associated with pay & allowances and other benefits of the employees, Training and Capacity Building cost and cost regarding Outsourcing of consultancy services. The summary of General establishment cost required for FY 2018-19 is given as below;

Description	FY 2017-18		Mln. Rs. FY 2018-19
	Approved Budget	Actual	Requested
Pay & Allowances	509.19	424.92	452.91
Employee Benefits	118.98	68.14	81.23
Bonus	23.35	17.70	21.96
New Hiring Cost including benefits	11.42	-	59.84
Trainings and Capacity Building	40.70	11.98	20.00
Outsources consultancy Expenses	48.43	17.26	18.86
Grand-total	752.07	539.99	654.80

The 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. Pay & Allowances for FY 2018-19 are projected after applying 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.

The **employees benefits** head consist of provident fund, gratuity, earned leaves, EOBI, GLI, medical benefits and pension contribution obligation of deputation employees. The employees' benefits are projected around **Rs. 81.23 million** for FY 2018-19 keeping in view the "*pay scales structure*" already approved by the BoD. The Authority is requested to allow the same in the head of Pay & Allowance of the Employees for FY 2018-19.

It is enlightened to the Authority that management of CPPA-G has created 09 Nos of posts at professional level to cope with the technical nature of work that has increased over time and 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 Nos in the Policy Governance and Corporate Planning (PG&CP) Department and 2 No post in the Finance Department and 1 No in Legal Department. The sanction strength of the CPPA-G employees now stands at 227 employees.

The HR department also initiated to fill up around 53 positions in various departments. In order to fill in the said position three Nos. of advertisements in national leading newspapers had already been published and interview process of most of the advertised post is completed. The HR department is of the view that the proposed hiring would be completed by the end of March 2019, therefore the projected pay and allowance are based on 3-month salaries.

In this regard the Authority is requested to allow the cost to be incurred against the new hiring for FY 2018-19.

Training and Capacity Building: - This head includes cost associated with training courses / workshops planned for the employees of CPPA-G in FY 2018-19. The training expenses are comprising of local and foreign training and capacity building of management trainees as well. The BoD has already approved the policy of capacity building of human resources by induction of management trainees and as per the policy the management trainee will be inducted to move with future timeline mentioned in the market rules. Keeping in view the previous trend an amount of Rs. 20 million is proposed in the head of training and capacity building for FY 2018-19. The required budget would be utilized mainly on the following training programs;

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



- ✓ **SMD department** training consists of training regarding 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 for Power Sector Entities.
- ✓ Other miscellaneous trainings / workshops of **PG & CP, Finance and HR department** would also be part of proposed trainings programs for FY 2018-19.

The Authority in this regard is requested to allow an amount of Rs. 20 million in the head of training.

Outsource Consultancy Services:- This head includes cost relevant to the various HR services which are proposed to be outsourced in FY 2018-19. These services mostly include outsourcing of *media consultant, design and renovation consultant, BPR consultant and other services relevant to recruitment, janitorial, security, mineral water, photocopier and series of elevator operator*. The budget in this regard is proposed to be Rs. 18.86 million for FY 2018-19, the Authority is requested to allow the same for FY 2018-19.

4.2. ADMINISTRATIVE COST

The sub heads of administrative expenses are rent, rate & taxes, power light & water, telephone fax & Postage telegram, office supplies and other expenses, subscription of periodicals, representation entertainment, travelling expenses, BOD and auditor fees and other miscellaneous general expense.

The head wise breakup of the cost proposed for FY 2018-19 is as follows;



Description	FY 2017-18		Mln. Rs. FY 2018-19
	Approved Budget	Actual	Requested
Rent Rate & Taxes	23.10	40.94	67.15
Power Light etc.	6.28	1.55	11.01
Communication	9.96	6.31	12.72
Office Supplies & Other Expenses	6.60	5.41	6.22
Sports & Recreation/ Entertainment	2.80	2.60	2.99
Travelling Expenses	18.70	9.66	11.11
BOD and Auditor Fee	11.38	14.37	16.52
General Misc. Expenses	3.29	5.33	6.13
Grand-total	82.11	86.17	133.86

For FY 2018-19 the administrative expenses are proposed at Rs. 133.86 million. The proposed administrative cost along with justifications is discussed in detail in the following paragraphs;

Rent, Rate & Taxes: - These expenses are mainly related to the building rent, being paid for occupying office space to carry out CPPA-G operations. It is enlightened to the Authority that in pursuant to BoD approval, CPPA-G has recently moved its office to a new building due to space issue. The new office will enable CPPA-G to run/perform its operation more smoothly and in efficient manner. The new building rent as per its contract for 9 months is assumed @ 6.499 million p/m and rent of Rs. 1.1 million p/m for 3.5 months has been assumed of old office i.e NEECA building. The CPPA-G also hold around 2325 and 1589 square feet space in WAPDA house and sunny view Lahore respectively. The estimated rent of these offices is around 4.7 million. The total amount required in this head is Rs. 67.71 million for FY 2018-19.

Power light and Water: - In order to estimate expense in this head the electricity bill of new building is assumed @ 1 million p/m keeping in view the average historical bill of almost of same size NEPRA building. The electricity bill of old building is assumed based on previous 6-month average. By applying these assumptions, the electricity bill for new building comes to Rs. 9 million (*for 9 months*) and electricity bill of old building (*for 3.5 months*) projected around 1.8 million. Water and gas expenditure are assumed around 0.2 million and after consolidating the above figures an amount of Rs. 11.1 million is proposed in the head of power, light and water for FY 2018-19.

Communication: - 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 to subscriptions and periodicals. Keeping in view the historical trend of these expenses and

cell phone charges limits allowed to each employee an amount of Rs. 12.72 million is proposed for FY 2018-19.

Other Administrative Expenses: - The remaining head of administrative expense consists of office supplies, entertainment, sports and recreation, advertisement and publications, travelling fee, BOD and auditor fee and other general miscellaneous expenses.

For FY 2018-19 an increase of Rs. 5.61 million @ 15% over the last year actual expenses in the similar head has been assumed. For FY 2018-19 the Authority is requested to allow an amount of Rs. 42.98 million in other administrative heads.

It is further submitted to the Authority that the administrative cost may be allowed to actualize (upward /downward) based on the audited financial statements of FY 2018-19. Keeping in view of the above the Authority is requested to allow an amount of Rs. 133.86 million in the head of administrative cost.

4.3. INSURANCE, FINANCIAL CHARGES

The insurance expenses of Rs. 0.26 million are proposed @ 3% (as allowed by the NEPRA) of its various assets. Financial charges are normal bank charges, charged by banks against total transections / projected payments of over Rs. 1.5 trillion. Finance charges of Rs. 1.25 million equivalents to last year actual expenditure are proposed for FY 2018-19.

4.4. REPAIR MAINTENANCE

The repair and maintenance expenses consist of 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. For FY 2018-19 the Authority is requested to allow an amount of Rs. 31.49 million in the head of repair and maintenance.

The head wise breakup of the cost proposed for FY 2018-19 is as follows;



Description	FY 2017-18		Mln. Rs. FY 2018-19
	Approved Budget	Actual	Requested
R&M General	4.50	4.13	4.54
R&M I.T	-	3.49	14.70
Vehicle Expenses Repair	4.34	4.36	4.80
Vehicle Expenses-Fuel & Oil	10.05	5.81	7.26
Vehicle Expenses-License	0.24	0.19	0.19
Grand-total	19.12	17.98	31.49

4.5. PRIOR YEAR ADJUSTMENT

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. 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. The working of the PYA for FY 2017-18 is tabulated below;

FY 2017-18			
Determined	1.6592	22,695	451.87
Recovery	1.4610	22,765	399.12
			52.75
O&M Expenses			
Determined	717.05		
Actual	<u>642.71</u>		(74.34)
Other Income			
Determined	(230.00)		
Actual	<u>(241.38)</u>		(11.38)
Tax			
Determined	108.35		
Actual / Provisional	<u>108.35</u>		-
PYA for FY 2017-18			(32.97)

Keeping in view the above the Authority is requested to adjust an amount of Rs. (32.97) million as prior year adjustment for FY 2018-19.

4.6. CAPITAL EXPENSES

The requirement of capital expenditure for FY 2018-19 have been estimated in the following categories.

- ✓ I.T Equipment and Software's.
- ✓ New Office Space Renovation

The summary of CAPEX required for FY 2018-19 is given as below;

Description	FY 2017-18		Mln. Rs. FY 2018-19
	Approved Budget	Actual	Requested
IT Equipment & Software	6.85	42.93	40.90
New Vehicles	10.00	-	-
Office Space Renovation	4.00	-	98.00
Others (Furniture & Fixtures)	5.00	4.42	-
Grand-total	25.85	47.36	138.90

IT Equipment and Software's: - It is important to delineated that the ERP Financial 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 expenses in the head of IT equipment are mainly include Data Institutionalization and Publishing, IT Infrastructure Transformation, Operational Software's, ERP Implementation (Extension), IT Management Solutions, record management, video conference solution, Inhouse Application Development Environment and data center. The Authority is requested to approve an amount of Rs. 40.90 million in the head of IT software's and equipment.

Office Space Renovation: - In the above paragraphs it is already submitted that the CPPA-G moved its office to a new building. In order to provide proper sitting space to employees of CPPA-G, 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. In response of the proposed tender 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. Keeping in view the above the Authority is requested to allow an amount of Rs. 98 million in the head of office space renovation. The

Authority is also requested to true-up the actual cost based on the audited financial statements for FY 2018-19.

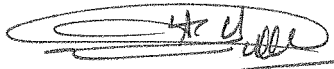
5. PROPOSED MARKET OPERATORS FEE

In view of the above discussion the summary of the revenue requirement is produced hereunder;

Description	Mln. Rs.	
	FY 2017-18	FY 2018-19
	Determined	Requested
General Establishment Costs	622.72	654.80
Administrative Costs	84.09	133.86
Repair & Maintenance	8.98	31.49
Insurance	0.18	0.26
Finance Charges	1.08	1.25
Less: other income	230.00	309.62
Total Revenue Requirement	487.05	512.03
CAPEX	11.85	138.90
Tax	108.35	53.73
PYA	(155.38)	(32.97)
Revenue Requirement + CAPEX	451.87	671.69
Avg. MDI	22,695	23,507
Rs. /kW/M	1.6592	2.3812

6. PRAYERS:

- In view of above submissions, it is respectfully prayed that the Authority may very graciously approve the Market Operation Fee @ Rs. 2.3812 per kW / Month for the FY 2018-19.
- Authority may allow 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 in the circumstances may also be granted.


 (Abid Latif Lodhi)
 Chief Executive Officer CPPA-G



Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan



No. CPPA-G/2018/CS/2028-29

1st November, 2018

BOARD RESOLUTION VI / 44

CPPA-G BUDGET FOR FY 2018-19

A meeting of Board of Directors of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) was held on 26th October 2018 at Power Division, 2nd Floor, A-Block, Pak Secretariat, Islamabad.

The Board of Directors of Central Power Purchasing Agency Guarantee Limited (CPPA-G) has;

Resolved that "CPPA-G Budget of Rs. 960.55 million for the FY 2018-19 be and is hereby approved."

Further resolved that "CPPA-G be and is hereby authorized to incur expenditures of Rs. 960.55 million against O & M and Capital budget in the FY 2018-19 and also submit the same to NEPRA for approval of Market Operations Fee."

Further resolved that "CEO CPPA-G be and is hereby authorized to true-up the approved budget for FY 2018-19 on the basis of actual expenditures."

Further resolved that "CEO CPPA-G be and is hereby authorized for re-appropriation / addition of O&M and Capital expenditure budget among their sub-heads."

CERTIFIED TO BE TRUE COPY

Certified that the above resolution was passed by the Board of Directors of Central Power Purchasing Agency (Guarantee) Limited in its 44th meeting held on 26th October, 2018 and has been duly recorded in the minutes book of the Company.

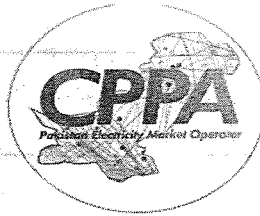

Noman Rafiq
Company Secretary

Distribution:

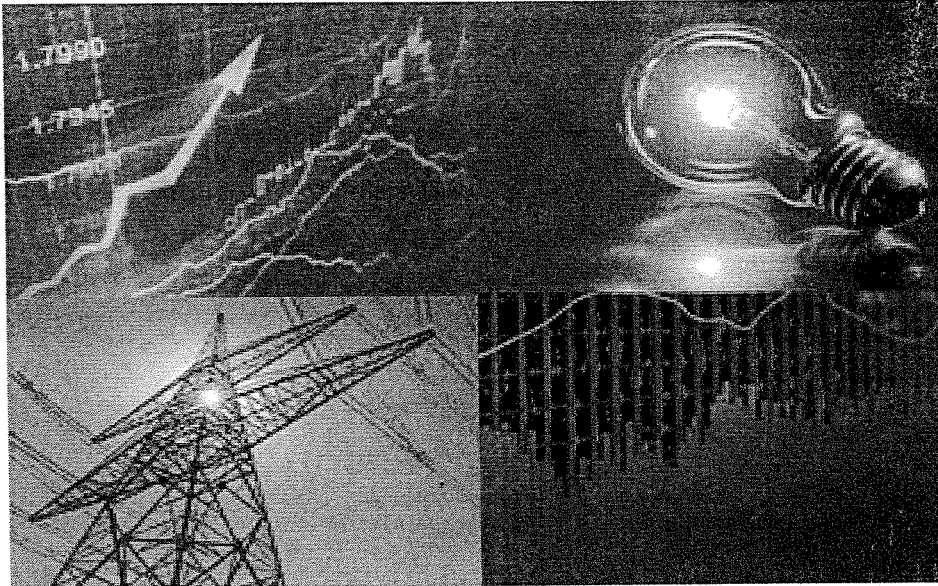
- i. Chief Financial Officer, CPPA (G) Ltd.

CC for Information:

- i. Chief Executive Officer, CPPA (G) Ltd.



HUMAN RESOURCE PROGRESS REPORT DECEMBER-18



HUMAN RESOURCE DEPARTMENT
CENTRAL POWER PURCHASING AGENCY

Table of Contents

ACRONYMS.....	3
1. Summary of the report:.....	4
2. HR & Admin Department Overview.....	4
2.1 HR Mission Statement:	4
2.2 HR Vision:.....	4
2.3 Core Functions Performed by HR & A Department.....	4
3. Organizational Restructuring:	5
3.1 Organization Restructuring from HR Perspective:.....	5
3.2 Restructuring of Technical Department:	7
3.3 Operationalization of PG & CP Department:.....	8
4. Major Accomplishment / Development of HR Department:	9
4.1 Implementation of ERP Oracle HCM Module:	9
4.2 Transformation of HR Workforce:	9
4.3 Development of HR Policies & Procedures:	10
4.4 Recruitment & On Boarding:	10
4.5 Training & Development:	11
4.6 Employee Engagement Programs:.....	12
4.7 Employee Wellness Initiatives:	12
4.8 Hiring of Third-Party Recruitment Firm:.....	13
4.9 Hiring of Office Building:.....	13
4.10 Hiring of Security Services	15
4.11 Hiring of Consultant for Building Design & Renovation.....	15
5 Other Achievements by HR & A Department CPPAG.....	15
5.1 Winding up of Lahore Office, Future and Fixture	15
5.2 Performance Management System:.....	15
5.3 Final Settlement & Employee Benefits	16

ACRONYMS

CEO	Chief Executive Officer
CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
ECC	Economic Coordination Committee
ERP	Enterprise Resource Planning
GOP	Government of Pakistan
HR	Human Resource
KPI	Key Performance Indicator
NEPRA	National Electricity Power Regulatory Authority
NTDC	National Transmission and Dispatch Company
PAR	Performance Appraisal Report
PDQs	Post Description Questionnaires
PMS	Performance Management System
PTS	Pakistan Testing Services
OD	Organization Development
OB	Organization Behaviour

1. Summary of the report:

This report provides an update in respect of performance against key human resource developments made during the year 2017-2018 as directed by NEPRA as an obligation under determination of its market fee. The report also provides an update on the current human resource initiatives and key developments within the organization as a whole.

2. HR & Admin Department Overview

The Human Resources Department (HR) provides overall policy direction on human resource management issues and administrative support functions related to the management of employees for CPPAG. In addition to providing strategic central human resources functions, the Human Resources Department is performing various core functions that are important for any organization to provide a congenial & conducive working environment for achieving the organizational goals:

2.1 HR Mission Statement:

HR supports and upholds CPPAG goals by fostering a positive and engaging work environment while identifying and responding to the changing needs of our workforce.

2.2 HR Vision:

Human Resources will serve as a steward for excellence and leadership through:

- Organizational effectiveness
- Innovative HR solutions
- Recruitment, retention, and enrichment
- Exceptional quality of services
- Building collaborative partnerships

2.3 Core Functions Performed by HR & A Department

1. Recruitment & Selection
2. Onboarding & Placement
3. Training & Development
4. Payroll Processing & Disbursement
5. Employee Daily Attendance Record
6. Employee Terminal Benefits (EOBI, Life, Health, Gratuity, PF)
7. Employee Engagement Programs
8. Preparation of Annual Budget
9. Handling of Disciplinary Cases
10. Building maintenance, Office Premises Safety & Security

3. Organizational Restructuring:

CPPAG since its inception of the operations and movement of its corporate office from Lahore to Islamabad, was in gigantic need of restructuring its internal functions according to the needs of the current business cycle.

So, keeping in view the above HR Department has planned restructuring in two phases; (a) restructuring from HR perspective and alignment with current business needs and (b) restructuring from future business perspective i.e. to align the company with proposed new electricity wholesale competitive market. Both phases have been explained in the following paragraphs:

3.1 Organization Restructuring from HR Perspective:

HR Department has transformed itself from ordinary support function into specific service provider to better support business overall strategy and increase organizational effectiveness in whole.

Prior to restructuring HR& A Department was performing its activities with lesser number of qualified professionals, there was an immense need of young blood infused with updated knowledge and hands on experience of updated human resources concepts including but not limited to, change management, recruitment, organizational development, compensation and benefit & training and development.

A snapshot of Human Resources' activities from Fiscal Year 2017-18. HR Department has clearly stated that HR is focusing on allocation of necessary workforce keeping in view the modern best practices to be more focused & ensure optimum service delivery.

The workforce currently employed at CPPAG includes all cadres starting from staff to officers & management. Diverse workforce must be supported by an environment that encourages innovation, collaboration, and partnership at all levels.

Core functions includes HR Operations, Recruitment & Selection, Training & Development, Compensation & Benefit, Performance Management, Organization Development, HR Legal Compliance. Highlights of each function is discussed here under:

- HR Operations
- Recruitment & Selection
- Training & Development
- Performance Management
- Compensation & Benefit
- Organization Development
- HR Legal Compliance

3.1.1 HR Operations:

HR Operations basically comprises of services provided by a Human Resource department to organisation which includes;

- HR Service Delivery (Issuance of Office Orders)
- Employee Record Management (Employee Personal Files)
- Employees Leave Management (Using ERP)
- Employee Relations
- Issuance of Experience Certificates
- Contract & Vendor Management

3.1.2 Recruitment & Selection:

This is the core function of HR Department, hiring right person for the right job enabling internal stake holders to provide required talented manpower to reach their optimum departmental goals, Separate induction has also been made to fully functional this domain of HR Department.

- Job Advertisement
- Shortlisting as per Advertised Criteria
- Written Test & Interview
- Onboard & Orientation
- Offer & Acceptance

3.1.3 Compensation & Benefit:

This is another integrals part of the human resource services, HR Department have been processing all components of employee compensation and benefit through **Oracle ERP HCM Module**, following are the main aspects of it:

- Preparation & Disbursement of Monthly Payroll
- Preparation & Disbursement of Bonus, Leave Encasements, Overtime (if any)
- Preparing Final Settlement Cases
- Exit Management
- Employee Terminal Benefits (Gratuity, Provident Fund)
- Processing of Health & Life Insurance Claims
- Issuance of Bank Account Opening Letters
- Group Health & Life Insurance
- Payment of EOBI

3.1.4 Organizational Development

Organization Development (OD) is study of organization behaviour which include attitudes and beliefs that influence organizational culture and organizational strategies (how an organization identifies problems, plans action, negotiates change and evaluates progress), Initiative for managing change management, review of current policies and procedures, these are;

- Performance Management
- Development & Review of Policies & Procedures
- HR Manual & Employee Handbook
- Recreation Activities

3.1.5 HR Legal Framework

This function looks after the legal compliance framework for HR Department as prescribed and directed by government bodies from time to time:

- Employee Grievance
- Legal Matters
- Legal Compliance
- Contract Management

3.1.6 Training & Development

Training presents a prime opportunity to expand the knowledge base of all employees, keeping in view the above, HR Department is providing every opportunity for development of their employees, internally and externally, HR Department is already working for preparing annual training calendar in collaboration with all departments.

3.2 Restructuring of Technical Department:

Power sector companies across the globe is undergoing a lot of restructuring keeping in view the necessity of improving the technical and commercial efficiency. As CPPAG is performing core basic functions which includes but not limited to; procurement, settlement, billing reporting mechanism on behalf of Government of Pakistan.

To further streamline the operations of Technical Department, HR Department with directions from Top Management & subsequent approval from BOD, has divided functions of technical department into three separate groups:

- Market Operations
- Conventional
- Renewable

Employees in different cadres have been reshuffled according to their expertise and in-depth deliberations with the functional heads, each function has set its own goals and will be performing activities based on their set KPIs, this will not only rationalize the work but will also add value to their current and further development plans.

Restructuring of Technical Department into three different segments will lead to:

1. Better Interface between Technical & Website Updation (Generation, System Operators)
2. Commercial Transaction,
3. Metering System Upgradation
4. Reporting Mechanism
5. CRPEA operationalization & updating internally & at CPPAG Website

3.3 Operationalization of PG & CP Department:

This is another milestone achievement by HR Department i.e. operationalization of Policy, Governance & Corporate Planning (PG&CP) function is directly reporting to the Chief Executive Officer (CEO), providing executive support in a one-on-one working relationship. The cell serves as the primary point of contact for internal and external constituencies on all matters pertaining to the function/ responsibilities of CEO especially pertaining to Policies, Governance & Corporate Planning. Currently, the function is enjoying working within a small, entrepreneurial environment that is mission-driven & results-oriented having the ability to exercise good judgment in a variety of situations, with strong written and verbal communication, administrative, and organizational skills, and the ability to maintain a realistic balance among multiple priorities. Moreover, function is working independently, from conception to completion, being able to work under pressure at times to handle a wide variety of activities and confidential matters with discretion.

The function is developing particular power policies for sustainable power market operations, collaborating for the Strategic Initiatives being taken in the sector for long term sustainability and assisting CEO in development of effective governance structure for prudent regulatory compliance, improved operational and process effectiveness/efficiency and sustainable solid business performance.

Operational Activities of PG&CP includes Consolidation of comments from all departments within the CPPA-G on regulatory proceedings, engaging respective sections/attend conferences, meetings, seminars and workshops on behalf of CEO to apprise the same on the latest developments in the sector, constructive Participation in Market Development activities, assisting CEO in special assignments delegated by BOD or MOE and successfully completing the critical aspects of CEO deliverables. PG&CP function review the communication by CPPA departments with the external stakeholders in respect of policies and to safeguard the interest of CPPA and coordinate with internal department for critical issues or exceptional matters where CEO participation is required.

4. Major Accomplishment / Development of HR Department:

HR's long-term plan drove the development, implementation, and completion of the following projects and programs. Some of our most significant accomplishments and achievements are noted below, in accordance with our strategic plan and roadmap for success.

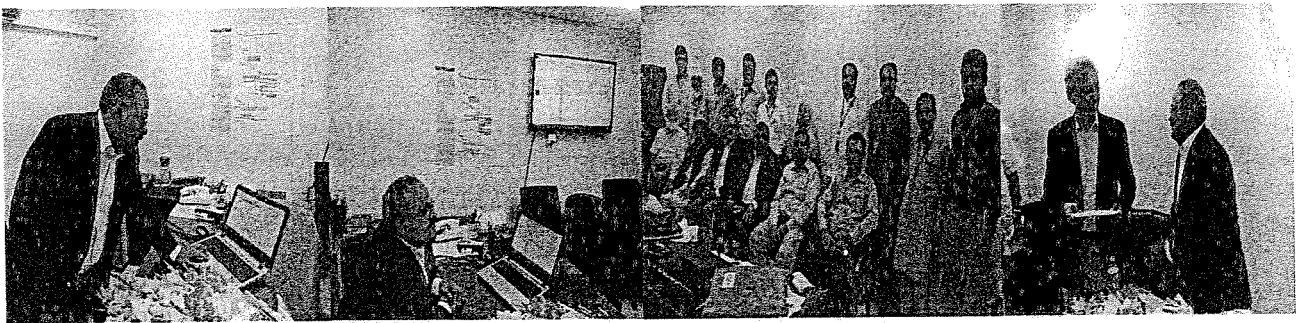
4.1 Implementation of ERP Oracle HCM Module:

HR Department have successfully implemented HRMS Module across CPPAG, HR Department have arranged necessary sessions for enablement of departmental employees, HR has successfully integrated manual payroll process toward automated payroll processes.

HR Department along with support of IT Department has successfully implemented the Oracle HCM Module. This seems to be a millstone achievement i.e. shifting from manual working to automated & integrated HR Systems, there are total four modules in the ERP relating to HR and these modules have been divided into two phases. Following paragraphs explain these phases:

This phase entails two modules:

- a) **Core HR:** This module has more than 42 core functions of HR incorporated in it. Some of these are recruitment processes, approvals/disapprovals of claims (TA/DAs, reimbursements etc.), transfers and postings, trainings and records etc.
- b) **Payroll HR:** This module has the data of the payrolls of the employees.



4.2 Transformation of HR Workforce:

HR Department has played a vital role in transformation of CPPAG from support function to knowledge-based organization. As a comparison form the year 2016-2017. Support Staff *was* 83%, while in comparison to the proceeding years in 2017-2018 it is now 43% of overall workforce

4.3 Development of HR Policies & Procedures:

27 HR Policies have been devised in consultation with the HR Consultant hired for the job. Employee handbook has also been prepared policies & employee handbook, orientation package is under internal discussion. Following are the human resources policies which are already in process of review by the management:

- Conflict of Interest
- Code of Conduct
- Communication Strategy
- Contract Management Policy
- Disciplinary Policy
- Deputation Policy
- Equal Opportunity Employment
- Employee Grievance Policy
- Harassment Policy
- Health Safety & Environment
- Introductory Period Policy
- Internship Policy
- Overtime Policy
- Promotion Policy
- Register of Interest Policy
- Reward Management Policy
- Secondment Policy
- Separation Policy
- Travel Policy
- Training & Development Policy
- Whistleblowing Policy
- Work & Work Arrangement Policy
- Leave Policy

4.4 Recruitment & On Boarding:

Hiring right person for the right job, that what the basic aim for the HR Department is working at, since its inception CPPAG has inherited officers on Deputation from other Power Sector Organization, with the passage of time HR Department has successfully inducted suitable number of candidates as per the required job portfolio.

HR Department have successfully made recruitment for different cadres (Chief Information Office, Managers, Deputy Managers, Assistant Managers, Management Trainee Officers, Daily Wage employee).

HR Department have already advertised positions of (Chief Technical Officer, Dy. General Manager Technical, Manager Technical, Manager Legal, Manager HR, Dy. Manager Technical, Dy Manager HR, Dy. Manager Technical, Assistant Manager HR, Assistant Manager Finance, Assistant Manager Internal Audit).

HR Department is in process to finalization recruitment for above mentioned future positions, which have already been approved under our manpower budget for the year 2018-2019 from NEPRA.

4.5 Training & Development:

HR Department have played a vital role in training and development of their employees, Supported and managed (EPIAS) Turkish Market Operator visit and successfully conducted Workshop in November 2017.

HR Department have arranged outbound training programs for its officers to get first-hand knowledge of PPRA rules & its processes.

HR Department Arrange Different Training Session for Employees Inbound & Outbound



4.6 Employee Engagement Programs:

Employee Satisfaction only indicates how happy and committed your employees are. Organizations with an engaged workforce have significantly performed better

➤ Farewell Parties to Employee After Retirements:

HR has initiated to arrange farewell parties for the employees who get retired and celebrate the departures of the people who are going on Hajj. Besides giving recognition to the employees for their life long service, this helps to reduce communication gap between the employees and employer

Bidding Farewell to Employees leaving for Hajj & Retirement



4.7 Employee Wellness Initiatives:

CPPAG emphasis on the importance of health and well-being of its employees, we recognize that a healthy, happy and committed workforce is vital to any business needs.

Keeping in view the above need, a Health Insurance Awareness workshop was conducted for all employees of CPPAG, how to equip employees in extreme medical situations.

Program was led by DG HR & Admin & Representatives of Jubilee Health Insurance.



4.8 Hiring of Third-Party Recruitment Firm:

One of the core values of CPPAG is "Transparency", HR Department has a longstanding wish to make recruitment cycle more transparent and freer from any incompetence. Keeping in view the desire needs, HR Department have engaged hired the services of Pakistan Testing Services, whole recruitment cycle including shortlisting, conduction of written tests will be managed by PTS.

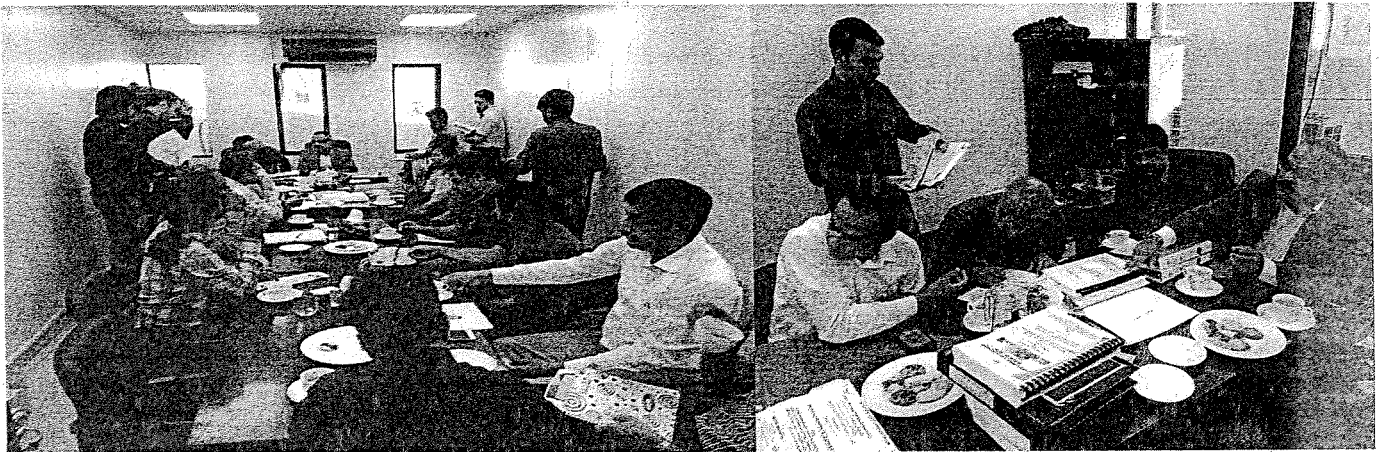
Opening of Bids for Hiring of Third-Party Recruitment Firm



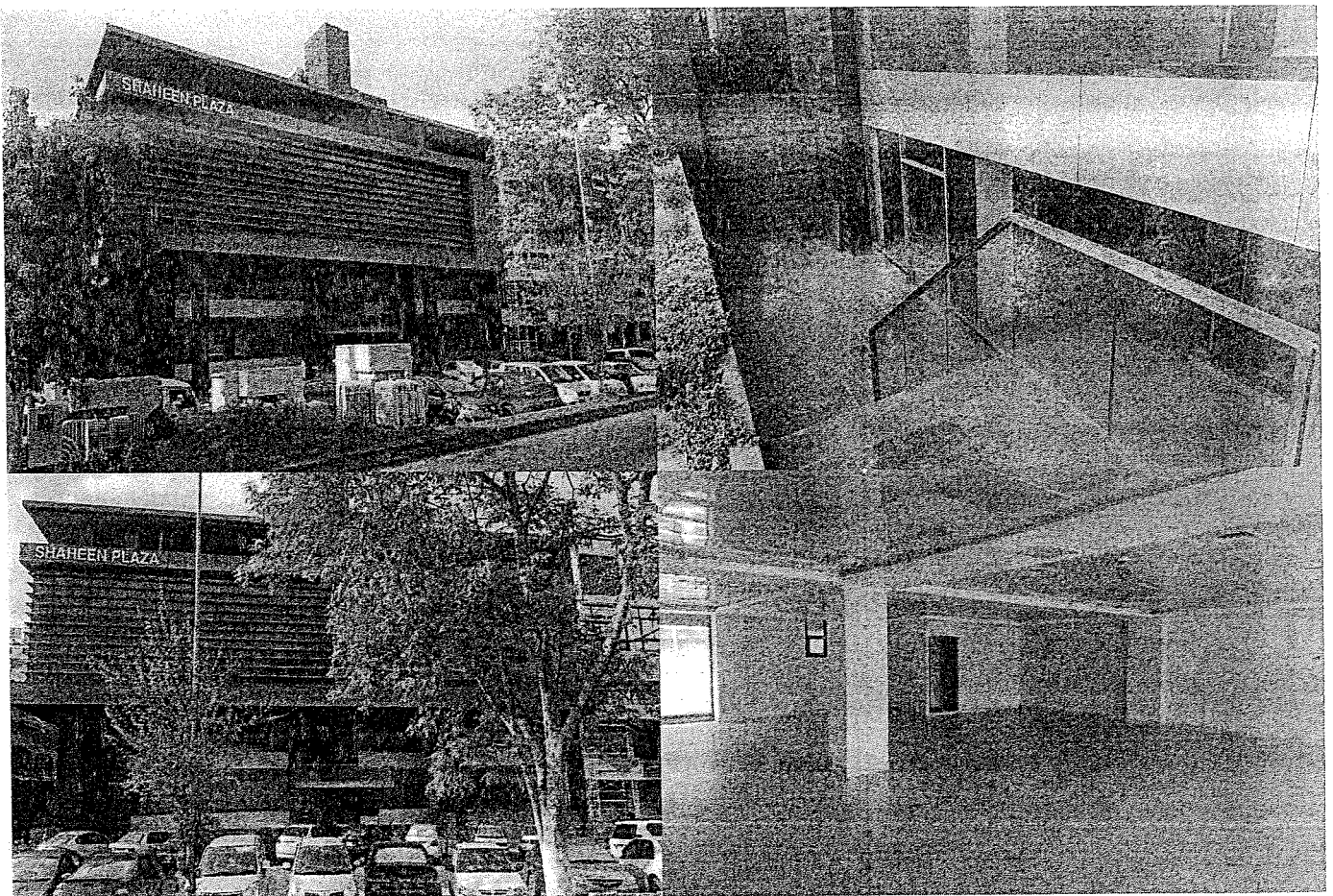
4.9 Hiring of Office Building:

CPPAG is foreseeing a progressive phase, manpower demand and numbers are also growing, HR Department has ascertained the need of new office space for current and future hiring's. HR Department has hired a building located a prime location in Blue Area, to establish a state of Art Office with all immunities and facilities for employee safety, security, and recreation facilities. All the bidding & tendering process have been duly completed by the HR & A Department in accordance with the PPRA Rules.

Opening of Bids for Hiring of Office Building



New Office Building (Shaheen Plaza Blue Area Islamabad)



4.10 Hiring of Security Services

HR Department is always committed to make workplace safe & secure for its employees, free from any impediments. HR & A department have floated the tender according to PPRA Rules and awarded the contract as per final evaluation.

4.11 Hiring of Consultant for Building Design & Renovation.

HR & A department have also initiated the process of firm the firm for renovation of recently acquired building, proper seating arrangement, reception, area will be designed.

5 Other Achievements by HR & A Department CPPAG

5.1 Winding up of Lahore Office, Future and Fixture

Successfully wound up the Lahore Offices, (WAPDA House, Napier Road, PIA Building) and shifted all relevant record to Sunny View Lahore.

5.2 Performance Management System:

HR Department have managed Performance Management system into two phases;

➤ Preparing Inputs for PMS

This phase included preparation of job descriptions with KPIs for employees, designing and preparing the competency framework and facilitating the process of preparing the balance scorecard for the company, CEO, and the levels below.

➤ PMS Design & Implementation

This phase included designing and implementation of the PMS. It entailed the design of Performance Appraisal Report (PAR), the feedback mechanisms, the reward systems, the evaluation of various tools and techniques to measure performance and benchmark it, the training of the employees on the PMS, including the training on giving and receiving feedback.

The Post Description Questionnaires (PDQs) were distributed and the information was gathered about a position's current and next 2-3 years key deliverables, objectives and other relevant information. During FY2017-2018, the PAR was based on the achievements made during the fiscal year and competencies of the individuals being appraised.

After following a well throughout and consultative process the PARs were completed and further evaluated by the competent forum and final grading was awarded by applying a bell curve further discriminate performers from non-performers.

It is worth-mentioning here that increments for the financial year have been awarded based on the final determined rankings from PMS.

5.3 Final Settlement & Employee Benefits

HR Department have also taken care of employee's benefits. Employees who are leaving the organization either by retirement, resignation HR Department is making sure to disburse their final settlement and terminal benefits within no time through ERP.

	NOTE	2018 Rupees	2017 Rupees
4 INTANGIBLE ASSET			
Enterprise Resource Planning system	4.1	32,837,541	-
Intangible asset under development		-	13,534,921
		<u>32,837,541</u>	<u>13,534,921</u>
4.1 Enterprise Resource Planning system			
Year ended 30 June			
Opening net book value		-	-
Additions		36,142,714	-
Amortization charge	18	(3,305,173)	-
Closing net book value		<u>32,837,541</u>	<u>-</u>
At 30 June			
Cost		36,142,714	-
Accumulated amortization		(3,305,173)	-
Net book value		<u>32,837,541</u>	<u>-</u>
Annual rate of amortization (%)		20%	20%

	NOTE	2018 Rupees	2017 Rupees
5 RECEIVABLE FROM NTDC THROUGH LOAN NOTES			
Total liabilities transferred by NTDC	1.1	655,913,752,802	655,913,752,802
Total assets transferred by NTDC	1.1	(613,501,584,172)	(613,501,584,172)
Loan note receivable from NTDC		<u>42,412,168,630</u>	<u>42,412,168,630</u>

6 LONG TERM ADVANCE - HUBCO

This represents receivable from HUBCO on account of HUBCO first fuel fill, sanctioned by GOP through Pakistan State Oil (PSO). Ministry of Finance made the subject payment to PSO and instructed HUBCO to book a payable towards WAPDA. HUBCO has denied the payment of this amount and has disputed with WAPDA, and it was agreed between both the parties on 01 April 2009 that both parties will have the legitimate opportunity on commencement of 20th anniversary of plant to raise this matter. The Company approached HUBCO on 01 November 2017 to settle the matter but HUBCO refused to recognize the said balance. Resultantly, the Board in a meeting held on 09 May 2018 resolved to adjust the cost of first fill along with interest against overdue late payment charges invoiced by HUBCO and in case HUBCO disagrees, resolve the issue through dispute resolution mechanism. HUBCO has disputed the adjustment and filed case against the Company in Sindh High Court.

	NOTE	2018 Rupees	2017 Rupees
7 DUE FROM PRINCIPALS	7.1 & 7.2		
Lahore Electric Supply Company Limited (LESCO)		146,160,021,099	66,703,955,453
Faisalabad Electric Supply Company Limited (FESCO)		73,979,686,472	18,959,242,804
Multan Electric Power Company Limited (MEPCO)		122,099,808,171	55,402,003,443
Quetta Electric Supply Company Limited (QESCO)		277,537,895,837	217,927,709,976
Gujranwala Electric Power Company Limited (GEPCO)		2,667,136,621	-
Islamabad Electric Supply Company Limited (IESCO)		99,647,552,746	54,194,941,490
Peshawar Electric Supply Company Limited (PESCO)		344,856,904,651	270,835,388,894
Tribal Areas Electric Supply Company Limited (TESCO)		19,565,996,846	15,356,647,000
Hyderabad Electric Supply Company Limited (HESCO)		243,008,666,248	199,711,406,515
Sukkur Electric Power Company Limited (SEPCO)		<u>199,587,955,831</u>	<u>164,014,866,366</u>
		1,529,111,624,522	1,063,106,161,941
Less: Government equity adjustments	7.3	(308,096,000,000)	(317,996,000,000)
Less: Tariff Rationalization Surcharge	7.4	<u>(109,866,369)</u>	<u>-</u>
		1,220,905,758,153	745,110,161,941
K-Electric Limited	7.5	<u>87,502,309,987</u>	<u>68,726,319,463</u>
		1,308,408,068,140	813,836,481,404
Less: Unallocated subsidy		(20,000,000,000)	-
Add: Unbilled costs	7.6	<u>994,856,302</u>	<u>-</u>
		<u>1,289,402,924,442</u>	<u>813,836,481,404</u>

h.u.

- 10.1 This represents aggregate receivable from DISCOs on account of mark-up on syndicated term finance facility as explained in Note 13. These balances are being repaid to PHPL on recovery from DISCOs. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53,937 billion (2017: Rupees 53,937 billion). The management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus/deficit of the Company on ultimate settlement of the matter in view of levy of Financing Cost Surcharge.

	2018 Rupees	2017 Rupees
11 CASH AND BANK BALANCES		
Cash in hand	-	217
Balances with banks - deposit accounts	16,317,685,827	15,174,113,624
	<u>16,317,685,827</u>	<u>15,174,113,841</u>

- 11.1 The balances in saving accounts carry return ranging from 3.5% to 9% (2017: 3.5% to 9%) per annum.
- 11.2 This includes an amount of Rupees 1,502 billion (2017: 2,607 billion) held in escrow account for payment to WAPDA Hydel.

12 NET WORTH

NTDCL was required to issue shares to WAPDA against outstanding balance under BTA-WAPDA and SBTA-WAPDA. This share deposit money has been transferred to the Company as per Business Transfer Agreement (BTA) entered into with NTDCL. The Company being limited by guarantee and not having share capital cannot issue shares to WAPDA/ President of Pakistan. Hence, the purchase price of Market Operations Undertaking of Rupees 42,412,168,630 receivable from NTDCL (as more fully explained in Note 1) will be adjusted against this balance.

13 ENERGY PAYABLE SWAP

The tariff and regulatory structure of the power sector ensures such working capital mechanism for the power producers that enables them to keep a secured supply of electricity, which depends on the procurement of fuel. Since the payments to the power producers have been secured by sovereign guarantee issued by the Government of Pakistan, if the power producers are not paid on due dates, they shall start calling upon the sovereign guarantees. Further, a late payment surcharge is also imposed due to which the power sector remains under circular debt. This leads Government of Pakistan to swap the energy payables with commercial loans from banks. These syndicated term finance facilities are being parked in Power Holding (Private) Limited (PHPL). Servicing of these loans is being managed by way of Financing Cost Surcharge levied under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated 3 October 2014.

Out of these loans, the loans amounting to Rupees 335,564 billion (2017: Rupees 304,614 billion) are covered under the Financing Cost Surcharge levied by the Government.

	NOTE	2018 RUPEES	2017 RUPEES
14 ENERGY AND OTHER PAYABLES			
Energy creditors	14.1	731,553,472,644	461,025,189,778
Advance from GEPCO		-	16,309,136,835
Payable to WAPDA - non energy		82,209,683,477	82,209,683,477
Payable to NTDCL		12,725,727,709	-
Advance against market operation fee		102,284,456	-
Accrued liabilities		53,723,429	-
Withholding tax payable		8,968,486	224,904
Payable to employees contributory provident fund		1,063,419	3,168,316
Payable to employees gratuity fund		-	8,775,086
Payable to PEPCO		80,693,227	-
Sales tax payable - net		5,934,710	74,418,634
Payable to suppliers		18,862,849	-
Financing cost surcharge		-	62,510,813
Neelum Jhelum surcharge		15,534,875	14,725,555
Electricity duty		24,143,635	24,143,635
Unidentified receipts		181,481,622	443,669,899
Other liabilities		6,676,528	12,834,481
		<u>826,988,251,066</u>	<u>560,188,481,413</u>

Handwritten signature/initials.