



No.CFO/NJHPC/2018/2627-32

Nov, 29 2018

The Registrar, NEPRA  
NEPRA Tower, Ataturk Avenue  
G-5/1, Islamabad

**Subject: MOTION FOR LEAVE FOR REVIEW OF DETERMINING SALE RATE FOR IMPORT OF POWER FROM NEELUM JHELUM HYDROPOWER PROJECT**

NEPRA Authority has determined sale rate for import of power from Neelum Jhelum Hydropower Project by CPPA-G and circulated through letter No. letter No. NEPRA/IPT-03/NJHPC-2018/18100-18102 dated 19.11.2018. Being aggrieved from the said Determination, NJHPC BOD has approved to file motion for leave for review to NEPRA under Section 16(6) of NEPRA Standards Procedure and Rules-1998.

Having been authorized by the BOD, I hereby submit Motion for leave for review for kind consideration of the NEPRA Authority.

*For information & DROI / DRI-I mfa kl*

*[Signature]*  
**(Muhammad Hamid Mahmood)**  
Chief Financial Officer NJHPC

DA: As above.

*Gp to:*  
- SAT-I  
- Cns. (HP)  
- LA (HP)  
- MF

30 11 18

*cc: chairman m(G)/m(M&E) m(G)*

c.c.

1. Chief Executive Officer CPPA-G Shaheen Plaza Plot No.73-West, Fazal-e- Haq Road Blue Area Islamabad.
2. SO to Chairman WAPDA.
3. APS to MD/CEO Muzaffarabad.
4. APS to GM/PD Muzaffarabad.
5. APS to Chief Engineer (O&M) Muzaffarabad.

Dy. No: 11831  
Dated: 30-11-18  
**REGISTRAR**

*37/12*  
*SAT-II*  
*DROI-III*  
*ME SA*  
*22/12*

Senior...  
Dy. No: 9948  
Date: 3-12-18



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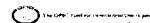
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**NAME OF PETIONER:**

**NEELUM JHELUM  
HYDEL POWER COMPANY LTD**

**REVIEW MOTION:**

**MOTION FOR LEAVE FOR REVIEW OF DETERMINING SALE  
RATE FOR IMPORT OF POWER FROM NEELUM JHLUM  
HYDROPOWER PROJECT LOCATED IN THE TERETORY  
OF AJK.**

**GROUNDNS FOR REVIEW MOTION**

On determining rates and terms and conditions for import of power by Central Power Purchasing Agency (CPPA-G or the Buyer) from 969 MW Neelum Jhelum Hydro Power Project, by NEPRA in its Determination circulated vide letter No.NEPRA/IPT-03/NJHPC-2018/18100-18102 dated 19.11.2018, NJHPC has been aggrieved on the following grounds;

1. The tariff for NJHPC has been determined on take and pay basis as against request of tariff determination on take or pay basis in line with GoP Power Generation Policy for Hydel IPPs and on the analogy of tariff determined by NEPRA for Hydel IPP and WAPDA Hydroelectric,
2. Revenue for Debt servicing at determined rate will be generated to the level of Rs 26,636 million as against revenue requirement of Rs 43,024 million for the current financial year for the loans already withdrawn and due for repayment.
3. The determined tariff will be applicable from the date of notification of GoP, whereas NJHPC is supplying power to national grid from the commissioning date of Unit-4 on 19<sup>th</sup> Jun 2018.

**AUTHORIZATION & REPRESENTATION**

The NJHPC BOD in its meeting held on 26.11.2018 has decided to file review motion to NEPRA, hence this Motion for leave for review is being filed under Section 16(6) of NEPRA Standards Procedure and Rules-1998, on the NEPRA Authority's for determining rate of import of power by Central Power Purchasing Agency (CPPA-G or the Buyer) from 969 MW Neelum Jhelum Hydro Power Project through Chief Financial Officer who has been duly authorized to sign and file this review motion. BOD has also authorized to submit and sign, individually or jointly, the documents necessary in support of this Review Motion and to appear before NEPRA and represent NJHPC during proceedings of this Review Motion:

Engineer Muhammad Zareen	CEO NJHPC
Muhammad Hamid Mehmood	CFO NJHPC
Anwar-ul-Haq	Consultant

## Basis of Review Motion

### 1. Take and Pay (must run basis tariff)

The NJHPC in its tariff petition has proposed Two-part EPC stage tariff, wherein the variable charges were proposed containing of variable O&M and Water Usage Charges. The variable charge part proposed is hardly 5% of total annual revenue requirement whereas fixed charge comprising of fixed O&M expenses, debt servicing, insurance expenses and return on equity are related to period and are of fixed nature.

In response of Issues framed by NEPRA relating to determining tariff on take or pay basis, the NJHPC has vehemently contested that: the Policy for private sector hydel power projects- May 1995 at section 10.5 describes the payment of bulk power tariff as follows:

- a. The bulk purchase tariff is an indicative tariff which has been calculated on an annual plant factor of 50%. The energy available from hydropower plants will be given highest priority in load despatch.
- b. The payment will be made on the basis of actual energy sold to WAPDA during a month or, in case of non despatch by WAPDA, for **ninety five percent** of the energy that could have been generated by the hydropower plant (based on average historic hydrology for that month),
- c. The "**take or pay basis**" will ensure that the hydropower plant is given priority in load despatch as compared to a thermal source and that the investor/sponsor receives an assured minimum amount every month to meet the O&M, debt servicing, insurance charges and ROE etc.
- d. The amount calculated above would be payable on monthly basis.

The above provision implies that, the power purchaser is to bear hydrology risk and CPP payments to the investor are to be made on "take or pay basis" monthly. This incentive to private sector hydel power projects has been included in each subsequent power policy announced by the GoP. **As provided at section 5.4 of the Power Policy 2015**, the power purchaser will bear the risk of the availability of water for hydropower projects, by making payments of fixed monthly CPP component of the tariff to the project company in accordance with the monthly average hydrology.

In line with aforesaid power policies of GoP, NEPRA has been determining two-part tariff of Hydel IPPs and even for WAPDA Hydroelectric currently operating 21 hydel power stations in public sector at present. For ease of reference, the extracts of determination of NEPRA for Hydel IPPs of comparable capacity has been reproduced as under:

Name of Hydel IPP	NEPRA letter Reference	Extract of Determination
EPC stage tariff of 720 MW Karot Hydropower Project	No. NEPRA/TIV- 309/10CL-2015/5764- 5766 Dated April 27, 2016	Hydrological Risk shall be borne by the Power Purchaser in accordance with the GoP Policy for Power Generation Projects 2002.

## MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION OF NJHPC

EPC stage tariff of 840 MW SK Hydropower project	No.NEPRA/TRF-232/SKHPL-2013/3036-3038 Dated March 28, 2014	Hydrological Risk shall be borne by the Power Purchaser in accordance with the GoP Policy for Power Generation Projects 2002.
EPC stage tariff of 1124 MW Kohala Hydropower Project	No. NEPRA/PAR-124/5351-5353 dated April 2, 2018	Power Generation Projects 2002.

NEPRA has been determining two-part Tariff of WAPDA hydroelectric since its first ever determination made in 2004. As determined by NEPRA 95% of annual revenue requirement is recovered through fixed charges invoiced monthly based upon installed generating capacity.

Of late, NEPRA has determined power import rate for 7.08 MW Riali-II Hydro power project and 8 MW Kathai-II Hydro power projects located in AJK territory on take or pay basis on the consent of the sponsors. NJHPC has never given such consent at any stage of tariff proceedings nor it intends to give such consent to CPPA-G. Billing of power sale revenue in low flow of water months will put NJHPC in much difficult position to make payments of monthly salaries to its employees and repay the loan which are to be repaid in quarterly and half yearly instalments. Each loan has different repayment schedule as per signed loan agreements. It is therefore NEPRA Authority is requested to determine power sale rate in two parts i.e. variable charge to meet with revenue requirement for variable O&M and WUC based upon actual generation and fixed charge to meet revenue requirement for fixed O&M, Insurance, debt servicing and return on equity based upon installed capacity of Neelum Jhelum Hydropower project.

### **2. Revenue for Debt servicing**

NEPRA has determined revenue for debt servicing based up the repayment liability of loans drawn up to the level of 30.06.2017. At the power sale rate determined, revenue of Rs 36,636 million will be generated at the estimated annual generation of 5,126 GWh. It may be appreciated that to make the power plant operational as per priority of the GoP, NJHPC had speed-up construction works activities immensely, consequently NJHPC has made substantial payments to the contractor for the works done by drawing appropriate amounts of loan under the loan agreements already signed. As per audited accounts as on 30.06.2018, loan amount of Rs 256,210.7 million were drawn and debt service liability as per loan repayment schedule for the current financial year works out as Rs 43,023.8 million as shown in the table below:

## MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION OF NJHPC

Loan No.	Rate of interest per annum	Installments outstanding as on 30.06.2018	Repayment commencement / Maturity	Loan Amount Outstanding as on 30.06.2018	Repayment	Interest	Total DSL
----- MIn Rupees -----							
<b>Foreign Relent Loans</b>							
Norwegian Mix credit	11.00%	10	2019/2028	118.1	7.1	13.0	20.1
China EXIM	15.00%	10	2019/2028	45,719.7	2,251.8	6,857.9	9,109.7
China EXIM	12.00%	10	2019/2028	30,675.7	1,748.0	3,681.1	5,429.1
IDB	15.00%	15	2019/2033	13,495.5	283.6	2,024.3	2,308.0
IDB	15.00%	15	2019/2033	17,126.7	360.0	2,569.0	2,929.0
Kuwait-I	15.00%	20	2019/2038	3,945.0	38.5	591.8	630.3
Kuwait-II	15.00%	20	2019/2038	3,512.8	34.3	526.9	561.2
OFID	15.00%	15	2019/2033	3,076.9	64.7	461.5	526.2
OFID	15.00%	15	2019/2033	3,834.0	80.6	575.1	655.7
Saudi Arabia	15.00%	14	2019/2032	6,027.5	148.8	904.1	1,052.9
Saudi Arabia	15.00%	15	2019/2033	8,027.1	168.7	1,204.1	1,372.8
				<b>135,440.7</b>	<b>5,179.0</b>	<b>19,395.8</b>	<b>24,574.8</b>
<b>Cash Development Loan</b>							
CDL-2006-07	11.78%	20	2019/2037	5,270.0	75.0	620.8	695.8
CDL-2012-13	10.65%	20	2019/2037	1,500.0	24.3	159.8	184.1
CDL-2013-14	11.79%	20	2019/2037	14,000.0	199.1	1,650.6	1,849.7
				<b>20,770.0</b>	<b>298.4</b>	<b>2,431.2</b>	<b>2,729.6</b>
<b>Local Bank Loan</b>		<b>6MK+113</b>	6MK 8.07%	Spread 1.13%			
NBP- Sukuk	9.20%	10	2019/2028	100,000.0	6,519.5	9,200.0	15,719.5
<b>G.total</b>				<b>256,210.7</b>	<b>11,996.8</b>	<b>31,027.0</b>	<b>43,023.8</b>

It is therefore NEPRA Authority is requested to determine revenue as fixed charge based upon installed capacity at least to generate revenue of Rs 43 billion in a year.

### 3. Application date of Determined Tariff

Tariff determined by NEPRA of Neelum Jhelum Hydropower project will be applicable from the date of notification by the Federal Govt. The notification of tariff by GoP after its determination generally takes 1-2 months, which means tariff would be notified by Jan 2019. Since commissioning of first unit on 1<sup>st</sup> May 2018, NJHPC is supplying power to national grid regularly in accordance with quantum of water available for power generation. As shown in the table below, NJHPC has delivered power of 1,689.7890 GWh to national grid at bas bar of the Neelum Jhelum Hydropower project up till 27.11.2018.

Power Generating Unit#	Commissioning date	Power delivered to national grid (GWh)
1	24 <sup>th</sup> Aug 2018	314.6257
2	7 <sup>th</sup> Jul 2018	331.7375
3	1 <sup>st</sup> May 2018	590.0465
4	19 <sup>th</sup> Jun 2018	453.3693
<b>Total</b>		<b>1689.7890</b>

## **MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION OF NJHPC**

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It is therefore, NEPRA Authority is requested to determine tariff application date as 19.06.2018 so that NJHPC may be able to raise power sale invoice for power already delivered to CPPA-G at national grid.

### **RELIEF SOUGHT**

NEPRA Authority is therefore requested to please review its decision circulated through letter No. NEPRA/IPT-03/NJHPC-2018/18100-18102 dated 19.11.2018, considering the above submissions on merit in the interest of NJHPC.

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**(MUHAMMAD HAMID MAHMOOD)**

**MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION OF NJHPC**

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**LIST OF ATTACHMENTS**

<b>Attachment#</b>	<b>Description of attachment</b>	<b>Page#</b>
1	Certified copy of BOD resolution approving to file review motion.	
2	Affidavit	





Neelum Jhelum Hydropower Company (Pvt) Ltd  
(A Subsidiary of WAPDA)



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MD/Chief Executive Officer  
Liaison & Coordination Office NJHP,  
WAPDA Staff, College Islamabad.

No. CS/NJHPC//2018/290

Date: 29-11-2018

**AUTHORIZATION TO FILE MOTION FOR LEAVE FOR REVIEW APPLICATION  
WITH NEPRA THROUGH CPPA-G AND DIRECTLY TO NEPRA**

It is intimated that Board of Directors of Neelum Jhelum Hydropower Company (Pvt) Limited in its 43<sup>rd</sup> BoD meeting held on November 26, 2018 at Rawal Rest House Islamabad resolved as under:

**“RESOLVED**, that the Company may file a motion for leave for review application for tariff determination in relation to a (approximately) 969 MW hydropower generation facility to be located at Azad and Jammu Kashmir, 22 km south of Muzaffarabad (the “Tariff review motion”) to the Central Power Purchasing Agency (Guaranteed) Limited (“CPPAG-G”) for onwards submission before the National Electric Regulatory Authority (“NEPRA” or “Authority”) and directly to (“NEPRA or Authority”)

**FURTHER RESOLVED THAT**, Chief Executive Officer/Managing Director Neelum Jhelum Hydropower Company, Chief Financial Officer Neelum Jhelum Hydropower Company and Mr. Anwar-ul-Haq Consultant (“Authorized Persons”) are duly authorized jointly or severally to file and submit the Tariff Proposal (along with annexes) and any documents in support thereof for submission before NEPRA by CPPA-G, sign the necessary documentation, pay the necessary filing fees, appear and/or make any oral/written representations on behalf of the Company necessary for the filing of the Tariff Proposal in accordance with the applicable law, and undertake or do any matter(s)/act(s) necessary or incidental thereto”

(SHAKEEL AHMED)  
Company Secretary  
Neelum Jhelum Hydropower Company

