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/ 7614 Dated: December 26th, 2019

The Registrar NEPRA
NEPRA Tower,
Islamabad.

SUBJECT: PETITION FOR THE DETERMINATION OF MARKET OPERATION FEE <u>FOR THE FINANCIAL YEAR 2019-20.</u>

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;

a. Affidavit
b. Market Operation Fee 2019-20
c. 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

101891

500
Rupees

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

<u>AFFIDAVIT</u>

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

ATTESTED
TARIQ IQBAL MAHER
ADVOCATE HIGH COURT
NOTARY PUBLIC
ISLAMABAD

Serial No 4183/- Date 24-12-2019

NEPRA

Between

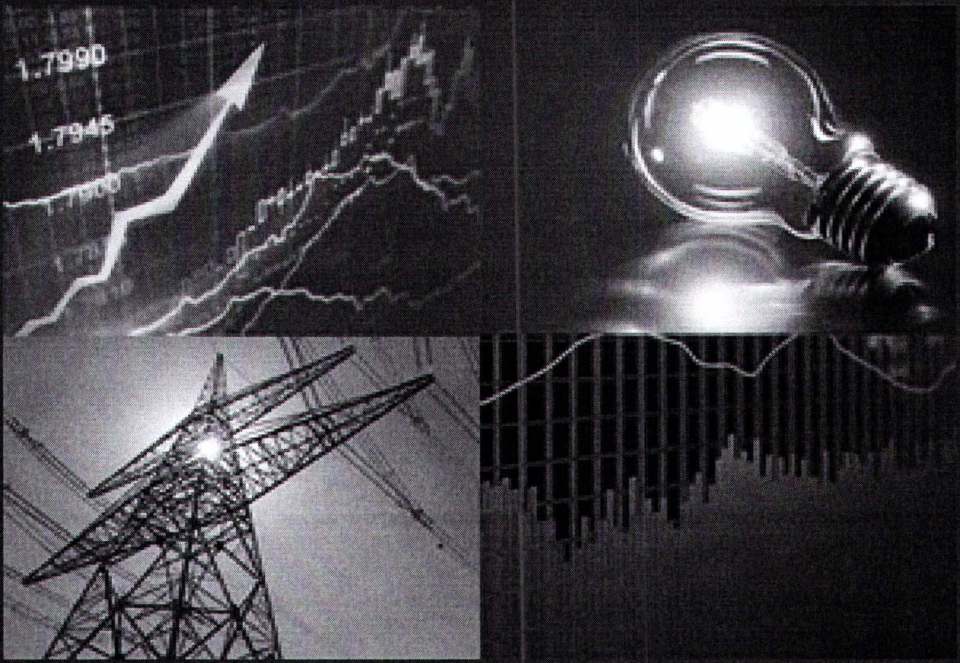
CPPA

FOR Market Operation fee FY 2019-2020

SYED SHAKEEL HUSSAIN SHAH
Stamp Vendor
Licence No.
257/DRA/2016
F-8 Markaz, Islamabad.

PETITION FOR DETERMINATION OF MARKET OPERATION FEE

FINANCIAL YEAR 2019-20



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 2019-20

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

1.1. NAME

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

1.2. ADDRESS

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

1.3. 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.

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.

1.4. 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)**.

1.5. 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 DIRECTIOS

In the tariff determination of Market Operation Fee dated November 13, 2019 the Authority has passed certain directions. The issue wise status of the directions is given below;

Table.1 Compliance of NEPRA's Directions 1

#	Directions	Compliance Status
1.	Expedite the process regarding basket price model and share the same with NEPRA.	Basket Price Model FY 2019-20 was submitted vide letter no. CPPA-G/2019/CEO/7124 dated: March 12,2019, in response to which NEPRA conducted a consultative session wherein it was decided that CPPA-G will submit the updated references for FY 2020-21 along with the future perspective of Basket price for next 5 years i.e. FY 2024-25. However, currently the IGCEP has not been approved yet as well as new Renewable Energy targets have also been informed via ARE policy therefore without incorporation of these interventions under IGCEP, five year prospect cannot be forecasted, hence it is apprised that the next iteration of Basket Price model will be submitted with subsequent submission of upcoming iteration of IGCEP.
2	Continue sharing its progress on PPA bifurcation.	The bifurcated-PPA draft has been prepared by the consultants and is under internal review. Once the Draft will be finalized, it will be shared with the Authority.
3.	Progress report on HR Development on quarterly basis.	Progress report on HR Key developments for the year 2018-2019 has already been forwarded to NEPRA vide this office Letter No. CEO/CPPA-G/HR&A/4229-32 dated 28-8-2019. HR Progress report remaining quarter is in preparation process and will be complied soon.
4.	Provide a detailed report in terms of purchase of ERP software & license, its implementation, post Go-Live support & consultant level staff training, establishment of Data center,	The Report has been submitted to the Authority vide letter no. CPPA-G/2019/CIO/1390-92 dated: 23-09-2019. (**Annex-B**)

	and web solutions including public assess, portals and email services etc. for consideration/ perusal of the Authority.	
5.	Finalize the agreement with NTDCL without further delay and submit a copy of the same to the Authority.	The UoSC / T&T losses agreement to be executed with NTDC, as per the Grid Code, 2015. NTDC is required to execute Connection Agreements with the DISCOs & K-Electric prior to the preparation and execution of the UoSC / T&T losses agreement. A draft UoSC/ T&T losses agreement has been prepared and after the connection agreement the UoSC/T&T losses agreement would also be finalized.
6.	Ensure submission of a comprehensive report on the issue of circular debt on quarterly basis, showing the party wise breakup of amount payable & receivables and highlighting the reasons thereof	Circular Debt status, showing the party wise breakup of amount payable & receivables for the quarter June-19 & September-19 is placed at (**Annex-C**).
7	Ensure submission of Audited financial reports of every year in time.	Audit Financial Statement FY 2018-19 is placed at (**Annex D).**
8	Expedite the Business Re-Engineering Process to accurately assess its HR requirements. by March 31, 2020.	Business Re-engineering process has been executed, and an RPMO has been notified thorough this office letter No CEO/CPPA-G/HR&A/4891-4905 dated 13-11-2019. **Annex-E**)
	Get Market Operation Fee approved from the Authority well in time i.e. before the start of the financial year, in order to ensure that actual expenses of the Petitioner do not exceed the limits approved by the Authority.	The Direction of the Authority is noted and CPPA-G would try to file its next year Market Operation Fee on time.

9	Ensure that all legal formalities are completed and due process of law is followed while acquiring the new office building	Process of Acquiring of new office building has been executed as per the guidelines/protocols of Public Procurement Rules, 2004.
10	Ensure that all the legal formalities are completed, and due process of law is followed while carrying out the office renovation works.	Process of office renovations works has been carried out as per the guidelines/protocols of Public Procurement Rules, 2004.
11	Ensure that costs once allowed are not again claimed in subsequent petitions.	The Direction of the Authority is noted.
12	Reflect the costs incurred on account of legal fees/ litigation charges under a separate head and the said costs be made part of market operation fees, to get the same approved from the Authority.	The legal/litigation fee is not part of CPPA-G Market Operations fee. CPPA-G being the agent of DISCOs doesn't book any of legal fees/Litigation fees because this expense is the liability of DISCOs as most of these Legal/Litigations matters are related to DISCOs. Thus these expenses are directly charged to DISCOs through PPP Cost. The Authority in this regard is requested to allow the same.
13	Shifts its entire office setup at Islamabad.	CPPA-G HR&A Department has already started shifting its record lying at Lahore Wapda House, Sunny View, Complete office setup will also be shifted in due course.
14	Submit reconciliation report of T&D losses with NTDC on monthly basis.	CPPA-G already sharing the T&T losses reconciliation with the Authority and would comply with Authority direction in future.
15	Submit the Plant wise Capacity Payment data as per the format already provided to CPPA-G along-with existing format on monthly basis.	Plant Wise Capacity payment data FY 2018-19 is already share with the Authority. The CPPA-G would also share the capacity data of subsequent years on Authority prescribed format.

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 2019-20. 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 2019-20 along with comparison of Authority allowed revenue requirement for FY 2018-19 is given below;

Mln. Rs.

Description	FY 2018-19	FY 2019-20
	Allowed	Requested
General Establishment Costs	561.35	684.16
Administrative Costs	119.05	161.11
Office Operations, Services & Maintenance	19.02	33.34
Insurance	0.26	2.50
Finance Charges	1.25	2.40
Total O&M Cost	**700.93**	**883.52**
CAPEX	120.76	53.17
Grand-total	**821.68**	**936.69**

The requested revenue requirements for FY 2019-20 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 consultancy services.

The **pay and allowances** for FY 2019-20 are proposed at Rs. 453.86 million against the last year approved figure of Rs. 415.58 million for FY 2018-19. Pay & Allowances for FY 2019-20 are projected after applying 10% increase over "Actual Basis pay" of each employee for the period of May 2019 and keeping in view "pay scales structure" already approved by the Authority.

The employees benefits head consist of provident fund, gratuity, earned leaves, EOBI, GLI, medical benefits, pension contribution obligation of deputation employees and other employee benefits including bonus to the employees. The employees' benefits are projected around Rs. 104.42 million for FY 2019-20 keeping in view the "pay scales structure" already approved by the Authority. The Authority is requested to approve the same in the head of Pay & Allowance of the Employees for FY 2019-20.

The HR department also planned to fill vacant positions in various departments. The HR department is of the view that the proposed hiring would be completed by the end of 3rd Quarter FY 2019-20. In this regard the Authority is requested to allow an amount of Rs. 66.22 million for new hiring.

Training and Capacity Building: - This head includes cost associated with training courses / workshops planned for the employees of CPPA-G in FY 2019-20. The training expenses are comprising of local and foreign training and capacity building of the employee. The CPPA-G 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. The Authority is directed management of CPPA-G to continue to conduct workshops / training programs like EMP for power sector stakeholders. Keeping in view the previous trend and direction of the Authority an amount of Rs. 35.27 million is proposed in the head of training and capacity building for FY 2019-20. The required amount 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, Technical, Finance and HR department would also be part of proposed trainings programs for FY 2019-20.

Consultancy Services: - This head includes cost relevant to the various HR consultancy services which are proposed to be outsourced in FY 2019-20. These services mostly include outsourcing of Demand Forecast Consultant, Consultant Generation and Expansion Planning, Consultant System Operator Strengthening, Recruitment Firm, Information Security Management Systems Consultant for ISMS Certification (ISO 27001), Master Data Management Consultant for Data Preparation/ Data Institutionalization, Documentation Consultant for Preparing Documents/ formats of deliverables for Software Development Framework and tax consultant.

The Authority in this regard is requested to allow an amount of Rs. 24.40 million for FY 2019-20.

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 advertisement & publication expenses.

The head wise breakup of the cost proposed for FY 2019-20 is as follows;

Mln. Rs.

Description	FY 2019-20 Requested
Rent Rate Taxes, Power Light, Communication & etc	111.79
Office supplies & Printing & Stationary	6.53
Other Expenses	42.79
Total	**161.11**

For FY 2019-20 the administrative expenses are proposed at Rs. 161.11 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 important to highlight that out of total requested increase of 42.06 million for administrative expenses the major portion of around Rs. 19.47 is related to rent, rate and taxes. In this regard it is apprised to the Authority that in the FY 2018-19 the proposed amount for Shaheen Plaza building rent was assumed for 9 months, now based on 12 months forecast and after applying increase of 5% as per contract over the last year rent an increase of Rs. 19.47 is requested over the last year amount. The CPPA-G also hold around 2,325 and 1,589 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. 86.62 million for FY 2019-20.

Power light and Water: - In order to estimate expense in this head the electricity bill of new building is assumed @ 1 million p/m. Water and gas expenditure are assumed around 0.2 million and after consolidating the above figures an amount of Rs. 12.24 million is proposed in the head of power, light and water for FY 2019-20.

Communication: - This head includes mainly the expenses relevant to telephone charges, employees cell phone charges, internet charges, courier services charges for external commination through letters. Keeping in view the historical trend of these expenses and cell phone charges limits allowed to each employee an amount of Rs. 12.94 million is proposed for FY 2019-20.

Office Supplies, Printing & Stationary: - This head includes the general day to days operational expenses of CPPA-G offices. The amount in this regard is proposed to be Rs. 6.53 million for FY 2019-20.

Other Administrative Expenses: - The remaining head of administrative expense consists of outsourcing services, entertainment, recreation activities, advertisement and publications, subscription & periodicals, travelling fee, BOD and auditor fee and other general miscellaneous expenses. The Authority is requested to allow an amount of Rs. 42.79 million in other administrative heads for FY 2019-20.

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 2019-20. Keeping in view of the above the Authority is requested to allow an amount of Rs. 161.11 million in the head of administrative cost.

4.3. INSURANCE, FINANCIAL CHARGES

The insurance expenses of Rs. 2.5 million are proposed @ 3% (as allowed by the NEPRA) of various I.T equipment's i.e Laptops/Desktops, Data Center Hardware, Printers, Equipment for Networking, Video Conferencing Solution & etc. Financial charges are normal bank charges, charged by banks against total transections / projected payments of over Rs. 1.5 trillion. Finance charges of Rs. 2.4 million are proposed for FY 2019-20.

4.4. REPAIR MAINTENANCE

The office operations, services & maintenance expenses consist of repair and maintenance of furniture, office equipment, vehicle, repair and maintenance of IT equipment's, I.T services and running cost of vehicle inclusive of fuel oil, oil and lubricants and annual fee and token taxes. For FY 2019-20 the Authority is requested to allow an amount of Rs. 33.34 million in the head of repair and maintenance.

The head wise breakup of the cost proposed for FY 2019-20 is as follows;

Mln. Rs.

Description	FY 2018-19	FY 2019-20
	Allowed	Requested
R&M General	12.00	2.62
I.T Services (Email Sevices,Internet Expansion, Software Renewals,Toners & etc)		19.33
Vehicle Expenses Repair	7.02	3.68
Vehicle Expenses-Fuel & Oil (Running Cost)		6.80
Vehicle Expenses-License		0.90
Grand-total	**19.02**	**33.34**

4.5. PRIOR YEAR ADJUSTMENT

The Authority has allowed an amount of Rs. 391.93 million (Rs. 1.3894 /kW/M) net of other income, to meet the revenue requirement of the company for FY 2018-19. The Authority in the Market Fee determination dated November 13, 2019 also mentioned that the allowed amounts are subject to actualization base on the actual finding of the results. As the actual results of FY 2018-19 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 2018-19 is tabulated below;

FY 2018-19				
Determined		1.3894	23,507	**391.93**
Recovery		1.4610	23,693	**415.39**
				(23.46)
O&M Expenses				
Determined	700.93			
Actual	674.47			***(26.46)***
Other Income				
Determined	(309.62)			
Actual	(334.93)			***(25.31)***
Tax				
Determined	162.01			
Actual / Provisional	183.68			***21.67***
PYA for FY 2018-19				**(53.56)**

Keeping in view the above the Authority is requested to adjust an amount of Rs. (53.56) million as prior year adjustment for FY 2018-19.

4.6. CAPITAL EXPENSES

The requirement of capital expenditure for FY 2019-20 have been estimated in the following categories.

- ✓ IT Equipment & Software
- ✓ New Office Space Renovation

The summary of CAPEX required for FY 2019-20 is given as below;

Mln. Rs.

Description	FY 2018-19 Allowed	FY 2019-20 Requested
IT Equipment & Software	40.90	18.17
Office Space Renovation	79.86	35.00
Total	**120.76**	**53.17**

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. 18.17 million in the head of IT software's and equipment. The detail of IT software's & equipment is placed on (Annex-F).

Office Space Renovation & Other Capex: - The Authority has allowed an amount of Rs. 79.86 million in the head of office space & renovation. CPPA-G in FY 2018-19 has utilized an amount of Rs. 36.28 million in FY 2018-19. The Authority is requested to allow carryforward of Rs. 43.58 million in FY 2019-20 so the remaining renovation work could be completed. Further for smooth operation of the CPPA-G office a backup electricity supply generator is required. For generator and other misc capex the Authority is requested to allow an amount of Rs.35 million FY 2019-20 over and above carryforward amount of Rs.43.58 million.

5. PROPOSED MARKET OPERATORS FEE

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

Mln. Rs.

Description	FY 2018-19	FY 2019-20
	Allowed	Requested
General Establishment Costs	561.35	684.16
Administrative Costs	119.05	161.11
Office Operations, Services & Maintenance	19.02	33.34
Insurance	0.26	2.50
Finance Charges	1.25	2.40
Less: other income	(309.62)	(281.31)
Total Revenue Requirement	**391.31**	**602.21**
CAPEX	120.76	53.17
Tax	14.07	-
PYA	(134.23)	(53.56)
Revenue Requirement + CAPEX	**391.91**	**601.81**
Avg. MDI	23,507	25,867
Rs. /kW/M	**1.3893**	**1.9388**

6. PRAYERS:

(i) In view of above submissions, it is respectfully prayed that the Authority may very graciously approve the Market Operation Fee @ Rs. 1.9388 per kW / Month for the FY 2019-20.

(ii) 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.

(iii) Any other relief which the Authority deems fit in the circumstances may also be granted.

(Abid Latif Lodhi)
Chief Executive Officer CPPA-G

Annex- A

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

No. CPPA-G/2019/CS/ 8129-30 02nd October, 2019

BOARD RESOLUTION VII / 57

CPPA-G BUDGET FOR THE FY 2019-20

A meeting of Board of Directors of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) was held on 23rd September 2019 at CPPA-G office, Shaheen Plaza, 73-west, Fazal-e-Haq Road, Blue Area Islamabad.

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

Resolved that "CPPA-G Budget of Rs. 936.69 million for the FY 2019-20 and utilization of the same as per Book of Financial Powers be and is hereby approved."

Further resolved that "CEO CPPA-G be and is hereby authorized for re-appropriation of O&M and Capital expenditure budget among their respective sub-heads on the recommendations of CFO CPPA-G, as per allowed limit of Book of Financial Powers."

Further resolved that "CPPA-G be and is hereby authorized to submit the CPPA-G Budget for FY 2019-20 to NEPRA for approval of Market Operations Fee, after incorporating impact of Prior Year Adjustment."

Further resolved that "CEO CPPA-G be and is hereby authorized to;

a. Sign individually or jointly with CFO the necessary documents for filing of Market Operations Fee (MOF) for FY 2019-20.
b. File subsequent review motion petition after determination on the said application of FY 2019-20, if any.
c. Pay the necessary MOF tariff petition filing fees.
d. Appear before the Authority as needed and do all acts necessary for completion and processing of the applications.

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 57th meeting held on 23rd September 2019 and has been duly recorded in the minutes book of the Company.

COMPANY SECRETARY CPPA-G ISLAMABAD

Noman Rafiq
Company Secretary

Distribution:

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

CC for Information:

1. Chief Executive Officer, CPPA (G) Ltd

Annex-B

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

No. CPPA-G/2019/CIO/ 1390-92

Date: 23-09-19

Registrar NEPRA,
NEPRA Tower,
Attaturk Avenue (East),
G-5/1, Islamabad.

Subject: **COMPLIANCE OF NEPRA'S DIRECTION ON DETERMINATION OF MARKET OPERATOR FEE FOR THE PERIOD FY 2017-18**

Reference to the subject, please find the enclosed IT/ERP Quarterly Progress Report of CPPA-G up till June-19 for your kind review.

(Arshad Javed Minhas)
Chief Information Officer

CC:

- Chief Executive Officer, CPPA-G
- Deputy Manager Internal Audit, CPPA-G

P1 / CPPA DATA EXCHANE PORTAL (CDXP)

P2 / UPGRADATION OF CPPA WEBSITE

P3 / ENTERPRISE CONTENT MANGEMENT (ECM) SYSTEM

P4 / IT INFRASTRUCTURE

IT CPPA

VOLUME 3 NUMBER 1 / JUNE 2019 EDITION

Minister of Energy (Power Division), Omer Ayub Khan, inaugurated the CPPA Data Exchange Portal (CDXP) on Friday 15th March-19.

The CDXP provides a centralized and secure IT platform to connect the power sector stakeholders that would enable them to interact and exchange authentic data and information with each other electronically.

The CDXP with its backward integration with Power Generators and System Operator and forward integration with Distribution and other stakeholders of Pakistan Power Sector will not only institutionalize the power sector data but will also bring efficiency, transparency and modernization of business processes through end-to-end digitization. Moreover, the portal will also provide the foundation for development of Competitive Wholesale Electricity Market in Pakistan, which is the ultimate goal of CPPA being the Market Operator of Pakistan.

>> CONT. PAGE TWO

> **“This Web Portal will be used for dissemination of information to the investors, business organizations and general public of Pakistan, thus, enabling the culture of sharing information.”**
>
> ***Minster of Energy (Power Division)***

CPPA Data Exchange Portal

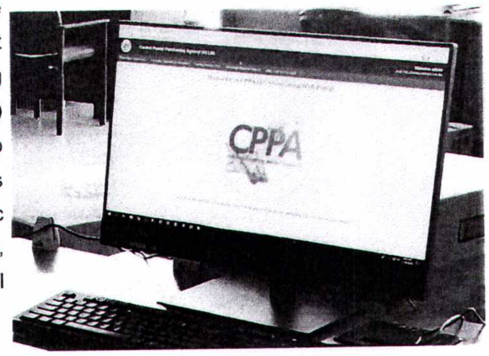
>> CONT. FROM PAGE ONE

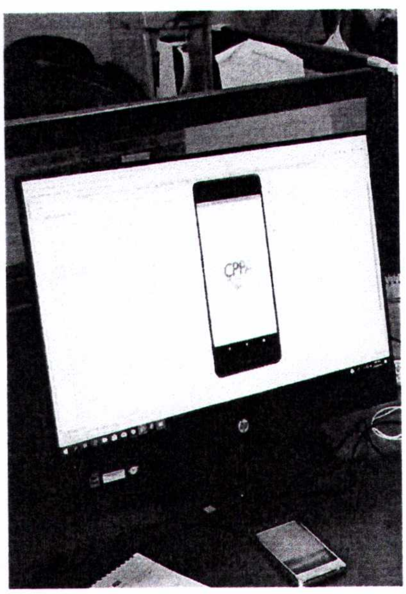
Abid Latif Lodhi, CEO CPPA thanked all the participating entities including NTDC, NPCC, NEPRA, DISCOs, IPPs and others stakeholders who are partnering with CPPA in the market transformation. "Transparency of market's technical and commercial operations is essential which can only be achieved by implementing IT interventions. With the implementation of CDXP, we have achieved an important milestone towards commencement of the competitive market operations in Pakistan", he went on to say.

All the stakeholders specifically the Independent Power Plants (IPPs) express their gratitude for the digital platform launched by CPPA to facilitate them and ensured their full support moving forward.

The Online Invoice Submission module of CDXP has transformed manual submission of purchase of power invoices to online, all the power generation compa-

CDXP, CPPA users are verifying the invoices online and status of each invoice is being updated to the relevant power generation company through dashboards of CDXP. The user-friendly interfaces and real time communication among Power Producers and CPPA has enhanced the efficiency and effectiveness of overall invoice to payment process. This portal is also helping in elimination of complexity of physical record keeping, to save time, money and provide a central access point . The CDXP's module submission of Metering Data of all Common Delivery Points (CDPs) from all the DISCOs to CPPA is also going to be launched. Furthermore, the other modules like NPCC Dispatch Instructions, Economic Merit Order, Technical Verification of Invoices, LD Invoices and Management Dashboards will also be operational in near future.





Upgradation of CPPA Website

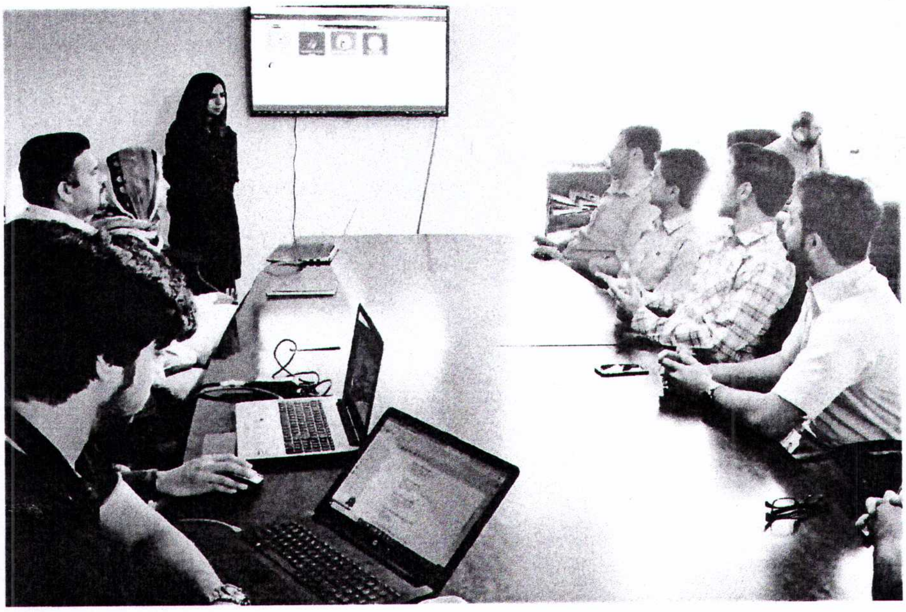
A section "Market Development" has been developed in CPPA website with videos showing the details of recent training programs being conducted by CPPA to create awareness of electricity market development in Pakistan. This section consists of the following sub-sections:

- Electricity Market Team – Section for updating pictures and organogram of team members.
- Previous/Upcoming Market Trainings – Section for updating and showing all the previous and coming electricity market training programs.
- Reports & Publications – Section for uploading all international reports regarding electricity market models and its conceptual designs
- Market Literature – Section for uploading eBooks regarding energy markets, power, economics,
- Strategic Partnerships – Section for updating all the market strategic partners.
- Electricity Market Professionals – Section for creating or updating the existing electricity market professionals' Profile.

Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.

-William Pollard

Enterprise Content Management (ECM)



Unstructured Information— Stored and made accessible to the right people at right time

CPPA has launched the state-of-the-art Enterprise Content Management (ECM) System. The objective of ECM System was to develop a modern, well-structured and efficient platform to facilitate the internal communication, document management, case management (Workflow), and offer easy access to information as per the privileges of the employees. Before ECM, only 20% of data was held in structured system. 80% of data was unstructured and unmanaged. Huge amount of data was processed and archived daily and file searching in hard form was an extremely hectic and time consuming task. Now ECM has provided the facility to search documents efficiently by using metadata and OCR functionalities. ECM has provided the proper classification of documents in the form of folder structure. Quick and easy access to documents, content security, easy collaboration between different departments and task management has been achieved with the help of ECM. In short, ECM has helped a lot to move towards a paperless environment. As a part of this project, the historical manual record will also be scanned and will be available in ECM System to complete the whole document management of CPPA.

IT Infrastructure

In order to meet with the growing needs of business, CPPA has taken multiple initiatives regarding infrastructure expansions, cyber security by starting the projects related to Database Vault Solution for powerful cyber security controls to help protect application data from unauthorized access, artificial intelligence based information security solution, more secure endpoint protection antivirus systems, video conferencing solution, commercial power phase correction and surge protections for datacenter, expansion of datacenter battery banks, network enhancements and many more.

It is pertinent to mention that CPPA has also completed the planning work to establish a Tier III level Data Centre to support Market Operator role as envisaged and to support the ongoing and upcoming IT initiatives like, data exchange portal, master data management, data institutionalizing, data warehousing, video conferencing and unified communication system, ECM, case management system, and record management and collaboration systems.

CPPA Monitoring Portal

CPPA has launched a Monitoring Portal for the officers/ officials of Ministry of Energy (Power Division) and management of CPPA. The Monitoring Portal is a reporting portal which publishes the information related to the daily recovery from DISCOs, payment made and liability position of all the Power Generators. The user can enter the desired date in all reports to get the required data. The portal is connected with the ERP System of CPPA and publish the up-to-date information to the secure users for early and effective decision making. CPPA is working continuously to add more reports and analytics on this portal for more visibility and easy access to the information for the stakeholders of power sector.

IT Actions and Plans

The future is now

CPPA has been working towards transition of the existing market from the single buyer model to a competitive wholesale power market by 2020. These emerging trends will require the CPPA to evolve its market software platforms and acquire and retain talented employees to operate and plan the markets of the future. Until now, the company has strived hard not only to build its internal capacity in-terms of people, processes, and technologies but also to assist the other power sector entities to become partners in this journey. For this purpose, CPPA is not only automating its business processes and IT infrastructure but also facilitating NPCC and NTDC to enhance their performance by deploying state of the art generation planning, forecasting and simulation / modeling tools such as unit commitment and short-term forecasting tools for NPCC, medium-term forecasting and generation planning tool for NTDC, market price simulation tools and allied IT equipment and infrastructure.

True to its mission, the CPPA regularly assesses its employees' skills, capabilities and resource levels to ensure they are closely aligned with our strategic focus. CPPA is conducting a review of the organizational impacts of various scenarios of electricity market development, which encompasses staffing levels, skill sets, and the potential for automation in the five- and ten-year time horizons.

In addition, the CPPA will continue to develop its technology and infrastructure to ensure that its information systems are capable of meeting CPPA's business objectives and stay aligned with CPPA's strategic focus. CPPA's technology development is rooted in a collaborative effort in which multiple IT strategy components are formulated to guide the overall technology direction. One of the key components is strategic applications and as part of this, the 2019-2022 CPPA Strategic Plan will include significant investments in its electricity market development programs, integration with all the market participants, other new market capabilities. The plan also includes investments in components such as software solution delivery, cloud computing services, and enterprise security.

The cloud computing component has necessitated a new technology governance model to ensure a more consistent and detailed assessment of cloud computing services and providers used by the CPPA. This governance structure now allows for a comprehensive assessment of how any cloud computing service would integrate with CPPA's enterprise ecosystem. Further more, this governance structure enables the CPPA to provide more flexible solutions based on cloud services that operate in a secure and efficient manner.

Anticipated Projects Supporting Strategic Initiatives:

FY 2019-2020: Darktrace Solution for network vulnerability analysis, Implementation of ISMS ISO 27001 (Documentation + Implementation), TIL Framework for Service Management, SMS Metering Data Validation, Market Results Report, Primary Data Center Site Facility (Tier III) for Market Operations, ERP - HRMS Performance Management, ERP - Procurement Management, Implementation of COBIT Framework (Phase 1 - Preparation)

FY 2020-2021: Establishment of Primary Data Center Computing, Network Infrastructure, Software Tools for New Data Center for MO, Maximum Demand system, Invoice verification system, Establishment of Data Ware Housing Solution (Phase I), Physical separation of Data Center Operations for SPS and MO, Backoffice Application Development for MO, Record Management Solution (setup + software), Operationalization of ECM Solution with Historical and Current Data, Robotic Automation - Automation of Data Collection Direct from the Source

FY 2021-2022: Implementation of COBIT Framework (Phase II - Completion), Preparation of Business Continuity Plan (DR Site Facility and Computing), Establishment of Data Ware Housing Solution (Phase II) - BI / Analytics for MO, New Settlement System Claims and dispute system, Business Process Management (BPM) Solution, Case Management Solution

Annex-C

CENTRAL POWER PURCHASING AGENCY (G) Ltd
STATEMENT OF RECEIVABLES FROM DISCOS - Un-audited
AS AT SEPTEMBER 30, 2019

Rs. in Thousand

Sr. No.	DESCREPTIONS	As at Sep-19
1	Lahore Electric Supply Company Limited (LESCO)	213,645,942
2	Faisalabad Electric Supply Company Limited (FESCO)	100,915,539
3	Multan Electric Power Company Limited (MEPCO)	172,422,001
4	Quetta Electric Supply Company Limited (QESCO)	375,242,048
5	Gujranwala Electric Power Company Limited (GEPCO)	34,721,940
6	Islamabad Electric Supply Company Limited (IESCO)	132,034,632
7	Peshawar Electric Supply Company Limited (PESCO)	420,133,958
8	Tribal Areas Electric Supply Company Limited (TESCO)	28,162,664
9	Hyderabad Electric Supply Company Limited (HESCO)	290,558,686
10	Sukkur Electric Power Company Limited (SEPCO)	251,646,626
	Sub Total :-	**2,019,484,036**
11	K-Electric Limited	153,607,511
	Total Receivables from DISCOs including K-Electric	**2,173,091,547**
Less		
	Government equity adjustments	- 308,096,000
	Net Receivables	**1,864,995,547**

Payables to Power Producers/NTDC by DISCOs through CPPA-Circular Debt as on 30.09.2019

(Prov.) (Rs.in million)

Sr. #	Type	Balance on 30.09.2019
1	**GENCOs (OIL/GAS/RLNG/O&M)**	
	G-I Jamshoro	1,041
	G-II Guddu	35,738
	G-III Muzaffargarh	2,457
	Total: (GENCOs)	**39,236**
2	**(IPPs)**	
	HUBCO (RFO)	50,788
	KAPCO (GAS/RLNG & RFO)	98,275
	AES (Pakgen) (RFO)	17,910
	AES (Lalpir) (RFO)	13,864
	KEL (RFO)	6,201
	SABA (RFO)	2,767
	TNB LIBERTY (GAS)	12,848
	UCH (GAS)	23,286
	ROUSCH (GAS/RLNG)	9,125
	FAUJI (GAS/RLNG)	4,540
	HABIBULLAH (GAS)	6,560
	ALTERN (GAS/RLNG)	509
	DAVIS ENERGEN (GAS/RLNG)	61
	AGL POWER (RFO)	9,912
	THE HUBCO NAROWAL (RFO)	11,725
	ATLAS POWER (RFO)	12,744
	NISHAT POWER (RFO)	12,295
	NISHAT CHUNIAN (RFO)	11,158
	LIBERTY TECH. (RFO)	14,314
	ORIENT POWER (GAS/RLNG/HSD)	6,514
	SAIF POWER (GAS/RLNG/HSD)	8,335
	SAPPHIRE ELECTRIC (GAS/RLNG/HSD)	7,303
	HALMORE POWER (GAS/RLNG/HSD)	5,108
	ENGRO POWER (GAS)	8,951
	FOUNDATION POWER (GAS)	8,838
	UCH -II (GAS)	17,318
	PEDO/SHYDO POWER (HYDEL)	1,254
	LARAIB ENERGY (HYDEL)	3,048
	FFC ENERGY (WIND)	2,197
	ZORLU ENERJI (WIND)	1,221
	JDW SUGAR MILLS-Unit-II (BAGASSE)	331
	JDW SUGAR MILLS-Unit-III (BAGASSE)	313
	THREE GORGES FIRST (WIND)	2,149
	FOUNDATION ENERGY-I (WIND)	1,984
	FOUNDATION ENERGY-II (WIND)	2,017
	RYK MILLS (BAGASSE)	375
	QUAID-E-AZAM (SOLAR)	1,683
	SAPPHIRE POWER (WIND)	1,299
	CHINIOT POWER (BAGASSE)	421
	APOLLO (SOLAR)	2,261
	BEST GREEN ENERGY (SOLAR)	1,246

	CREST ENERGY (SOLAR)	1,555
	YUNUS ENERGY (WIND)	1,982
	METRO POWER (WIND)	1,829
	TENAGA EGERGY (WIND)	1,418
	MASTER ENERGY (WIND)	1,883
	ACT (WIND)	1,482
	GUL AHMED (WIND)	1,687
	HAMZA SUGAR MILLS (BAGASSE)	119
	HYDRO CHINA (WIND)	1,566
	SACHAL ENERGY (WIND)	1,881
	QUAID-E-AZAM THERMAL POWER (RLNG)	10,687
	UEP POWER (WIND)	3,874
	HUANENG SHANDONG RUYI (COAL)	31,173
	NPPMCL HAVELI BAHADUR SHAH (RLNG)	27,125
	RESHMA POWER GENERATION (RFO)	35
	NPPMCL BALLOKI POWER (RLNG)	20,320
	HARAPPA (SOLAR)	249
	STAR HYDRO POWER (HYDEL)	4,081
	THAL INDUSTRIES CORPORATION (BAGASSE)	161
	AJ POWER (SOLAR)	29
	PORT QASIM ELECTRIC POWER (COAL)	16,219
	ARTISTIC ENERGY (WIND)	967
	HAWA ENERGY (WIND)	1,615
	JHIMPIR POWER (WIND)	1,393
	THREE GORGES SECOND (WIND)	626
	THREE GORGES THIRD (WIND)	663
	TRICON BOSTON CONSULTING (WIND) (A)	1,347
	TRICON BOSTON CONSULTING (WIND) (B)	1,175
	TRICON BOSTON CONSULTING (WIND) (C)	176
	ALMOIZ INDUSTRIES LIMITED (BAGASSE)	50
	CHANAR ENERGY LIMITED (BAGASSE)	5
	ZEPHYR POWER (WIND)	21
	ENGRO POWERGEN THAR (COAL)	48
	CHINA POWER HUB GENERATION (COAL)	23
	AZAD JAMMU & KASHMIR (JAGRAN) (HYDEL)	24
	Total: (IPPs)	**540,535**
	CHASHMA (Nuclear) Plant-1	7,212
	CHASHMA (Nuclear) Plant-2	5,313
	CHASHMA (Nuclear) Plant-3	9,472
	CHASHMA (Nuclear) Plant-4	5,699
	S/Total: (Nuclear)	**27,696**
	Total: (IPPs & Nuclear)	**568,231**
3	**Others/WAPDA Hydel**	
	NTDC	8,975
	TAVANIR IRAN/FD QESCO (GST)	13,114
	WAPDA Hydel	196,566
	ALLIED OFFICE (CPPA/PEPCO)	100
	PHPL (Debt. Service) (Markup)	11,337
	S/Total: (Others/WAPDA)	**230,093**
	Total:	**837,560**

Note: Amount payable to fuel suppliers by GENCOs is not included in the total figure.

CENTRAL POWER PURCHASING AGENCY (G) Ltd
STATEMENT OF RECEIVABLES FROM DISCOS
AS AT JUNE 30, 2019

		Audited Million (PKR)
Sr. No.	**DESCREPTIONS**	**Amount**
1	Lahore Electric Supply Company Limited (LESCO)	201,444,068
2	Faisalabad Electric Supply Company Limited (FESCO)	92,285,188
3	Multan Electric Power Company Limited (MEPCO)	148,532,072
4	Quetta Electric Supply Company Limited (QESCO)	350,931,113
5	Gujranwala Electric Power Company Limited (GEPCO)	29,258,673
6	Islamabad Electric Supply Company Limited (IESCO)	131,207,225
7	Peshawar Electric Supply Company Limited (PESCO)	393,703,961
8	Tribal Areas Electric Supply Company Limited (TESCO)	23,113,480
9	Hyderabad Electric Supply Company Limited (HESCO)	274,822,691
10	Sukkur Electric Power Company Limited (SEPCO)	236,591,677
	Sub Total :-	**1,881,890,148**
11	K-Electric Limited	135,420,142
	Total Receivables from DISCOs including K-Electric	**2,017,310,290**
Less		
	Government Equity Adjustments	- 308,096,000
	Net Receivables	**1,709,214,290**

F/13

Payables to Power Producers/NTDC by DISCOs through CPPA as on 30.06.2019

(Prov.) (Rs.in million)

Sr. #	Type	Balance on 30.06.2019
1	**GENCOs (OIL/GAS/RLNG/O&M)**	
	G-I Jamshoro	1,122
	G-II Guddu	15,174
	G-III Muzaffargarh	1,168
	G-IV Lakhra	-
	Total: (GENCOs)	**17,464**
2	**(IPPs)**	
	HUBCO (RFO)	47,482
	KAPCO (GAS/RLNG & RFO)	94,060
	AES (Pakgen) (RFO)	16,333
	AES (Lalpir) (RFO)	13,799
	SEPCOL (RFO)	-
	KEL (RFO)	6,058
	SABA (RFO)	2,760
	JAPAN (RFO)	-
	LIBERTY (GAS)	11,571
	UCH (GAS)	19,910
	ROUSCH (GAS/RLNG)	11,283
	FAUJI (GAS/RLNG)	4,168
	HABIBULLAH (GAS)	6,255
	ALTERN (GAS/RLNG)	489
	DAVIS ENERGEN (GAS/RLNG)	61
	S/Total:	**234,228**
	(IPPs)	
	AGL POWER (RFO)	9,237
	THE HUBCO NAROWAL (RFO)	11,718
	ATLAS POWER (RFO)	12,045
	NISHAT POWER (RFO)	12,327
	NISHAT CHUNIAN (RFO)	10,607
	LIBERTY TECH. (RFO)	13,276
	ORIENT POWER (GAS/RLNG/HSD)	6,704
	SAIF POWER (GAS/RLNG/HSD)	7,810
	SAPPHIRE ELECTRIC (GAS/RLNG/HSD)	7,372
	HALMORE POWER (GAS/RLNG/HSD)	5,035
	ENGRO POWER (GAS)	7,882
	FOUNDATION POWER (GAS)	7,557
	UCH -II (GAS)	14,187
	PEDO/SHYDO POWER (HYDEL)	978
	LARAIB ENERGY (HYDEL)	1,998
	FFC ENERGY (WIND)	830
	ZORLU ENERJI (WIND)	544
	JDW SUGAR MILLS-Unit-II (BAGASSE)	557
	JDW SUGAR MILLS-Unit-III (BAGASSE)	535
	THREE GORGES FIRST (WIND)	590
	FOUNDATION ENERGY-I (WIND)	597
	FOUNDATION ENERGY-II (WIND)	630
	RYK MILLS (BAGASSE)	468
	QUAID-E-AZAM (SOLAR)	1,339

	SAPPHIRE POWER (WIND)	820
	CHINIOT POWER (BAGASSE)	846
	APOLLO (SOLAR)	1,617
	BEST GREEN ENERGY (SOLAR)	678
	CREST ENERGY (SOLAR)	921
	YUNUS ENERGY (WIND)	690
	METRO POWER (WIND)	229
	TENAGA EGERGY (WIND)	244
	MASTER ENERGY (WIND)	977
	ACT (WIND)	506
	GUL AHMED (WIND)	923
	HAMZA SUGAR MILLS (BAGASSE)	164
	HYDRO CHINA (WIND)	922
	SACHAL ENERGY (WIND)	1,169
	QUAID-E-AZAM THERMAL POWER (RLNG)	12,353
	UEP POWER (WIND)	1,134
	HUANENG SHANDONG RUYI (COAL)	27,493
	NPPMCL HAVELI BAHADUR SHAH (RLNG)	23,601
	RESHMA POWER GENERATION (RFO)	64
	NPPMCL BALLOKI POWER (RLNG)	16,654
	HARAPPA (SOLAR)	69
	STAR HYDRO POWER (HYDEL)	1,366
	THAL INDUSTRIES CORPORATION (BAGASSE)	343
	AJ POWER (SOLAR)	26
	PORT QASIM ELECTRIC POWER (COAL)	12,109
	ARTISTIC ENERGY (WIND)	738
	HAWA ENERGY (WIND)	428
	JHIMPIR POWER (WIND)	682
	THREE GORGES SECOND (WIND)	298
	THREE GORGES THIRD (WIND)	332
	TRICON BOSTON CONSULTING (WIND) (A)	264
	TRICON BOSTON CONSULTING (WIND) (B)	205
	TRICON BOSTON CONSULTING (WIND) (C)	217
	ALMOIZ INDUSTRIES LIMITED (BAGASSE)	96
	CHANAR ENERGY LIMITED (BAGASSE)	33
	ZEPHYR POWER (WIND)	58
	ENGRO POWERGEN THAR (COAL)	33
	S/Total:	**244,130**
	Total: (IPPs)	**478,359**
	CHASHMA (Nuclear) Plant-1	4,469
	CHASHMA (Nuclear) Plant-2	9,147
	CHASHMA (Nuclear) Plant-3	3,853
	CHASHMA (Nuclear) Plant-4	2,127
	S/Total: (Nuclear)	**19,596**
	Total: (IPPs & Nuclear)	**497,955**
3	**Others/WAPDA Hydel**	
	NTDC	7,631
	TAVANIR IRAN/FD QESCO (GST)	13,370
	WAPDA Hydel	171,162
	ALLIED OFFICE (CPPA/PEPCO)	90
	PHPL (Debt. Service)(Markup)	4,053
	S/Total: (Others/WAPDA)	**196,306**
	Total:	**711,724**

Note: Amount payable to fuel suppliers by GENCOs is not included in the total figure.

Annex-D

Riaz Ahmad & Company
Chartered Accountants

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

JUNE 30, 2019

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Central Power Purchasing Agency (Guarantee) Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Central Power Purchasing Agency (Guarantee) Limited ('the Company'), which comprise the statement of financial position as at June 30, 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of matters described in the Basis for Qualified Opinion section of our report, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the surplus, other comprehensive income, the changes in general fund and its cash flows for the year then ended.

Basis for Qualified Opinion

(i) As explained in Note 6.1 of the accompanying financial statements, Power Purchase Agency Agreement with K-Electric have not been signed till the date of authorization for issue of these financial statements. However, the Company has accounted for the transactions relating to K-Electric in the accompanying financial statements as an agent of K-Electric based on assessment by the management that it shall be successful in signing the Power Purchase Agency Agreement with K-Electric with effect from back date as currently the matter is being dealt by Government of Pakistan directly. If the Power Purchase Agency Agreement with K-Electric is not signed with back date effect, accounting for the transactions relating to K-Electric will not be done by the Company as its agent and will be routed through income and expenditure statement.

(ii) As explained in Note 6.2 of the accompanying financial statements, government-owned distribution companies (DISCOs) and K-Electric do not acknowledge / recognize delayed payment surcharge paid by the Company and NTDCL, in periods prior to the transfer of Market Operations Undertaking under the Business Transfer Agreement (BTA) to the Company, to power producers passed through to DISCOs and K-Electric, on the grounds that the same is disallowed to them by NEPRA in their tariff determination. As at

Rao.

June 30, 2019, DISCOs and K-Electric have not recognized delayed payment surcharge amounting to Rupees 110.630 billion in their books of account and accordingly DISCOs have not confirmed the same in their balance confirmations. The Company has requested NEPRA for reconsideration of tariff determination of DISCOs. Hence, pending the reconsideration of tariff determination, no adjustments in these financial statements have been made.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the matters discussed in note 8.2, note 10, note 13.1.3.2 and note 15 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no adjustments in these financial statements have been made. Our opinion is not qualified in respect of the matters discussed above.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion except for the effects of matters described in basis for qualified opinion section of our report:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Raheel Arshad.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants Raw.

ISLAMABAD

Date: 07 OCT 2019

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	NOTE	2019	2018
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property and equipment	3	94,785	60,126
Intangible assets	4	40,213	32,838
Deferred tax asset	5	-	-
Long term security deposit		21,264	-
		156,262	92,964
Current assets			
Due from principals	6	1,709,214,290	1,289,325,361
Receivable from NTDCL through loan notes	7	41,648,936	42,412,169
Advances, prepayments and other receivable	8	6,617,352	6,434,485
Accrued mark-up	9	-	-
Mark-up receivable	10	45,785,131	58,049,360
Bank balances - deposit accounts	11	24,520,543	16,317,686
		1,827,786,252	1,412,539,061
Total assets		1,827,942,514	1,412,632,025
FUND AND LIABILITIES			
FUND			
General fund		105,200	24,101
LIABILITIES			
Non-current liability			
Net worth	1.2	-	7,163,233
Current liabilities			
Energy payables swapped by Government of Pakistan	12	784,462,871	577,639,647
Energy and other payables	13	1,043,328,713	827,790,251
Provision for taxation	14	45,730	14,793
		1,827,837,314	1,405,444,691
Total liabilities		1,827,837,314	1,412,607,924
Contingencies and commitments	15		
Total fund and liabilities		1,827,942,514	1,412,632,025

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	NOTE	2019	2018
		(Rupees in thousand)	
INCOME			
Market operation fee	16	520,896	399,123
Profit on bank accounts		334,093	241,381
		854,989	640,504
EXPENDITURE			
Operating expenses	17	(708,141)	(657,246)
Finance cost - bank charges		(1,306)	(1,250)
		(709,447)	(658,496)
SURPLUS / (DEFICIT) BEFORE TAXATION		145,542	(17,992)
TAXATION	18		
Current		(61,047)	(31,930)
Prior		-	31,976
		(61,047)	46
SURPLUS / (DEFICIT) AFTER TAXATION		84,495	(17,946)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
SURPLUS / (DEFICIT) AFTER TAXATION	84,495	(17,946)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to income and expenditure statement	(3,396)	7,484
Items that may be reclassified subsequently to income and expenditure statement	-	-
	(3,396)	7,484
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	81,099	(10,462)

The annexed notes form an integral part of these financial statements. Rao.

CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) before taxation for year ended	145,542	(17,992)
Adjustments for non-cash charges and other items:		
Depreciation	25,888	12,482
Amortization	7,785	3,305
Provision for gratuity	13,059	4,859
Profit on bank deposits	(334,093)	(241,381)
Finance cost - bank charges	1,306	1,250
Cash flows from operating activities before working capital changes	(140,513)	(237,477)
Working capital changes		
(Increase) / decrease in assets		
Long term security deposit	(21,264)	-
Due from principals	(419,888,929)	(475,382,311)
Receivable from NTDCL through loan notes	763,233	-
Advances, prepayments and other receivable	(133,598)	47,650,461
Market operation fee receivable	-	94,779
Mark-up receivable	12,264,229	16,008,993
Increase / (decrease) in liabilities		
Net worth	(7,163,233)	-
Energy payables swapped by Government of Pakistan	206,823,224	146,165,555
Energy and other payables	215,522,007	266,808,545
	8,165,669	1,346,022
Cash generated from operations	8,025,156	1,108,545
Income tax paid	(30,110)	(125,098)
Gratuity paid	(94)	(10,041)
Finance cost paid	(1,306)	(1,250)
Profit on bank deposit received	284,918	241,381
Net cash generated from operating activities	8,278,564	1,213,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(60,547)	(47,357)
Intangible asset purchased	(15,160)	(22,608)
Net cash used in investing activities	(75,707)	(69,965)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents	8,202,857	1,143,572
Cash and cash equivalents at the beginning of the year	16,317,686	15,174,114
Cash and cash equivalents at the end of the year	24,520,543	16,317,686

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND
	(Rupees in thousand)
Balance as at June 30, 2017	34,563
Deficit for the year ended June 30, 2018	(17,946)
Other comprehensive income for the year ended June 30, 2018	7,484
Total comprehensive loss for the year ended June 30, 2018	(10,462)
Balance as at June 30, 2018	24,101
Surplus for the year ended June 30, 2019	84,495
Other comprehensive loss for the year ended June 30, 2019	(3,396)
Total comprehensive income for the year ended June 30, 2019	81,099
Balance as at June 30, 2019	105,200

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

1. THE COMPANY AND ITS OPERATIONS

1.1 Central Power Purchasing Agency (Guarantee) Limited ("the Company") is a Company limited by guarantee and not having share capital incorporated in Pakistan on January 28, 2009 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its registered office is situated at 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, Blue Area, Islamabad, Pakistan. The Company is incorporated to function as a not-for-profit organization, and the objects, for which the Company is established, are to implement and administer market mechanisms for electric power procurement and sale, by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the Company to undertake or perform in or pursuant to and in the manner prescribed under or pursuant to the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2017, and in the secondary legislation pursuant thereto, as amended from time to time, and to do all such other things as are incidental or conducive to the attainment of or in furtherance of the aforesaid objects and in furtherance of the policies, objectives and provisions of or contemplated under the aforesaid Act and secondary legislation made thereunder.

To enable its function as market operator, the Company signed a Business Transfer Agreement (BTA) dated June 03, 2015 with National Transmission and Despatch Company Limited (NTDCL), a separate government owned company. NTDCL transferred its functions, operations, assets and liabilities related to CPPA and Contract Registrar and Power Exchange Administrator (CRPEA) to the Company (collectively referred to as Market Operations Undertaking). Pursuant to the commencement of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 notified vide SRO 541(I)/2015 dated May 28, 2015, the Company was deemed to be authorized and registered as the market operator under the aforesaid rules to commence and conduct the market operations. On November 16, 2018, National Electric Power Regulatory Authority (NEPRA) has approved the registration of CPPA-G as market operator under Rule 3 of the Market Rules.

NEPRA also approved the Commercial Code vide SRO 542(I)/2015 dated June 02, 2015 under which the operations and responsibilities to be performed and discharged by the market operator include the following:

(a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from NTDCL and to carry on these functions and business;

(b) Procurement of electric power on behalf of the DISCOs, including import of power from other countries;

(c) Generation invoice verification on the basis of meter reading or dispatch scheduling report and term of the respective Power Purchase Agreements;

(d) Billing to the DISCOs based on the meter readings at Common Delivery Points as per the procedure defined in the commercial code;

(e) Collection from the DISCOs and settlement to the market participants as per the commercial code; and

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(f) Management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the commercial code.

The Company has signed Power Procurement Agency Agreements (PPAAs) with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs as provided in the Commercial Code and PPAAs as follows:

a) Under Clause 8.8.2 of the Commercial Code;

"The CPPA-G in this process, shall act as an agent of DISCOs without assuming payment responsibilities. Payment and debts remain with DISCOs. CPPA-G shall not be held liable for non-payment to market participants."

b) Under Article 3.1.7 of the PPAAs;

"Title to the purchased electrical energy and generation capacity procured by CPPA-G for and on behalf of DISCO as well as obligation of DISCO to make payment of transmission charge or use of system charge always vest in DISCO and shall not pass to CPPA-G at any time."

The Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date.

The detail of assets and liabilities transferred to the Company as per resolution passed in meeting of Board of Directors of the Company held on February 13, 2017 are as follows:

Assets transferred to the Company	**Rupees in thousand**
Property and equipment, net of accumulated depreciation	4,137
Trade receivables	316,074,535
Advances, deposits and prepayments	2,926,482
Advances to suppliers and contractors	2,445
Accrued interest	7,570,720
Other receivable from associated companies	802,000
Current account IOT (net receivable)	128,046,147
Government loan mark-ups receivable adjustments in DISCOs	68,551,593
K-Electric differential of marginal cost (payable by GOP)	6,400,000
Events after the statement of financial position date	11,291,401
Other receivable	65,493,054
Cash and bank balances	6,339,070
	613,501,584
Liabilities transferred to the Company	
Net worth	7,163,233
Trade payables	480,873,218
Miscellaneous accounts payable	874,327
Provision for KESC accrued markup	7,559,332
Current account IOT (net payable)	159,443,643
	655,913,753
Loan note receivable from NTDCL	**42,412,169**

Law.

In meeting held between the Company and NTDCL on January 26, 2017, both parties agreed that a net liability of Rupees 42,412 million is payable by NTDCL to the Company.

The settlement of this transaction through loan notes would be treated as full and final payment of the entire consideration in lieu of transfer of Market Operations Undertaking. However, as per BTA, any assets, receivable or liability relating to Market Operations not known to NTDCL and discovered by either party after the date of closing but within a period of two years (extended by further two years subsequently by both NTDCL and the Company), shall be immediately transferred to the Company. In case any assets, receivable or liability relating to Market Operations are discovered and transferred, it is expressly agreed between the parties that the purchase price of Rupees 42,412 million shall accordingly be adjusted. The parties agree and acknowledge that the purchase price of Rupees 42,412 million has been calculated on the basis of the actual book value of the Market Operations Undertaking (excluding the transferred employees). If, at any time, it is determined by both parties that the purchase price of Rupees 42,412 million is required to be revised on account of change in book value, or due to prior miscalculation of the book value, of the Market Operations Undertaking (excluding the transferred employees), then the parties shall in good faith re-calculate the purchase price.

Article 5 of the BTA deals with the process of secondment / transfer of employees from NTDCL to the Company. Clause 5.1 of the BTA specifies NTDCL's employees working for the Company shall be placed on secondment for a period of twelve months extendable by the Company. Further, during this period or till such time that any such employee accepts the offer to join the Company, he shall be deemed as the employee of NTDCL. Accordingly, the related retirement benefits of such employees have been retained by NTDCL as at June 30, 2015.

1.2 During the year, the net worth amounting to Rupees 7,163 million and receivable from GOP in lieu of K-Electric previously allocated to GENCOs amounting to Rupees 6,400 million has been transferred back to NTDCL. Accordingly, loan note receivable from NTDCL has been reduced to Rupees 41,649 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except defined benefit plan which is carried at present value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Defined benefit plan

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after July 01, 2018:

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after January 01, 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programs', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31' Revenue-Barter Transactions Involving Advertising Services.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after January 01, 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after January 01, 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Annual Improvements to IFRS Standards 2014–2016 Cycle makes amendments to the following standards:

IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 15 and IFRS 9. These are disclosed in Note 2.9 and Note 2.16 respectively. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2019 or later periods:

IFRS 16 'Leases' (effective for annual periods beginning on or after January 01, 2019). IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after January 01, 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after January 01, 2019) contains amendments regarding plan amendments, curtailments or settlements. The amendment is not expected to have a material impact on the Company's financial statements.

On December 12, 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after January 01, 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits – this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use statement of comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after January 01, 2020 for preparers that develop an accounting policy based on the Framework.

The amendments in definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

g) Standards and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Provisions and contingencies

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

Where the outflow of resources of embodying economics benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such periods.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in statement of comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the statement of financial position date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in income and expenditure statement.

2.5 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income and expenditure statement on straight line method at the rates specified in Note 3. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use and continued till the month preceding the month of disposal.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the income and expenditure statement in the year the asset is derecognized.

2.6 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each statement of financial position date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the income and expenditure statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income and expenditure statement.

2.7 Loans and advances

These are initially recognized at cost, which is fair value of the consideration given. Subsequent to initial recognition, an assessment is made at each statement of financial position date to determine whether an indication of impairment exist or not. If such indication exist, the estimated recoverable amount of that asset or group of assets is determined and impairment loss is recognized in the income and expenditure statement.

2.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash at bank.

2.9 Revenue from contracts with customers

The Company has adopted IFRS 15 from July 01, 2018 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

i) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on a fixed price rate determined by National Electric Power Regulatory Authority (NEPRA) from time to time.

The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the sale of electricity. In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increase in equity for the Company. The amounts collected on behalf of the principal are not revenue. Instead,

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revenue is the amount of market operator fee. One feature that indicates that the Company is acting as an agent is that the amount the Company earns is predetermined i.e. market operator fee as determined by National Electric Power Regulatory Authority (NEPRA).

Further, the Company has no responsibility for providing the goods to the customers, has no inventory risk, has no latitude in establishing prices and does not bears the customer's credit risk for the amount receivable from the customer.

Interest

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

ii) Impacts of adoption of IFRS 15 on these financial statements as on July 01, 2018

The adoption of IFRS 15 has not resulted in any adjustments in the financial statements as on July 01, 2018.

2.10 Due from principals and other receivables

Due from principals and other receivables are carried at original invoice amount.

2.11 Energy and other payables

Liabilities for energy and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.12 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.13 Geographical segment

The decision makers of the Company consider the whole Company as a single operating segment.

2.14 Employee benefits

Provident fund

The Company operates a contributory provident fund scheme for all its employees. Monthly contributions are made to the fund @ 5% of the basic salary both by the Company and employees.

Gratuity fund

The Company operates approved funded gratuity scheme covering all of its employees who have completed the minimum qualifying period of service as defined under the scheme. The gratuity scheme is managed by trustees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation carried out annually using the "Projected Unit Credit Method".

2.15 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Amortization is charged to income and expenditure statement on straight line method at the rates specified in Note 4 from the month in which the asset is available for use and continued till the month preceding the month of disposal.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the income and expenditure statement in the year the asset is derecognized.

2.16 "Financial instruments"

The Company has adopted IFRS 9 "Financial Instruments" from July 01, 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated September 02, 2019, deferred the applicability of the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method till June 30, 2021 in respect of companies holding financial assets due from the Government of Pakistan. The aforementioned exemption is provided on the condition that such companies shall follow relevant requirements of IAS 39, in respect of above referred financial assets during the exemption period. The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i. Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii. Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a. Classification

From July 01, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i. Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other

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income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

ii. Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Financial liabilities

Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

Impacts of adoption of IFRS 9 on these financial statements as on July 01, 2018

On July 01, 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (July 01, 2018) and has classified its financial instruments into appropriate IFRS 9 categories.

Reclassifications of financial instruments on adoption of IFRS 9

As on July 01, 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
			Rupees in thousand		
Current financial assets					
Receivable from NTDCL through loan notes	Loans and receivables	Amortized cost	42,412,169	42,412,169	-
Advance to HUBCO	Loans and receivables	Amortized cost	802,000	802,000	-
Due from principals	Loans and receivables	Amortized cost	1,289,325,361	1,289,325,361	-
Markup receivable	Loans and receivables	Amortized cost	58,049,360	58,049,360	-
Bank balances	Loans and receivables	Amortized cost	16,317,686	16,317,686	-
Current financial liabilities					
Energy payables swapped by GoP	Amortized cost	Amortized cost	577,639,647	577,639,647	-
Energy and other payables	Amortized cost	Amortized cost	827,491,582	827,491,582	-

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	NOTE	2019	2018
		(Rupees in thousand)	
3 PROPERTY AND EQUIPMENT			
Operating fixed assets	3.1	59,640	60,126
Capital work in progress	3.2	35,145	-
		94,785	60,126

3.1 Operating fixed assets

Reconciliations of carrying amounts of operating fixed assets at the beginning and end of the year are as follows:

	Operating fixed assets				
	IT and networking equipment	Furniture and fixture	Vehicles	Office equipment	Total
	(Rupees in thousand)				
At June 30, 2017					
Cost	23,415	11,400	27,637	6,810	69,262
Accumulated depreciation	(15,049)	(2,260)	(25,986)	(715)	(44,010)
Net book value	8,366	9,140	1,651	6,095	25,252
Year ended June 30, 2018					
Opening net book value	8,366	9,140	1,651	6,095	25,252
Additions	42,933	2,743	-	1,680	47,356
Depreciation (Note 17)	(8,447)	(2,385)	(183)	(1,467)	(12,482)
Closing net book value	42,852	9,498	1,468	6,308	60,126
At June 30, 2018					
Cost	66,348	14,143	27,637	8,490	116,618
Accumulated depreciation	(23,496)	(4,645)	(26,169)	(2,182)	(56,492)
Net book value	42,852	9,498	1,468	6,308	60,126
Year ended June 30, 2019					
Opening net book value	42,852	9,498	1,468	6,308	60,126
Additions	24,266	312	-	824	25,402
Transferred to NTDCL:					
Cost	-	-	(7,807)	-	(7,807)
Accumulated depreciation	-	-	7,807	-	7,807
	-	-	-	-	-
Depreciation (Note 17)	(21,069)	(2,836)	(184)	(1,799)	(25,888)
Closing net book value	46,049	6,974	1,284	5,333	59,640
At June 30, 2019					
Cost	90,614	14,455	19,830	9,314	134,213
Accumulated depreciation	(44,565)	(7,481)	(18,546)	(3,981)	(74,573)
Net book value	46,049	6,974	1,284	5,333	59,640
Annual rate of depreciation (%)	33%	20%	10%	20%	

3.1.1 As explained in Note 1.1, certain assets were transferred to the Company on June 03, 2015 by NTDCL in accordance with the terms and conditions of the Business Transfer Agreement between NTDCL and the Company. However, transfer of title of the 25 vehicles (June 30, 2018: 48 vehicles) in the name of the Company is under process with the Vehicle Registration Authorities. Rao.

	NOTE	2019	2018
		(Rupees in thousand)	
3.2 Capital work in progress			
Opening balance		-	-
Additions			
- Leasehold improvements		30,249	-
- Advance for purchase of generator		4,896	-
		35,145	-
Closing balance		35,145	-

4 INTANGIBLE ASSETS

	Enterprise Resource Planning System	License Fee	Assets under development (Note 4.1)	Total
	(Rupees in thousand)			
At June 30, 2017				
Cost	-	-	13,535	13,535
Accumulated amortization	-	-	-	-
Net book value	-	-	13,535	13,535
Year ended June 30, 2018				
Opening net book value	-	-	13,535	13,535
Additions	22,608	-	-	22,608
Transferred to intangible assets	13,535	-	(13,535)	-
Amortization (Note 17)	(3,305)	-	-	(3,305)
Closing net book value	32,838	-	-	32,838
At June 30, 2018				
Cost	36,143	-	-	36,143
Accumulated amortization	(3,305)	-	-	(3,305)
Net book value	32,838	-	-	32,838
Year ended June 30, 2019				
Opening net book value	32,838	-	-	32,838
Additions	1,400	4,191	9,569	15,160
Amortization (Note 17)	(7,136)	(649)	-	(7,785)
Closing net book value	27,102	3,542	9,569	40,213
At June 30, 2019				
Cost	37,543	4,191	9,569	51,303
Accumulated amortization	(10,441)	(649)	-	(11,090)
Net book value	27,102	3,542	9,569	40,213
Annual rate of amortization (%)	20%	20%		

4.1 This represents payments made in respect of implementation of Enterprise Resource Planning Solution (Phase II) and Enterprise Content Management Solution which are under development.

5 DEFERRED TAX ASSET

As at the reporting date, the Company had the following deferred tax assets items:

	2019	2018
	(Rupees in thousand)	
Deferred tax debits:		
Unused tax losses	100,471	146,165
Accelerated accounting depreciation / amortization	4,744	1,129
Provision for gratuity	3,787	1,409
	109,002	148,703
Less: Unrecognized deferred tax asset	(109,002)	(148,703)
	-	-

5.1 Deferred tax asset as at June 30, 2019 to the extent of Rupees 109.002 million (2018: Rupees 148.703 million) has not been recognized as the Company is uncertain about the timing and extent of future taxable profits against which such benefits can be utilized.

	NOTE	2019	2018
		(Rupees in thousand)	
6 DUE FROM PRINCIPALS	6.1 & 6.2		
Lahore Electric Supply Company Limited (LESCO)		201,444,068	146,160,021
Faisalabad Electric Supply Company Limited (FESCO)		92,285,188	73,979,686
Multan Electric Power Company Limited (MEPCO)		148,532,072	122,099,808
Quetta Electric Supply Company Limited (QESCO)		350,931,113	277,537,896
Gujranwala Electric Power Company Limited (GEPCO)		29,258,673	2,667,136
Islamabad Electric Supply Company Limited (IESCO)		131,207,225	99,647,553
Peshawar Electric Supply Company Limited (PESCO)		393,703,961	344,856,905
Tribal Areas Electric Supply Company Limited (TESCO)		23,113,480	19,565,997
Hyderabad Electric Supply Company Limited (HESCO)		274,822,691	243,008,666
Sukkur Electric Power Company Limited (SEPCO)		236,591,677	199,587,956
		1,881,890,148	1,529,111,624
Government equity adjustments	6.3	(308,096,000)	(308,096,000)
Tariff Rationalization Surcharge		-	(109,866)
		1,573,794,148	1,220,905,758
K-Electric Limited	6.4	135,420,142	87,502,310
		1,709,214,290	1,308,408,068
Tariff Differential Subsidy		-	(20,000,000)
Unbilled costs		-	917,293
		1,709,214,290	1,289,325,361

6.1 These represent amounts against settlement of energy to DISCOs and K-Electric. The Company has signed Power Procurement Agency Agreements with all DISCOs to perform the designated purposes on the terms and conditions set forth in the agreements subject to the stipulations prescribed by NEPRA and / or commercial code. Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date. Currently, the matter is being dealt by Government of Pakistan directly to finalize the Power Purchase Agency Agreement with K-Electric, outcome of which is awaited.

6.2 The balances of amounts due as transferred from NTDCL under BTA, include mark-up on delayed payment amounting to Rupees 110,630 million charged to DISCOs and K-Electric which has not been acknowledged on the grounds that NEPRA disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. The Company pursued the matter with NEPRA and as per NEPRA's instruction, the Company has filed petition for regularization of supplemental charges vide letter No. CPPA-G/2018/CEO/5924-25 dated June 29, 2018 followed by the reminders dated October 17, 2018 and May 29, 2019. However, the matter is pending for settlement till the date of authorization of these financial statements.

	2019	2018
	(Rupees in thousand)	

6.3 **Government equity adjustments**

	2019	2018
Lahore Electric Supply Company Limited (LESCO)	37,155,296	37,155,296
Faisalabad Electric Supply Company Limited (FESCO)	19,415,216	19,415,216
Multan Electric Power Company Limited (MEPCO)	30,599,566	30,599,566
Quetta Electric Supply Company Limited (QESCO)	44,468,132	44,468,132
Gujranwala Electric Power Company Limited (GEPCO)	15,923,907	15,923,907
Islamabad Electric Supply Company Limited (IESCO)	19,651,788	19,651,788
Peshawar Electric Supply Company Limited (PESCO)	64,094,476	64,094,476
Hyderabad Electric Supply Company Limited (HESCO)	46,187,768	46,187,768
Sukkur Electric Power Company Limited (SEPCO)	30,599,851	30,599,851
	308,096,000	308,096,000

During the year 2012-13, President of Islamic Republic of Pakistan sanctioned payment of Rupees 341,958 million to PEPCO on account of settlement of circular debts. Under this transaction the State Bank of Pakistan was advised to credit the said amount to PEPCO for onward transmission to concerned IPPs / Entities as per mapping of the transaction through the Company. On April 28, 2016, Ministry of Finance vide its letter No. F1(4)-CF.I/2015-16/443 reduced the amount by Rupees 23,962 million with corresponding decrease in DISCOs. During previous year, Ministry of Finance vide its letter dated January 22, 2018 further reduced the amount to Rupees 308,096 million.

6.4 NTDCL has entered into Energy Supply Agreement (ESA) with K-Electric on January 26, 2010 which expired in January 2015. According to expired ESA, the invoice for every month is to be cleared by K-electric within 15 days while the remaining amount payable along with next month invoice. Mark-up @ KIBOR plus 3% is chargeable on any delayed payment of invoices. The Company has filed a suit for recovery of Rupees 83,990 million along with interest from the date of default against K-Electric in Civil Court, Islamabad where the matter is pending adjudication and next hearing is fixed on September 24, 2019. K-Electric is of view that this should be adjusted against its subsidy receivable from GoP.

	NOTE	2019	2018
		(Rupees in thousand)	
7 RECEIVABLE FROM NTDCL THROUGH LOAN NOTES	1.1 & 1.2		
Total liabilities transferred by NTDCL		648,750,520	655,913,753
Total assets transferred by NTDCL		(607,101,584)	(613,501,584)
Loan note receivable from NTDCL		41,648,936	42,412,169
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE			
Advances - unsecured, considered good:			
Advance to Lakhra Power Generation Company Limited	8.1	5,540,844	5,540,844
Advance to HUBCO	8.2	802,000	802,000
Advance to QESCO	8.3	161,444	77,563
Advance to employees gratuity fund		-	3,891
Staff advances		3,793	6,906
Advances to suppliers		3,542	868
		6,511,623	6,432,072
Prepaid expenses		6,489	2,413
Accrued profit		99,240	-
		6,617,352	6,434,485

8.1 This represents advance given against operations and maintenance expenses and for fuelling of power complex.

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8.2 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 April 01, 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 November 01, 2017 to settle the matter but HUBCO refused to recognize the said balance. Resultantly, the Board in a meeting held on May 09, 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 on July 06, 2018 where the matter is pending adjudication.

8.3 This represents advance given for custom clearance of import of energy from Tavanir.

	NOTE	2019	2018
		(Rupees in thousand)	
9 ACCRUED MARK-UP	1.1		
Interest on K-Electric receivables		7,559,332	7,559,332
Provision for doubtful interest receivables		(7,559,332)	(7,559,332)
		-	-

10 MARK-UP RECEIVABLE

This represents aggregate receivable from DISCOs on account of mark-up on syndicated term finance facility as explained in Note 12. 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 million (2018: Rupees 53,937 million). 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.

11 BANK BALANCES

11.1 The balances in saving accounts carry return ranging from 6.96% to 10.25% (2018: 3.5% to 9%) per annum.

11.2 This includes an amount of Rupees 0.032 million (2018: Rupees 1,502 million) and Rupees 7,651.77 million (2018: Rupees Nil) held in escrow account for payment to WAPDA Hydel and escrow account for profit / rental payments of Pakistan energy sukuk-1, respectively.

12 ENERGY PAYABLES SWAPPED BY GOVERNMENT OF PAKISTAN

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 (GoP), 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 GoP to swap the energy payables with commercial loans and ijara agreement from banks. In accordance with the Economic Coordination Committee (ECC) decisions, these syndicated term finance facilities are being parked in Power Holding (Private) Limited (PHPL) which transfers the funds received under these financing facilities to the Company on direction of Ministry of Energy, Power Division. The amounts transferred to the Company are repayable on demand as per instructions of the said Ministry to PHPL.

Servicing of loans amounting to Rupees 290,862 million (2018: Rupees 301,873 million) are 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 October 03, 2014. Further, as per ECC decisions, servicing of loans amounting to Rupees 55,000 million (2018: Rupees 55,000 million) and Rupees 41,000 million (2018: Rupees 41,000 million) are the responsibility of GoP (Finance Division) and DISCOs respectively whereas servicing of loans amounting to Rupees 215,806 million (2018: Rupees 215,806 million) shall be managed by a surcharge yet to be levied by GoP.

During the year, PHPL has raised Rupees 200,000 million to swap the energy payable by issuance of shariah compliant Sukuk Certificates for a tenure of ten years.

13 ENERGY AND OTHER PAYABLES

	NOTE	2019 (Rupees in thousand)	2018 (Rupees in thousand)
Energy and other payables by principals	13.1	1,043,057,059	827,592,738
Payables by the Company	13.2	271,654	197,513
		1,043,328,713	827,790,251

13.1 Energy and other payables by principals

	NOTE	2019	2018
Energy payables:			
Energy creditors	13.1.1	959,861,521	731,553,473
Payable to NTDCL	13.1.2	-	12,725,728
Payable to WAPDA for HUBCO	8.2	802,000	802,000
Neelum Jhelum surcharge		46,452	15,535
Electricity duty		37,497	24,144
Other payables:			
Payable to WAPDA	13.1.3	82,209,683	82,209,683
Payable to PEPCO		90,000	80,693
Unidentified receipts		9,906	181,482
		1,043,057,059	827,592,738

13.1.1 Energy creditors

	NOTE	2019	2018
	13.1.1.1		
Generation companies (GENCOs)		50,758,125	37,766,075
WAPDA Hydel		192,282,955	98,517,754
Chashma Nuclear Power Plant (Chasnupp)		33,126,770	33,787,054
Independent Power Producers (IPPs)		683,693,671	561,482,590
		959,861,521	731,553,473

13.1.1.1 This includes an amount of Rupees 96,828.424 million (2018: Rupees 63,400.765 million) payable in respect of late payment interest. As on June 30, 2019, an amount of Rupees 69,986.461 million (2018: Rupees 63,028.839 million) is disputed in respect of liquidated damages penalties, imposed on power producers due to non-fulfilment of contractual provisions of PPAs. The actual payables are contingent to this extent subject to final outcome of the disputes.

13.1.2 As on June 30, 2019, Use of System Charges payable by DISCOs to NTDCL remitted through the Company was Rupees 10,321 million (2018: Rupees 32,173 million).

		NOTE	2019	2018
			(Rupees in thousand)	
13.1.3	**Payable to WAPDA**			
	Payable balance	13.1.3.1	135,710,601	135,710,601
	Less: balance receivable	13.1.3.2	(53,500,918)	(53,500,918)
			82,209,683	82,209,683

13.1.3.1 This mainly represents balances transferred by WAPDA to NTDCL in 2008-09.

13.1.3.2 This includes Rupees 47,164 million (2018: Rupees 47,164 million) on account of loan obtained by WAPDA for DISCOs. This also includes Rupees 2,318 million (2018: Rupees 2,318 million) receivable from WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 2.445 million (Rupees 2.445 million) on behalf of SEPCOL. The amount receivable from JPGL represents advance given for fueling of power complex. This advance was given with the objective to provide continuous electricity supply to the general public during the times of heavy loadsheddings as JPGL did not have funds for fuel purchasing. Recovery suit has been filed against JPGL and SEPCOL for the recovery of outstanding amount before competent jurisdictions. As per the latest audited financial statements of JPGL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets. However, 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 as the purchase price of Market Operations Undertaking receivable from NTDCL (as more fully explained in note 1.1) can be adjusted in case of non-resolution of this matter.

		NOTE	2019	2018
			(Rupees in thousand)	
13.2	**Payables by the Company**			
	Advance against market operation fee		192,089	102,284
	Accrued liabilities		10,625	53,723
	Withholding tax payable		6,198	8,968
	Payable to employees contributory provident fund		1,258	1,063
	Payable to employees gratuity fund	13.2.1	12,470	-
	Sales tax payable - net		9,946	5,935
	Payable to suppliers		31,431	18,863
	Other liabilities		7,637	6,677
			271,654	197,513
13.2.1	**Payable to employees gratuity fund**			
13.2.1.1	**Statement of financial position**			
	Present value of defined benefit obligations		32,913	16,459
	Less: fair value of plan assets		(20,443)	(20,349)
	Balance sheet liability / (asset)		12,470	(3,890)
13.2.1.2	**Changes in present value of defined benefit obligations**			
	Present value of defined benefit obligation at beginning		16,459	8,775
	Current service cost		13,413	9,885
	Interest cost on defined benefit obligation		1,425	436
	Benefits due but not paid		-	-
	Benefits paid		(1,244)	(2,224)
	Remeasurement of defined benefit obligation:			
	Actuarial loss from changes in demographic assumptions		185	-
	Actuarial loss from changes in financial assumptions		412	46
	Experience adjustments		2,263	1,584
	Transitional asset		-	(2,043)
	Present value of defined benefit obligation at end		32,913	16,459
13.2.1.3	**Changes in present value of plan assets**			
	Fair value of plan assets at beginning		20,349	-
	Contributions		94	14,412
	Interest income on plan assets		1,780	1,090
	Benefits paid during the year		(1,244)	(2,224)
	Benefits due but not paid		-	-
	Return on plan assets, excluding interest income		(536)	(898)
	Transitional asset		-	7,969
	Fair value of plan assets at end		20,443	20,349

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	2019	2018
	(Rupees in thousand)	

13.2.1.4 Expenses to be charged to income and expenditure statement

	2019	2018
Current service cost	13,413	9,885
Interest cost on defined benefit obligation	1,425	436
Interest income on plan assets	(1,780)	(1,090)
	13,058	9,231

13.2.1.5 Remeasurements chargeable to statement of comprehensive income

	2019	2018
Remeasurement of plan obligation:		
Actuarial losses from changes in demographic assumptions	185	-
Actuarial losses from changes in financial assumptions	412	46
Experience adjustments	2,263	1,584
Transitional asset	-	(10,012)
	2,860	(8,382)
Return on plan assets, excluding interest income	536	898
	3,396	(7,484)

13.2.1.6 Changes in net asset

	2019	2018
Statement of financial position (asset) / liability at beginning	(3,890)	8,775
Expenses to be charged to income and expenditure statement	13,058	9,231
Remeasurements chargeable to statement of comprehensive income	3,396	(7,484)
Contributions	(94)	(14,412)
Present value of net liability / (assets) at end	12,470	(3,890)

13.2.1.7 Significant actuarial assumptions

	2019	2018
Discount rate used for interest cost	9.00%	7.75%
Discount rate used for year end obligation	14.25%	9.00%
Salary increase rate used for year end obligation:		
- Financial year 2019	N/A	8.00%
- Financial year 2020 onward	13.25%	8.00%
Next salary is increased at	July 01,2019	July 01,2018
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates	Age based (per appendix)	Age based (per appendix)
Retirement assumption	Age 60	Age 60

13.2.1.8 Estimated expenses to be charged in income and expenditure statement in financial year 2020

	June 30, 2020
Current service cost	17,857
Interest cost on defined benefit obligation	4,621
Interest income on plan assets	(2,851)
	19,627

13.2.1.9 Plan assets at June 30, 2019 comprise:

	June 30, 2019	June 30, 2018
Bond	98.32%	36.05%
Cash	1.68%	63.95%
	100.00%	100.00%

13.2.1.10 Year end sensitivity analysis on defined benefit obligation

Discount rate +100 bps	30,386
Discount rate -100 bps	35,854
Salary increase +100 bps	35,900
Salary increase -100 bps	30,303

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13.2.1.11 **Expected benefit payments for next 10 years and beyond**

	Rupees in thousands
Financial year 2020	965
Financial year 2021	6,826
Financial year 2022	6,132
Financial year 2023	9,092
Financial year 2024	10,098
Financial year 2025	19,586
Financial year 2026	8,171
Financial year 2027	11,792
Financial year 2028	44,482
Financial year 2029	73,551
Financial year 2030 onwards	3,738,577

13.2.1.12 **Average duration of the defined benefit obligation** 8 years

13.2.1.13 **Risks associated with the scheme**

a) **Final Salary Risk** (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

b) **Demographic Risks:**

Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

c) **Investment Risk** – the risk of the investment underperforming and being not sufficient to meet the liabilities.

14 PROVISION FOR TAXATION

	2019	2018
	(Rupees in thousand)	
Balance at the beginning of the period	14,793	(44,195)
Provision made during the period - net	61,047	(46)
Income tax paid / deducted at source during the period	(30,110)	(125,098)
Adjustments	-	184,132
Balance at the end of period	45,730	14,793

15 CONTINGENCIES AND COMMITMENTS

As a result of BTA, all disputed balances and litigations pertaining to Market Operations Undertaking have been transferred to the Company from NTDCL. Charges raised due to litigation / arbitration proceedings on the Company are allowed as pass through to the power purchaser as capacity component. As the Company is acting as an agent on behalf of the Distribution Companies and accordingly the litigation / arbitration expense incurred on actual basis are being charged as pass through item as capacity transfer price.

15.1 The Company has disputed Capacity Purchase Price (CPP) of various IPPs amounting to Rupees 13,526 million on account of non-availability of power complex for electricity generation due to working capital difficulties. The concerned IPPs have taken the plea that the power complex has been technically available for electricity generation, whereas, the default is on the Company's end as it does not make timely payments to the IPPs due to which they were unable to make timely payments to fuel suppliers. On June 28, 2013, IPPs have took this matter for Expert Determination (ED) and the experts gave their recommendations in favour of IPPs along with impleading Government of Pakistan through Private Power and Infrastructure Board (PPIB). While the experts proceedings were going on, IPPs filed a premature request for arbitration in the London Court of International Arbitration (LCIA) on July 08, 2014 in contravention of PPAs, and requested the Company for arbitration, whereby an Arbitrator was appointed. Meanwhile, PPIB challenged the ED before Civil Court where injunctive orders were issued suspending the operation of ED and barring the parties to the arbitration. On continuation of proceedings by IPPs, PPIB has also filed contempt petitions against IPPs which are pending in Lahore High Court for further proceedings.

The Company requested a stay in the arbitration proceedings on November 30, 2015 citing the injunctive orders obtained by PPIB which was denied by the Arbitrator. The parties were required to file their submissions by April 03, 2017, and since injunctive orders were in field, the Company could not formally make its submissions. However, the Company filed notional submission to avoid ex-parte determination. On July 08, 2017, injunctive orders were suspended enabling the Company to participate in the arbitration, however on August 04, 2017, both injunctive orders were reinstated and ED was once again suspended. The Arbitrator, on June 08, 2017 and October 29, 2017 declared his Partial and Final Award respectively and decided the matter principally in IPPs favour in contravention of orders of Courts of Pakistan. IPPs filed an application before Lahore High Court (LHC) for implementation of Final Award that is pending adjudication. The Company challenged the Awards before the Civil Court, Lahore under the Arbitration Act, 1940, however on May 04, 2018, Commercial Court of England issued a decision, thereby preventing the Company from pursuing case in Pakistan Civil Courts against Partial / Final Award issued by the arbitrator. The Company sought the permission to appeal in Court of Appeal through its foreign counsel on June 07, 2018 which was refused and now the case shall be proceeded under the New York Convention. Further, the Company also contested the enforcement proceedings initiated by the 9 IPPs, which matter is presently pending before the Lahore High Court. As per advice of the legal counsel of the Company, the Partial and the Final Awards cannot be enforced until they are rendered into a decree by the courts of Pakistan and no right / obligation can be established till the issuance of decree. Such a decree cannot be issued until the aforementioned proceedings are not resolved in favour of the 9 IPPs. Therefore, the Company has made no adjustment in this respect in these financial statements.

15.2 The Company has disputed claims of Atlas Power Limited, Nishat Chunian Power Limited, Liberty Powertech Limited and Nishat Power Limited amounting to Rupees 2,390 million along with interest on account of compounding of late payment interest, interest on interest, interest period, implementation of FIFO method in payment of invoices, and certain technical grounds, being not covered under the PPAs. Recognition and enforcement petition filed by Atlas Power Limited and related objection filed by the Company is pending in Lahore High Court. Matter with Nishat Power Limited is pending before Arbitral Tribunal appointed by LCIA where the final award is awaited. Final award issued to Nishat Chunnian Power Limited and Liberty Powertech Limited on July 25, 2019 has been challenged by the Company in the Civil Court, Lahore where the matter is pending for arguments. Pending the outcome of the case, no adjustment has been made in these financial statements.

15.3 The Company has adjusted USD 0.447 million from FFC Energy Limited and USD 2.659 million (along with interest of Rupees 283.5 million) from Orient Power Company (Private) Limited in respect of liquidated damages on account of non-commissioning of operations on the Required Commercial Operation Date (RCOD). The matter with FFC Energy Limited, instituted on April 11, 2017 is pending for arguments in Islamabad High Court while the last hearing with Orient Power Company (Private) Limited was fixed at February 14, 2019 in Lahore High Court. Pending the outcome of these cases, no adjustment has been made in these financial statements.

15.4 The Southern Electric Power Company Limited (SEPCOL) has filed a suit in the International Court of Arbitration ("ICA") against the Company claiming damages amounting to Rupees 5,000 million. However, the said suit has been kept in abeyance by the SEPCOL in an attempt to resolve the matters amicably out-of-court. Whereas, the Company has raised the liquidated damages (LDs) of Rupees 2,500 million which has been disputed by the SEPCOL. The management is confident that the matter will be resolved in Company's favour. The matter is pending before Civil Court Lahore.

The Company has booked an amount of Rupees 1,300 million as payable to SEPCOL on account of capacity purchase price which relates to the period June 2008 to May 2009. The management is of the view that it has no intention of paying the due amount as the power producer is in arbitration with the Company. Further, the Company has paid an advance of Rupees 533 million for purchase of fuel.

15.5 The Company has disputed mark up charged by WAPDA amounting to Rupees 4,900 million on pre-BTA loan obtained by WAPDA to fulfil the working capital requirement of the Company. However, the Company has denied the payment of the said mark up with argument that in the absence of any formal PPA with WAPDA Hydro Electric, it is unable to entertain the same and accordingly no adjustment for this has been made in these financial statements.

15.6 The Company filed an appeal before Lahore High Court (LHC) against Appellate Tribunal Inland Revenue (ATIR) followed by Commissioner Inland Revenue (Appeals) (CIR(A)) wherein the order of Assistant Commissioner Inland Revenue (ACIR) creating demand of Rupees 1,514 million, Rupees 816 million and Rupees 934 million for tax years 2016 and 2017 under section 153(1)(b) of the Income Tax Ordinance, 2001 was upheld. The taxation authorities have recovered tax amounting to Rupees 1,751 million against the collective demand of Rupees 3,264 million vide notices dated January 11, 2017 and September 15, 2017 for tax year 2016 and 2017 through attachment of bank accounts of the Company whereas the Company recovered that tax from NTDCL and obtained stay from ATIR against remaining outstanding demand. On November 07, 2018, LHC set aside the orders of ATIR and CIR(A) and remanded back the case to the taxation officer for re-determination of tax liability. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

15.7 Tax authorities have created a demand of Rupees 1,915 million and Rupees 5,567 million on May 12, 2016 and November 20, 2018 respectively to pay minimum and super tax under section 113 of the Income Tax Ordinance, 2001 against which writ petition has been filed by the Company in Islamabad and Lahore High Courts where the matter is pending adjudication.

15.8 Tax authorities have issued two notices amounting to Rupees 46,790 million and 62,640 million on August 23, 2016 and February 07, 2017 respectively for the year 2015-16 in respect of supression of sales / inadmissible input, against which writ petitions have been filed in Islamabad and Lahore High Courts which are still to be decided. The revised monthly sales return supported by complete record including sales tax invoices, supply registers have been provided to FBR. The matter was resolved with FBR and a MOU was signed with FBR as a result Rupees 6,094 million was paid to FBR. MOU includes a clause that FBR would only proceed further if any discrepancy of non compliance would be observerd in this regard.

15.9 Tax authorities have issued notice dated December 10, 2018 stating that input credit amounting to Rupees 466.266 million claimed prior to registration is not allowable in term of section 59 of the ITO, 2001. The Company has filed writ petition to challenge the impugned notice in Lahore High Court.

15.10 Tax authorities have issued notice dated April 23, 2019 for amount of Rupees 5.135 million alleging the Company for making supplies to unregistered person i.e M/s Laraib Energy, TPS Quetta and Bulk supplies (Back feed energy invoice; declared as bulk supplies in Return) hence 2% further tax shall be paid by the Company under section 3 of the Sales Tax Act, 1990. The Company has challenged the impugned notice before Comissioner Appeals.

15.11 Tax authorities have issued notice dated April 23, 2019 for amount of Rupees 4.673 million alleging inadmissible input credits against the purchses of Computers, Office equipment, Vehicle parts, Hotel charges, Furniture bedding fittings which were not used for furtherance of taxable supplies and adjusted against output tax paid on Market Operation fee. The Company has challenged the impugned notice before Comissioner Appeals.

15.12 The ACIR imposed a penalty amounting to Rupees 221.066 million and default surcharge amounting to Rupees 646.446 million on April 17, 2017 on account of late payment of sales tax during the period from December 2015 to June 2016. The output tax charged by the Company to DISCOs should be equal to the input tax claimed by the Company, however, the Company records purchase of energy based on provisional invoices resulting in inflation of input tax and corresponding output tax charged to DISCOs. This is subsequently adjusted through issuance of credit notes to DISCOs. The Company obtained condonation from tax authorities of the time limit for issuance of credit notes to its customers which was granted by ATIR however extension for the same was rejected against which a writ petition for further stay was filed in LHC. On November 13, 2018, LHC rejected the appeal of the Company and upheld the orders of taxation authorities who recovered the above-mentioned amounts through bank attachment against which the Company has filed tax reference in LHC where the matter is pending adjudication.

15.13 The Company has stopped payments to JDW-II, JDW-III, RYK Mills Limited and Chiniot Power Limited on account of fixed components of NEPRA's tariff over and above of 45% of APCF since January 2018, and recovery of already paid fixed component beyond 45% APCF is being executed, since NEPRA's upfront tariffs for bagasse-based co-generation 2013 doesn't allow compensation was performance beyond the benchmark of 45% of the Annual Plant Capacity Factor (APCF) which is inconsistent with the Framework for Power Cogeneration 2013 Bagasse and Biomass' as an addendum to the Renewable Energy Policy 2006, effective for all high-pressure cogeneration projects utilizing bagasse and biomass. JDW has filed writ petition on April 04, 2019 against the matter before Islamabad High Court where the matter is pending adjudication.

15.14 The Company has a long pending dispute with JPGL on various issues excavating from the application of PPA with JPGL. In view of the disputes, JPGL filed a request for arbitration in the International Court of Arbitration (ICA) on January 12, 2009 claiming Rupees 5,000 million from the Company against which the Company also submitted its counter claims for Rupees 2,400 million.

On 07 March 2014, ICA announced its final award and declared that WAPDA is liable to pay Rupees 596 million, Rupees 50 million and Rupees 134 million for pre-award interest on additional capacity claim, NEC / indexation and interest thereon and pre-award interest under the settlement agreement claim, respectively.

Further, WAPDA is liable to pay to JPGL post-award interest at the base rate plus 2% compounded semi-annually on settlement agreement claim and additional capacity claim from 12 February 2014 onwards and on Rupees 100 million fuel advance refund from 09 July 2013 onwards all down to the date of actual payment of such mentioned claims. Furthermore, WAPDA is also liable to reimburse to JPGL Rupees 109 million on account of lawyer's fees, hearing costs and travel and accommodation costs.

On the other hand, ICA directed JPGL to pay forthwith Liquidated Damages (LDs) amounting to Rupees 778 million along with Rupees 558 million and Rupees 796 million on account of pre-award interest on LD's and fuel advance claim, respectively.

Each party was further advised to equally share cost of arbitration amounting to Rupees 108 million.

As per clause 15.3 of PPA signed and executed between the Company and JPGL, any dispute between the parties shall be finally settled through arbitration according to rules of arbitration of International Chamber of Commerce. According to PPA, the final award of ICA becomes contractual obligation of the parties. The Company has not accounted for the financial impact of the final award of ICA and has filed a petition in Civil Court Lahore pointing out certain concerns in the award, and the matter is pending adjudication.

		2019	2018
		(Rupees in thousand)	
15.15	Contractual commitments:		
	- in respect of intangibles	24,959	22,831
	- in respect of property and equipment	34,976	-
		59,935	22,831
16	**MARKET OPERATION FEE**		
	Market operation fee	587,360	462,786
	Less: sales tax	(66,464)	(63,663)
		520,896	399,123

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16.1 This represents market operation fee determined by National Electric Power Regulatory Authority (NEPRA) for the administration, maintenance and implementation of the Commercial Code, NEPRA (Market Operator Registration, Standards and Procedure) Rules, supervision of compliance by market participants and billing, collection, settlement and payments procedures.

	NOTE	2019	2018
		(Rupees in thousand)	
17 OPERATING EXPENSES			
Salaries and other benefits	17.1 & 17.2	508,643	510,752
Repair and maintenance		8,065	9,482
Legal and professional		27,193	30,901
Auditors' remuneration	17.3	650	726
Depreciation	3	25,888	12,482
Amortization	4	7,785	3,305
Rent		63,060	40,939
Utilities		7,172	1,549
Communication		6,280	6,309
Travelling		5,211	9,662
Vehicles' running		4,625	5,809
Training expenses		25,869	11,981
Office supplies		3,828	2,681
Printing and stationery		2,839	2,731
Fee and subscriptions		3,346	2,685
Advertisement		3,193	2,402
Miscellaneous		4,494	2,850
		708,141	657,246

17.1 This includes salaries paid to employees of NTDCL transferred to the Company on deputation.

17.2 Salaries and other benefits include provident fund and gratuity fund contributions of Rupees 6.692 million and Rupees 13.059 million (2018: Rupees 5.676 million and Rupees 4.859 million) respectively by the Company.

	2019	2018
	(Rupees in thousand)	
17.3 Auditors' remuneration		
Statutory audit	500	500
Employees retirement funds	100	100
Certification for regulatory purposes	50	50
Out of pocket expenses	-	76
	650	726

18 TAXATION

18.1 Provision for current tax on market operation fee recovered from DISCOs represents minimum tax on services rendered. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001.

19 PROVIDENT FUND RELATED DISCLOSURE

19.1 The investments of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

20 FINANCIAL RISK MANAGEMENT

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk since the Company, being an agent of DISCOs, passes on all exchange gains / losses on translation of foreign exchange denominated financial liability to DISCOs.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to other price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant interest-bearing assets except for bank balances on deposit accounts.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	24,520,543	16,317,686

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, surplus / deficit for the year would have been Rupees 245.205 million higher / lower (2018: Rupees 163.177 million), mainly as a result of higher / lower interest income on bank balances. This analysis is prepared assuming the amounts of bank balances at reporting dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date was as follows:

	2019	2018
	(Rupees in thousand)	
Bank balances	24,520,543	16,317,686

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2019	2018
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	2,761,600	2,673,177
Allied Bank Limited	A1+	AAA	PACRA	2,143,011	1,758,821
Askari Bank Limited	A1+	AA+	PACRA	1,083,532	645,613
Faysal Bank Limited	A1+	AA	PACRA	376,992	459,066
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,706,130	3,079,225
The Bank of Punjab	A1+	AA	PACRA	2,325,555	1,952,837
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	110,083	58,353
United Bank Limited	A1+	AAA	JCR-VIS	999,573	1,233,328
MCB Bank Limited	A1+	AAA	PACRA	2,691,402	2,030,949
Bank Alfalah Limited	A1+	AA+	PACRA	358,119	257,220
Bank Al-Habib Limited	A1+	AA+	PACRA	1,548,635	1,237,860
Citibank, N.A. Pakistan	P-1	A1	Moody's	-	22,070
First Women Bank Limited	A2	A-	PACRA	65,374	8,181
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	305,073	213,131
Meezan Bank Limited	A-1+	AA+	JCR-VIS	8,045,464	687,855
				24,520,543	16,317,686

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Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Being an agent, the Company bears no liquidity risk. The obligations towards the energy suppliers are passed on to the principals and are backed by sovereign guarantee of Government of Pakistan.

20.2 Financial instruments by categories

Financial assets as per balance sheet

	At amortized cost	
	2019	2018
	(Rupees in thousand)	
Receivable from NTDCL through loan notes	41,648,936	42,412,169
Long term security deposit	21,264.00	-
Due from principals	1,709,214,290	1,289,325,361
Advance to HUBCO	802,000	802,000
Accrued profit	99,240	-
Mark-up receivable	45,785,131	58,049,360
Bank balances - deposit accounts	24,520,543	16,317,686
	1,822,091,404	1,406,906,576

Financial liabilities as per balance sheet

	At amortized cost	
	2019	2018
	(Rupees in thousand)	
Energy payables swapped by Government of Pakistan	784,462,871	577,639,647
Energy and other payables	1,043,110,574	827,491,582
	1,827,573,445	1,405,131,229

21 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

22 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer and Directors of the Company are given below:

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	---------------- (Rupees in thousand) ----------------			
Managerial remuneration	8,591	8,182	153,699	154,896
Allowances:				
House rent	3,866	3,682	69,165	69,696
Utilities	859	818	15,370	15,492
Medical	859	818	15,370	15,492
Conveyance	1,375	1,474	34,548	41,148
Bonus	716	682	11,407	11,575
Leave encashment	716	682	8,879	12,242
	8,391	8,156	154,739	165,645
Contribution to provident fund	430	409	4,768	4,512
	17,412	16,747	313,206	325,053
Number of persons	1	1	69	70

The aggregate amount charged in these financial statements in respect of meeting fee paid to 8 (2018: 7) directors is Rupees 14.350 million (2018: 13.640 million).

No remuneration except meeting fee, was paid to non-executive directors of the Company.

23 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Government of Pakistan and related entities under control of GoP including DISCOs, GENCOs, WAPDA, PAEC and NTDCL, provident fund, gratuity fund, directors of the Company and key management personnel. The amount due from and due to related parties are shown under respective receivables and payables. Detail of transactions with related parties other than specifically disclosed in these financial statements are as follows:

Market operation fee:

	2019		2018	
	Invoicing	Receipts	Invoicing	Receipts
	---------------- (Rupees in thousand) ----------------			
FESCO	61,849	72,624	61,367	83,831
GEPCO	44,723	53,837	43,434	59,720
HESCO	28,228	33,734	27,984	38,548
IESCO	42,866	51,543	41,802	57,275
LESCO	97,508	114,913	92,058	125,285
MEPCO	80,450	95,298	76,463	104,062
PESCO	57,395	68,921	53,809	73,233
QESCO	27,270	32,509	26,004	35,778
SEPCO	19,927	23,390	19,314	26,488
TESCO	5,379	6,147	5,918	8,449
	465,595	552,916	448,153	612,669

24 NUMBER OF EMPLOYEES

	2019	2018
Number of employees as on June 30	234	196
Average number of employees during the year	215	188

25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 OCT 2019 by the Board of Directors of the Company.

26 CORRESPONDING FIGURES

26.1 No significant reclassifications / rearrangements of corresponding figures have been made in these financial statements except for the following, which have been made for better presentation:

Description	From	To	Amount (Rupees in thousand)
Receivable from NTDCL through loan notes	Non-current assets	Current assets	42,412,169
Advance to HUBCO	Non-current assets	Current assets	802,000
Energy payables swapped by Government of Pakistan	Non-current liability	Current liabilities	577,639,647
Payable to WAPDA for HUBCO	Non-current liability	Energy and other payables	802,000
Advance to QESCO	Unbilled costs	Advances and prepayments	77,563

27 GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

Annex- E

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

O/O Chief Executive Officer (CPPAG)

No. CEO/CPPA/HR&A/ 4891-4905 Date. 13- 11.2019

Office Order

Sub: **Establishing of Restructuring Project Management Office (RPMO)**

In pursuance to CPPAG Board Resolution II/31, issued vide Company Secretary (CPPAG)'s No. CPPA-G/2017/CS/1160-62 dated 19.07.2017, the following officers are hereby nominated for establishing **"Restructuring Project Management Office (RPMO)".** This office will work under the functional & administrative control of Dy. General Manager (SMD) CPPAG :

1. Mr. Namet Ullah (Manager ERP) : Project Manager
2. Syed Abid Hussain Rizvi (Manager Legal) : Member
3. Raja Jehanzaib Ahmed Gul Bhatti (Manager Finance) : Member
4. Mr. Farid Ahmed Sheikh (Dy. Manager Tech) : Member
5. Mian Muhammad Atif Rafiq (Dy.Manager SMD) : Member
6. Mr. Muhammad Zeeshan (Assistant Manager OD&A) : Member

The function of the RPMO is to establish roadmap for internal restructuring requires as per future business market model of CPPAG under the Steering Committee comprising the following officers, who will monitor and track the progress of the RPMO and to provide guidance and support in implementation :

a. Mr. Abid Latif Lodhi, Chief Executive Officer : Chairman
b. Mr. Rihan Akhtar, Chief Financial Officer : Member
c. Mr. Mansoor Hussain, Chief Technical Officer : Member
d. Mr. Rehan Hameed, Chief (HR&A) Officer : Member
e. Mr. Abdul Majid Khan, Chief Legal Officer : Member
f. Mr. Arshad Javed Minhas, Chief Information Officer : Member
g. Mr. Omer Haroon Malik, Dy. General Manager(SMD) : Member

This issues with the approval of the competent authority.

Amjad Ali Butt
Dy. Manager (HR&A) CPPAG

CC:

1. All Functional Heads (CPPAG).
2. Officers concerned.
3. Company Secretary (CPPAG).
4. PA to CEO (CPPAG).
5. Master File.

Annex - F

Central Power Purchasing Agency Guarantee Limited
(CAPEX)
FY 2019-20

CPPA-G - IT Budget 2019-2020 (CAPEX)					
Sr.	Target	Actions	Amount	Qty	Total
1	Strategic Target 7: IT Infrastructure Transformation	Laptops Core-i7, 8GB RAM, 512 SSD Hard Disk or latest SPECS	143,000	34	4,862,000
		Power Backup Solution (Online) for Access Switch 2kVA	200,000	12	2,400,000
		Storage	2,000,000	1	2,000,000
		DB Vault	3,800,000	1	3,800,000
					13,062,000
2	Operational Softwares	Office 365 E3 Purchase of (30) Additional Licenses	2,000,000	1	2,000,000
	Total:				**2,000,000**
		Misc Software (Visual Studio+Illustrator All Apps, Network Peromance/ Monitring System)	1,108,000		1,108,000
	Total:				**1,108,000**
3	Record Management	Phisical Archiving	2,000,000		2,000,000
				Total:	**2,000,000**
	Total Budget:				**18,170,000**