



National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

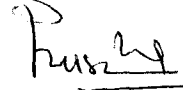
No. NEPRA/TRF-UTESM-2016/13679-13681
July 30, 2019

Subject: **Withdrawal Proceedings of Upfront Tariff for Existing Sugar Mills Operating under Captive Mode**

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (02 pages) in the matter of Withdrawal Proceedings of Upfront Tariff for Existing Sugar Mills Operating under Captive Mode for information and further necessary action, if any.

Enclosure: As above


30 07 19
(Syed Safer Hussain)

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

CC:

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

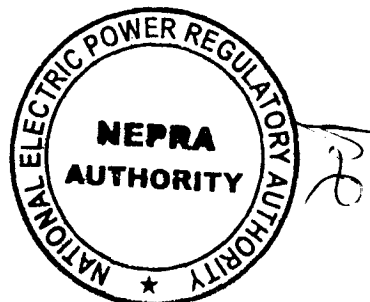


**WITHDRAWAL PROCEEDINGS OF UPFRONT TARIFF FOR
EXISTING SUGAR MILLS OPERATING UNDER CAPTIVE MODE**

The Authority in exercise of its powers under the Regulation of Generation, Transmission and Distribution of Electric power Act, 1917 (hereinafter referred to as "Act") read with Rule 3 (1) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998 (hereinafter referred to as the "Tariff Rules") and Regulation 3 of the National Electric Power Regulatory Authority Upfront Tariff (Approval & Procedure) Regulations, 2011 (hereinafter referred to as the "Upfront Tariff Regulations") initiated proceedings for the development and determination of upfront tariff for existing sugar mills. The Authority after considering written and oral submissions of the stakeholders, documentary evidence available on record and benchmarks established in similar cases, determined Upfront Tariff for Existing Sugar Mills on 30th December 2016 which is as follows:

Description	Rs./kWh	Indexation
Fixed Cost Component	1.53	No indexation
Fuel Cost Component	6.29	Subject to coal price and exchange rate variation
Total Tariff	7.82	-

2. The Upfront Tariff was communicated to the Ministry of Energy (MoE) for notification in the official gazette however the same was kept pending for a period more than two years. The Authority observed that during the period not a single application for acceptance of the subject tariff was received. Keeping in view the adequate generation added during the past two years and change in market dynamics, the Authority decided to re-consider the above referred Upfront Tariff decision. Accordingly Suo Moto Proceedings for withdrawal of Upfront Tariff for existing Sugar Mills operating in captive mode were initiated.
3. Notice of withdrawal was published in the national newspapers on November 10, 2018. Individual notices were also communicated to the interested / affected person(s) / parties. Hearing in the matter was held on November 28, 2018 which was attended by the different stakeholders including representatives of the Faran Sugar Mills, Mehran Sugar Mills and Habib, Tando Allah Yar Sugar Mills, Juharabad Sugar Mills, etc. The sugar mills have also communicated the written comments which are almost common. Consolidated comments of these sugar mills are reproduced as under:
 4. **Comments of Sugar Mills**
 - 4.1 The sugar mills have made investment in infrastructure and cost of connectivity therefore the existing tariff should not be withdrawn.
 - 4.2 Sugar mills are contributing major contribution during the crushing season wherein the hydel power generation is on lower side.



Handwritten signature




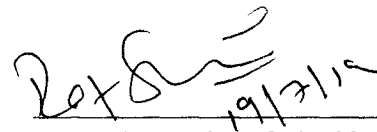
- 4.3 Sugar mills generation save precious foreign reserves being indigenous resources.
- 4.4 Baggase / biomass have no impact on the environment therefore needs to be encouraged.
- 4.5 Sudden discontinuation of tariff will discourage potential investors to invest in such type of projects in future.
- 4.6 Existing fixed O&M may be revised since it is 40% lower to the existing costs.

5. Decision

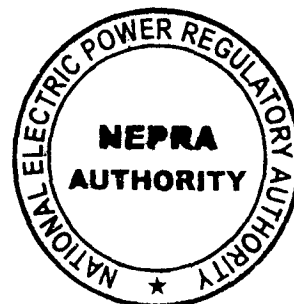
5.1 The Authority announced the Upfront tariff in December 2016 keeping in view generation mix, demand supply situation and availability of the electricity from these sugar mills operating in captive mode in load centers, however, the same was not notified in the official gazette by Ministry of Energy (MOE). Similarly no sugar mill has opted the above Upfront Tariff. The sugar mills operating in captive mode are already adopting the procedure laid down in Interim Power Procurement Regulations – 2005 (IPPR-2005). Since Upfront Tariff for sugar mills operating under captive mode was not notified in the official gazette and no sugar mill filed an application for opting the Upfront Tariff therefore its withdrawal have no impact on any power producer. In view thereof the Authority has decided to withdraw its earlier decision communicated to the MOE vide letter No. NEPRA/TRF – UTESM-2016/17120-17122 dated December 30, 2006 on the subject matter.

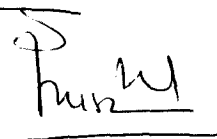
AUTHORITY


Saif Ullah Chattha
Member 16.7.2019


Rafique Ahmed Shaikh
Member


Rehmatullah Baloch
Member 29/7/19




30.07.19

2