



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Office Building, G-5/1, Attaturk Avenue (East), Islamabad  
Phone: 051-9206500, Fax: 051-2600026  
Website: [www.nepra.org.pk](http://www.nepra.org.pk), Email: [registrar@nepra.org.pk](mailto:registrar@nepra.org.pk)

OFFICE OF THE  
REGISTRAR

No. NEPRA/R/SAT-I/TRF-100/STIPPs/1982-97

February 16, 2015

Subject: **DEVELOPMENT OF UPFRONT TARIFF FOR SHORT-TERM INDEPENDENT POWER PRODUCERS (STIPPS) – UTILIZATION OF THE EXISTING AVAILABLE GENERATION CAPACITY.**

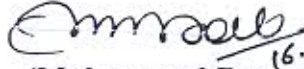
In accordance with the Economic Coordination Committee of the Cabinet (ECC) decision dated 10.01.2015 and in exercise of the powers conferred by Section 3(1) of Upfront Tariff (Approval & Procedure) Regulations, 2011 read with Rule 3(1) of NEPRA Tariff (Standard and Procedures) Rules, 1998 and Section 7 of Regulation of Generation, Transmission and distribution of Electric Power Act, 1997, the Authority has decided to initiate *suo moto* proceedings with respect to the development of upfront tariff for Short-term Independent Power Producers (STIPPs) – Utilization of Available Generation Capacity for the period of 3 years. In this regard, notice of hearing along with summary of information has been published in daily national newspapers on February 13, 2015 (copy attached) inviting comments (if any) from stakeholders, interested/affected persons and from the general public.

2. The hearing in the subject matter is scheduled according to the date, time and venue as mentioned below:

**Date** : February 23, 2015 (Monday)  
**Time** : 12:15 p.m.  
**Venue** : NEPRA Tower, G/5-1, Islamabad

3. Given your representative status, you may like to express your views and comments on the subject matter on behalf of your members/clients and file replies or communication in support or in opposition of the proposed upfront tariff to assist the Authority in arriving at a just and informed decision. Please submit your comments, if any, on the subject matter latest by February 19, 2015.

4. In case you want to become a part to the proceeding and participate in the tariff setting process in a more wholesome manner you may do so by filing intervention request with affidavit. Format for intervention request and the contents of an affidavit (to be attached with the Intervention Request) are sent herewith for information and guidance regarding the mode and manner in which you can participate in the proceedings.

  
(Muhammad Ramzan)  
Deputy Registrar

**Attachment:**

1. Copy of Advertisement of Notice of Hearing
2. Content of Affidavit
3. Intervention Request Form

1.	President The Federation of Pakistan Chamber of Commerce and Industry (FPCCI), Federation House, Main Clifton, <b>Karachi</b> – 5675600	2.	Chairman Public Sector Utility, Sub-Committee Karachi Chamber of Commerce & Industries (KCCI), Aiwan-e-Tijarat Road, Shahrah-e-Liaquat, <b>Karachi-2</b>
----	-----------------------------------------------------------------------------------------------------------------------------------------------------	----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------

The News: 13-02-14



# National Electric Power Regulatory Authority (NEPRA) NOTICE OF HEARING

## DEVELOPMENT OF UPFRONT TARIFF FOR SHORT-TERM INDEPENDENT POWER PRODUCERS (STIPPS) - UTILIZATION OF THE EXISTING AVAILABLE GENERATION CAPACITY

1. In accordance with the Economic Coordination Committee of the Cabinet (ECC) decision dated 10.01.2015 and in exercise of the powers conferred by Section 3(1) of Upfront Tariff (Approval Procedure) Regulations, 2011 read with Rule 3(1) of the Tariff (Standards & Procedure) Rules - 1998 and Section 7 of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, the Authority has decided to initiate suo moto proceedings with respect to the development of upfront tariff for Short Term Independent Power Producers (STIPPS) - Utilization of Available Generation Capacity for the period of 3 years. The scope of the policy indicated in the Summary of the Ministry of Water & Power and approved by the ECC is as under:

*"This Policy will be applicable for all power generating units that are installed or which will be installed later on without any direct patronization, protections or interference of the Government of Pakistan, except for the undisputed due payment obligations of National Transmission and Despatch Company (NTDC) for electricity that would be purchased by it under this Policy."*

2. Accordingly the following proposal has been developed for input / comments of the stakeholders in order to arrive at just and informed decision:

- o The US\$ 0.3 million per MW cost for STIPPS.
- o IRR of 15% similar to the thermal power plants.
- o Efficiency of 38.3% in case of RFO based STIPPS.
- o Insurance 1% of EPC cost i.e. US\$ 0.2 million.
- o Debt Equity Ratio 75:25.
- o US CPI (All urban consumers) 237.852, CPI (local) 198.70, KIBOR 10.18%.
- o RFO price of Rs. 45,000/M. Ton (Excl. Freight).
- o Exchange Rate @ Rs. 102.70 US\$/PKR.
- o Generation on the basis of 88% plant availability.

3. Tariff: On the basis of the above assumptions, the proposed generation tariff details are as under:

Description	RFO
<b>Fixed Cost Component (Rs./kWh):</b>	
Fixed O&M - Foreign	0.1464
Local	0.1674
Insurance	0.0266
Cost of Working Capital	0.1897
Weighted Average Cost of Capital (WACC)	0.5450
Depreciation	0.2104
<b>Total</b>	<b>1.2854</b>
<b>Energy Charge (Rs./kWh):</b>	
Fuel Cost Component	10.3972
Variable O&M - Foreign	0.6794
Local	0.2098
<b>Total</b>	<b>12.5718</b>

- o Return calculated on the basis of WACC (75% Debt & 25% Equity).
- o Tariff shall be on take and pay basis (88% plant availability basis).
- o Fuel shall be responsibility of the power producer.
- o Interconnection shall be responsibility of the power purchaser.
- o Merit Order should be strictly followed by the NPCC.
- o Tariff, eligibility criteria and terms and conditions laid down by the Authority shall be part of the Power Purchase Agreement between the power producer and power purchaser and approved by NEPRA.

4. Following eligibility criteria have been formulated for the Upfront Tariff of STIPPS:

- o Permissions from the relevant entities for the utilization of plant and machinery;
  - o Incorporation of Special Purpose Company under the laws of Pakistan;
  - o Project Company to obtain Generation License from NEPRA;
  - o No objection from NAB for utilization of plant and machinery (in case of defunct rental projects);
  - o Unconditional and irrevocable waiver of claims of arbitration against Government of Pakistan, and its entities (in case of defunct rental projects);
  - o The power producer shall submit the consent from the power purchaser for purchase of electricity along with the power evacuation plan;
  - o Certificate from an Independent Engineer that the generation equipment and machinery is fit and safe for power generating operations.
5. **Issues for the Hearing:** Following issues have been framed for the hearing:
- o Whether the proposal with respect to the project cost of US\$ 0.3 million per MW is reasonable?
  - o Whether the proposed O&M cost for RFO based STIPPS is reasonable?
  - o Whether the variable O&M cost is reasonable?
  - o Whether IRR of 15% is reasonable?
6. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has decided to hold a hearing in the matter according to the date, time and venue as mentioned below:

Date: 23-2-2015

Time: 12:15 (Noon)

Venue: NEPRA Tower, Altaturk Avenue (East), Sector G-5/1, Islamabad

7. Any Interested person who desires to participate in the proceedings may file an intervention request within seven (7) days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought, and the evidence, if any, in support of the case.
8. Any person may also file the comments in the matter within seven (7) days of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings, and also may consider those comments in the final determination.

**Registrar, NEPRA**

NEPRA Tower, Altaturk Avenue (East), Sector G-5/1, Islamabad

Phone: 051-920 8500 Fax: 051-260 0021,

E-mail: registrar@nepra.org.pk

PIO(1)4042 For further information please visit: www.nepa.org.pk

**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY  
INTERVENTION REQUEST**

Development Of Upfront Tariff For Short-Term Independent Power  
Producers (Stipps)- Utilization Of The Existing Available Generation Capacity

Name/Address	
Manner in which the intervener is likely to be affected by any determination in the proceeding.	(*)
Contention / Grounds of making the formal request	
	(*)
Relief Sought (if any).	
	(*)
Brief of evidence (if any)	
	(*)
Comments.	
	(*)

(\*) Add additional Supplements if required

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

To be accompanied with:

1. An affidavit on stamped paper (sample attached), sworn before an authorized officer.
2. Intervention Request Fee Rs. /-

## CONTENTS OF AFFIDAVIT

The affidavit to be submitted with any petition or communication where in any statement of fact or opinion is made by the petitioner or the communicator, shall be drawn up in the first person stating the full name, age, occupation and address of the deponent and the capacity in which he is signing and indicating that the statement made therein is true to the best of the knowledge of the deponent, information received by the deponent and belief of the deponent, and shall be signed and sworn before a person lawfully authorized to take and receive affidavit, provided that, a communication filed during the course of a hearing may be affirmed in person before the Authority by the person filing the same.

Where any statement in an affidavit given as per paragraph above is stated to be true according to the information received by the deponent, the affidavit shall also disclose the source of such information.