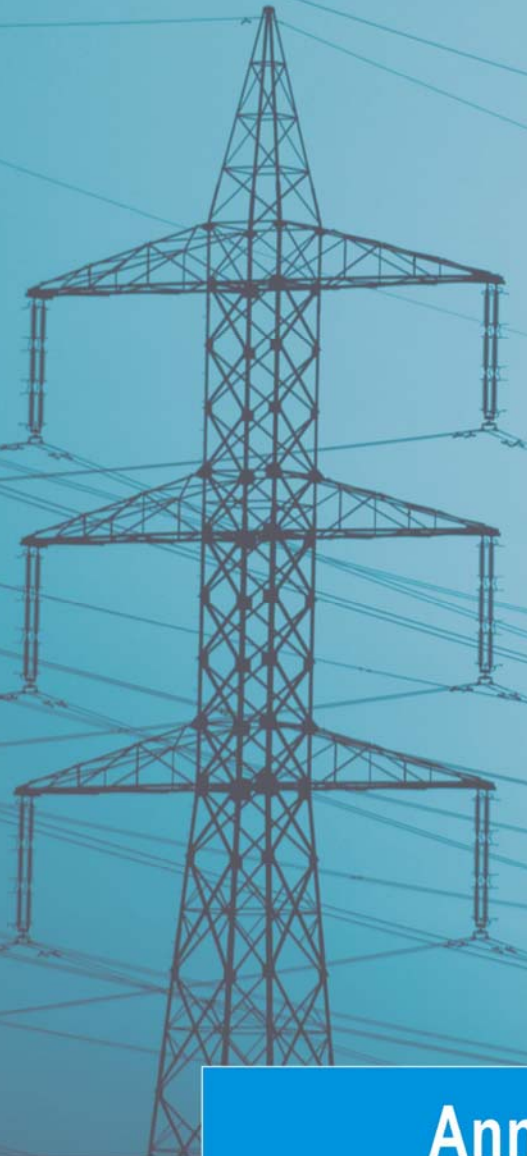




nepra

NATIONAL ELECTRIC
POWER REGULATORY
AUTHORITY



Annual Report 2007-08



ANNUAL REPORT 2007- 08

National Electric Power
Regulatory Authority
**National Electric Power
Regulatory Authority**



TABLE OF CONTENTS

CHAIRMAN'S MESSAGE	i
THE AUTHORITY	iii
INTRODUCTION	1
REGULATORY ACTIVITIES IN 2007 - 08	2
▶▶ Regulatory Instruments	3
▶▶ Generation	3
▶▶ Transmission	9
▶▶ Distribution	11
OTHER ACTIVITIES	13
ADMINISTRATION AND FINANCE	21
ANTICIPATED DEVELOPMENTS	24
ANNEXURES	
Annexure-I : Major complaints processed during 2007-08	28
Annexure-II : Discussion Meetings held during 2007-08	30
ACRONYMS	31



Chairman's Message

The electric power sector in Pakistan is presently experiencing crisis of a vast magnitude. The gap between the demand for and supply of electricity has resulted in routine load shedding, overloaded infrastructure, power losses, and capacity shortfalls. Inadequate power generation capacity is just one of the factors affecting power supply.

The role of the National Electric Power Regulatory Authority (NEPRA) is central to the reform and restructuring process in the electricity sector. NEPRA, acting as the regulator of the electric power sector, is responsible for safeguarding the interests of producers as well as consumers of electricity and it has been playing a pro-active role in judiciously balancing the interests of both.

NEPRA is supporting the Government of Pakistan in creating a conducive environment for investment in the electric power sector through granting licenses, determining tariffs, and setting performance standards and codes for bringing in efficiency and discipline. It also provides guidelines to the Government by making recommendations about fuel diversity, energy conservation and encouraging alternative forms of energy.

The Year 2007-2008 has been eventful for NEPRA in terms of attaining objectives of the Authority under the Act. NEPRA granted generation licenses to 10 companies with a total planned capacity of 1536 MW. The Authority decided 32 tariff petitions including both generation and distribution companies. To facilitate operation, maintenance, development and planning of an economic and reliable national grid, a Grid Code is being put into practice and discussions continued with NTDC regarding applicability of Grid code to Wind Energy projects. The work on the development of Safety Code, Investment Standards and Market Rules for power purchase continued during the year.

To encourage the development of hydropower, NEPRA developed a speedy tariff determination mechanism for hydropower projects. In order to tap the huge potential of generation of electricity through coal and the substantial excess capacity available with the sugar industry, NEPRA gave indicative tariffs for power generation through local coal and through Bagasse. NEPRA, realizing the availability of Captive generation within the country and also the acute shortage of Power, decided to relax its rules for induction of such power speedily in to the system. Resultantly, because of this initiative, substantial quantum of captive power has been brought on board and it is expected that around 300/400 MWs will be eventually added to the system through this. NEPRA also facilitated the Private Power & Infrastructure Board by providing tariff benchmark parameters to expedite early evaluation of International Competitive Bidding (ICB) to induct on priority 1500 MW capacity in the power sector.

Due to our dependence on furnace oil for generation of around one third of electricity, the unprecedented increase in oil prices have adversely affected us and the tariffs for electricity had to be substantially raised to meet the rising cost of electricity generation.



Realizing the importance of curtailing peak load requirement and discouraging unnecessary usage of electricity, the Authority during the year 2007-08 decided to introduce Time of Use (TOU) metering arrangement for all consumer categories of electricity, including residential customers having load requirement of 5 kW and above. It was decided that all new consumers having sanctioned load exceeding 5 kW shall be provided TOU metering arrangement with effect from January 1, 2009 and shall be billed on that basis. The introduction of TOU metering will result in better management of consumption by consumers during the peak and off-peak timings. This will reduce their consumption/burden on the system resultantly reducing their bills. As a result, an incentive has been provided to the domestic consumers to reduce their consumption during the peak hours. This will, in turn, reduce burden on the system during peak hours and will result in avoiding operation of the most expensive plants during the peak hours. Time of Use metering is already successfully operating in a number of developed and developing countries and in the industrial sector in Pakistan.

The year 2007-08 was beset with challenges and the Authority strived hard to meet those challenges in the best possible manner. The report gives the Council of Common Interests, Government of Pakistan and the readers at large an overview of the NEPRA activities for the period July 1, 2007 to June 30, 2008.

(Khalid Saeed)
Chairman

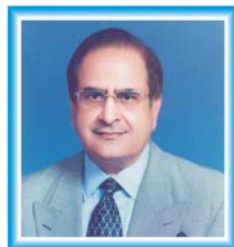
The Authority

Under section 3 of the Act the “National Electric Power Regulatory Authority shall consist of a Chairman to be appointed by the Federal Government and four members, one from each Province to be appointed by the Federal Government after considering the recommendations of the respective Provincial Governments”.

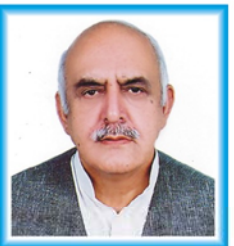
The Authority (As of June 30, 2008)



Mr. Khalid Saeed was appointed Chairman, National Electric Power Regulatory Authority (NEPRA) on February 15, 2008. Mr. Saeed during his distinguished Civil Service career has held Senior positions in the Government, notably as Principal Secretary to the Prime Minister, Secretary, Economic Affairs Division, Secretary, Ministry of Information Technology and Chairman, Capital Development Authority, Islamabad. He holds a post graduate degree in Economics from the University of Cambridge UK.



Mr. Zafar Ali Khan is Vice Chairman and Member (Punjab), NEPRA. He was appointed Member in January 2006. Prior to his appointment at NEPRA as Member, Mr. Zafar Ali Khan was Managing Director, Private Power and Infrastructure Board. He also remained Secretary, Ministry of Privatization and Managing Director of the Heavy Mechanical Complex, Taxila. He is a qualified Chartered Accountant from England and Wales and is a graduate of the Harvard Business School Advanced Management Program.



Mr. Nasiruddin Ahmed was appointed as Member (Balochistan), NEPRA in October 2004. A career Civil Service officer, he remained Cabinet Secretary, Principal Secretary to the Prime Minister and Secretary (Finance) to Government of Baluchistan. He has a Masters degrees in Social Sciences (Development Administration) from Birmingham University, UK.



Mr. Abdul Rahim Khan was appointed Member (NWFP), NEPRA in September 2000. Earlier he was Director in NEPRA and also held various senior positions in WAPDA including Chief Engineer. He has a Masters degree in Electric Engineering from the University of Pennsylvania, USA.



Mr. Maqbool Ahmad Khawaja was appointed Member (Sindh), NEPRA in November 2007. He is a professional electrical engineer and has served WAPDA in various senior positions, most recently as Chief Executive Officer, Hyderabad Electric Supply Company.



INTRODUCTION

Mandate of National Electric Power Regulatory Authority (NEPRA)

The National Electric Power Regulatory Authority was established through promulgation of an Act of Parliament (XL of 1997) to provide for the regulation of generation, transmission and distribution of the electric power.

The powers and functions of the Authority as delineated in the Act are

- (a) grant licenses for generation, transmission and distribution of electric power;
- (b) prescribe procedures and standards for investment programmes by generation, transmission and distribution companies;
- (c) prescribe and enforce performance standards for generation, transmission and distribution companies;
- (d) establish a uniform system of accounts by generation, transmission and distribution companies;
- (e) prescribe fees including fees for grant of licenses and renewal thereof;
- (f) prescribe fines for contravention of the provisions of this Act; and
- (g) Perform any other function which is incidental or consequential to any of the aforesaid functions.



REGULATORY ACTIVITIES IN 2007-08



REGULATORY ACTIVITIES IN 2007-08

REGULATORY INSTRUMENTS

NEPRA regulatory framework is enforced through the activities of Licensing, Tariff and promulgation of Standards and Codes

The regulatory instruments are discussed below:

Licensing

The regulatory function of NEPRA to grant licenses is governed by Licensing Generation Rules, 2000 and National Electric Power Regulatory Authority Licensing (Distribution) Rules 1999. Companies who are engaged or wish to engage in the electric power business are subject to specified terms and conditions. Public hearings may also be held prior to the grant of a license. A public hearing ensures stakeholders the opportunity to express their views on relevant issues.

Tariff

A regulatory function of NEPRA is to determine tariffs as prescribed in the Tariff Standards and Procedures Rules, 1998. NEPRA determines electricity tariffs, keeping in view the principles of economic efficiency and service of quality.

Standards and Codes

To ensure service quality and reliability, NEPRA has issued Performance Standards (Distribution) Rules-2005 and Interim Power Procurement (Procedures and Standards) Regulation, 2005.

This Annual Report discusses in detail the activities for Licensing, Tariff and Standards related to the Generation, Transmission and Distribution business in 2007-08.

GENERATION

The business of generation as regulated by NEPRA in Section 15 of the NEPRA Act states:

1. No person shall, except under the authority of a license issued by the Authority under this Act and subject to the conditions specified in this Act and as may be imposed by the Authority, construct, own or operate a generation facility.
2. An application for the grant of a license for generation facility shall specify-
 - (i) the type of facility for which the license is applied;
 - (ii) the location of the generation facility; and
 - (iii) the expected life of the generation facility.

3. The Authority may, after such enquiry as it may deem appropriate and subject to the conditions specified in this Act and as it may impose, grant a license authorizing the licensee to construct, own or operate a connected generation facility.
4. In the case of a generation facility connecting directly or indirectly to the transmission facilities of the national grid company, the licensee shall make the generation facility available to the national grid company for the safe, reliable, non-discriminatory, economic dispatch and operation of the national transmission grid and connected facilities; subject to the compensation fixed by the Authority for voltage support and uneconomic dispatch directed by the national grid company.
5. The following activities were performed in 2007-08 relating to the Generation Sector of the Electric Power business:

Generation Licenses

Small Power/Captive Power Producers

Small Power and Captive Power Producers generate electricity for their own use and for sale of surplus power to other consumers. Taking stock of the acute power shortage, NEPRA decided to allow Captive Power Plants of 50 MW or less generation capacity to sell power to Distribution Companies and Bulk Power Consumers at mutually agreed rates. NEPRA allowed these plants to sell surplus power after submission of generation license applications and also shortened the procedure for granting generation licenses to Captive Power Plants.

NEPRA granted two generation licenses to Ibrahim Fibers Limited and Shakarganj Mills Limited with a combined installed capacity of 40 MW. Eleven Captive Power Plants have applied for grant of generation licenses with a total installed capacity of 181 MW and a surplus capacity of 58 MW.

Captive Power Plants

Company Name	Installed Capacity (MW)	Surplus Power to be Sold (MW)
Almoiz Industries Limited, Lahore	27.000	15.000
Crescent Textile Mills Limited, Lahore	28.400	4.000
Din Textile Mills Limited, Lahore	9.700	2.200
Haji Mohammad Ismail Mills Limited, Karachi	1.905	1.900
Indus Sugar Mills Limited, Lahore	11.000	4.000
Nishat Mills Limited, Lahore	77.886	15.500
Prosperity Weaving Mills Limited, Lahore	6.900	6.000

Company Name	Installed Capacity (MW)	Surplus Power to be Sold (MW)
Roomi Fabrics Limited, Mltan	4.500	1.000
Sapphire Textile Mills Limited, Karachi	5.010	4.404
Shadman Cotton Mills Limited, Lahore	9.250	3.800
Total	181.551	57.804

Independent Power Producers

The induction of private power in the electric power sector is allowed under the Power Policy of 2004. The power generation technologies consist of Oil, Gas and Wind.

RFO/HSFO/GAS

NEPRA has been granting licenses to Independent Power Producers set up in response to the 1994 power policy for generating electric power. NEPRA granted new generation licenses to 7 IPPs (operated on RFO/Gas) with a total installed capacity of 1447 MW as given below:

New Generation Licenses Granted During 2007-08

Sr. No.	Name of Licensee	Installed Capacity (MW)
1	Nishat Power Limited	202.179
2	Nishat Chunian Power Limited	202.179
3	Engro Energy (Pvt.) Limited	226.52
4	Bestway Power Limited	224.35
5	Intergen Private Limited	165.285
6	Liberty Power Tech. Limited	202.179
7	Hub Power Company Limited (HUBCO)	224.35
Total		1447.042



Chairman NEPRA and Members of the Authority in a hearing on Generation License Issues for Nishat Mills Ltd. (NML) at NEPRA Main Office, Islamabad



WIND (ALTERNATE ENERGY- GREEN POWER)

One license was granted to Zorlu Enerji Pakistan Limited with an installed capacity of 49 MW for generation of electric power through wind.

Licensee Proposed Modification (LPM)/Cancellation

NEPRA issued Licensee Proposed Modifications for WAPDA hydel, Sapphire Power Generation Limited, Mahmood Textile Mills Limited and Bhanero Energy Limited. Besides, the license of Sapphire Energy Limited was cancelled.

Generation Tariff:

Indicative Tariff

The following indicative tariffs were given to facilitate investors:

Coal

In order to tap the huge potential of generation of electricity through coal, NEPRA gave an indicative tariff (US cents 7.81/kWh) for power generation through local coal.

Bagasse

The hearing on tariff petition filed by Pakistan Sugar Mills Association was held on March 3 2008 and indicative tariff (Rs 5.5520/kWh) for power generation through Bagasse was determined in order to tap the substantial excess capacity available with the sugar industry for dispatch to the local/national grid.

Mechanism for Hydel Power Generation

To encourage the development of hydropower sector, NEPRA has developed a speedy tariff determination mechanism for hydropower projects. The mechanism provides details and procedures at various stages of project development.

International Competitive Bidding (ICB)

NEPRA facilitated Private Power and Infrastructure Board (PPIB), Government of Pakistan by providing tariff benchmark parameters to expedite early evaluation of International Competitive Bidding (ICB) to induct on priority 1500 MW capacity in the power sector.

Mechanism of Coal Price Setting

The Authority, in order to know the present mechanism of coal price setting, had a meeting on November 13 2007 with representatives of Sindh Coal Authority, Lakhra Power Generation Company and Pakistan Electric Power Company (PEPCO).

NEW TARIFF PETITIONS

PLANTS UTILIZING RESIDUAL FUEL OIL (RFO)

Bestway Power Limited and Liberty Power Tech Limited

Hearings were held on October 2, 2007 and December 4, 2007. The generation tariffs for the two companies were determined on February 28 2008.

HUBCO-Narowal Limited

Hearing was held on February 22, 2008 and determination issued on May 23, 2008.

GAS BASED POWER PLANTS

Halmore Power Generation Company and Sapphire Electric Company Limited

Hearing in the matter was held on September 28, 2007 and determinations made on November 8, 2007 and November 29, 2007 respectively.

Foundation Power Company Limited

Hearing was held on January 22, 2008 and tariff determined on June 13, 2008.

WIND POWERED GENERATING PLANTS

Zorlu Enerji Limited

Zorlu Enerji Limited filed a petition for revision/modification of existing generation tariff for its 50 MW Wind Energy Power Plant. Hearing in the matter was held on April 30, 2008 and tariff determined on May 23, 2008.



Acting Chairman NEPRA & Members of the Authority in a hearing for Grant of Generation License to Zorlu Enerji Pakistan Ltd. (ZEPL)



Motion of Leave for Review

Halmore Power Generation Company filed motion for leave for review against the decision of the Authority given on November 8, 2007. Hearing was held on December 12, 2007 and determination issued on December 26, 2007. Bestway Power Limited filed a motion for leave for review against Authority's earlier decision. A hearing was held on April 2, 2008 and determination issued on May 7, 2008.

Approval of Generation Tariff by Economic Coordination Committee (ECC)

The Economic Coordination Committee (ECC) approved the tariff of Kohinoor Energy Limited, Tapal Energy Limited and Japan Power Generation Limited through a summary moved by the Ministry of Water and Power based upon bidding of the existing Independent Power Producers (IPPs) processed by Private Power and Infrastructure Board (PPIB). NEPRA approved the tariff of the three IPPs on the Pattern of Attock Generation Limited.

Automatic Adjustments in Generation Tariff

During fiscal year 2007-08, 74 adjustments on account of fuel price variation and CPI indexation were made in the tariffs of Jamshoro Power Company, Northern Power Generation Company, Lakhra Power Generation Company, Karachi Electric Supply Company and Chashma Nuclear Power Plant.

List of Generation Tariff Determinations

New Petitions	Review Petitions
Best Way Power Limited	Jamshoro Power Company
Blue Star Energy (Pvt) Limited	Northern Power Generation Company
Engro Energy (Pvt.) Limited	Best Way Power Limited
Foundation Power Company Limited	Halmore Power Generation Company
Halmore Power Generation Company	Japan Power Generation Limited
HUBCO - Narowal Limitd	Kohinoor Energy Limited
Liberty Power Tech Limited	Orient Power Company Limited
Malakand - III (SHYDO)	Saif Power Limited
Milergo Pakistan Limited	Tapal Energy Limited
Pakistan Sugar Mills Association (PSMA)	Win Power
Saif Power Limited	
Sapphire Electric Company Limited	
Zolru Enerji Limited (2)	



Generation Standard and Codes

Monitoring Activities

IDC/Heat Rate tests for Block-IV of Jamshoro Power Company Limited

Other Activities

- The Power Purchase Agreement (PPA)/Energy Purchase Agreement (EPA) initialed by the Power Purchaser (NTDC) and different Independent Power Producers (IPPs) were reviewed.
- Queries of potential investors interested in setting up power plants were responded to including Dewan Group, Monnoo Group, BNP Group, Cuckoo Industries, etc.
- The cases of Tenaga Generasi Limited and Foundation Power Company Daharki Limited for change of shareholding arrangement were processed.
- Preparation of revised guidelines for captive power plants.

TRANSMISSION

The Act regulates the business of transmission in the country. Section 16 of the Act states:

1. No person shall except under the authority of a license issued by the Authority under this Act and subject to the conditions specified in this Act and as may be imposed by the Authority, engage in the transmission of electric power.
2. An application for a license for the transmission of electric power shall specify:-
 - (i) the type of service for which the license is being sought; and
 - (ii) the territory with location maps and plans to which electric power shall be transmitted.

Standards and Codes

Power Acquisition Requests

Nine Power Acquisition Requests of Central Power Purchasing Agency (CPPA) of National Transmission and Dispatch Company (NTDC) were approved.

Power acquisition requests processed during 2007-08

Sr. No.	Name of Applicant
1	Nishat Power Limited
2	Nishat Chunian Power Limited

Sr. No.	Name of Application
3	KAPCO Extension Project
4	Liberty Power Tech. Limited
5	Zorlu Enerji Pakistan Limited
6	Bestway Power Limited
7	Hub Power Company Limited (HUBCO)
8	Imported Coal Project of AES Pakistan (Private) Limited
9	Suki Kinari Hydro Power Project

Compliance and Monitoring of Performance Standards for Transmission and Distribution

National Transmission and Dispatch Company (NTDC) provided Annual Performance Report pursuant to Performance Standards Transmission Rules 2005, which would be used to monitor performance of NTDC. To improve capacity building of professionals of DISCOs and to ensure timely submission of prescribed reporting formats, meetings were held with all the DISCOs on a regular basis.

Special Purpose Transmission License

Section 19 of the NEPRA Act states:

Notwithstanding anything contained in section 17, the Authority may, in the public interest, grant a license authorizing the licensee to engage in the construction, ownership maintenance and operation of specified transmission facilities on the conditions that the licensee shall:-

- (a) provide transmission and inter-connection services to the national grid company and to others, wherever necessary, at such rates, charges and terms and conditions as the Authority may determine;
- (b) purchase interconnection service from the national grid company as may be necessary and to connect its facilities to the national transmission grid at the rates, charges and terms and conditions determined by the Authority;
- (c) make its transmission facilities available for operation by the national grid company consistent with applicable instructions established by such company;
- (d) follow the performance standards laid down by the Authority for transmission of electric power, including safety, health and environmental protection instructions issued

by the Authority or any Government agency;

- (e) make public the tariff specifying the rates, charges and other terms and conditions of service for transmission and interconnection services determined by the Authority; and
- (f) maintain accounts in accordance with the manner and procedure prescribed by the Authority.

Special Purpose Transmission License

The Karachi Electric Supply Company (KESC) Limited has applied for a Special Purpose Transmission License. The grant of license is under review.

DISTRIBUTION

The point of interaction between the consumers and the electric power service provider i.e. distribution is closely monitored and regulated. Section 20 of the NEPRA Act states:

- (1) No person shall, except under the authority of a license issued by the Authority under this Act and subject to the conditions specified in this Act and as may be imposed by the Authority, engage in the distribution of electric power.
- (2) An application for a license for distribution of electric power shall specify
 - (i) the type of service for which the license is being sought;
 - (ii) the territory in which electric power shall be distributed; and
 - (iii) the source and scope of electric power and rates paid by it.

Licenses

The applications of 4 new distribution licenses were processed and are expected to be finalized shortly. These are Crescent Power, Ibrahim Fibers Limited, Tribal Areas Electricity Supply Company (TESCO) and Bahria Town (Private) Limited, Rawalpindi and Islamabad.

Tariff

The eight distribution companies carved out of Water and Power Development Authority (XWDISCOs) filed motion for leave for review against the Authority decision on February 23, 2007. Subsequently the Power Purchase Price adjustment was also allowed to the XWDISCOs as per the prescribed mechanism in the decision of January 10, 2008.

The Federal Government also filed a reconsideration request regarding review motion decision of the Authority. Hearing in the matter was held on February 22, 2008 and the final decision made in May 2008.

Sr. No.	Distribution Companies (DISCOs)
1	Faisalabad Electric Supply Company Limited (FESCO)
2	Gujranwala Power Company Limited (GEPCO)
3	Islamabad Electric Supply Company (IESCO)
4	Lahore Electric Supply Company Limited (LESCO)
5	Multan Electric Power Company Limited (MEPCO)
6	Hyderabad Electric Supply Company Limited (HESCO)
7	Peshawar Electric Supply Company Limited (PESCO)
8	Quetta Electric Supply Company Limited (QESCO)

Standards and Codes

Compliance and Monitoring of Performance standards for Distribution

To improve capacity building of professionals of DISCOs and to ensure timely submission of prescribed reporting formats, meetings were held with all the DISCOs on a regular basis.



OTHER ACTIVITIES

OTHER ACTIVITIES

(i) PRIVATIZATION

The development of a private power sector in Pakistan is one of the cornerstones of the Electricity Reform started in 1992 by the Government of Pakistan. Two distribution companies namely Faisalabad Electricity Supply Company (FESCO) and Peshawar Electricity Supply Company (PESCO) are on the privatization list. A generation company namely Jamshoro Power Company Limited is also earmarked for privatization. During 2007-08, the Ministry of Privatization was assisted actively by moving these projects forward. The International Finance Corporation (IFC), the private sector arm of the World Bank as Financial Advisors of the Privatization Commission on FESCO met with NEPRA to discuss Tariff and other issues.

The Karachi Electric Supply Company applied for a Transmission License and adjustments under the Multi Year determination were also undertaken. The KESC operates under a formula based tariff regime valid till November, 2012.

(ii) GOVERNMENT LIAISON

Issues related to development of Coal and Hydel policies were discussed and inter ministerial meetings attended. All Government of Pakistan initiatives including power sector assistance by the Asian Development Bank and the Central Asia South Asia transmission line were dealt on aspects related to regulation.

(iii) CONSUMER AFFAIRS and COMPLAINTS

Consumer Affairs

The Consumer Affairs Division operates under Section 39 of the NEPRA Act. It considers complaints regarding violation of the Act. Complaints are handled in a prompt and timely manner by a dedicated cell within NEPRA. Complaints filed are referred to the concerned licensees/Provincial Offices of Inspection (POIs) and NEPRA pursues the cases until the issues are resolved.

NEPRA is in the process of amending the Consumer Eligibility Criteria (2003) Regulations through involvement of all the stakeholders. The amendments proposed in the Eligibility Criteria were advertised in the media for comments of all stakeholders. After approval of comments and internal deliberations the Criteria will be amended. NEPRA is in the final stages of prescribing the complaint handling procedure for prompt redressal of consumer complaints. Discussion meetings with key stakeholders have been held in the matter.

Complaints

During 2007-08, NEPRA received 582 complaints, of which 542 were redressed by Consumer Affairs Division (CAD) through DISCOs, POIs and NEPRA itself and 40 are under process.

The details are as follows:

Distribution Company (DISCO)	Complaints Received	Complaints Redressed through CAD	Complaints Redressed through POIs	Under Process
PESCO	44	40	0	4
IESCO	65	58	0	7
GEPCO	36	35	0	1
FESCO	39	34	0	5
LESCO	43	40	0	3
MEPCO	73	65	1	7
HESCO	212	193	12	7
QESCO	20	20	0	0
KESC	50	42	2	6
TOTAL	582	527	15	40

Consumer Affairs Division (CAD) Court Cases

The following table gives a listing of the court cases handled by the Consumer Affairs Division:

Sr. No.	Court Case
1	D.S Textile Mills V/s LESCO
2	Fateh Textile Mills V/s HESCO
3	Marriott Hotel V/s IESCO
4	Osama Tariq Khan V/s IESCO
5	Tauwarqi Mills V/s KESC
6	Colony Textile Mills V/s MEPCO
7	North Star Textile Ltd. V/s WAPDA
8	Mr. Akhtar Hussain V/s Ministry of Water and Power



Sr. No.	Court Case
9	All Pakistan Textile Mills Association V/s WAPDA etc.
10	M/s ITHFZ Mills Pvt. Ltd. Vs Ministry of Water and Power
11	M/s Mezan Textile Mills Pvt. Ltd. V/s Federation of Pakistan
12	Hattar Textile Mills V/s Ministry of Water and Power

The major complaints processed by Consumer Affairs Division are given at Annexure-I.

(iv) INSTITUTIONAL CAPACITY BUILDING

In an effort to inculcate international best practices NEPRA continues to collaborate and be part of regional and international regulatory association.

South Asia Forum For Infrastructure Regulation (SAFIR)

NEPRA has been a member of SAFIR since 2001. The forum provides regulatory advice/expertise to the regulatory bodies of the South Asian region. For the year 2007-08 the Chairmanship of SAFIR was handed over to Pakistan and Chairman NEPRA elected as Chairman of SAFIR for 2007-08.

United States Energy Association (USEA)

NEPRA is a member of the United States Energy Association. The agency provides training/collaboration between the regulatory authorities of South Asia with regulatory authorities of the other regions including the United States of America. through interaction and participation in USEA programs has improved its regulatory skills.

South Asia Regional Initiative for Energy (SARI/ENERGY)

NEPRA is a member of SARI/Energy, a USAID based regional program for development of energy sector within the region.

Trainings/Seminars/Study Tours

NEPRA as a participant of the World Bank's Public Sector Capacity Building Program (PSCBP) undertook number of training programmes. NEPRA Authority and professionals received both short and long term training in international programs. During the year 2007-08 NEPRA professionals participated in training programmes under PSCBP as detailed below:

Capacity Building under IDA Credit 3904 Public Sector Capacity Building Project (PSCBP)

(1) Study Tour on General Regulatory Issues

A Study Tour on General Regulatory Issues was conducted from August 5 to August 17, 2007 in the USA by the National Association of Regulatory Utility Commissioners (NARUC), USA. NARUC is a non-profit organization founded in 1889. Its members include the governmental agencies that are engaged in the regulation of utilities and carriers in the fifty States of the USA, the District of Columbia, Puerto Rico and the Virgin Islands. NARUC's member agencies regulate the activities of telecommunications, energy, and water utilities.

The Chairman and five officers from NEPRA participated in the program.

The study tour focused on electric power markets, trading platforms, pricing and reliability issues and on culmination, the team of officers prepared and submitted a case study on Development of Competitive Electricity Market in Pakistan. The following institutions were visited during the Study Tour:

1. California Public Utilities Commission, San Francisco
2. California Independent System Operator, Folsom
3. New York Public Service Commission, Albany
4. New York Independent System Operator, Schenectady
5. North American Reliability Council, Princeton
6. New Jersey Board of Public Utilities, Newark
7. Pennsylvania-New Jersey-Maryland Interconnection, Norristown
8. Pennsylvania Public Utilities Commission, Harrisburg
9. Federal Energy Regulatory Commission, District of Columbia
10. Edison Electric Institute, District of Columbia
11. US Department of Energy, Office of Electricity Delivery and Energy Reliability, District of Columbia
12. US Environmental Protection Agency, District of Columbia
13. US Nuclear Regulatory Commission, District of Columbia

(ii) Training Program on Regulatory Impact Analysis

A training program on Regulatory Impact Analysis organized by the Institute of Public Private Partnership was held in Washington DC USA from August 5-17, 2007 in which Member (NWFP) and one professional participated.

(iii) United States Trade and Development Agency (USTDA)

In January 2007, a Definitional Mission visited NEPRA and discussed Technical Assistance (TA) projects. The US mission proposed a TA as part of the US-Pakistan Energy discussions, which President George W. Bush and President Pervez Musharraf launched during the visit of President Bush to Pakistan in March 2006.

Pursuant to the visit of the mission, NEPRA was given a grant of \$263,000 by the USTDA. The TA was proposed for enhancing the capability of NEPRA to develop tariff methodology for

Renewable Energy (RE) projects. The proposed work plan comprised of:

1. Review of present situation.
2. Investigation of Issues.
3. Review and Improvement of Tariff Hearings.
4. Development of RE Tariff Framework.
5. Follow-up advice and Final Report.



Signing Ceremony of USDA grant to NEPRA held at Islamabad on August 27, 2007

(iv) Seminar on Competitive Power Markets

A seminar on “Development of Competitive Power Markets” was held at PC Hotel Bhurban on September 9 & 10, 2007. The seminar was organized by NEPRA in collaboration with USAID and World Bank. Foreign and national delegates as well as members of the Authority and professionals participated. More than 45 participants from the Pakistan power sector attended the seminar. The Seminar focused on the following issues:

1. Conversion of long term PPAs to a market structure,
2. Regulatory Instruments and legal framework to avoid anticompetitive and monopolistic behavior.
3. Reliability and System integrity in power markets
4. Regional (South Asia) approaches to development of power markets.

The resource persons for this seminar, among others, included Professor Ashley C. Brown, Director, Harvard Electricity Policy Group, Harvard University USA; Professor V. Ranganathan, Professor of Economics, Indian Institute of Management, Bangalore, India; and Mr. Ray Tomkins of Economic Consulting Associates, UK. The participation was on self payment basis and NEPRA utilized its PSCBP funds for resource person payments only. The benefits of the Seminar were shared by large cross sector of regional and local power sector

executives. The participants of the Seminar demonstrated a keen interest in development of electricity markets in Pakistan.



Seminar on Development of Competitive Power Markets organized by NEPRA at PC Hotel, Bhurban on September 9 & 10, 2007

(v) UNIFORM FUEL PRICE ADJUSTMENT MECHANISM

In order to arrive at a uniform fuel price adjustment mechanism for RFO based power plants, a conference was held in Lahore on October 22, 2007 in which all stakeholders participated.

(vi) FACILITATION TO STAKEHOLDERS

The Authority is striving to provide a level playing field to all the stakeholders and assuring prospective investors of objective decisions on regulatory matters of the power sector. NEPRA works in close coordination with other stakeholders of the power sector. In order to facilitate stakeholders to play their respective roles in the development of the power sector NEPRA continued dialogue with national and international agencies on specific issues as well as on policy framework.

In the matter of tariff determinations the policy of openness, transparency and involvement of all stakeholders (including the general public) was ensured through public hearings.

(vii) COORDINATION

During the period under review, 365 Authority regulatory meetings were held. The details are given in the following Table:

Month	Number of Regulatory Meetings Held
July 2007	34
August 2007	27

Month	Number of Regulatory Meetings Held
September 2007	36
October 2007	17
November 2007	32
December 2007	27
January 2008	30
February 2008	26
March 2008	27
April 2008	35
May 2008	26
June 2008	48
Total	365

12 discussion meetings with international agencies and government functionaries were also held. The details are at Annexure II.

Workshops and Meetings Conducted by CAD

1. Workshop at Karachi regarding Conservation of Energy
2. Workshop at Lahore regarding Consumer Services Manual
3. Meetings held at Karachi, Quetta, Lahore, Multan, Peshawar, Islamabad and Faisalabad regarding the mechanism suggested by CAD for theft cases (to be incorporated in Consumer Services Manual).
4. Meetings with all DISCOs regarding modification in ECR-2003.



Mr. Khalid Saeed, Chairman NEPRA, Mr. Zafar Ali Khan, Vice Chairman/Member NEPRA, and representatives of Energy Sector Mission-World Bank and Economic Affairs Division in a discussion meeting on 'Financial Recovery Plan for the power sector' at NEPRA Main Office, Islamabad

Month	Number of Regulatory Meetings Held
September 2007	36
October 2007	17
November 2007	32
December 2007	27
January 2008	30
February 2008	26
March 2008	27
April 2008	35
May 2008	26
June 2008	48
Total	365

12 discussion meetings with international agencies and government functionaries were also held. The details are at Annexure II.

Workshops and Meetings Conducted by CAD

1. Workshop at Karachi regarding Conservation of Energy
2. Workshop at Lahore regarding Consumer Services Manual
3. Meetings held at Karachi, Quetta, Lahore, Multan, Peshawar, Islamabad and Faisalabad regarding the mechanism suggested by CAD for theft cases (to be incorporated in Consumer Services Manual).
4. Meetings with all DISCOs regarding modification in ECR-2003.



Mr. Khalid Saeed, Chairman NEPRA, Mr. Zafar Ali Khan, Vice Chairman/Member NEPRA, and representatives of Energy Sector Mission-World Bank and Economic Affairs Division in a discussion meeting on 'Financial Recovery Plan for the power sector' at NEPRA Main Office, Islamabad



ADMINISTRATION AND FINANCE



ADMINISTRATION

(i) NEPRA Gratuity Fund

NEPRA Gratuity payments in hands of the recipients are taxable. NEPRA employees Gratuity Fund was established during 2007-08 with an independent board of trustees for its management and was registered with Deputy Registrar, Islamabad. Request for recognition has been submitted to the Income Tax Commissioner and a favorable response is expected. This will make the Gratuity payments exempt from tax in the hand of the recipients.

(ii) NEPRA Provident Fund

The board of trustees of NEPRA Employee's Provident Fund was reconstituted. The financial statements of the Fund were prepared. Application for recognition has been submitted to the Commissioner of Income Tax and a favorable response is expected.

(iii) Human Resource Management System

The IT division has developed the NEPRA Human Resource Management System (HRMS) in order to streamline/track the record of NEPRA professionals. The implementation is in Test Phase and after requisite User Acceptance Training (UAT), live HRMS Server will be fully operational by September 2008.

(iv) Computerization and Connectivity

The official website of NEPRA is being maintained by experts in such a way as to communicate effectively with stake holders, licensees and related agencies. A powerful complaint tracking mechanism is in place for better and efficient complaint management.

(v) NEPRA Tower

Meetings were held on a regular basis to discuss progress of work on the construction of NEPRA Head Office. Following the Authority's approval of the PC-I of NEPRA Tower, structural drawings were submitted to CDA by the Consultant, Nayyer Ali Dada Associates. Bids for Environmental Impact Assessment study and Structural Design vetting were advertised and after bid evaluation, letters of invitation were issued to M/s QPCORP Environmental Consultants and Arif Consulting Engineers respectively. Interviews for the post of Project Director are to be held shortly.

(vi) NEPRA Office III

For the establishment of NEPRA Office III, House # 67, Street # 01 in sector G-6/4 was hired. The Legal and Consumer Affairs Divisions were relocated to the new office.

(vii) Induction and Regularization

During 2007-08, 14 employees at NSG-3 and below were inducted and 2 employees at NSG-5

were regularized as per NEPRA Service Regulations - 2003.

(viii) Regulatory Performance Assessment and Performance Benchmark Criteria

Since the formal creation of NEPRA in December, 1997, evaluation of NEPRA's performance against its objectives and goals was neither carried out nor was NEPRA compared to international regulatory practices.

NEPRA is developing two Questionnaires (one to be completed internally and other by the stakeholders) which would help assess NEPRA's performance in terms of its effectiveness, impact of its decisions, regulatory capture and performance of the sector.

FINANCE

The Finance Division of NEPRA undertook the following major assignments during 2007-08:

- (a) Up-gradation of NEPRA Financial Systems
- (b) During the year, NEPRA's accounts, which were maintained on Single Entry System since its inception, were converted to Double Entry Systems in line with modern practices capable of producing proper financial statements compliant with Generally Accepted Accounting Principle and International Accounting Standards.
- (c) Responding to Audit Paragraphs
- (d) **Audited Financial Statements**

M/s. KPMG, Taseer Hadi & Co. were appointed as auditor for financial statements of NEPRA who have completed the audit of NEPRA's Accounts for the year 2006-07 and have submitted their audit report to the Authority.

(e) Implementation of Oracle Financial System

NEPRA Accounts have been automated on Oracle Financial System and the Consultants M/s. M. Yousuf Adil Saleem & Co. (Deloitte) completed the assignments in May 2008. Efforts are in hand to update the data for the year 2007-08 and 2008-09 in the system.

(f) Uniform System of Accounts (USoA)

NEPRA has an obligation to prescribe a Uniform System of Accounts for the Electric Power Sector of Pakistan. During 2007-08 the work on the assignment was completed with the assistance of Consultants M/s. M. Yousuf Adil Saleem & Co. (Deloitte). Stakeholders' participation was ensured throughout the process. The Authority has approved and prescribed the Uniform System of Accounts. The document sets the benchmark for the formats on which licensees would submit their financial reports. The accounting system is oracle based and all relevant data can be transmitted online. The USoA has been forwarded to the Cabinet Division for notification in the Gazette, which is expected soon.



ANTICIPATED DEVELOPMENTS IN 2008-09

ANTICIPATED DEVELOPMENTS IN 2008-09
(i) GENERATION TARIFF PETITIONS UNDER PROCESS

	Date of Admission	Date of Admission
HYDEL		
Hydel Power Producers		
Blue Star Energy (Private) Limited	07-05-2008	
SK Hydro (Private) Limited	17-07-2008	01-08-2008
Import of Power		
MIRA Pakistani Limited. Kotli Hydro Power Project	05-06-2007	27-06-2007
Independent Power Producers (IPPs)		
Foundation Power Co. (Daharki) Limited	02-07-2008	
Green Electric Pvt. Limited	29-05-2007	28-06-2007
Intergen Private Limited	10-10-2007	20-11-2007
Saif Power Limited	04-06-2008	10-07-2008
Karachi Electric Supply Company Limited (KESC)	04-06-2008	16-06-2008
Wind Power Producers (WPPs)		
Beacon Energy Limited	28-06-2006	06-12-2006
Dawood Power (Pvt) Limited	25-07-2008	21-08-2008
XWAPDA Generation Companies (GENCOs)		
Northern Power Generation Company Limited	17-06-2008	03-07-2008

The activities of NEPRA would include the granting of licenses for Generation, Transmission and Distribution as well as issuing Licensee Proposed Modifications (LPM) and Authority Proposed Modifications (APM). In addition determinations for tariff would be issued. Tariff adjustment on account of fuel price variation and inflation would be made. Work on the development of safety code would also continue.

(ii) STANDARDS AND CODES

According to the NEPRA Act (XL of 1997), NEPRA is required to prescribe performance standards for generation, transmission and distribution companies to encourage safe, efficient and reliable service. There is also a provision of penalizing those service providers not adhering to the prescribed standards.



Generation Performance Standards

The Authority approved Draft Generation Performance Standards in March 2008 for circulation to stakeholders for their comments. The comments received by NEPRA on draft Generation Performance Standards were discussed in a one day Workshop with stakeholders at the head office of NEPRA. The revised version of Performance Standards after approval by the Authority will be sent for notification by the Government as per the rules.

Investment Standards

The work on preparation of Investment Standards is progressing satisfactorily.

Safety Code

Work on the development of Safety Code continued during the fiscal year 2007-08.

Grid Code

The Grid Code contains day-to-day and long term principles for planning, operation, dispatch and connection for NTDC transmission system conditions. Various aspects of Grid Code and its implementation were discussed in a two days Workshop on “NEPRA Regulatory Regime” held at WAPDA Staff College, Islamabad in December 2007.

Applicability Grid Code to Wind Energy Projects

Introduction of Wind Energy Projects in the NTDC Grid would result in interconnection and stability issues. Wind Energy Generators have requested that, due to specific operation characteristics, Wind Energy plants be exempted from certain clauses of the Grid Code. The concerns of Wind Energy Generators about the applicability of Grid Code to their projects were discussed by NEPRA with NTDC to move forward on the issues.

(iii) INDUSTRY STRUCTURE

During fiscal year 2008-09, NEPRA expects to issue Market Rules for the Central Power Purchasing Agency. Technical assistance from the Asian Development Bank (ADB) is sought for developing these rules. NEPRA as a member of the working group created to develop the CPPA participated in progress meetings periodically.

(iv) OTHER RULES AND REGULATIONS

Since the principal function of NEPRA is to regulate through formation of Rules, Regulations and Procedures, NEPRA is in the process of formulating/modifying the following applicable documents. The process involves workshops/interaction with all the stakeholders.

- Complaint Handling and Dispute Resolution Rules 2008.
- Procedure for Supply of Power to Housing Societies and high-rise buildings.



- Modification in Eligibility Criteria Regulations 2003.
- Approval of Consumer Service Manual with uniform procedure for cases pertaining to theft/illegal abstraction of electricity.
- Generation Performance Standards Rules.
- Investment Standards and Procedure Rules.
- Power Market Rules Guidelines.
- Cost of Service Studies.
- Transmission License to KESC.
- Power Safety Code.

ANNEXURE I

Major Complaints Processed During 2007-08

1. Complaint filed by M/S Dewan Hattar Cement Limited V/S PESCO regarding demand of security charges of Rs. 53,5000/- for change of the name of the company.
2. Complaint filed by Mr. Syed Karamat Ali Rizvi, Project Manager (Energy Monitoring Cell), Government of NWFP against PESCO regarding application of wrong Tariff to Provincial Government and Semi-Government offices and locations.
3. Complaint filed by Mr. Khalid Mehmood (Resident Director) Tribal Textile Mills Ltd. against PESCO regarding removal of local connections from Tribal Textile Mills independent feeder.
4. Complaint filed by Dr. Shah Din Rafique V/S IESCO regarding illegal demand of Rs. 56500 by IESCO for difference in the cost of the transformer price.
5. Complaint filed by Mr. Zaheer Iqbal Khan , Manager Best Western Hotel Islamabad, V/S IESCO regarding extension of load and provision of transformer.
6. Complaint filed by Mr. Abdul Mukhtar Khan (Chief Engineer TDCP Patriata Resort Murree) against IESCO regarding replacement of 200 KVA Transformer installed at base stations Chair Lift Gulera Gali, New Murree.
7. Complaint filed by Ch. Muhammad Arif (Chairman) V/S IESCO regarding provision of transformer.
8. Complaint filed by Qari Abdul Qudoos against IESCO regarding restoration of electricity supply of Madrasa Ashraf-ul-Uloom Islamabad.
9. Complaint filed by Major (Retd) Abdul Wahab (General Secretary) Citizen Community Board, Rawalpindi against IESCO regarding provision of electricity facility to the deprived residents of Pir Mehr Shah Colony, Rawalpindi.
10. Complaint filed by Mrs. Bushra Iqbal against IESCO regarding reconnection of electricity.
11. Complaint filed by Mr. Khurshid Ahmad against IESCO regarding removal of electric wires crossing over the house of the complainant.
12. Complaint filed by Syed Imran Ali Shah V/S GEPCO regarding provision of electricity connection.
13. Complaint filed by Mr. Imdadullah Abbasi V/S MEPCO regarding arrears bill amounting to Rs. 121177/-.
14. Complaint filed by M/s Roomi Cotton Factory No. 2 Multan against MEPCO

regarding clarification of Industrial Tariff.

15. Complaint filed by Mr. Khalid Aziz Samo V/S HESCO regarding illegal disconnection of electricity supply by XEN HESCO (Nawabshah Circle)
16. Complaint filed by Assadullah Woolen Mills V/S KESC regarding refund of fixed charges and irregular bill.
17. Complaint filed by Mr. Muhammad Asghar (Partner), M/s Master Agro Industries, Karachi against KESC regarding service connection charges.
18. Complaint filed by Mr. Abdul Haq s/o Wali Muhammad V/S LESCO regarding provision of electricity connection.
19. Bill collection charges from the consumers by KESC without approval from NEPRA.

ANNEXURE II
Discussion Meetings Held During the Period 2007-08

Sr. No.	Date	Subject
1	31.07.2007	New Bong Hydropower Project Adjustment of Tariff for Variation in KIBOR/LIBOR
2	03.09.2007	Development of Coal Based Projects for Power Generation
3	25.09.2007	Visit of SUNEK Wind Mill Generator Company delegation
4	03.10.2007	Public Private Partnership Mission - Meeting with World Bank
5	10.10.2007	USAID/SARI Energy - meeting with Acting Chairman, NEPRA
6	22.10.2007	Meeting of IFC (World Bank Group) Mission
7	02.11.2007	Appointment of CMC Vice President on November 2, 2007 Sonda - Jherruk Coal Mine and Power Plant Project.
8	19.03.2008	Request of All Pakistan Textile Mills Association (APTMA) for meeting with NEPRA
9	28.04.2008	Establishment & Commencement of Central Power Purchasing Agency (CPPA) - Asian Development Bank
10	19.05.2008	Meeting on 1000-1200 MW imported Coal Based Integrated Power Projects near Gadani
11	21.05.2008	Energy Sector Mission - World Bank
12	22.05.2008	Formulation of the Medium - Term Renewable Energy Policy



ACRONYMS

ADB	Asian Development Bank
AEDB	Alternative Energy Development Board
BPC	Bulk Power Consumer
CoD	Commercial Data of Operation
CPI	Consumer Price Index
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DWP	Development Working Party
ECC	Economic Coordination Committee
FESCO	Faisalabad Electric Supply Company
GEPCO	Gujranwala Electric Power Company
GENCO	Generation Company
GoP	Government of Pakistan
GWh	Giga Watt per Hour
HESCO	Hyderabad Electric Supply Company
IBRD	International Bank for Reconstruction and Development
IPP	Independent Power Producers
IESCO	Islamabad Electric Supply Company
IRR	Internal Rate of Return
KESC	Karachi Electric Supply Company
kV	Kilo Volt
kWh	Kilowatt per Hours
LAN	Local Area Network
LESCO	Lahore Electric Supply Company
LUMS	Lahore University of Management Sciences
MEPCO	Multan Electric Power Company
MW	Mega Watt
MYT	Multi-year Tariff
NEPRA	National Electric Power Regulatory Authority
NGC	National Grid Company
NTDC	National Transmission and Dispatch Company
PC	Privatisation Commission
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PPIAF	Private Power and Infrastructure Advisory Facility
PPIB	Private Power and Infrastructure Board
PSDP	Power Sector Development Project
PSI	Pakistan Standards Institute
QESCO	Quetta Electric Supply Company
SAFIR	South Asia Forum for Infrastructure Regulation
SARI	South Asia Regional Initiative
SOQ	Statement of Qualification
SPP	Small Power Producer
UNDP	United Nations Development Program
WAPDA	Water and Power Development Authority
WB	World Bank

Published by
National Electric Power
Regulatory Authority

Main Office
2nd floor, OPF Building
Shahrah-e-Jamhuriat
G-5/2, Islamabad
Ph: +92 51 9207200
Fax: +92 51 9210215

Additional Office
2nd Floor, PIA Building
Fazl-e-Haq Road
Blue Area, Islamabad
Ph: +92 51 9217641
Fax: +92 51 9217651

<http://www.nepra.org.pk>
email to: office@nepra.org.pk
and info@nepra.org.pk

