

Power Generation Policy 1994, Govt. majority of IPPs sign settlement pacts

ISLAMABAD: The government and majority of Independent Power Producers (IPPs) established under Power Generation Policy 1994 have also signed settlement pacts, paving the way for substantial reduction in power tariff and circular debt, well informed sources told Business Recorder.

The MoU is being signed individually by the IPPs and GOP's Negotiation Committee Chief Babar Yaqoob Fateh Muhammad.

According to the unsigned documents, the Committee for Negotiations with Independent Private Power Producers notified by Government of Pakistan on June 3, 2020 and the IPPs representing the 1994 Power Policy projects, had several rounds of discussions and the parties have agreed to alter their existing contractual arrangements to the extent of, and strictly with respect to, the matters listed under this Memorandum of Understanding. The terms of the MoU are subject to the approval of Federal Cabinet and IPPs' Board of Directors and other necessary corporate approvals.

The MoU has the following points agreed between the parties ;(i) the MoU has, in the larger national interest, voluntarily agreed to provide concessions;(ii) the existing capacity payments and variable O&M shall be reduced by 11%;(iii) USD exchange rate and US CPI indexations shall be discontinued on 50% of the reduced capacity payment, which shall be fixed at National Bank of Pakistan's TT/OD selling PKR/USD exchange rate prevailing as on August 12, 2020 without any local or international currency indexation or inflation adjustment for the future;(iv) in lieu of the tariff reductions herein above, any heat rate sharing by any IPP as per its existing arrangement shall cease to exist;(v) USD exchange rate and US CPI indexations on reduced variable O&M and 50% of the reduced capacity payment shall continue as per existing arrangement ;(vi) the parties shall look into the possibility of termination of plants considering their' commercial and technical viability;(vii) the parties acknowledge that the IPPs predate the creation of the Nepra regime.

The Government of Pakistan intends to create competitive power markets. Without prejudice to the terms of its generation license, the IPP shall actively support and participate in the Competitive Trading Arrangement when it is implemented and becomes fully operational;(viii) the parties recognize that payment of the receivables of the IPPs is an integral part of this MoU as key consideration. The Power Purchaser and GOP shall devise a mechanism for payment of the outstanding receivables within agreed time period which shall be reflected in the final agreement to be signed.

The power purchaser shall ensure adherence to its contractual obligations, and GOP and power purchaser shall work towards resolution of the Expert's adjudication for the relevant IPPs;(ix) the parties agree that nothing contained in this MoU shall be deemed or be construed;(ix) an admission of liability, wrong-doing or improper action on the part of the IPPs;(x) this MoU or any of the terms of this MoU shall not be construed as an alteration or amendment to the Power Purchase Agreement or Implementation Agreement.

Once Federal Cabinet and Board of Directors of the IPP approve the terms of this MoU, the Committee and IPPs shall agree and document details and procedures of these understandings, along with IPPs' project specific issues, preferably within 30 days, after which the same shall be submitted to relevant counterparties, to be followed by legal documentation to amend the tariffs and relevant agreements and ;(xi) this MoU is valid for six months from the date hereof and shall stand terminated on signing of the detailed agreements.