

### **Nepra grants generation tariff for two 150MW solar power projects**

KARACHI: The power sector regulator has granted generation tariff of Rs5.8/kwh each for two solar-based power projects with a cumulative capacity of 150MW.

These tariffs have been determined on cost plus basis despite the fact that the government was willing to procure renewable energy through competitive bidding. National Electric Power Regulatory Authority (NEPRA) has determined tariff for 50MW Enertech Quetta Solar and 100MW Zorlu Solar Pakistan.

In its remarks on the cost plus tariff, Alternate Energy Development Board (AEDB) said the government of Pakistan decided to procure renewable energy through competitive bidding, therefore cost plus tariffs should be avoided, as competitive bidding would reduce the overall basket price of electricity.

However, NEPRA was of the view that solar tariffs were dependent on multiple factors, including solar irradiance in the area of installation, cost of capital of the country, and sizing of the project.

“Comparison of solar tariffs across countries has to be made while considering all these factors and other considerations including state of maturity of the sector in the form of installed capacity base and local manufacturing,” the authority noted.

NEPRA also said that time and again it had clarified that it decided to induct solar energy through competitive bidding and directed the relevant agencies to develop Request for Proposal (RIP) for that purpose.

“Due to non-finalisation of RFP by any agency after the lapse of considerable time period, the process of competitive bidding has not taken place. Therefore, it may not be considered appropriate to stop accepting applications on cost plus basis and delay the induction of cheap electricity merely on the basis that relevant entities have caused delay in carrying out competitive bidding,” it said.

The RFP is the document that includes the necessary information, benchmark parameters, terms and conditions and bid evaluation criteria for the competitive bidding regime. Under cost-plus tariff, a power producer is paid its actual cost plus an agreed profit, whereas tariff-based competitive bidding is a price discovery mechanism in which various generators bid and one with the lowest bid gets the contract.

It may be mentioned here that the Competitive Bidding Tariff (Approval Procedure) Regulations were notified in 2014, and the tariffs are still being determined on cost plus basis.