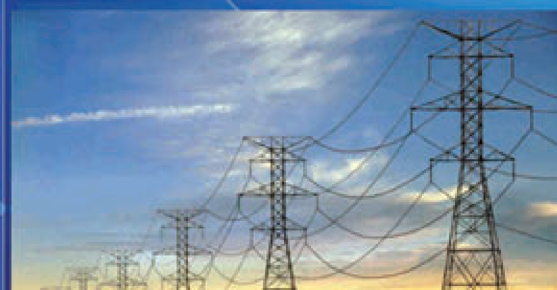
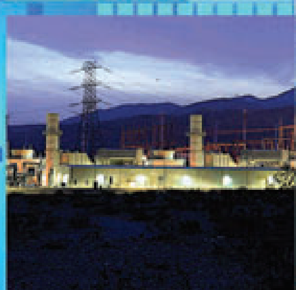
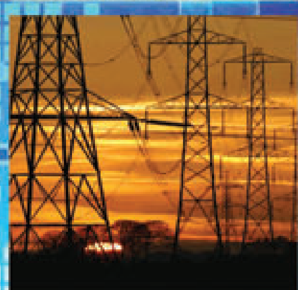
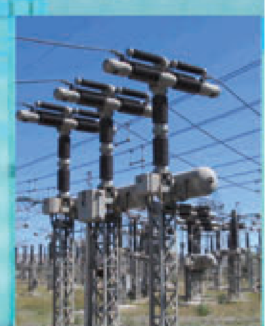
POLICY FRAMEWORK FOR PRIVATE SECTOR TRANSMISSION LINE PROJECTS, 2015





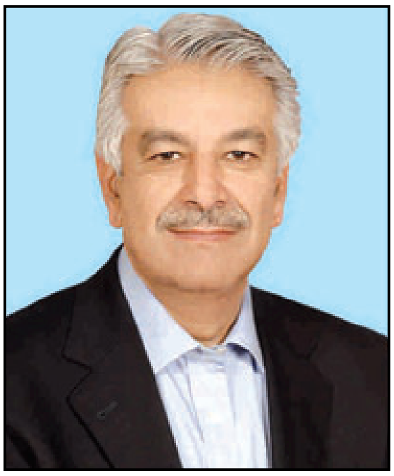




GOVERNMENT OF PAKISTAN

Policy Framework for Private Sector Transmission Line Projects 2015

Foreword



The Government of Pakistan is well cognizant of the acute power shortage in the country and the power sector has been one of the top priority sectors of our government since we assumed power in June 2013. As a first step we formulated and announced a comprehensive national power policy and to effectively implement our strategies we focused on our short, medium and long term power demand and supply position with multi-pronged strategies. The projects already under construction are being given due attention vis-à-vis making their processes simple, so that they will be able to commission on schedule.

It is indeed very important to develop our indigenous resources which include our hydropower resources and enormous deposits of coal. Besides developing our indigenous coal at Thar, our immediate initiatives include projects based on imported coal. Small to large hydropower projects are at various stages of development in the public sector and expected to come online in different intervals starting from year 2015. Through the private sector, currently a number of projects are being processed, including hydropower. Recently nuclear power plants have also been initiated and we intend to use nuclear technology further to address our electricity needs. At the same time, noticeable initiatives have been taken by our government to generate electricity using Solar and Wind technologies. We are also encouraging import of electricity from neighboring countries on mutually agreed terms.

With the medium and long terms plans of power induction into the national grid, it is of vital importance that the infrastructure is made available to transport the electricity from the power generation facilities to the national grid. Such mega projects demand huge investments, and due to the limited resources available with the Government, and also due to the government's concentration on social sectors like health, education, security etc., private sector resource mobilization is necessary for large infrastructure projects.

In view of the above, our government, under the able guidance of the Prime Minister of Pakistan has framed an investor friendly policy for attracting private sector in the transmission line projects after extensive consultation with government stakeholders, provinces and the private sector.

Similar to power generation projects, this transmission lines policy offers attractive fiscal and non-fiscal incentives to the prospective investors. The Government of Pakistan welcomes investors with open arms to capitalize their investments for mutual benefit to the people of Pakistan.

Khawaja Muhammad Asif
Federal Minister for Water & Power

ABBREVIATIONS

BOOT	Build-Own-Operate-Transfer
CS	Convertor Station
EDB	Engineering Development Board
GS	Grid Station
GOP	Government of Pakistan
ICB	International Competitive Bidding
ITC	Independent Transmission Company
kV	Kilo Volt
kW	Kilo Watt
LOS	Letter of Support
NEPRA	National Electric Power Regulatory Authority
NTDCL	National Transmission and Despatch Company Limited
OHL	Overhead Transmission Lines
PEPA	Pakistan Environmental Protection Agency
PPIB	Private Power and Infrastructure Board
PPP	Public Private Partnership
RFP	Request for Proposals
Rs	Pakistan Rupee
TSA	Transmission Service Agreement
TSC	Transmission Service Charge
US$	United States Dollar

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Policy Framework for Private Sector Transmission Line Projects

Guidelines Transmission Line Policy

A. INTRODUCTION

The large scale capacity additions in the electrical generation system are planned in the next few years which will necessitate corresponding augmentation in the transmission network. Due to the encouraging response of the private sector for investment in power generation and the constraints on public sector resources, the Government of Pakistan (GOP) has decided to solicit proposals from the private sector for investment in the field of both AC and DC Extra High Voltage (EHV) Power Transmission Lines, Substations, and Converter Stations.

This document describes the policy framework and the package of incentives that will be available to the prospective investors interested in bidding for these projects.

B. CHOICE OF PROJECTS AND OBJECTIVES

The list of EHV Transmission Line projects to be offered to the private sector for bidding will be prepared by the GOP. The projects, to be offered in the form of reasonably-sized financeable packages, will comprise of one or more Transmission Line sections along with the associated Grid/Converter Stations. The salient features of the packages are:

1. The Transmission Line projects would be offered on Build, Own, Operate, and Transfer (BOOT) basis, comprising of EHV Overhead Transmission Lines (OHL) and Grid Stations (GS) or Converter Stations (CS). The term of these projects will be 25 years, following which they will be transferred to NTDCL.

2. International Competitive Bidding (ICB), based on levelized tariff, will be carried out for processing and award of projects. Parties/sponsors will be eligible for submitting application(s) for any one or all of the packages.

A one stage, two-envelope approach will be adopted for bidding, wherein sponsors will be prequalified in the first phase and tariff bids of only prequalified sponsors will be opened and evaluated in the second phase. While prequalifying parties, due weightage will be given to the financial strength and technical experience of the private sector sponsors. For prequalification, the bidders must demonstrate their project development, execution, and management capability in relation to successful implementation of various infrastructure projects of at least 50% of the magnitude of the offered Transmission Line Project.

3. (a) Letter of Support (LOS) will be issued to the bidders satisfying the qualification criteria set by PPIB and offering lowest evaluated levelized tariff as a result of ICB after approval by NEPRA.

   (b) Complete proposal indicating Transmission Service Charges against each item are to be provided. Incomplete prices or other information will result in rejection of the proposal or bids. GOP retains the right to accept or reject any or all proposals or bids without assigning any reason and without any liability.

4. The projects may also be awarded on the basis of Upfront Tariff announced by NEPRA in accordance with the provisions of NEPRA Act.

5. The minimum design and functional performance requirements for these projects will be prepared by the NTDCL to ensure compatibility with the existing systems. However, the development of detailed design will be the responsibility of the sponsors. The detailed design will be shared with NTDCL before start of construction of Transmission Line.

6. NTDCL will carry out interconnection studies including load-flow, short-circuit and transient stability studies for the projects; prior to the offering of these projects to the private sector. The charges for the aforesaid studies would be reimbursed by the selected bidder upon award of the project.

7. The exact route/corridor for various transmission lines packages and locations of Grid/Converter Stations would be determined by the GOP or its designated entity including NTDCL.

8. The ITC will be fully responsible for the availability and maintenance (periodic/scheduled as well as routine) of the system contracted for. The ownership and operation of the Transmission Line as well as its associated GS/CS will be the responsibility of the ITC, and the ITC will operate its transmission facilities in accordance with the directions of the System Operator (NPCC).

9. However, the PPIB Board may decide a different responsibility structure for operation, routine and periodic maintenance for specific projects, which should be in line with NEPRA Act. The O&M of Transmission Line and GS/CS will be performed according to International standards/norms.

10. The Power System Operation including system security, voltage control and generation despatch shall be the entire responsibility of the NTDCL/NPCC.

11. Land acquisition and acquisition of the legal right of way will primarily be the responsibility of NTDCL. This will be provided on long-term lease to the ITC.

12. The ITC shall be responsible for meeting the environmental standards in design and operation of the project and obtaining of Environmental approvals.

13. All plant, equipment and machinery for the proposed projects shall be new and unused.

14. The option of implementing projects in Public Private Partnership (PPP) mode is available under this Policy, and the investors along with GOP/PPIB may decide the mode of implementation for a particular project.

15. The GOP will be responsible to maintain law & order situation for security and protection of the Transmission Lines against sabotage/terrorist activities.

16. The ITC shall obtain appropriate insurance for the Grid/Converter Stations and other major installations as is acceptable to the Power Purchaser in the TSA.

C. FINANCING ARRANGEMENTS:

1. These projects will involve limited recourse financing. The investors in, and lenders to, the ITC must look to the revenues earned by the ITC through the sale of Transmission Services for their returns on equity and the servicing of their loans.

2. The minimum requirement for equity investment is 20% of the total capital cost of the project.

3. To facilitate the creation and encouragement of a corporate debt securities market essential to raise local financing for power transmission projects, the following provisions have been made:

i) Permission for power transmission companies to issue corporate registered bonds;

ii) Permission to issue shares at discounted prices;

iii) Permission for foreign banks to underwrite the issue of shares and bonds by the private transmission companies to the extent allowed under the laws of Pakistan;

iv) Non-residents are allowed to purchase securities subject to the prescribed rules and regulations;

v) Abolition of 5% limit on investment of equity in associated undertakings;

vi) Asset securitization for tapping the financial markets in accordance with the prescribed rules and regulations.

D. FISCAL INCENTIVES:

1. Profits and gains derived by the ITC from Transmission Line projects shall be exempt from corporate income tax for a period of 10 years from the date of establishment of the ITC or from the date of commencement of business whichever is earlier.

2. Provisions of Section 113 and 113 C of the Income Tax Ordinance 2001, regarding payment of minimum tax on turnover and payment of alternate corporate tax, respectively shall not be applicable for a period of ten years from the date of establishment of the ITC or from the date of commencement of business whichever is earlier in respect of an ITC deriving income from Transmission Line projects.

3. The ITC is allowed to import plant and equipment upon payment of reduced Customs Duty of 5%. The condition of local manufacturing appearing in Part-I of the Fifth Schedule to the Customs Act 1969, shall not apply for a period of three years, on import of machinery, equipment and other capital goods imported for setting up a new Transmission Line provided the imports are made against valid contract(s) or letter(s) of credit and the total C&F value of such imports for the project is US$ 50 million or above. The EDB will notify in advance the list of locally manufactured goods in relation to Transmission Line projects.

4. Provisions of Section 148 shall not be applicable to an ITC engaged in Transmission Line projects on the import of plant and machinery and specialized vehicles for a period of 10 years from the date of establishment of the ITC or from the date of commencement of business whichever is earlier.

5. Sales Tax on import of machinery, equipment and other capital goods if not exempted under the Sixth Schedule to the Sales Tax Act 1990 shall be charged at the rate of 5% and shall be non-adjustable/non-refundable.

6. The ITC is allowed to register anywhere in Pakistan to avail reduction in stamp duty and registration fee for registration of loan documents by Federal Government.

7. The ITC is free to get insurance from any source as per requirement of lenders and utilities.

8. The power generation and transmission has been declared as an industry and the ITC is eligible for all other concessions which are available to industrial projects.

9. The sponsors may raise local and foreign finance in accordance with the regulations applicable to industry in general.

10. Repatriation of equity along with dividends is freely allowed, subject to the prescribed rules and regulations.

11. The Sponsor(s) will be required to hold at least 51% of the equity of the ITC during the "lock -in period" which will be from the LOS issuance date until the sixth anniversary of the successful commissioning of the plant.

12. Dividends distributed by an ITC engaged in Transmission Lines Projects shall be taxable at the rates specified in the Income Tax Ordinance 2001.

13. Non-Muslims and non-resident shareholders shall be exempt from the payment of Zakat on dividends paid by the ITC.

14. The ITC is liable to withhold and pay to the GOP as full and final income tax liability of its contractors @ 6.5 % and 7% tax from corporate and non-corporate contractors, respectively.

E. SECURITY PACKAGE:

1. Draft Standard Implementation Agreement (IA) and draft Transmission Services Agreement (TSA) will be prepared and made available to the private sector investors, so as to facilitate them in developing a good understanding of the complete framework for the implementation of Transmission Line projects.

2. The TSA and IA will include provisions to ensure that the Transmission Line project is completed on time and in accordance with technical and performance specifications as laid down by the GOP.

3. GOP will provide Guarantee for securing the payment obligations of the NTDCL under the TSA.

4. For independent transmission projects, the Government will:

   i) Provide protection against political force majeure risk (to be defined and elaborated in standard TSA);

   ii) Provide protection against changes in certain taxes and duties;

   iii) Compensation in case the GOP/NTDCL defaults in its obligations towards the ITC.

F. ONE WINDOW OPERATION:

The Private Power and Infrastructure Board (PPIB) is responsible for coordinating with all the agencies and Ministries concerned and taking decisions, monitoring the performance of private sector projects in accordance with the agreements and safeguarding the interests of the consumers.

G. TRANSMISSION SERVICE CHARGE:

1. The Transmission Service Charge (TSC) will be designed to recover all Operation & Maintenance Costs, Debt Serving (interest and principal repayments) and Return on Equity including redemption of equity to the investors over the term of TSA for the Project.

2. For the transmission of electrical power, the ITC will charge the power purchaser a TSC based on annual revenue requirements.

3. All TSC payments made to the ITC will be in Pak Rupees; while a single TSC will be calculated in Rs./kWh. The TSC will be paid only if the transmission lines are available for despatch of energy except for defined Force Majeure Events.

4. The bidders/sponsors may split the above cost components into Pak Rupee and foreign currency costs.

5. The TSC shall be paid in Pak Rupees and will be indexed for inflation and exchange rate variations on the allowed components of the TSC according to the date and parameters as defined in the bidding documents as specified in Table-1.

H. THE ENVIRONMENT

All requirements of the Pakistan Environmental Protection Agency (PEPA) Act 1997, interalia, relating to environmental protection, environmental impact and social soundness assessment, shall have to be met.

TABLE -1

Tariff Indexation Mechanism for Transmission Line Projects including Grid/Converter Station (Rupees/kWh)

Tariff Components	Tariff Indexation & Adjustment
O&M (Foreign Currency Portion)	US$ to Pak Rupees & US CPI
O&M (Local Currency Portion)	Pakistan CPI
Return on Equity	US$ to Pak Rupees
Principal Repayment (Foreign Currency Loan)	US$/Euro/Yen/Pound to Pak Rupees (according to borrowing by the ITC at Commercial Operations and quarterly thereafter
Principal Repayment (Local Currency Loan)	NIL
Interest/Mark-up Payments (Foreign Currency Loan)	Adjustments for relevant LIBOR or other applicable Interest Rate benchmark at Commercial Operations and quarterly thereafter Adjustment for variation in Rs./Foreign Currency rate (US$/Euro/Yen/Pound) as applicable at Commercial Operations and quarterly thereafter
Interest/Mark-up Payments (Local Currency Loan)	Adjustments for relevant KIBOR benchmark at Commercial Operations and quarterly thereafter

Note: The Bidders will be required to quote Transmission Service Charge (TSC) for the full package which may cover transmission line, grid or converter station and other components in the package.

GUIDELINES TRANSMISSION LINE POLICY 2015

GUIDELINES
TRANSMISSION LINE POLICY

TRANSMISSION PACKAGE

1. A transmission package will comprise Extra High Voltage Over Head Lines (EHV OHL), the associated Grid Stations (GS) /Convertor Stations (CS) plant and equipment, and where required interbus power transformers, shunt reactors, metering, protection systems, SCADA, electro-communication equipment/facilities and any other required equipment and or systems. The OHL will include a specified optical fiber shield wire and associated equipment.

2. The Private Sector investor shall transfer a fully functional system at expiry of TSA term. For the purposes of Transmission Line Policy, EHV is defined to mean 220 kV and above AC and DC Transmission Lines.

PERFORMANCE STANDARDS

3. The O&M of Transmission Line and GS/CS will be performed according to International standards/norms.

4. The PPIB Board has been made responsible for deciding responsibility structure for operation, routine and periodic maintenance for specific projects keeping in view their complexity and risk.

5. Cost of repair / insurance resulting from terrorism will not be attributed to the ITC, any cost of such repair/rehabilitation will be allowed as pass through cost in the tariff by NEPRA. The provincial/local governments will strengthen the surveillance and monitoring of the area.

LAND ACQUISITION

6. Land acquisition and acquisition of the legal right of way will be the responsibility of NTDCL. The area of land strips will be considered for calculating the length of the project.

7. Any necessary amendment in the relevant law will be moved by NTDCL through MOWP for efficient and fast-track acquisition of land.

8. Preferably the whole strip including the land for towers erection, Grid/converter station and wire conductors should be acquired. However, the matter would be decided and included in the RFP for each specific project.

9. In view of urgent requirement of new Transmission Lines, the Sponsor are urged to achieve Financial Close (FC) in the minimum time, however, the maximum time allowed for achieving Financial Close will be nine (9) months from the date of issuance of the Letter of Support (LOS).

FISCAL STRUCTURE

10. For local engineering and manufacturing companies, the present Statutory Revisionary Order (SRO) 555(1)/90 has been made applicable to private Transmission Line and Substation projects.

11. Orders received by local engineering and manufacturing companies from private transmission companies will be treated as an export for refinance under the State Bank Finance Scheme for Exports.

12. The import of construction equipment and machinery by private companies for Transmission Line projects would be exempted from custom duties/levies. All such equipment and machinery may be freely re-exported by the ITC, within twelve (12) months following the Commercial Operations Date, without incurring any liability for Customs Duties in Pakistan.

13. The GOP may, as provided by the laws of Pakistan, require the ITC to re-export any items of plant, equipment or machinery used in the construction of the Complex that are not reasonably required for the ITC to operate and maintain the Complex, unless the ITC agrees promptly to pay the applicable import duties and customs fees for those items of the plant, equipment or machinery.

REGISTRATION AND APPLICATION FEE

14. Upon payment of the Registration Fee of Rs. 50,000/- (the "**Registration Fee**") , PPIB will register the applicants and provide them with a set of documents comprising a Brochure outlining the new policy and main headings of the Model IA (Implementation Agreement) & TSA (Transmission Service Agreement), the application form and the format of the bank guarantee.

15. Bids for projects under ICB will be accepted by PPIB against payment of a non-refundable Bid Processing Fee to be received are follows:

Line Length up to 100 km	Rs. 500,000
101-200 km	Rs. 1,000,000
Above 200 km	Rs. 2,000,000
These will be referred as the **"Bid Processing Fee"**.	

PROCEDURES FOR APPLICATION AND PROCESSING OF PROPOSALS:

ICB Projects

16. RFP may include the following:

    (a) Detailed Scope of Work;

    (b) Initial Design;

    (c) Term of Transmission Services Agreement;

    (d) Specific allowances for scheduled maintenance and excused forced outages;

    (e) Cooperation arrangements/agreement with local engineering companies, if any;

    (f) Clarifications in relation to splitting of TSC into foreign and local currency;

    (g) Evaluation criteria;

    (h) Parameters and Performa for submission of the TSC.

17. Following will be the sequence of Bidding Process for these Projects. One stage, two-envelope Bidding Approach will be adopted for these Projects;

- PPIB will advertise the projects in the media;

- The bidding process will be structured and administered by PPIB (Ministry of Water & Power) in consultation with the power purchaser (NTDCL), Ministry of Finance and NEPRA;

- Registration of prospective Bidders;

- Constitution of Evaluation Committee comprising of representatives from PPIB (Ministry of Water & Power), power purchaser (NTDCL), Ministry of Finance, Ministry of Law & Justice and NEPRA;

- Issuance of RFP;
- Pre-Bid Conference;
- Issuance of Clarifications/amendments to RFP, if required;
- Receipt of Bids along with Bank Guarantee (Bid Bond) @ Rs. 25,000/km and Bid Processing Fee;
- Opening of Qualification and Technical Bids (Envelope-I) in the presence of Bidders;
- Evaluation of Qualification and Technical Bids shall be carried out separately;
- Notification of Responsive Bidders;
- Representation by Bidders (if desired) before Ministry of Water & Power challenging Evaluation of Envelope-1;
- Opening of Financial and Tariff Bids (Envelope-II) of Responsive Bidders in the presence of Bidders;
- Evaluation and Ranking of Financial and Tariff Bids;
- Approval of PPIB Board and ECC;
- The bidders must comply with the requirements of the RFP – the bidders are required to meet the minimum technical and performance requirements as stated in the RFP;
- Each bidder must submit only one bid for the project – alternate proposals from the same bidder for the same project will not be accepted;
- No bidder, whether bidding independently or as a constituent member of a consortium, can be a constituent member of any other consortium;
- The bidders are responsible to carry out the necessary due diligence and conduct their own investigations to obtain pertinent information and related data pertaining to the project – failure thereof will be at the bidders' own risk, cost, and consequences;

- The bidders shall bear all costs associated with the preparation and submission of their bids. The GOP, PPIB and the Power Purchaser shall under no circumstances be responsible or liable to reimburse such costs, regardless of the outcome of the bidding and/or evaluation process;

- The bid shall remain valid, and open for acceptance by PPIB for a period specified in the RFP (the "Bid Validity Period") – any bid stated to be valid for a period shorter than the Bid Validity Period will be rejected by PPIB;

- When the Qualified Bidder forms a new company, specifically incorporated to undertake the project, the eligibility requirements laid out herein shall be applicable to the shareholders of the new company rather than to the company itself;

- The bidders proposing foreign currency debt financing shall provide the Adjusted Levelized Tariff by applying forecast of respective exchange rates to the Foreign Currency Debt Service Component of the Reference Tariff offered by them. PPIB may verify this calculation before moving on to the next step of evaluation/ranking;

- The bids will be ranked on the basis of the Levelized Tariff / Adjusted Levelized Tariff, along with any other parameters that may be specified in the RFP. Maximum weightage of the evaluation criteria shall be given to the lowest levelized tariff;

- In case two or more bidders offer the same lowest Levelized Tariff / Adjusted Levelized Tariff, they will be asked to offer discount in such tariff in sealed envelopes, and the bidder offering the highest discount shall be accepted;

- Upon notification of the Qualified Bidder, NEPRA will be requested for tariff approval and issuance of Special Purpose Transmission License. The Qualified Bidder will be responsible to file petition for tariff approval and submit the prescribed fee and any other documents, if required, to NEPRA;

- NEPRA will not re-open the tariff arrived at through ICB;

- NEPRA after considering the evaluation report and other important documents filed with the petition for tariff approval filed by the prospective licensee/Qualified Bidder shall decide upon the tariff within one month and intimate to GOP for notification in official gazette;

- In case of approval of tariff by NEPRA, the Qualified Bidder shall be declared successful on fulfilling all requirements of the RFP, including but not limited to:

(i) furnishing of:

(a) Performance Guarantee, issued by a scheduled bank operating in Pakistan acceptable to PPIB with a credit rating of 'A' or higher, @ Rs 100,000 per KM – valid for three (3) months beyond the Financial Closing Date;

(b) In case of Grid/Converter Station, additional Performance Guarantee in the amount of Rs. 150,000 per MW of the design capacity of Grid/Converter Station; and

(c) Non-refundable Project Fee of Rs. 8 million.

(ii) Reimbursement of cost of load-flow/interconnection study to NTDCL.

- Upon fulfillment of these requirements, LOS shall be issued by PPIB to the Qualified Bidder. It is expected that the LOS will be issued within the original Bid Validity Period; however, due to exceptional circumstances all bidders shall be asked to extend their respective Bid Validity Period. Bidders who do not agree to the extension of the Bid Validity Period shall be allowed to withdraw their bids without forfeiture of their Bid Bonds.

- In case of failure of the Qualified Bidder to successfully comply with these requirements within time specified in the RFP, PPIB shall have the right to encash the Bid Bond of such Qualified Bidder and may invite the next-ranked bidder to comply with the said requirements for the issuance of LOS, subject to approval of Transmission Service Charge (TSC) quoted by such bidder, by NEPRA.

- The Bid Bonds will be returned to those bidders who have not been declared Qualified after issuance of LOS by PPIB to the Qualified Bidder against delivery of Performance Guarantee (in the required amount) in favor of PPIB and upon payment of the cost of interconnection studies including load-flow, short-circuit and transient stability studies for the project carried out by the NTDCL.

- The IA to be executed between the ITC and the GOP and TSA to be executed between the ITC and NTDCL will be signed within a period of eight (8) weeks of the issuance of the LOS. Failure to execute the IA and TSA (and any related documents and agreements) by the date required in the RFP may result in a termination of the LOS and the encashment of the Performance Guarantee by the PPIB, with no further obligations or liabilities on the GOP in relation to the T/L project.

- The Guarantee will be encashed in case the Sponsors are unable to achieve Financial Close within the time allowed for the same under the LOS. Under normal circumstances no extensions will be granted. However, if on the Sponsor's request for extension, PP1B is satisfied that Sponsors are diligently working and Financial Close will be achieved very shortly, an extension of a maximum of six (6) months will be given against extending the validity period of the Guarantee and raising the Guarantee by 100%, i.e. Rs. 200,000 per km. In a situation of force majeure, extension in LOS may be granted on a case-to-case basis by the Board without doubling of the PG, while considering that the project milestones before the occurrence of force majeure have been reasonably met and the request for force majeure is genuine. Further, if the sponsors are unable to proceed with the project due to a prolonged force majeure situation and they wish to withdraw from the project, the Board of PPIB may allow release deed with PPIB.

PROJECTS UNDER UPFRONT TARIFF

18. NEPRA will announce upfront tariff for transmission lines on specified terms and conditions. The following process will be applicable for the sponsors/investors interest to develop private transmission line projects after acceptance of Upfront Tariff:

- Upon payment of the Registration Fee of Rs. 50,000/- (the "**Registration Fee**"), PPIB will register the applicants and provide them with a set of documents comprising a Brochure outlining the new policy and main headings of the Model IA and TSA, the application form and the format of the bank guarantee;

- Submission of proposal to PPIB as per given guidelines, along with Processing Fee. The Processing Fee to be received is as follows:

Line Length up to 100 km	Rs. 500,000
101-200 km	Rs. 1,000,000
Above 200 km	Rs. 2,000,000

- Examination of proposal and evaluation of credentials of the sponsors by PPIB;
- Approval by PPIB Board;
- Submission of Bank Guarantee by Sponsors / project company @ 25,000 PKR per KM to PPIB for Issuance of Letter of Intent (LOI), which would be encashable in case the sponsors fail to approach NEPRA for tariff determination within three (03) months from issuance of LOI by PPIB or fails to obtain LOS thereafter;
- Submission of tariff petition and application for Transmission License to NEPRA by the sponsors;
- Tariff Determination and issuance of Transmission License by NEPRA;
- Performance Guarantee, issued by a scheduled bank operating in Pakistan acceptable to PPIB with a credit rating of 'A' or higher, @ Rs 100,000 per KM – valid for three (3) months beyond the Financial Closing Date;
- In case of Grid / Converter Station, additional Performance Guarantee in the amount of Rs. 150,000 per MW of the design capacity of Grid/Converter Station;
- Non-refundable Project Fee of Rs. 8 million;
- Issuance of Letter of Support (LOS) by PPIB, after acceptance of PG by PPIB;
- Negotiations / Finalization of project agreements (IA, TSA);
- Achievement of Financial Close within nine (9) months from issuance of LOS;
- Commencement of Construction activities;
- Achievement of Commercial Operation Date (COD) within the deadline and terms and conditions stipulated in the LOS /IA /TSA.

POWER FLOWS AND TRANSMISSION SERVICE CHARGE

19. Tax exemption under the Policy is made available for a period of 10 (ten) years from the date of establishment of ITC or the date of commencement of business whichever is earlier.

20. Subject to the availability of Transmission Line, the ITC will be eligible to receive from the power purchaser a monthly payment equal to the annual revenue requirements times percentage of the maximum designed annual quantity of power committed to be transmitted during that month to the power purchaser.

21. The Sponsor will be insulated from the uncertainty of daily despatches and will be paid TSC subject to availability of transmission line to its full firm committed power carrying capacity.

22. The TSC will be due and paid whether or not any power is transmitted to the Transmission Line subject to availability of the Transmission Line to its full firm committed power carrying capacity. In case the transmission line is not available to its full power transmission capacity during a particular period, a proportionately reduced payment of TSC will be made for such period.

23. The power shall be transmitted over the transmission facilities by Generation Companies (Gencos, IPPs, WAPDA, Suppliers other than Generators, etc.) under a long term contract of 25 years with NTDCL for EHV Transmission Line and Substations.

24. TSC will be paid for each commissioned circuit and substation/convertor station on a monthly basis. ITC shall invoice and get paid each month for TSC, as determined/approved by NEPRA. TSC for each circuit will be calculated as the sum of the TSC for the components which compose that circuit.

25. The TSC will be based on 100% availability with 1.5% annual non-penalized maintenance outages for mutually agreed planned maintenance outages. If unused, this allowance may be carried into next year for a maximum of 3 years.

PENALTIES

26. The ITC will be liable to pay a penalty for circuit and/or substation outages on the following basis:

(a) The penalty for delay in commissioning for each circuit beyond the contracted dates will be equal to 120% of the daily income for the circuit for each day delay in commissioning.

(b) Forced (unplanned) outages set out in the TSA as under the control of the ITC will be penalized at the rate of 150% (including non-payment of TSC for such outage period) of the hourly income through TSC for that circuit/substation component per hour or the Capacity payment to the IPPs by NTDCL which could not be despatched due to unavailability of the line. This may be finalized in the RFP.

(c) Total outage penalties for any circuit or substation component in any one year will not exceed 150% of the annual income for that circuit.

(d) The ITC will be charged a penalty in case of energy losses greater than the specified limits. This penalty would be applied and recovered from the monthly payments of the ITC in proportion to the average revenue loss attributable to utilities during that time.

(e) Outages caused by System failure(s) without any fault of the ITC shall not attract penalties or liquidated damages or reductions in the payments to be made by the NTDCL under the TSA. Outages or reductions in availability caused by Force Majeure events affecting the T/L circuit or the ITC may result in a reduction in the TSC to be paid to the ITC under the TSA provided that in the case of a Political Force Majeure event, appropriate remedies and off-setting compensation will be provided to the ITC under the TSA.

For further information, please contact:

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