

BUILD TODAY TO LEAD
TOMORROW

PAKISTAN'S
ELECTRICITY MARKET
OPERATOR

CENTRAL POWER
PURCHASING AGENCY
ANNUAL REPORT
2017

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——— TOMORROW ———

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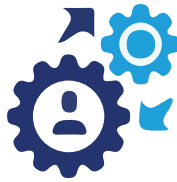
Our Motto

BUILD TODAY TO LEAD TOMORROW

We want to build CPPA-G today by investing in people, optimizing processes and adopting latest technologies to lead tomorrow as the independent and robust Market Operator



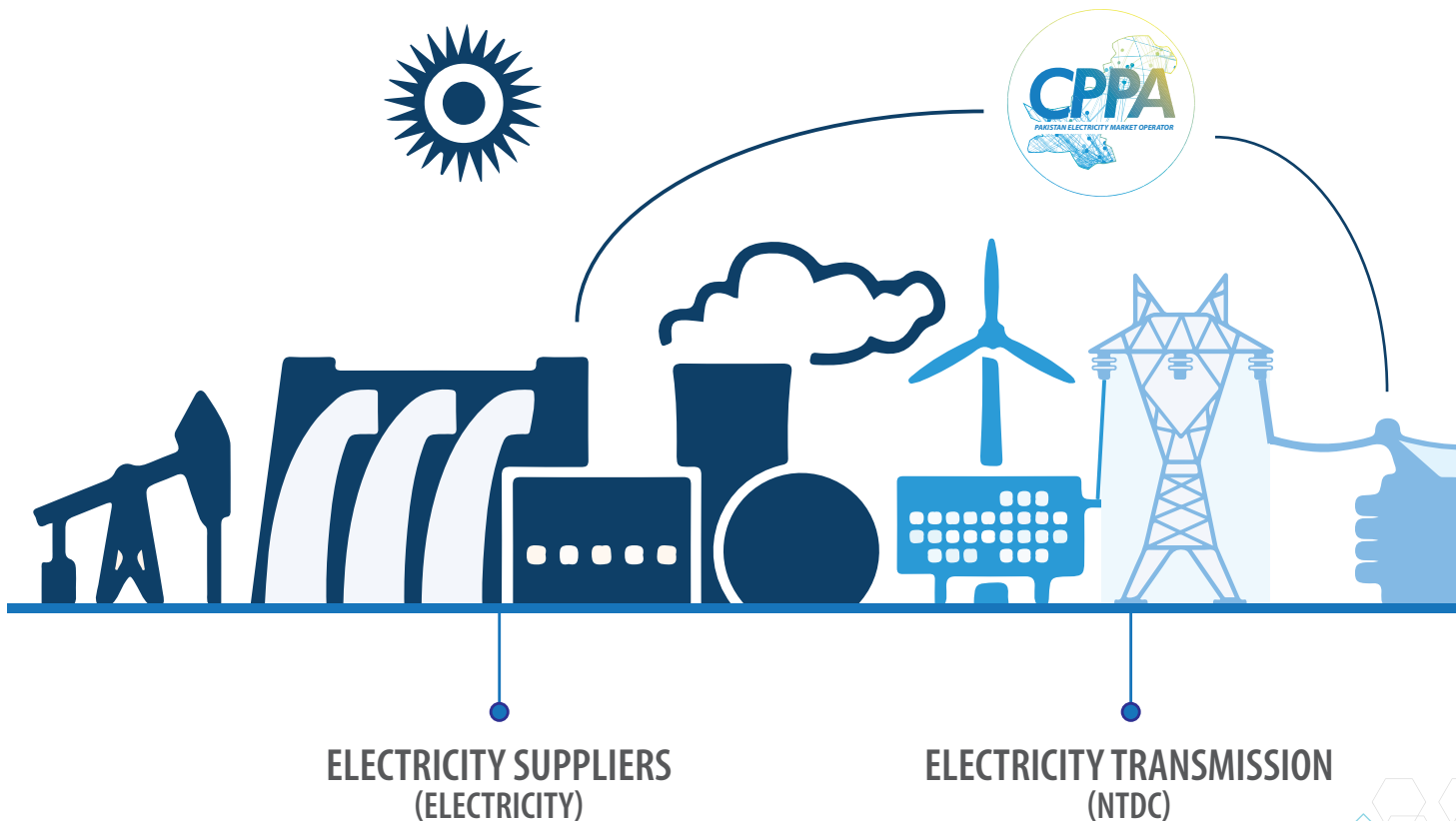
Building
People



Developing
Processes



Supported by
Technology



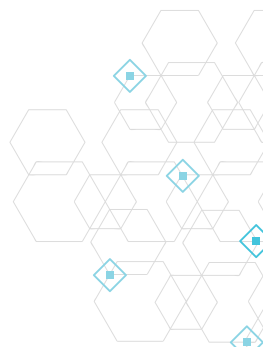
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Table of Acronyms

ADB	Asian Development Bank
AEDB	Alternate Energy Development Board
AGM	Annual General Meeting
APEx	Association of Power Exchanges
BoDs	Board of Directors
BTA	Business Transfer Agreement
CCI	Council of Common Interests
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CLO	Chief Legal Officer
CPF	Contributory Provident Fund
	Central Power Purchasing Agency (Guarantee) Limited
CPPA-G	
CTBCM	Competitive Trading Bilateral Contract Market
DA	Direct Agreement
DISCOs	Distribution Companies
ECC	Economic Coordination Committee
EPA	Energy Purchase Agreement
EPEX SPOT	European Power Exchange
EOBI	Employees Old Age Benefits Institution
ERP	Enterprise Resource Planning
EXIST/EPIAS	Energy Exchange of Turkey
FBR	Federal Board of Revenue
FESCO	Faisalabad Electric Supply Company
GENCOs	Generation Companies
GF	Gratuity Fund
GoP	Government of Pakistan
GST	General Sales Tax
GEPCO	Gujranwala Electric Power Supply Company
GWh	Giga-Watt Hour
HESCO	Hyderabad Electric Supply Company
HR	Human Resource
HSD	High Speed Diesel
IAA	Independent Auction Administrator
IEP	Integrated Energy Plan
IESCO	Islamabad Electric Supply Company
IPPs	Independent Power Producers
IGCEP	Indicative Generation Capacity Expansion Plan
ISTRADE	Istanbul Trade
IT	Information Technology
JD	Job Description
KE	Karachi Electric





KPIs	Key Performance Indicators
LESCO	Lahore Electric Supply Company
LCIA	London Court of International Arbitration
MIMG	Market Implementation Monitoring Group
MEPCO	Multan Electric Power Company
MO	Market Operator
MoE	Ministry of Energy
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTOs	Management Trainee Officers
NEECA	National Energy Efficiency and Conservation Authority
NEPRA	National Electric Power Regulatory Authority
NEO	Net Electrical Output
NPCC	National Power Control Center
NTDC	National Transmission and Dispatch Company
PAR	Performance Appraisal Report
PESCO	Peshawar Electric Supply Company
PJM	Pennsylvania-New Jersey-Maryland Interconnection (RTO of US)
PMS	Performance Management System/Power Market Survey
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
QESCO	Quetta Electric Power Supply Company
RFO	Residual Fuel Oil
RFP	Request for Proposal
RLNG	Re-gasified Liquefied Natural Gas
RMS	Revenue Metering System
RTO	Regional Transmission Organization
SCADA	Supervisory Control and Data Acquisition
SECP	Securities and Exchange Commission of Pakistan
SEPCO	Sukkur Electric Power Supply Company
SFS	System for Settlement
SPS	Special Purpose Supplier
ToR	Term of Reference
TESCO	Tribal Areas Electric Power Supply Company
WAPDA	Water and Power Development Authority
WPPO	WAPDA Power Privatization Organization



Pakistan Electricity Market Operator



I. COMPANY'S PROFILE

1. Company's Profile

Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) being the Market Operator (MO) of Power Market in Pakistan is a Guarantee Limited company incorporated under the Companies Ordinance 1984 (XLVII of 1984) and granted a Corporate Universal Identification No. 0068608 by the Securities and Exchange Commission of Pakistan (SECP). Being a public sector company, the Government of Pakistan is the sole owner of CPPA-G.

The company was incorporated in the year 2009 after its segregation from National Transmission and Despatch Company (NTDC), however it continued its operations under NTDC (as a department of NTDC) till May 2015. Considering the importance of the independent Market Operator role and the need to develop competitive power market, on the direction of Government of Pakistan (GoP), the NTDC's transmission license was bifurcated in 2015. The Market Operator role was transferred from NTDC to CPPA-G (as an independent company) in the mid of 2015 under the Business Transfer Agreement (BTA) between NTDC and CPPA-G.

The National Electric Power Regulatory Authority (NEPRA), with the approval of the Federal Government and in exercise of the powers conferred by section 46 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 has promulgated the National

Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 (the "Rules") and Commercial Code in 2015.

Under the framework of these secondary legislations, CPPA-G as a service provider in the role of the Market Operator for the power market performs the functions of (a) billing and settlement, (b) the role of a facilitator for developing and implementing wholesale competitive power market based on the policies and guidelines of the Federal Government and/or requirements of NEPRA, (c) during the transition, procurement of electric power on behalf of the DISCOs, including import of power from other countries, (d) generation invoice verification on the basis of meter reading or dispatch scheduling report and terms of the respective Power Purchase Agreements, (e) billing to the DISCOs based on the meter readings at Common Delivery Points (CDPs) as per the procedure defined in the Commercial Code, (f) collection from the DISCOs and settlement to the Market Participants as per the Commercial Code, (g) management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the Commercial Code, (h) administration, maintenance and implementation of the Commercial Code, the Market Rules and supervision of com-

pliance by Market Participants including billing, collection, settlement and payment procedures in accordance with the Commercial Code, updating, implementing, administering and enforcing the Commercial Code in relation to the Market Rules, (i) collecting information and statistics and publishing reports and information relating to the performance of the Market Operator administered market and (j) liaising with other bodies having market functions similar to the Market Operator or administering competitive power markets.

After its operationalization in mid of 2015, CPPA-G has gained tremendous momentum and attained several major milestones to become a proficient Market Operator of the future. From strengthening its internal processes (such as approval of HR manual), aligning the organizational structure with business needs, hiring of key staff, completing the transition of offices from Lahore to Islamabad, initiating and progressing on market development initiatives to implementing Enterprise Resource Planning (ERP) and IT based Settlement System, CPPA-G has made tremendous progress. Also, worth mentioning is the progress made on market development front, where CPPA-G has also achieved important milestones to help implement the competitive power market model for wholesale market by 2020.



Company's Information

1.1. Board of Directors

- Mr. Mr. Yousaf Naseem Khokhar (Chairman)
- Mr. Abid Latif Lodhi (Chief Executive Officer)
- Mr. Muhammad Zargham Eshaq Khan
- Dr. Khaqan Hassan Najeeb
- Mr. Muhammad Imran
- Mr. Zafar Abbas
- Mr. Basit Zaman

1.2. Audit Committee

- Mr. Muhammad Zargham Eshaq Khan (Chairman)
- Mr. Muhammad Imran

1.3. Company Secretary

- Mr. Noman Rafiq

1.4. Functional Heads

- Mr. Arshad Javaid Minhas (Chief Information Officer)
- Mr. Rihan Akhtar (Chief Financial Officer)
- Mr. Syed Iqbal Mehdi (Chief Technical Officer)
- Mr. Abdul Majid Khan (Chief Legal Officer)
- Mr. Rehan Hameed (Director General HR&A)
- Mr. Noman Rafiq (Company Secretary)
- Mr. Omer Haroon Malik (DGM SMD)

1.5. Head Office

Central Power Purchasing Agency
National Energy Efficiency and Conservation Authority (NEECA) Building
Sector G-5/2, Islamabad
Ph:- 051-9213616,
Website: <http://www.CPPA-G.gov.pk>

1.6. Registered Office

6th Floor, Shaheed-e-Millat Secretariat
Blue Area, Islamabad

1.7. Bankers

- National Bank of Pakistan
- Allied Bank of Pakistan
- Askari Bank Limited
- Faysal Bank Limited
- Habib Bank Limited
- The Bank of Punjab
- Standard Chartered Bank (Pakistan) Limited
- Bank of Khyber
- Punjab Provincial Cooperative Bank Limited
- United Bank Limited
- Muslim Commercial Bank Limited
- Bank Alfalah Limited
- Bank Al-Habib Limited
- Citibank, N.A
- First Women Bank Limited
- Habib Metropolitan Bank Limited
- Meezan Bank Limited

1.8. Company as Agent of DISCOs

- Islamabad Electric Supply Company (IESCO)
- Lahore Electric Supply Company (LESCO)
- Faisalabad Electric Supply Company (FESCO)
- Multan Electric Power Company (MEPCO)
- Gujranwala Electric Power Company (GEPCO)
- Quetta Electric Supply Company (QESCO)
- Peshawar Electric Supply Company (PESCO)
- Tribal Area Electric Supply Company (TESCO)
- Hyderabad Electric Supply Company (HESCO)
- Sukkur Electric Power Company (SEPCO)
- K-Electric (KE)

1.9. Legal Advisor

- Mr. Munawar Islam

1.10. Auditors

- M/s Riaz Ahmed & Co., Chartered Accountants



2. A PRODUCTIVE YEAR

2. A Productive Year

As Electricity Market Operator of Pakistan, FY 2016-17 was the year of delivery and CPPA-G was able to achieve many milestones and has made substantial progress. Some of the key achievements are discussed in the following paragraphs:

Restructuring the Organization and Building HR Capacity

During FY2017, the organization has witnessed a mammoth change in its design and management. Existing departments were revamped and some new units like Strategy, Market Development and ERP/IT Department were created, that were not only staffed but were also fully operational. In addition, the preparation and approval of the HR Manual was also a landmark achievement that helped the company to attract, recruit, and retain high quality Human Resource from the market. Furthermore, HR department took the lead in implementation of Oracle based ERP system at CPPA-G.

different cadres were staffed with qualified resources from the market. Director General HR&A, Chief Information Officer (CIO), Manager IT, four Dy. Managers (Technical), four Dy. Managers (Finance), Network Administrator, Data base Administrator (ERP), 28 Management Trainee Officers (MTOs) and 52 employees for staff level were recruited during the year.

During the year, CPPA-G also initiated the intervention to re-structure its organization from future business needs perspective i.e. to align its structure for discharging the role of a Market Operator in a competitive whole-sale market. A restructuring

proposal was prepared and was submitted before its Board for obtaining approval.

To institutionalize the core values of the organization, customized training sessions of out bond activities were organized for employees. These trainings were well received by the employees and it helped to strengthen team fabric of the organization.

A mix of young and enthusiastic new hires from the market have brought a new energy to the organization and has set CPPA-G on the course to become a world-class Market Operator.

Important and critical positions of

Strategic Partnership with EXIST

By entering into a Memorandum of Understanding (MoU) with EXIST (the Market Operator/Power Exchange of Turkey), CPPA-G has built a Strategic Partnership to collaborate and learn from the transition experience of the Turkish Power Market. A learning

exchange program has already been conducted under this collaborative effort where a delegation from CPPA-G went to visit EXIST to learn of and understand the transition journey of the Turkish electricity market and now, subsequently the lessons

learned can be applied to the power market of Pakistan. The Turkish counterparts also visited Pakistan during the year to discuss the areas of mutual cooperation.



Preparation of Competitive Trading Bilateral Contract Market (CTBCM) Model & Plan

Based on its given mandate, in the mid of 2016, CPPA-G started its market model development efforts by forming an internal team and hiring credible market development consultants. A strategy was devised for the preparation of the future competitive wholesale market model and the plan i.e. the transition towards the CTBCM. As per the strategy, the initiative was divided in three phases. Phase-I (June 2016 to June 2017) included capacity building of main power sector entities and preparation of high-level Market Model design and a Plan by following a consul-

tative process

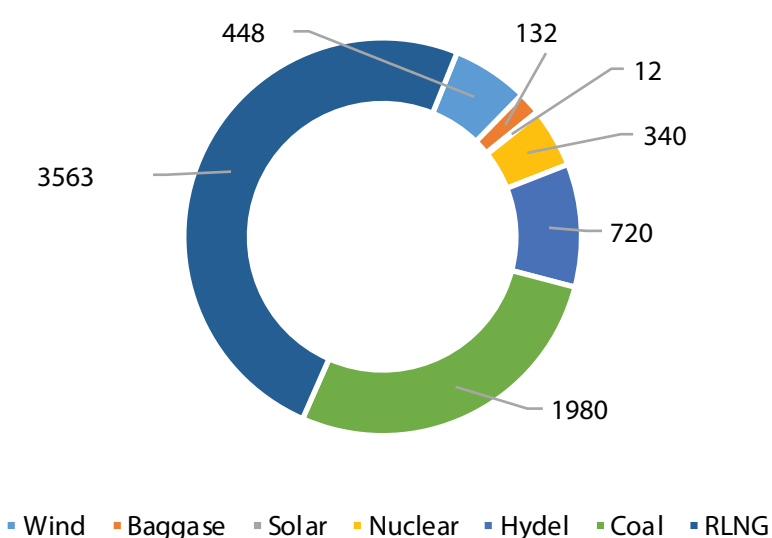
This phase has been completed by following a thorough consultative process and the deliverables were submitted before CPPA-G Board in June 2017 for onward submission to Competent Authority for obtaining approval. During Phase-I, five training sessions (including one learning exchange to study Turkish power market) were carried out in which key market entities i.e. Ministry of Energy (Power Division), NEPRA, NTDC, CPPA-G and DISCOs participated. The objective of enhancing the capacity of the power sector core team that will

participate in the future market design was successfully achieved. It is also worth highlighting that a Market Implementation Monitoring Group (MIMG) under the leadership of the Ministry of Energy (Power Division) has been formed to monitor and facilitate CTBCM roadmap implementation. Further, Phase-II (the detailed design phase) has been initiated to commence working on some basic activities that will form the basis of the market design tasks. Phase-III is the implementation phase that has also been started in parallel with Phase-II.

Power Procurement on Behalf of DISCOs

In FY 2016-17, CPPA-G on behalf of DISCOs signed 21 PPAs/EPAs, with the total capacity addition of 7,196 MW. The following agreements on behalf of DISCOs were executed:

New Capacity Contracted in FY 2016-17 (MW)



#	Technology	Capacity Contracted (MW)
1	Wind	448
2	Baggage	132
3	Solar	12
4	Nuclear	340
5	Hydel	720
6	Coal	1,980
7	RLNG	3,563
Total		7,196

Membership of APEX

Association of Power Exchanges (APEX) is an international association formed to facilitate the development and communication of ideas and practices in the operation of global competitive electricity markets. CPPA-G

application for full-time membership of APEX as the Market Operator of Pakistan was approved by the APEX Board in early March 2017. By becoming a member of the association, one of the primary intentions of CPPA-G

is to get access to the APEX platform to exchange knowledge and experiences, and to contribute more effectively to the development of Power Market in Pakistan in the years to come.

ERP Implementation

The IT strategy devised for the readiness of the market is to eliminate inefficient processes, automate the back and front office processes to bring-in speed, efficiency and transparency and outsource the work of temporary nature to stay lean and focused.

The CPPA-G's Enterprise Resource Planning (ERP) project resides at the heart of the automation strategy. The implementation of ERP system was in well advanced stage by June 2017. The main core modules of ERP were implemented along with establishment of the Data Center and Disaster Recovery sites.



System for Settlement (SFS)

As a settlement center and future wholesale electricity market operator, CPPA-G requires a technically efficient System for Settlement (SFS). During the year, the Phase-1 of SFS customized application was completed and tested. The modules that were tested included financials verifica-

tion of power purchase invoices and integration with treasury department for payments, back feed billing process and invoices to DISCOs (automated based upon DISCO wise summary data and power purchase expense consolidated from ERP financials).



Revamped Website

The website of CPPA-G has been revamped and launched with a wealth of information for market participants. The new features on the website and market information are steps toward transparent market operations.

Space Allocation in the Capital

CPPA-G has been allocated office space at the National Energy Efficiency and Conservation Authority (NEECA) formerly (ENERCON) Building in the hub of Islamabad. Prior to this, the

company faced serious issues when the major part of the organization operated from Lahore and the Senior Management from Islamabad. Consolidation of the operations of the

entire company in the Federal Capital have brought significant improvements in the company's operations.

Income Tax and Sales Tax Registration

Formerly, CPPA being the sub-department of NTDC did not have any registration of income and sales tax with the Federal Board of

Revenue (FBR). Therefore, after the establishment of CPPA-G, it has registered for its income tax and sales tax with the Federal Board of

Revenue (FBR) as an independent entity.

Audits

The audits of the CPPA-G for the FY 2014-15 were FY 2015-16 were outstanding which were completed in the FY 2016-17 and the reports were signed by the Auditors in September 2017 after the approval of the CPPA-G Board.



Corporate and Legal Affairs

During the year, CPPA-G has implemented all the decisions of the CPPA-G Board, improved its compliance with Public Sector Companies Corporate Governance Rules, 2013. Moreover, the

company actively followed-up on the arbitration proceedings at the London Court of International Arbitration (LCIA) and provided necessary inputs to the Counsel on the cases, initiated revision of

Security package for new EPA/PPA i.e. Tripartite Agreement, approved by Economic Coordination Committee (ECC).

CPPA-G: For the Sector

During this productive year CPPA-G has also provided its contribution towards the overall development and improvement of the regulatory and policy framework. This includes (a) issuance of Guidelines for Power Procurement by CPPA-G under the Legal and Regulatory Framework, (b) furnishing comprehensive proposal pertaining to the Integrated Energy Plan (IEP) to USAID accompanied with the proposed operational framework to ensure sustainability as well as accuracy with in the regime of existing operations of the Power

Sector, (c) advocating Competitive Bidding regime in NEPRA for Wind and Solar Power Plants, and (d) jointly developed forecasting mechanism along with the concomitant rebate on deviations with the AEDB for Wind Power Plants.

CPPA-G also actively participated in the Grid Code Review Panel Meetings and provided its submissions to the same pertaining to the TOR for the Grid Code Amendment, the Addendum to the Grid Code of Wind Power for incorporation of ZVRT, HVRT, and

Forecasting Mechanism etc. Comprehensive submissions for the development of Energy Sector Carbon Impact Modeling tool to enable its hand shaking with existing operations of the power sector as well as to enable long term carbon emissions projections were also made. Furthermore, CPPA-G also provided its comments to NEPRA on the Regulation (Net Metering, Competitive Bidding etc.), Tariff, Guidelines and MYT of K-Electric.



Moreover, under its market development facilitation role CPPA-G assisted the DISCOs, NTDC and other stakeholders:

<p>Assistance to DISCOs</p> <p>CPPA-G provided assistance to DISCOs in the preparation of the Power Market Survey (PMS) based medium term forecasts. During the preparation, CPPA-G worked in providing on-job training to the DISCOs’ staff. CPPA-G also provided classroom trainings for energy and demand forecasting. The individual DISCO forecasts, prepared with the supervision of CPPA-G were finalized and were consolidated during the year for submission to NEPRA for approval.</p>	<p>Assistance to NTDC</p> <p>CPPA-G also provided technical assistance to NTDC for the preparation of Indicative Generation Capacity Expansion Plan (IGCEP) and Long-term forecasts. The Long-term energy and demand forecast report draft was prepared and was being reviewed by NTDC before submission to the Regulator for obtaining regulatory approval.</p>	<p>Assistance to NPCC</p> <p>NPCC is the technical pillar for the new wholesale competitive market. During the year, on the direction of the MoE (PD), CPPA-G in consultation with NPCC, developed a high-level plan for strengthening the System Operator. The implementation of the plan shall commence in the following year.</p>	<p>Market Capacity Building</p> <p>During the year, five capacity building sessions on market development were conducted by engaging world class resources. Three intense sessions of trainings on market development were delivered for participants from NEPRA, NTDC and NPCC, MoE (PD) and CPPA-G during November and December 2016. The goal was to train the main stakeholders before the development of market design to ensure valuable contribution in the design process.</p>
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Furthermore, a foreign study visit was also carried-out. The delegation participating in this study visit represented the major power sector stakeholders responsible for driving the market development initiative in Pakistan. This visit with the peer institutions in the

Turkish power sector was instrumental in not only understanding the current market structure but also learning lessons from the transition journey they have experienced.



Submission of Registration Application

On April 12th, 2017, CPPA-G has submitted the registration application for registration as the power Market Operator of Pakistan.

Submission of Market Fee and its Approval

CPPA-G prepared and submitted the Market Fee with NEPRA as an Electricity Marker Operator. After the due course of hearings and adhering to feedback by

the Regulator, the Market Fee was approved by the Regulator in January 2017.





3. Chairman's Message

The power sector, which is the heart of the economy, in Pakistan, is at a cross-roads moving from severe shortfalls to the addition of record generation capacity in a period of a few years. More power generated brings more challenges ranging from addressing governance issues to addressing transmission and system constraints to bring electricity to the consumers.

2016 was a year of continued transformation towards better performance at CPPA-G. For a relatively young company operationalized in mid of 2015, it was imperative to set the company on the right course by institutionalizing corporate governance best practices and ensuring their penetration throughout the organization. Moving forward, we need to make market competitive to ensure energy security, higher efficiency and adequate pricing. CPPA-G, being the central facilitating entity, is making all efforts for designing and developing a Competitive Market. Pakistan's Power Market is one of emerging markets of the region and I foresee that the competition in Pakistan's Power Market will not only attract investments in generation by reducing the burden of sovereign guarantees but will also provide energy security to the Country.

With the country's energy landscape witnessing rapid transition the central role of CPPA-G calls for informing and

guiding all stakeholders of power market on more frequent basis in order to yield sustainable and coherent transition.

World-class organizations are defined by certain core characteristics: expertise, commitment and a passion for serving constituents, to name a few. These same words fittingly define the CPPA-G.

As Chairman of the Board, I look forward to continue playing an important role to ensure that CPPA-G keeps evolving and remains in tune with changing times.



Yousaf Naseem Khokhar,
Chairman Board - CPPA-G



4. CEO's Message

No doubt, the 365 days of the FY 2016-17 for the power sector are the manifestation of rapid transformation and proved exciting as well as challenging for CPPA-G while coping with the desired pace. In carrying out mandated functions, integrated planning and informed implementation remained at the core of our all activities. Under the procurement paradigm, the portfolio of generation has been diversified with induction of renewables at one extreme to the addition of base load generation at the other.

Being the Market Operator several initiatives have been taken, inter-alia, preparation of new market model, strategic partnerships with Market Operators around the globe, capacity building of the relevant entities, assisting network companies for preparation of demand forecasting as well as the Least Cost Generation Expansion Plan. The primary objective of the major part of our man-hours spent under this paradigm was to have all the rudimentary variables and conditions enabled that may lead to commencement of the envisaged market, which would ipso-facto yield "efficiency" through competition for the market and subsequently competition in the market at more liberal terms while being consistent with best international practices.

People, Process and Technology have remained our over-arching focus as we believe these are pivotal for the attainment of our long-term objectives. Investment in human resource, development of processes and placing controls supplemented by the initiative to automate the entire environment (ERP) proved really fructuous for meeting the desired level of accuracy when gauged at shear sensitive scale.

With the last 12 months proving really vibrant and critical, they were spent with our firm resolute for unparalleled deliverance while residing at the core of power sector. I acknowledge the constant support & guidance of the Board as well as the relentless efforts of the employee base of CPPA-G, on this journey to ensure a sustainable, reliable and secure power system. I have every reason to believe that together with all the stakeholders, we will manage the transformation of the power sector to depict enhanced confidence, competition and transparency for the overall well-being of the people of Pakistan.



Abid Latif Iodhi
Chief Executive Officer, CPPA-G

— We
Believe
in —



Building
People



Developing
Processes



Supported by
Technology

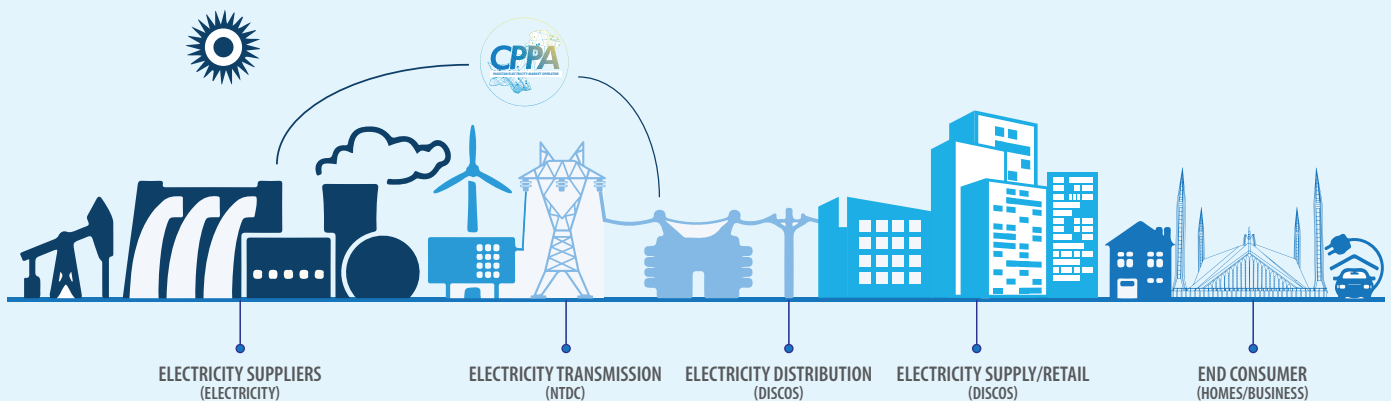
5. ABOUT US

5. About CPPA-G

Central Power Purchasing Agency is a Company incorporated under the Companies Ordinance, 1984 and is wholly owned by the Government of Pakistan. Previously, it was the part of National Transmission and Despatch Company (NTDC) but since June 2015, it has been separated from NTDC and has assumed the business of NTDC pertaining to the market operations. Therefore, CPPA-G is presently functioning as the Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the “Market Rules”).

The Company is currently performing eight major functions segregated into six core and two support functions. The core functions include (i) Settlement, (ii) Power Procurement on Behalf of DISCOs, (iii) Finance, (iv) Legal and Corporate Affairs, (v) Strategy and Market Development, (vi) Monitoring and coordination. The support functions include (vii) Human Resource Management and (viii) Information Technology.

CPPA-G is the Market Operator of Pakistan and is facilitating the power market transition from the current single buyer model to the wholesale competitive market. While changing the market model, the overall strategy is to bring efficiency through wholesale competition in generation. CPPA-G, with extensive consultation from the stakeholders has been able to propose the new market model which is in the approval process. Once the model is approved, CPPA-G will lead the transition to the competitive market.



Core Values

TRANSPARENCY

We believe that transparency is a fundamental pre-requisite for attracting investors on a risk sharing basis and open up the market. The Market Operator's (M.O's) main goal is to establish transparency in power market operations by deploying various platforms, tools, processes and best practices. This value will instill transparency in everything M.O will design and implement.

EXCELLENCE

We strongly believe that M.O is and shall be at the heart of the power market operations. Achieving excellence in market operations through process automation, training and capacity building of Human Capital of the company and adopting best-practices, CPPA-G will be able to build an image of a well-respected and mentor institution which is extremely necessary for power market transition.

TEAMWORK

We believe that market development is a collective effort and requires team work within and outside CPPA-G boundaries with the market entities. CPPA-G's vision is to have team work within and outside the organization (with market participants and administrators) to ensure smooth transition in market development journey.

BE-RESPECTFUL

To us respect for juniors and seniors is equally important. We respect others' ideas, opinions and thinking. Respect across the board is the fundamental value / basic ingredient of our organizational culture.



Vision

To become a world-class power Market Operator by providing the optimum environment for trading electricity in the Pakistani Power Market.



Mission

To achieve our vision we are determined to become one of the best-run public organizations in the world, a place where people love to work, developing capacity of stakeholders and providing systems, tools and processes for enabling a transparent and competitive power market. During the transition period, however, our company will also procure the required energy on behalf of the Distribution Companies for retail sales to their customers transparently and efficiently.



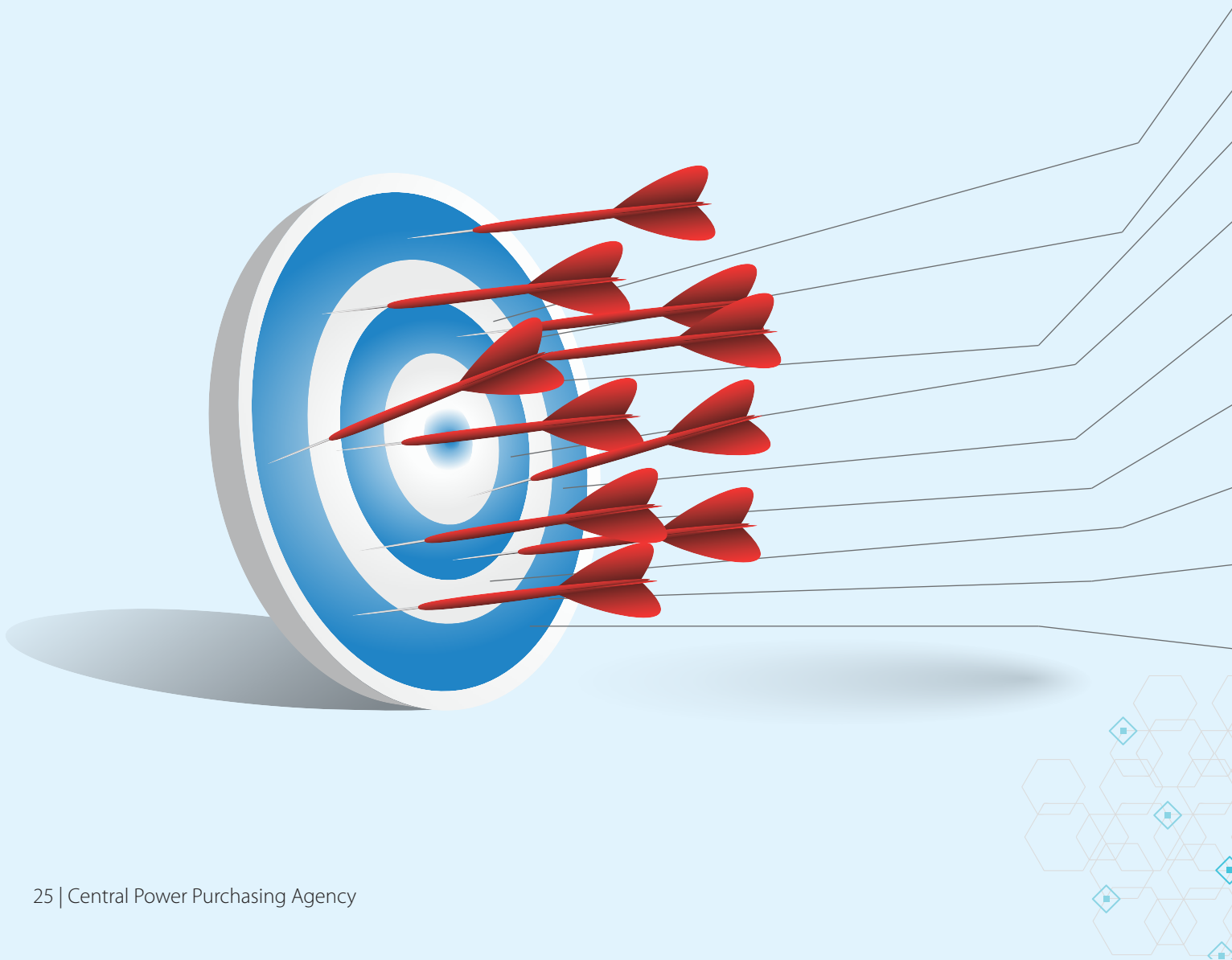
6. STRATEGIC TARGETS

6. Strategic Targets

The Strategic Plan of CPPA-G sets out key delivery strategies for the organization in its role as Market Operator and Power Purchaser over the next three years till 2020. The strategy is driven by regulatory obligations, market development direction, the capabilities of market participants, and the provision of long-term benefits to Pakistani consumers.

The strategic plan lays out what CPPA-G is going to do, and the outcomes it seeks over the next three years. In furtherance of this, the three-year strategic plan, forms the basis of CPPA-G's annual business plans. Specific initiatives to progress actions and achieve the desired outcomes will be set out in the relevant business plans.

The strategic plan is a living document that is reviewed annually to ensure it continues to remain aligned with the overall strategic direction of the policy/regulations and the organization, as well as trends and changes in the wider electricity industry.



Following strategic targets are set to be achieved through this plan:

COMPLIANCE

Improve the current business operations and ensure adherence to existing business compliances

CORPORATE CULTURE

Develop healthy corporate culture

HUMAN RESOURCE DEVELOPMENT

Invest in good people

ORGANIZATIONAL RESTRUCTURING

Restructuring of CPPA-G

TRANSPARENCY

Data institutionalization and publishing

STRENGTHEN RELATIONSHIPS

Strengthen relationships with Market Participants and Service Providers

COMPETITIVE MARKET DEVELOPMENT

Design and facilitate implementation the wholesale Competitive Market Model

IT TRANSFORMATION

IT transformation of CPPA-G

REBRANDING

Rebrand CPPA-G



7. BOARD OF DIRECTORS

7. CPPA-G Board of Directors

The Company's Board comprises of a mix of members from policy, finance to operations background. In-terms of institutions, it has members from MoE (PD), Ministry of Finance (MoF), NTDC, GENCO Holding Company, to IESCO, striking a healthy balance. The CPPA-G's Board ensures that the company adheres to corporate governance best practices while being compliant with policy, legal and regulatory requirements. The board through its collective wisdom provides strategic direction to the company to ensure that it achieves its goals and objectives.

Currently, CPPA-G has seven members in its board. Each member of the board is well qualified and possesses over 20 years of professional experience in their respective fields.

Details of the board of directors are as follows:



▲ **MR. YOUSAF NASEEM
KHOKHAR**
Chairman BoD, CPPA-G



▲ **MR. MUHAMMAD
ZARGHAM ESHAQ KHAN**
Member BoD, CPPA-G



▲ **DR. KHAQAN HASSAN
NAJEEB**
Member BoD, CPPA-G



▲ **MR. BASIT ZAMAN
AHMED**
Member BoD, CPPA-G



▲ **MR. ZAFAR ABBAS**
Member BoD, CPPA-G



▲ **MR. MUHAMMAD IMRAN**
Member BoD, CPPA-G



▲ **MR. ABID LATIF LODHI**
Member BoD and CEO CPPA-G

8. Committees of Board

The Board aims to make CPPA-G a truly corporate body by setting standards at the board level, practicing them and creating an environment to ensure that good corporate practices permeates throughout the organization. The Company's Board achieves this by constituting committees to

oversee various key functions of the Company and provide decision making support to the Board.

Keeping in-view the requirements of a Market Operator in general and the business needs in particular, there are six commit-

tees constituted in CPPA-G; (a) Audit Committee, (b) Procurement Committee, (c) Human Resource Committee, (d) Risk Management Committee, (e) ERP Implementation Committee and (f) Finance Committee.

Total meetings of the Board of Directors and Board Committees held during FY 2016-17 are as follows:

Sr. No.	Meeting	No. of Meetings FY 2016-17
1	Board of Directors	13
2	Procurement Committee of Board	10
3	HR Committee of Board	10
4	Risk Management Committee of Board	6
5	Audit Committee of Board	-
6	Finance Committee of Board	7
7	ERP Implementation Committee of Board	4

Following are the committees and the members included in the committees of the board:

FINANCE COMMITTEE

Mr. Muhammad Zargham Eshaq Khan (Chairman)
Mr. Mian Muhammad Imran
Mr. Basit Zaman

PROCUREMENT COMMITTEE

Mr. Zafar Abbas (Chairman)
Dr. Khaqan Hassan Najeeb
Mr. Muhammad Zargham Eshaq Khan

HUMAN RESOURCE COMMITTEE

Dr. Khaqan Hassan Najeeb (Chairman)
Mr. Muhammad Zargham Eshaq Khan
Mr. Mian Muhammad Imran
Mr. Abid Latif Lodhi

RISK MANAGEMENT COMMITTEE

Mr. Muhammad Zargham Eshaq Khan (Chairman)
Mr. Mian Muhammad Imran
Mr. Abid Latif Lodhi

ERP IMPLEMENTATION COMMITTEE

Dr. Khaqan Hassan Najeeb (Chairman)
Mr. Muhammad Zargham Eshaq Khan
Mr. Basit Zaman

AUDIT COMMITTEE

Mr. Muhammad Zargham Eshaq Khan (Chairman)
Mr. Mian Muhammad Imran



9. FUNCTIONAL HEADS: MANAGEMENT TEAM

9. Functional Heads: Management Team

Globally the Market Operators in different countries have a lean organization with experienced, capable and motivated staff. The electricity Market Operator functions requires highly skilled and experienced human resource to operate effectively. Although, the combination of the three organizational pillars i.e. right people, efficient processes and technology makes an organization effective but even amongst the three, the people's dimension is most important.

In CPPA-G the strategy devised is to build a lean organization with competent, experienced and motivated employees and to provide an environment that not only fosters high productivity but also help CPPA-G to retain such resources.



▲ **MR. ABID LATIF LODHI**
Chief Executive Officer



▲ **MR. RIHAN AKHTAR**
Chief Financial Officer



▲ **MR. ABDUL MAJID KHAN**
Chief Legal Officer



▲ **MR. SYED IQBAL MEHDI**
Chief Technical Officer



▲ **MR. ARSHAD JAVED MINHAS**
Chief Information Officer



▲ **MR. REHAN HAMEED**
Director General (HR&A)



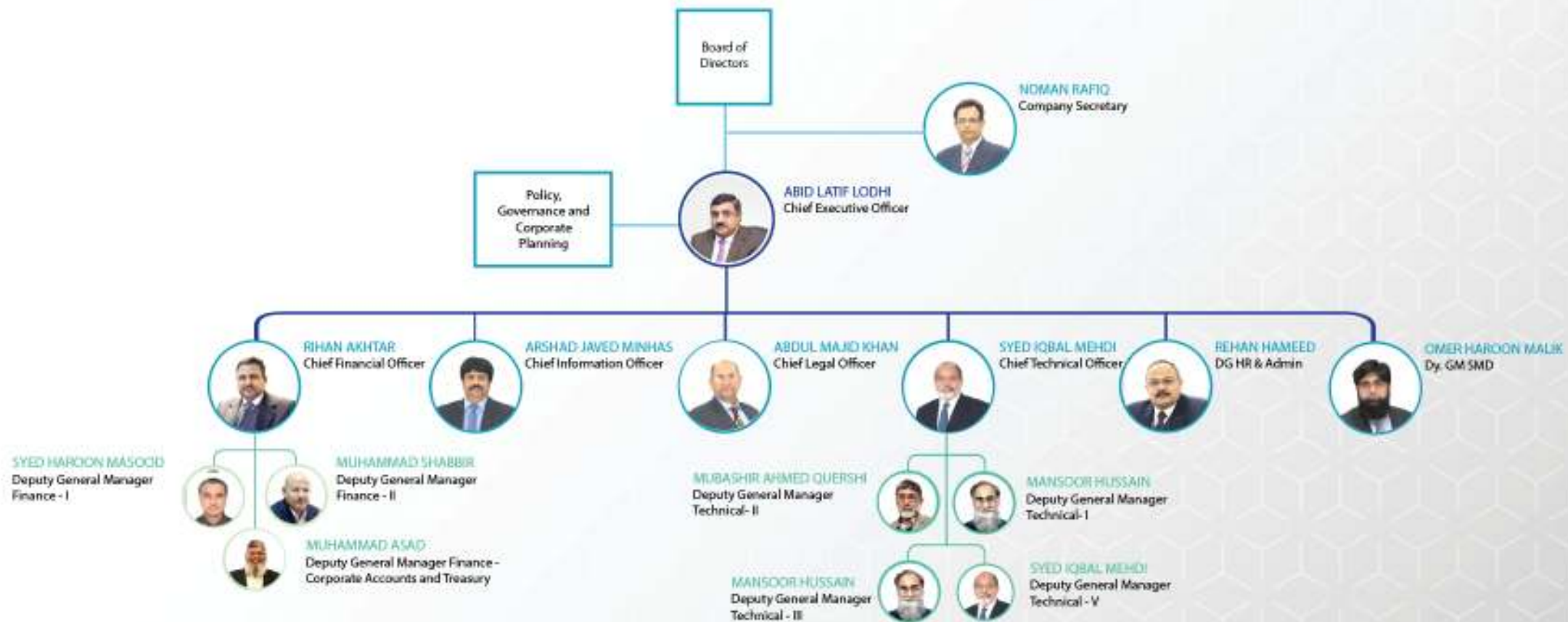
▲ **MR. OMER HAROON MALIK**
Dy. GM Strategy & Market Development



▲ **MR. NOMAN RAFIQ**
Company Secretary

ORGANIZATIONAL CHART

Functional Heads/Senior Management





10. FUNCTIONS OF CPPA-G

10.1. Billing and Settlement – Core Function

The main objectives under this function are to ensure that (a) for the wholesale market, the meter audits and inspection are carried out as per specified schedule, (b) metering disputes are resolved in a timely manner, (c) pre-settlement statements and DISCOs invoices are produced as per the timescale in the market rules, and (d) information for all required reports is readily available each month.

The following main tasks are under this function:

- i. Meter Readings Management: Maintaining a database of past meter reads, ensuring the quality of new data, use of that information to validate incoming readings and resolve anomalies in the processes.
- ii. Supplier and NTDC Invoice Verification: The validation of the supplier invoices, and calculation of the transfer charges based on generation and transmission costs for the DISCOs for the period in accordance with the formulas provided by NEPRA.
- iii. DISCOs and Bulk Consumers Billing: Preparation and dispatch of bills to consumers using the transfer costs.
- iv. Meter Audit: Inspections and audits to ensure that the quality of information received from the meter installations is within operational boundaries.



10.2. Finance - Core Function

The main objectives under this functions are to ensure that (a) accurate and complete record is maintained of internal expenditure, (b) suppliers, tax authorities and staff are paid in full on-time, (c) complete and accurate record of financial transactions between the market participants is maintained, (d) appropriate disbursements are made from accounts as per Market Rules and also highlighting cash imbalances, (e) where necessary, to take appropriate action to collect unpaid debt, (f) manage relationship with auditors and (g) information at month end is ready for reporting purposes.

All financial matters of CPPA-G, both internal and external are performed under this function and entail the following tasks:

i. Internal Accounting: This task relates with the internal finances of CPPA-G. This entails preparation of the annual budget for CPPA-G's expense and getting it approved by BOD; and accounting for internal expenditure on salaries, accommodation costs, communications and IT etc. Preparation of the annual financial reports and the collection of fees are also important activities under this task.

ii. Market Accounting: This relates to maintaining record of all of the external transaction of CPPA-G and includes ensuring all tax obligations are properly met by CPPA-G, preparation of financial reports, evaluation of financial cases for new IPPs and close interaction with the treasury department.

iii. Treasury: This task relates to managing flow of funds through the system and entails monitoring the accounts, issuing payment instructions, pursuing unpaid debts, initiating remedial activities in the case of cash shortfalls and also managing cash surpluses.



10.3. Power Procurement – Core Function

The objectives of this functions are to ensure that (a) PPA and EPAs are negotiated in timely manner on behalf of DISCOs, (b) the PPAs and the EPAs are drafted in-line with the market rules and (c) the supply contracts comply with the technical, legal and commercial conditions as prescribed in the market rules, the grid code, the commercial code and the relevant licenses.

As per the NEPRA (Market Operator Registration, Standards and Procedures) Rules, 2015, rule 2.1(f), the arrangements and stages for the transition of power market to a competitive regime are laid down in Schedule-I. This schedule notes that the current structure of the Pakistani wholesale power market is a Single Buyer Arrangement. It also provides the timelines to transition the market from current state to Single Buyer Plus (2016-2020) and ultimately to Competitive Market Operations (July 2020 thereon).

The role and involvement of CPPA-G with regards to power procurement in these three phases will change over time. Currently, CPPA-G is involved in all power procurements (maintaining a central power pool); subsequently, later-on, the bilateral contracts and other mechanisms will be introduced to instill competition in the market, wherein CPPA-G's role will be limited or enhanced as per the approved market model.

The main tasks envisaged for power procurement function entails:

- i. Procurement of power on behalf of DISCOs.
- ii. Establishing contracts for supply.
- iii. Coordination with PPIB, AEDB, MoE (Power Division), MoF, Ministry of Law, and other governmental agencies.

The following table shows the power purchase agreements and energy purchased agreements, segregated by fuel type that CPPA-G has signed on behalf of DISCOs in FY 2016-17:

Sr. No	Technology / Type	Number of Agreements		Total
		Commissioned	To-be Commissioned	
PPA's / EPA's				
1	Wind	12	10	22
2	Solar	4	2	6
3	Bagasse	5	5	10
4	RFO/Gas/HSD/RLNG	31	6	37
5	Coal	1	9	10
6	Nuclear	4	0	4
7	Hydel	13	8	21
Total		70	40	110

10.4. Legal and Corporate Affairs – Core Function

The main objective of this function is to ensure that (a) CPPA-G acts within the Market Rules, and all other legislations at all times, (b) CPPA-G and its clients have the maximum legal protection in all their supply contracts and (c) all new supply contracts have explicit provision for novation and or assignment.

Under this function the following main tasks are envisaged to be performed:

- i. Providing service to the other functions of CPPA-G and representing CPPA-G in all contractual matters, including drafting new supply contracts with CPPA-G on behalf of the DISCOs, and the novation and or assignment of existing contracts.
- ii. Ensuring the compliance of CPPA-G in relation to financial and legal practices, as well as issues of corporate governance.
- iii. Ensuring that records of all transactions, both internal and external, are accurate and complete, conducting an internal audit on a periodic basis to assure the officers of the Company that all responsibilities and obligations are being complied, and making these records available for scrutiny by an external auditor appointed by the BOD in accordance with the Market Rules.
- iv. Relationship management with the press, public bodies and institutions, parliament and other stakeholders etc.



10.5. Strategy and Market Development – New Core Function

The main objectives of this function are (a) the preparation of the strategic plan for CPPA-G and later facilitating the process of its implementation, (b) assist in preparation of a wholesale electricity competitive market model and a transition road map, (c) research and document conclusions into the next stage of market reform, with reference to international practices and (d) play the role on behalf of CPPA-G in the implementing the roadmap to develop the competitive market.

The main tasks under this function are:

- i. To contribute towards the preparation of the sector towards the next phase of market development. Lead from CPPA-G in the preparation of the wholesale competitive market model and the road map to implement the market model.
- ii. Program management assistance to Ministry for the implementation of the road map.
- iii. Reporting on market performance, co-ordinate efforts from all of the operating sections to prepare the annual business plan and assisting in preparation of budgets for CPPA-G.
- iv. Suggesting and building strategic partnerships with global like institutions.
- v. Market coordination and development activities including the training and capacity building of market participants.
- vi. Provide guidance and assistance in the CPPA-G's organizational restructuring process from business perspective
- vii. Market simulations for analysis of market architecture on prices moving forward
- viii. Program management and coordination for donor funded projects.
- ix. Donor coordination for market reforms related interventions.

TALENT
HUNT

LEADERSHIP

**STRATEGY &
MARKET
DEVELOPMENT**

TRAINING &
DEVELOPMENT

PEOPLE

NETWORKING

STAFFING

PERFORMANCE

10.6. Human Resource

– Support Function

The objectives of this function are to (a) establish recruitment procedures, (b) maintain records of all staff, (c) establish and maintain grievance redressal and disciplinary procedures, (d) maintain the code of conduct in co-operation from CEO and Directors, (e) monitor and comment on adherence of staff to the CPPA-G code of conduct, (f) ensure the provision of a safe working environment, (g) make training plans and execute them in consultation with management, and (h) continuously look for opportunities to improve the employee motivation.

The main tasks under this function are the followings:

- i. Looking after general office administration and maintenance, procurement of office supplies.
- ii. Ensuring development of and compliance to company rules, HR and administration related rules and procedures and maintenance of office record.
- iii. Recruitment of new staff.
- iv. Health and safety issues and looking after the welfare of the staff.
- v. Conducting training needs assessments, preparing training calendars and coordinating the training functions.
- vi. Participate in the organizational restructuring process from an HR perspective to ensure that the CPPA-G organizational structure, processes, KPIs and JDs are all aligned over time to facilitate CPPA-G in discharging its role and obligations as specified in the Market Rules.
- vii. Continuously look for opportunities and embark on initiatives to improve the morale of the employees.



10.7. Policy, Governance & Corporate Planning

Policy, Governance and Corporate Planning (PG&CP) function provides executive support in a one-on-one working relationship with CEO. PG&CP serves as the primary point of contact for internal and external constituencies on all matters related to the functions/ responsibilities of CEO especially pertaining to Policies, Governance & Corporate Planning. The department provides support to CEO in development/changes of particular power/ energy policies for sustainable power market operations and to reduce liabilities and guarantees of Government of Pakistan.

PG&CP also facilitates internal development and streamlines operations to align with the prevailing policies. Moreover, it collaborates for the strategic initiatives being taken in the sector for long term sustainability. Furthermore, it works with Strategy & Market Development (SMD) function in Market Development activities for the detailed market design and implementation of the new market model.



10.8. Company Secretary Functions

As an entity incorporated under Companies Ordinance 1984, CPPA-G is operating under the regulatory framework of Securities and Exchange Commission of Pakistan (SECP). For Company Secretary's office compliance of SECP Act, 2017 and Public Sector Companies (Corporate Governance) Rules 2013 are mandatory.

In addition the key functions of the Company Secretary Office are as follows:

- i. Engagement of External Audit and preparation of Directors Report
- ii. Organizing of Annual General Meetings / Extra Ordinary General Meetings (EoGMs)
- iii. Organizing Board meetings and Board Committee meetings
- iv. Organizing Commercial Code Review Panel (CCRP) meetings
- v. Documentation of all the meetings mentioned above
- vi. Provide Secretarial support to the General body, Board of Directors, Board Committees and CCRP
- vii. Follow-up implementation on the General body, Board of Directors, Board Committees and CCRP decisions
- viii. Provide necessary support to the management for the SECP compliance for Companies Act 2017 and Public Sector Companies (Corporate Governance) Rules 2013



10.9. Information Technology – Support Function

The main objective of this function is to (a) ensure that the business has adequate support for network, application and software issues, (b) implement the IT strategy plan, (c) select and project manage the selection, design and/or development of applications, (d) procure IT equipment to meet business requirements, (e) ensure a disaster recovery plan is in place and (f) ensure data integrity and security.

Under this function the following main tasks are envisaged to be performed:

- i. Procurement and commission of IT hardware and software to support the business.
- ii. Lead in preparation of IT strategy aligned with the business strategy and to help implement it.
- iii. Prepare and/or consolidate the requirement specifications.
- iv. Conduct requirement analysis of IT environment required to support the CPPA-G in the next phase of market evolution.



IT STAGES PLANNED

A five-stage series of IT stages planned and possible execution



Through the incorporation of efficient IT systems in the organization, CPPA-G aims to achieve excellence and transparency to become a world-class Market Operator.

#60221400



II. ACTIONS AND PLANS

11. Actions and Plans

This section highlights the actions and plans for improving the performance, transparency, efficient implementation of the market model and achieve the objectives of the Commercial Code and Market Rules for the development of the competitive power market. The following paragraphs discuss the steps taken and the plans underway to achieve the above-mentioned objectives.

11.1 Organizational Restructuring

The organizational restructuring has two phases; (a) restructuring from an HR perspective and alignment with current business needs and (b) restructuring from a future business perspective i.e. to align the company with the proposed new electricity wholesale competitive market. Both phases are discussed in the following paragraphs:

Phase-I: HR Perspective - Alignment With Current Business Needs

Central Power Purchasing Agency Guarantee Ltd. (CPPA-G), consisting of Ex-CPPA-G and WPPO, commenced its operations on June 04, 2015. During FY 2017, the organization underwent a number of changes. Departments have been revamped and some new units like ERP, Strategy and Market Development have been created that are not only staffed but delivering on full swing. In addition the preparation and approval of the HR Manual was also a landmark achievement that helped the company to attract, recruit, maintain and retain high quality Human Resource from the market.

The mix of young and enthusiastic new hires from the market has

brought a new energy in the organization. During Phase-I of organizational restructuring, the strategic restructuring process involved mainly (a) the preparation and approval of HR Manual (completed), (b) transition of Lahore based employees to Islamabad and revamping the office space. The operations of the entire company in the Federal Capital have brought significant improvements in company's operations., (completed) (c) staffing of key strategic C-level positions duly approved by the Board of Directors on contract basis (completed), (d) inducting management trainees to build capacity for the future (completed) and (e) inducting functional/technical consultants to help

CPPA-G discharge its essential roles and responsibilities as laid down in the Market Rule and the Commercial Code (completed).

In addition to this, the idea to create a new department; 'Policy, Governance & Corporate Planning (PG&CP)' was also conceived during the year. The structure has been finalized and the department will be functioning in the near future. PG&CP will serve as the primary point of contact for internal and external constituencies on all matters pertaining to Policies, Governance & Corporate Planning. The function will organize and coordinate CEO's outreach and external relations efforts; and will oversee special assignments.

Phase-II: Future Business Perspective

As per directions by ECC and NEPRA under the market rules, CPPA-G with assistance from Asian Development Bank (ADB) consultants, by following a thorough consultative process, has proposed a CTBCM market model and roadmap / plan. During June 2017, the model and the plan were presented before the CPPA-G Board for its consideration and

onward submission to the competent forum to approve it. In the CTBCM roadmap there have been seventeen group actions proposed against all market participants and service providers, amongst which one is the restructuring of CPPA-G to avoid internal conflicts of interests. In-order to avoid conflicts of interest and ensure transparency,

CPPA-G will require a significant restructuring of the organization, the business processes and the supporting IT systems. To ensure a smooth transition into the CTBCM environment, the CPPA-G will restructure itself into two separate business units representing the Market Operator (MO) and the Special Purpose Supplier (SPS) provider, the Independent



Auctions Administrator (IAA) has also been proposed.

The Market Operator will have the responsibility of administering all market functions and transactions in the CTBCM, the SPS will be a transient organization designed to manage legacy contracts which cannot easily be transferred or assigned to successor entities.

The IAA is anticipated to organize and manage the introduction of new capacity into the electricity

system. The IAA, while important, is less urgent than the other two entities as considerable new generation is already under contract.

The strategy proposed is to initially operationally separate CPPA-G into these two entities and then go for legal separation. Once created, while still reporting to the CEO CPPA-G G, the new units will work independently of each other, and once both units can perform individually, these

units will be legally separated. The proposal of restructuring was submitted to the Board of CPPA-G and was approved.

In anticipation of the approval of the market model and the plan, CPPA-G with its consultants have already initiated the detailed design under this action. The design of the market model calls for the transformation of the current CPPA-G G into two separate entities.

11.2 System Automation and Controls

To automate and enhance the controls is another initiative that has been taken in-order to improve the efficiency and transparency. This is one of the most important elements for the establishment of an efficient competitive market. The strategy devised at CPPA-G is to (a) eliminate inefficient processes, (b) automate the back and front office processes to bring-in speed, efficiency and transparency and (c) outsource the non-core and/or work of temporary nature to stay lean and focused.

The systems (both back and front-office) inherited from the CPPA-G of NTDC were manual; however, necessary checks and balances were created to

ensure compliance with business rules and codes. Based on the three-pronged strategy mentioned above, CPPA-G has initiated different projects to automate the systems to bring-in more control and efficiency.

The CPPA-G's ERP project resides at the heart of the automation strategy. The other initiatives for automation includes the implementation of System for Settlement (SFS) and its integration with ERP and revenue metering system of NTDC, creation of the IT infrastructure to support software applications and up-grading the CPPA-G's website.

11.2.1 Enterprise Resource Planning (ERP) Systems

An ERP system is a cross-functional backbone that aids the flow of data and information across the organization for quick decision making while enhancing the control over the processes as well. The modules selected for implementation at CPPA-G are General Ledger, Payables, Receivables, Cash Management, Assets, Power Purchase Invoice Processing, HR, and payroll. This system will be integrated with other IT initiatives.

Ending June-2017 the implementation of ERP system was in a well

advanced stage. Apart from the ERP application implementation, the project has four major allied sub-components that include (a) the creation of Data Center has been completed including room construction, fire protection, environmental control, cooling ,cabling system, security protocol etc. (b) the installation of server and network equipment has been completed in February 2017 including Servers, SAN storage, core switches, routers, firewalls, racks, virtualization, distribution switches etc. (c) the LAN imple-

mentation has also been completed at CPPA-G head office and branch office at ENERCON and (d) the WAN implementation has also been completed between the head office and branch office. The Phase 1 of ERP system implementation is planned to be Go-live in September 2017 and remaining two phases are planned to be tendered in next financial year 2017-18 and will be completed within one year.

11.2.2 System for Settlement (SFS) Project

As a settlement center and future wholesale electricity market operator, CPPA-G requires a technically efficient System for Settlement (SFS). During the year, the Phase-1 of SFS customized application was completed and tested. The modules that were tested included financials verification of power purchase invoices and integration with treasury department for payments, back feed billing process and invoices to DISCOs (automated based upon DISCO wise summary data and power purchase expense consolidated from ERP financials).

In the next phase that will be completed in the coming year, the following is planned and will be

completed:

- All the invoice processing activities pertaining to technical department of CPPA-G and automation of liquidity damages processes for all IPPs
- CDP wise metering data entry and its integration with the invoices to DISCO process, FPA reporting and IMF reporting
- Web portal for receiving and dissemination of data to the external stakeholders of power sector:
- Integration of metering data with NTDC
- Integration of dispatch instructions and relevant technical data with NPCC
- Secure logins for IPPs
- Secure logins for DISCOs and
- Secure login for NEPRA and MoE

The implementation of SFS project was started during FY2017 and will be completed in FY2018. The development of SFS by the CPPA-G team was also assessed by the experts of Asian Development Bank (ADB). The ADB's experts recommended CPPA-G to continue to build its own SFS rather than procuring a solution from the market and then trying to customize it. By following this adopted approach, CPPA-G will be able to develop capacity (in-house and within the local IT market) to modify this custom built SFS application with the evolving competitive power market structure.

11.2.3 The Revenue Metering System and Integration of It Systems

The CPPA-G will be a user of information / data from the Revenue Metering System (RMS) project. The RMS project will be installed, operated and maintained by NTDC through ADBs financing. The RMS project will entail smart meters, a communication network

and head-end to collect and process the data from the meters and provide reports for CPPA-G's use. Moreover, the integration of ERP, SFS and Revenue Metering System is being done through regular coordination between project teams in the design phase

and ensuring the provision of interfaces between these systems. In this regard, CPPA-G and NTDC have signed a document that codifies CPPA-G's SFS Project requirements from NTDC's RMS and SCADA systems.

11.2.4 Performance Management System (PMS)

This phase included preparation of job descriptions with KPIs for employees, designing and preparing the competency framework and facilitating the process of preparing the balance scorecard for the company, CEO, n-1 and the levels below.

PHASE-1 (Preparing Inputs for PMS)

This phase included preparation of job descriptions with KPIs for employees, designing and preparing the competency framework and facilitating the process of preparing the balance scorecard for the company, CEO, n-1 and the levels below.

PHASE-2 (The PMS Design and Implementation)

This phase included designing and implementation of the PMS and entailed the design of Performance Appraisal Report (PAR), the feedback mechanisms, the reward systems, the evaluation of various tools and tech-

niques to measure performance and benchmark it, the training of the employees on the PMS, including the training on giving and receiving feedback.

After following a well thought

and consultative process the PARs were completed and further evaluated by the competent forum and final grading was awarded by applying a bell curve further discriminating performers from non-performers.



It is worth-mentioning here that increments for the next financial year will also be awarded based on the final determined rankings

from PMS. Moreover, it is also pertinent to mention here that for FY2018, CEO CPPA-G has finalized targets for all functional heads by

following a thorough consultative process. The same will be utilized for PMS.

11.3 Market Development

During the next three years the company will strive hard not only to build its internal capacity in-terms of people, processes and technologies but also to assist the other power sector entities to become partners in this journey.

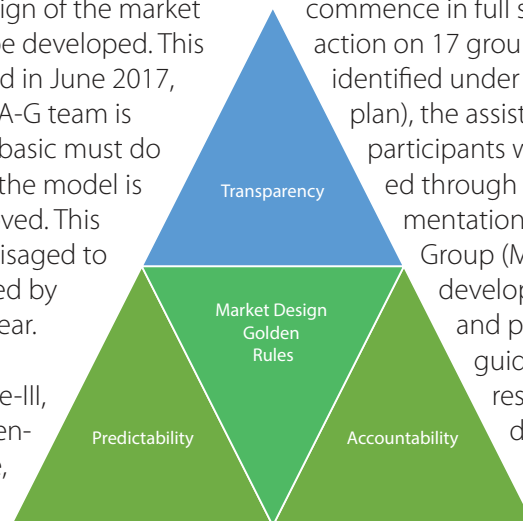
The market development strategy was divided into the following three phases: The Phase-I included (a) research and study of global competitive markets, (b) capacity building of market entities, (c) proposing the market model and CTBCM Plan for Pakistan through a consultative process, (d) building strategic partnerships with Market Operators globally and (e) submission of the CTBCM model and plan for approval. This phase started in mid of 2016 and ended in June 2017 and the CTBCM model and plan is in the approval process. The Phase-II is the detailed market design phase in which the

detailed design of the market model will be developed. This phase started in June 2017, and the CPPA-G team is working on basic must do items while the model is being approved. This phase is envisaged to be completed by end of the year.

During Phase-III, the implementation phase, all entities will implement the initiatives as per the approved timelines in the CTBCM Plan. This phase has also kicked-off in parallel with implementation of certain essential building blocks for any phase of the market to operate effectively.

Next year, while obtaining approval for the CTBCM model and plan, the detailed design will

commence in full swing (entailing action on 17 group-actions identified under the CTBCM plan), the assistance to market participants will be extended through Market Implementation Monitoring Group (MIMG) for developing capacities and providing guidance, internal restructuring design of CPPA-G will be completed, strategic partnerships with EPEXSPOT (the European Power Exchange) and one another centrally dispatched competitive market will be established. To commence the wholesale competitive market by mid of 2020 will be an uphill task, but with all power sector entities performing their part as planned, this goal can be achieved in next two years.





EPEXSPOT
EUROPEAN POWER EXCHANGE

EPIAS

APEx
Association of Power Exchanges



Global strategic partnerships

12. STRATEGIC PARTNERSHIPS

12. Strategic Partnerships

As per Section 12, sub-section 12.i.(vii). of the Commercial Code, CPPA-G is required to “Liaise with other international bodies having market functions similar to CPPA-G or administering competitive power markets”. In compliance to this requirement, CPPA-G has built a Strategic Partnership with EXIST, the Market Operator / Power

Exchange of Turkey, and other international bodies. This has provided CPPA-G a knowledge sharing platform and an opportunity to grow. The following paragraphs present a detail regarding the strategic partnerships developed by CPPA-G.





12.1. EXIST-The Market Operator of Turkey

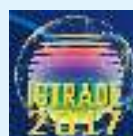
This partnership started with the visit of experts from CPPA-G, NEPRA, MoE (PD) and NPCC to meet their counterparts including EXIST in January of 2017. On the request of CPPA-G, a four member delegation of Exist visited CPPA-G office in Islamabad in February 2017 to share the experience and knowledge gained during the transition phase. Since then CPPA-G and EXIST are in regular contact and are also collaborating in areas of mutual interest.

The Turkish power market has been reformed with great success since 2001 (the time when the Turkish Market was in doldrums). The market conditions back in 2001 were very similar to Pakistani market conditions, with non-payments and cash flow issues, high losses and long-term generation contracts backed by government sovereign guarantees. Therefore, CPPA-G on its own initiated international collaboration with the Turkish Market Operator and has been firmed up by agreeing upon the MoU by BoDs of both companies for ease of future correspondence and collaboration.

12.2. Membership of APEX

The Association of Power Exchanges (APEX) is an international association formed to facilitate the development and communication of ideas and practices in the operation of global competitive electricity markets. CPPA-G's application for full-time membership of APEX as the Market Operator of Pakistan was approved by the APEX BoD in early March 2017. Apart from CPPA-G, the association has 47 full-time members all over the globe from EXIST the Market Operator/Exchange of Turkey to PJM the RTO in United States. It also has three Associate members.

By becoming a member of the association, one of the primary intentions of CPPA-G was to get access to the APEX platform to exchange knowledge and experiences and contribute more effectively to the development of Power Market in Pakistan in the years to come. Every year, APEX holds an international conference that provides members the opportunity to network and gain a better understanding of Electricity Markets worldwide, while learning about the latest developments in Power Exchanges. This year the conference was held in Brussels, Belgium in which CPPA-G participated.



12.3. EPEXSPOT-The European Power Exchange

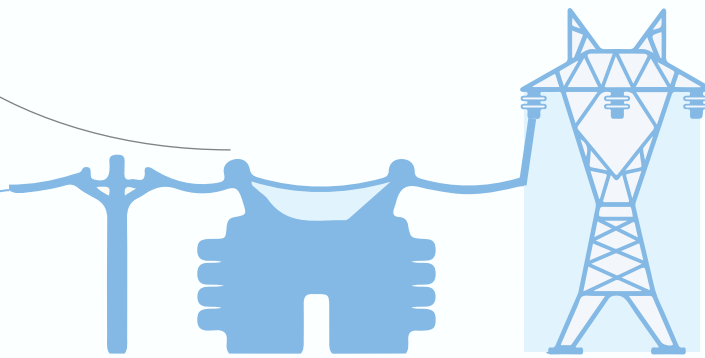
The CPPA-G market development section is liaising with EPEXSPOT (the European Power Exchange) and an agreement will be likely reached to sign a non-binding MoU between both parties resulting in CPPA-G learning from the power market expertise and transition in Europe.

12.4. Istanbul Trade 2017

Delegation from CPPA-G was invited to attend ISTRADE 2017 in Istanbul. ISTRADE is a unique platform in the field of energy trading and supply. The trade issues, current developments, anticipations and the future of organized markets were discussed. Countries all-across the globe have participated in the conference. Through this conference, CPPA-G was also able to liaise with other international organizations which will be beneficial in the future.



ELECTRICITY GENERATION
(ELECTRICITY)

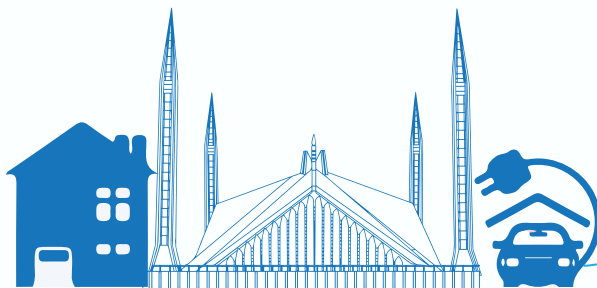


ELECTRICITY DISTRIBUTION
(DISCOS)

ELECTRICITY TRANSMISSION
(NTDC)



ELECTRICITY SUPPLY/RETAIL
(DISCOS)



END CONSUMER
(HOMES/BUSINESS)

13. THE POWER MARKET

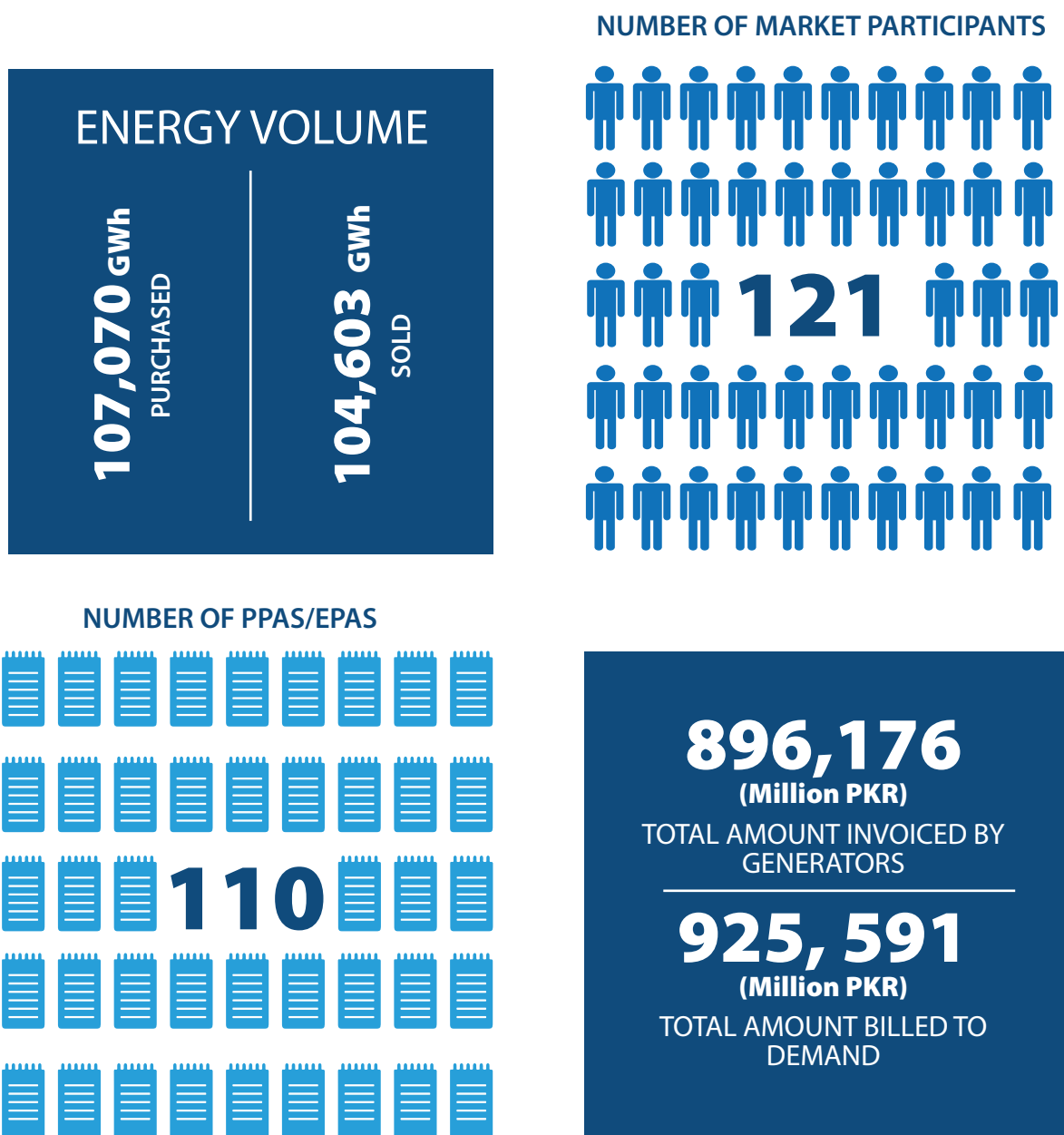
13. THE POWER MARKET

This section of 'The Power Market' has been divided into two sub-sections; Market Statistics and Market Participants. Market Statistics include the summary of important information of the wholesale market and also compares the stats of FY 2016-17 with FY 2015-16.

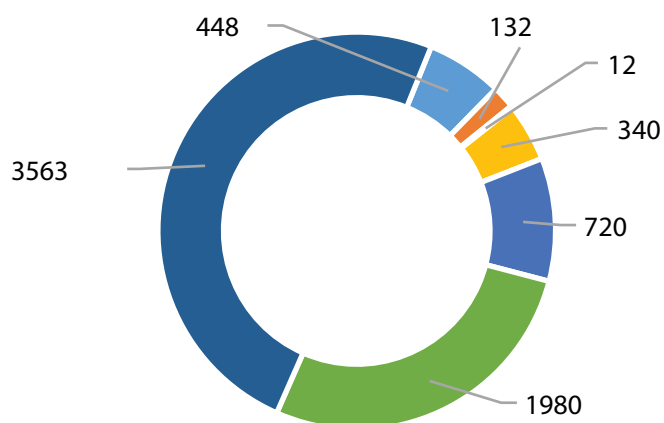
13.1 WHOLESALE MARKET STATISTICS

This sub-section provides the summary and key facts and figures regarding the power market of Pakistan for FY 2015-16 and FY2016-17.

13.1.1 FY 2016-17 IN NUMBERS – WHOLESALE MARKET



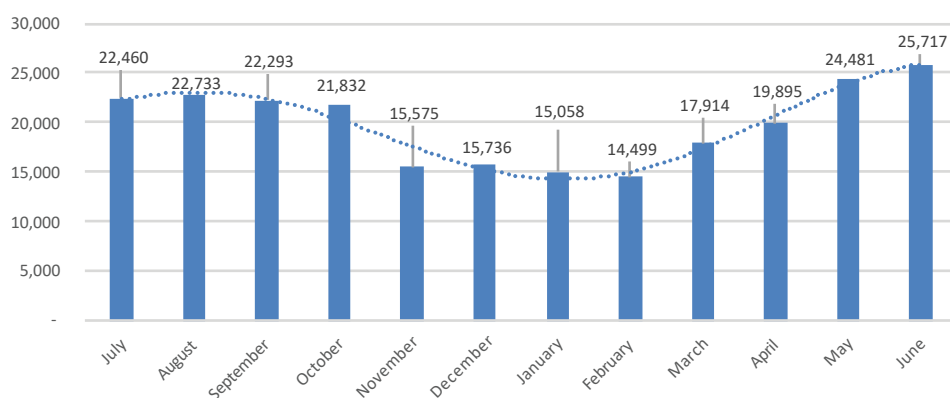
NEW CAPACITY CONTRACTED IN FY 2016-17 (MW)



■ Wind ■ Baggage ■ Solar ■ Nuclear ■ Hydel ■ Coal ■ RLNG

7,196 MW
NEW CAPACITY
CONTRACTED

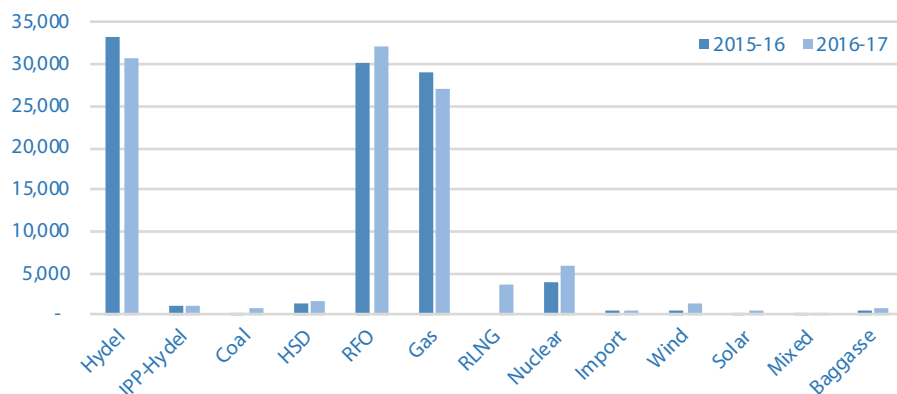
MONTHLY SYSTEM PEAK LOAD PROFILE (MW) FY 2016-17



25,717 MW
SYSTEM PEAK DEMAND

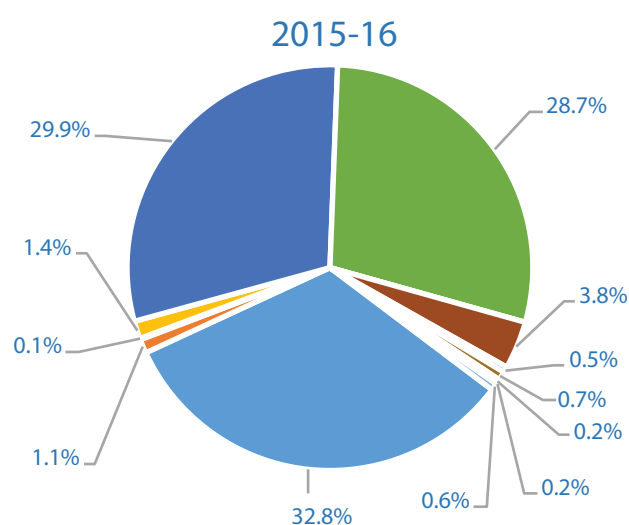
13.1.2. FY 2015-16 & 2016-17 – Wholesale Market Statistics

Energy Volume Mix Procured - in Numbers (GWh)

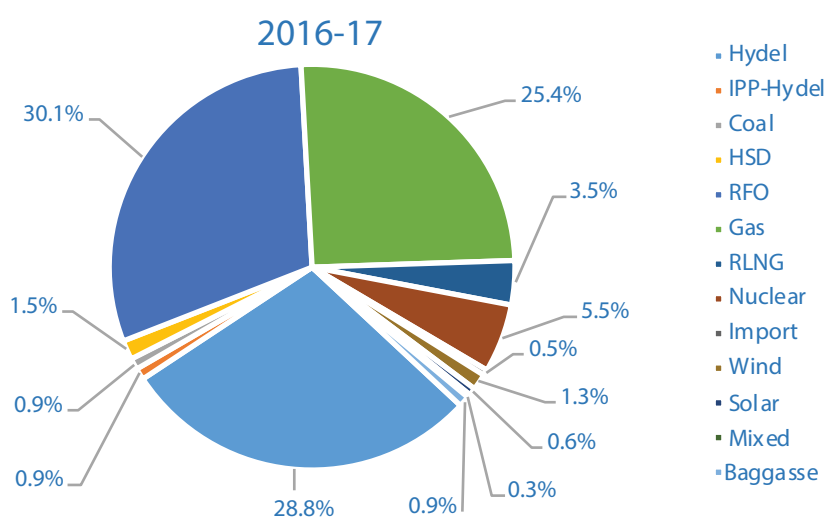


Fuel Type	2015-16	2016-17
Hydel	33,151	30,797
IPP-Hydel	1,121	989
Coal	105	961
HSD	1,428	1,648
RFO	30,156	32,180
Gas	29,024	27,143
RLNG	-	3,768
Nuclear	3,854	5,868
Import	463	496
Wind	691	1,386
Solar	174	635
Mixed	251	271
Bagasse	556	928
Total	100,974	107,070

Energy Volume Mix Procured - in % Age

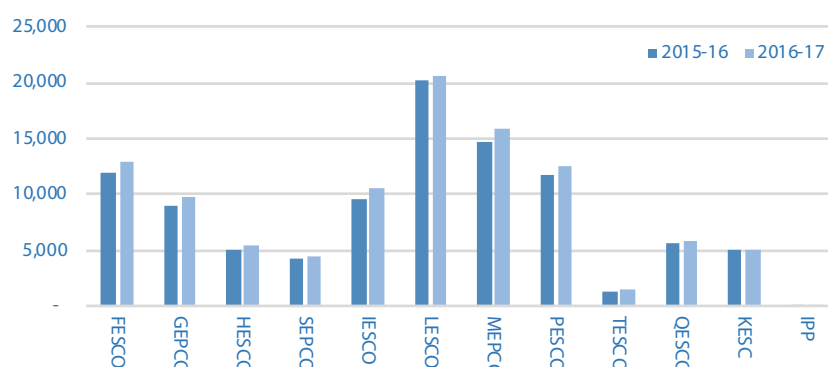


Fuel Type	2015-16	2016-17
Hydel	32.8%	28.8%
IPP-Hydel	1.1%	0.9%
Coal	0.1%	0.9%
HSD	1.4%	1.5%
RFO	29.9%	30.1%
Gas	28.7%	25.4%
RLNG	0.0%	3.5%
Nuclear	3.8%	5.5%
Import	0.5%	0.5%
Wind	0.7%	1.3%
Solar	0.2%	0.6%
Mixed	0.2%	0.3%
Bagasse	0.6%	0.9%



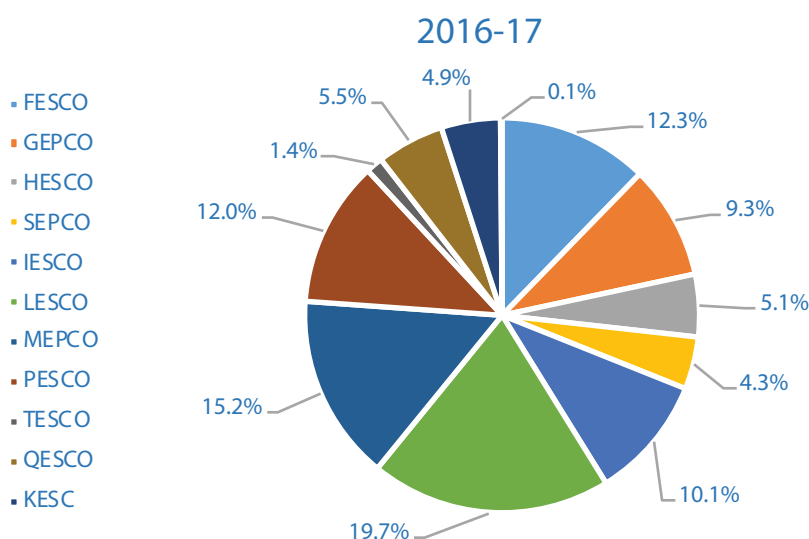
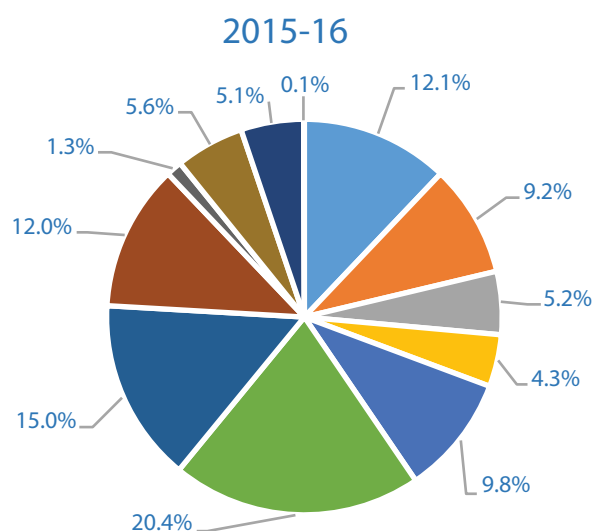
Energy Volume Consumed by Demand - in Numbers (GWh)

Demand	2015-16	2016-17
FESCO	11,920	12,858
GEPCO	9,045	9,779
HESCO	5,085	5,359
SEPCO	4,197	4,489
IESCO	9,650	10,583
LESCO	20,152	20,622
MEPCO	14,770	15,952
PESCO	11,802	12,511
TESCO	1,269	1,451
QESCO	5,547	5,789
KESC	5,059	5,077
IPPs	54	135
Total	98,550	104,603

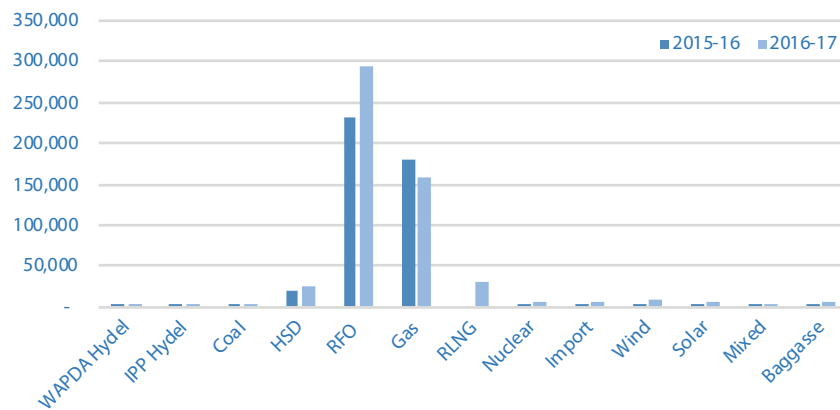


Energy Volume Consumed by Demand - in % Age

Demand	2015-16	2016-17
FESCO	11,920	12,858
GEPCO	9,045	9,779
HESCO	5,085	5,359
SEPCO	4,197	4,489
IESCO	9,650	10,583
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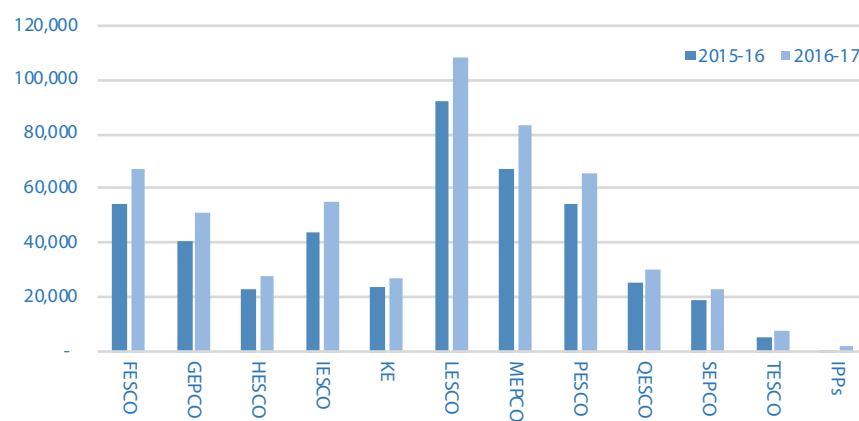


Energy Invoiced by Generators (Million PKR)



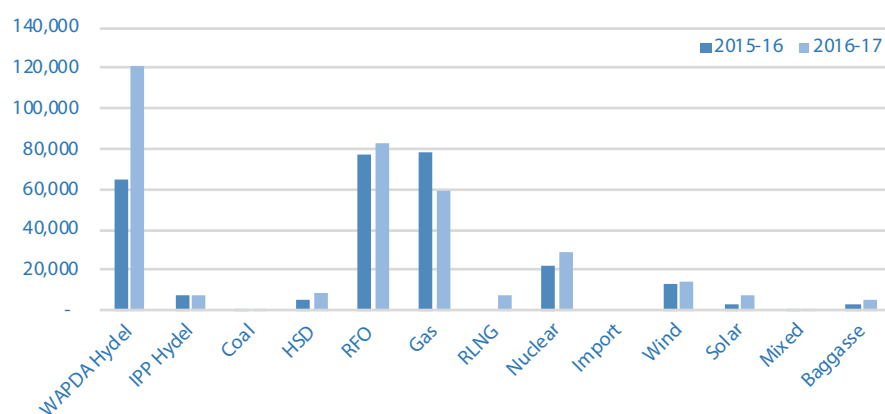
Fuel Type	2015-16	2016-17
WAPDA Hydel	3,116	3,175
IPP Hydel	458	514
Coal	472	4,186
HSD	20,217	24,161
RFO	231,226	295,558
Gas	179,078	158,872
RLNG	-	31,613
Nuclear	4,410	6,400
Import	4,902	5,393
Wind	1	9,700
Solar	483	5,341
Mixed	1,791	1,851
Bagasse	3,657	5,571
Total	449,811	552,335

Energy Billed to Demand (Million PKR)



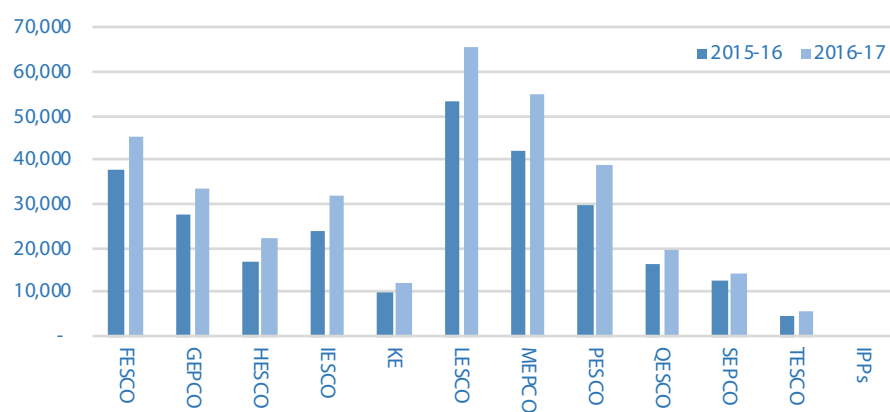
Demand	2015-16	2016-17
FESCO	54,171	67,507
GEPCO	40,977	51,185
HESCO	23,116	27,937
IESCO	43,858	55,511
KE	23,562	27,078
LESCO	91,764	108,311
MEPCO	66,975	83,276
PESCO	54,012	65,882
QESCO	25,552	30,686
SEPCO	18,974	23,156
TESCO	5,892	7,748
IPPs	953	2,255
Total	449,806	550,531

Capacity Invoiced by Generators (Million PKR)



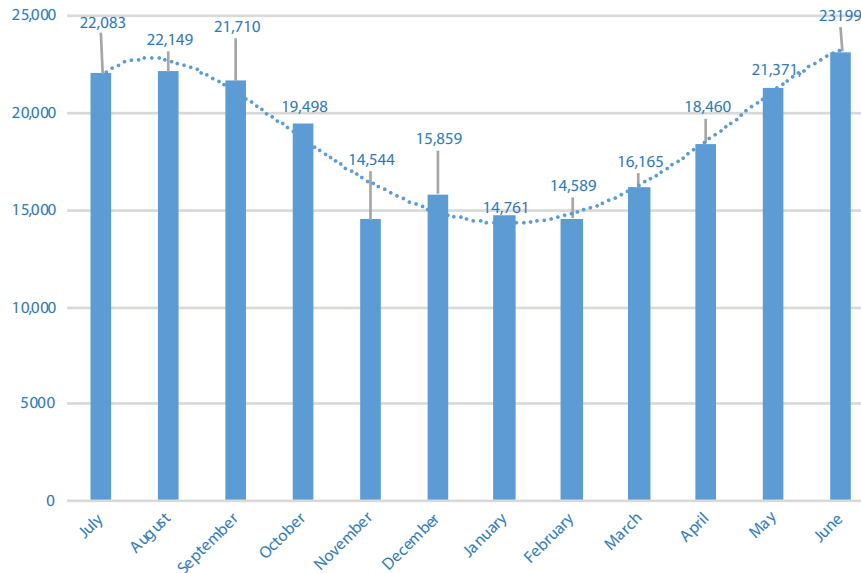
Fuel Type	2015-16	2016-17
WAPDA Hydel	64,416	121,325
IPP Hydel	6,965	7,745
Coal	768	498
HSD	5,402	9,109
RFO	76,870	83,125
Gas	78,141	58,940
RLNG	-	7,503
Nuclear	22,013	29,165
Import	-	-
Wind	13,615	14,268
Solar	2,792	6,915
Mixed	476	499
Bagasse	3,093	4,750
Total	274,551	343,842

Capacity Billed to Demand (Million PKR)



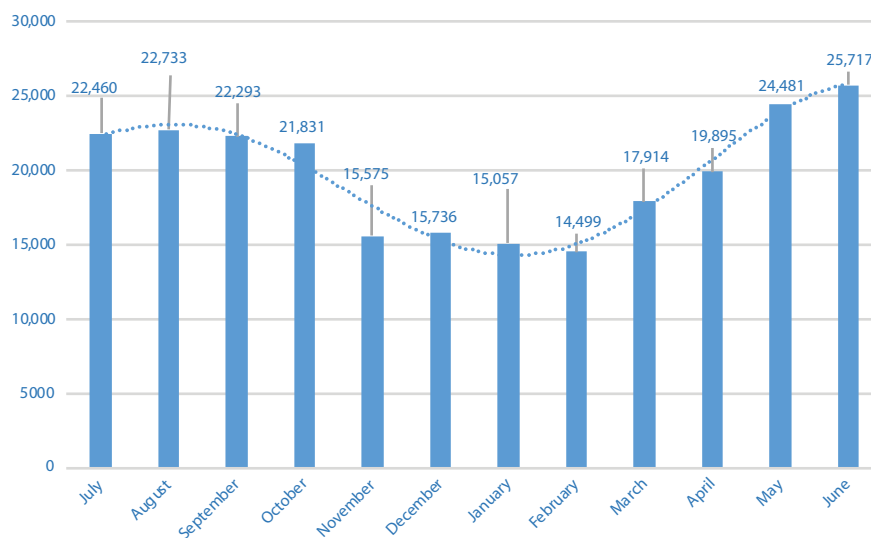
Demand	2015-16	2016-17
FESCO	37,911	45,470
GEPCO	27,570	33,361
HESCO	16,745	22,255
IESCO	24,002	31,622
KE	9,981	11,872
LESCO	53,186	65,701
MEPCO	41,843	55,152
PESCO	29,727	38,608
QESCO	16,527	19,819
SEPCO	12,528	14,395
TESCO	4,524	5,587
IPPs	-	-
Total	274,544	343,843

Monthly System Peak load Profile (MW) 2015-16



2015-16	
Month	Demand(MW)
July	22,083
August	22,149
September	21,710
October	19,498
November	14,544
December	15,859
January	14,761
February	14,589
March	16,165
April	18,460
May	21,371

Monthly System Peak load Profile (MW) 2016-17



2016-17	
Month	Demand(MW)
July	22,460
August	22,733
September	22,293
October	21,832
November	15,575
December	15,736
January	15,058
February	14,499
March	17,914
April	19,895
May	24,481
June	25,717

COMPETITIVE WHOLESALE POWER MARKET POSSIBLE EVOLUTION

A timeline series of achievements, the first target market until 2020 and possible evolution



The future of Pakistan's Power Market demands all stakeholders to carry out unified efforts in their capacities to achieve the common goal of developing a competitive wholesale electricity market.



13.2 MARKET PARTICIPANTS

There are two types of market participants in Pakistan; Distribution Companies and Generation Companies. The tables below provide the list of Distribution Companies on whose behalf CPPA-G purchases electricity and Generation Companies that have made contracts with CPPA-G till June 2017, and their maximum billed demands by CPPA-G and installed capacity respectively:

LIST OF GENERATION PARTICIPANTS		
SR. NO.	NAME	INSTALLED CAPACITY (MW)
BAGGASE		
1	Chiniot Power	57
2	Etihad Power Gen	67
3	Fatima Energy Limited	118
4	JDW-II	26
5	JDW-III	26
6	Layyah Sugar Mills	41
7	RYKML	30
8	Almoiz Industries Limited	36
9	Etihad Power Generation Limited.	74
10	Chanar Energy Limited	22
COAL		
1	China Power Hub Generation Company Ltd	1,320
2	Engro Powergen Thar (Pvt) Ltd	660
3	Lucky Electric Power Company	660
4	Port Qasim Electric Power Company	1,320
5	Sahiwal Coal Project	1,320
6	GENCO-IV Lakhra (COAL)	30
6	Siddiqsons Energy Ltd	330
7	ThalNova Power Thar	330
8	Thar Coal Block-1 Power Generation Power Project	1,320
9	Thar Energy Limited at Thar	330
HYDEL		
1.	Allai Khwar	121
2.	Chashma	184
3.	Dubair Khwar	130
4.	Ghazi Barotha	1,450
5.	Golen Gol	106
6.	Jagran (AJK)	30
7.	Jinnah	96
8.		720
9.	Khan Khwar	72
10.	Kohala (China International Water & Electric Company)	1,100



1.	Laraib New Bong Esc.	84
2.	Malakand-III	81
3.	Mangla	1,000
4.	Mira Power Ltd	102
5.	Neelum Jehlum	969
6.	S.K Hydro Pvt Ltd	870
7.	Small Hyrdo <25MW	128
8.	Tarbela	3,478
9.	Tarbela 4th Extension	1,410
10.	Tarbela 5th Extension	1,410
11.	Warsak	243
NUCLEAR		
1.	CHASHMA NUCLEAR 1	301
2.	CHASHMA NUCLEAR 2	315
3.	Chashma Nuclear III	340
4.	Chashma Nuclear IV	340
RFO/GAS/HSD/RLNG		
1.	AES LALPIR	350
2.	AES PAK GEN.	350
3.	ALTERN POWER	28
4.	ATLAS POWER LIMITED	214
5.	ATTOCK GENEERATION LIMITED	156
6.	Balloki	800
7.	Balloki RLNG P-II	400
8.	Biki	800
9.	Biki RLNG P-II	400
10.	DAVIS ENERGY LIMITED	10
11.	Engro Power (GAS)	213
12.	FAUJI KABIRWALA	151
13.	FOUNDATION POWER CO DHARKI LIMITED	168
14.	GENCO-I	830
15.	GENCO-II	1,337
16.	GENCO-III	1,410
17.	GENCO-V	425
18.	HABIBULLAH COASTAL	129
19.	HALMORE POWER GENERATION CO LIMITED (GAS)	207
20.	Havelli Badar Shah	800
21.	Havilli Badar Shah RLNG P-II	400
22.	HUBCO	1,202
23.	HUBCO-Narowal	214
24.	KAPCO	1,345
25.	KOHINOOR ENERGY LTD	124
26.	LIBERTY POWER PROJECT	213
27.	LIBERTY POWER TECH LIMITED	196
28.	NISHAT CHUNIAN POWER LIMITED	196
29.	Nishat Power	195

30.	Orient Power (GAS)	213
31.	POWER GENERATION LTD	116
32.	ROUSCH	395
33.	SABA POWER COMPANY LTD	126
34.	SAIF POWER LIMITED (GAS)	204
35.	SAPPHIRE ELECTRIC COMPANY LIMITED (GAS)	205
36.	UCH	549
37.	UCH-II	375
SOLAR		
1.	AJ Power (Private) Limited –	12
2.	Harappa Solar (Pvt) Limited- revised	18
3.	Appolo solar Development Pakistan – revised	100
4.	Best Green Energy Pakistan Limited – revised	100
5.	Crest Energy Pakistan Limited - revised	100
6.	Quaid-e-Azam Solar Power (Pvt) Ltd. - revised	100
WIND		
1.	FFC ENERGY LIMITED	50
2.	Foundation Wind Energy-I Private Limited	50
3.	Foundation Wind Energy-II Private Limited	50
4.	Gul Ahmed Wind Power Ltd.	50
5.	Hartford Alternative Energy	50
6.	Hawa Energy (Pvt.) Ltd.	50
7.	Hydro China Dawood Power (Pvt.) Ltd.	50
8.	Jhimpir Power (Pvt.) Ltd.	50
9.	Master Wind Energy Ltd.	50
10.	Metro Power Company Limited	50
11.	Sachal Energy	50
12.	Sapphire Wind Power Company Ltd.	53
13.	Tapal Wind Energy (Pvt.) Ltd.	30
14.	Tenaga Generasi Ltd.	50
15.	Three Gorges Wind Farm Pakistan Limited	50
16.	UEP Wind Power (Pvt.) Ltd.	99
17.	Yunus Energy Ltd.	50
18.	ZORLU ENERJI PAKISTAN LIMITED	56
19.	Zephyr Power Private Limited	50
20.	Tricon Boston A	50
21.	Tricon Boston B	50
22.	Tricon Boston C	50



List of Demand Participants

Sr. No.	Name	Maximum Billed Demand (MW)
1	Islamabad Electric Supply Company (IESCO)	2,276
2	Lahore Electric Supply Company (LESCO)	4,552
3	Faisalabad Electric Supply Company (FESCO)	3,183
4	Multan Electric Power Company (MEPCO)	3,883
5	Gujranwala Electric Power Company (GEPCO)	2,518
6	Quetta Electric Supply Company (QESCO)	1,349
7	Peshawar Electric Supply Company (PESCO)	2,721
8	Tribal Areas Electric Supply Company (TAESCO)	384
9	Hyderabad Electric Supply Company (HESCO)	1,718
10	Sukkur Electric Power Company (SEPCO)	1,079
11	K-Electric (KE)	770
Total		24,433



14. FINANCIAL HIGHLIGHTS

14.1 Balance Sheet

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

BALANCE SHEET AS AT 30 JUNE 2017

	2017 Rupees	2016 Rupees
ASSETS		
Non-current assets		
Operating fixed assets	25,251,746	10,181,550
Intangible asset under development	13,534,921	-
Receivable from NTDC through loan notes	42,412,168,630	42,412,168,630
Long term advance - HUBCO	802,000,000	802,000,000
	<u>43,252,955,297</u>	<u>43,224,350,180</u>
Current assets		
Due from principals	366,172,589,273	426,870,446,450
Market operation fee receivable	94,778,780	-
Advance to NTDC	33,847,809,508	10,332,586,892
Advances	39,283,597,113	10,056,335,008
Accrued mark-up	-	-
Other receivables	74,070,329,997	79,274,972,814
Taxation recoverable	59,787,183	-
Cash and bank balances	15,174,113,841	14,534,491,214
	<u>528,703,005,695</u>	<u>541,068,832,378</u>
Total assets	<u>571,955,960,992</u>	<u>584,293,182,558</u>
FUND AND LIABILITIES		
FUND		
General fund	34,563,144	(101,610,787)
LIABILITIES		
Non-current liabilities		
Net worth	7,163,232,938	7,163,232,938
Payable to WAPDA for HUBCO	802,000,000	802,000,000
	<u>7,965,232,938</u>	<u>7,965,232,938</u>
Current liabilities		
Energy and other payables	563,956,164,910	576,398,345,705
Provision for taxation	-	31,214,702
	<u>563,956,164,910</u>	<u>576,429,560,407</u>
Total liabilities	<u>571,921,397,848</u>	<u>584,394,793,345</u>
Contingencies and commitments		
Total fund and liabilities	<u>571,955,960,992</u>	<u>584,293,182,558</u>

The annexed notes form an integral part of these financial statements.

new .



CHIEF EXECUTIVE



DIRECTOR

14.2 Income Statement

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
INCOME		
Recovery of market operation fee from:		
- DISCOs	619,483,491	-
- NTDCL	-	40,633,689
- Profit on revenue collection accounts	202,751,813	356,596,311
	<u>822,235,304</u>	<u>397,230,000</u>
EXPENDITURE		
Operating expenses	(546,041,443)	(366,887,236)
Finance cost - bank charges	(2,828,849)	(1,167,233)
	<u>(548,870,292)</u>	<u>(368,054,469)</u>
SURPLUS BEFORE TAXATION	<u>273,365,012</u>	<u>29,175,531</u>
TAXATION	(137,191,081)	(118,986,862)
SURPLUS / (DEFICIT) AFTER TAXATION	<u><u>136,173,931</u></u>	<u><u>(89,811,331)</u></u>

The annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

14.3. Statement of Comprehensive Income

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
SURPLUS / (DEFICIT) AFTER TAXATION	136,173,931	(89,811,331)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to income or expenditure	-	-
Items that may be reclassified subsequently to income or expenditure	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>136,173,931</u>	<u>(89,811,331)</u>

The annexed notes form an integral part of these financial statements.

Raw


CHIEF EXECUTIVE


DIRECTOR

14.4. Cash Flow Statement

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	273,365,012	29,175,531
Adjustments for non-cash charges and other items:		
Depreciation	8,519,906	557,219
Profit on bank deposits	(202,751,813)	(356,596,311)
Finance cost - bank charges	2,828,849	1,167,233
Cash flows from operating activities before working capital changes	81,961,954	(325,696,328)
Working capital changes		
(Increase) / decrease in current assets		
Due from principals	60,697,857,177	(109,690,188,539)
Market operation fee receivable	(94,778,780)	-
Advance to NTDC	(23,515,222,616)	(10,332,586,892)
Advances	(29,227,262,105)	21,493,669,320
Other receivables	5,204,642,817	5,932,832,136
Increase / (decrease) in current liabilities		
Energy and other payables	(12,442,180,795)	97,273,611,808
	623,055,698	4,677,337,833
Cash generated from operations	705,017,652	4,351,641,505
Income tax paid	(228,192,966)	(98,943,410)
Finance cost paid	(2,828,849)	(1,167,233)
Profit on bank deposit received	202,751,813	356,596,311
Net cash generated from operating activities	676,747,650	4,608,127,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(23,590,102)	(5,918,737)
Intangible asset under development	(13,534,921)	-
Net cash used in investing activities	(37,125,023)	(5,918,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in cash and cash equivalents	639,622,627	4,601,208,436
Cash and cash equivalents at the beginning of the year	14,534,491,214	9,933,282,778
Cash and cash equivalents at the end of the year	15,174,113,841	14,534,491,214

The annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

15. Implementation of Commercial Code

The Commercial Code was developed with two main objectives as stated in section 3.1 of Commercial Code; (i) To establish, govern and promote efficient and transparent billing, collection, settlement and payment arrangements and procedures, centrally administered by CPPA-G specifically of the commercial and financial transactions relating to the sale and purchase of electricity and capacity in the agreements signed by and the trading and pooling arrangement administered by CPPA-G, in the manner prescribed under a pursuant to the provisions of the Act and rules and regulatory framework; and (ii) To promote and enable the development of competitive power markets in accordance with schedule I of the Market Rules.

The ECC of the Cabinet directed CPPA-G that within two years of the notification of Market Rules and associated operationalization of CPPA-G, CPPA-G shall prepare a comprehensive plan for transition of the power market to a CTBCM in consultation with stakeholders and subsequently approved by the Competent Authority. The plan will outline the actions that ought to be taken for the transition to a fully competitive wholesale electric power market. Subsequently, the Power Market Operator Rules, 2015 were issued by NEPRA, whereby CPPA-G was directed to play a central role in power market transition, in-line with the ECC's decision.

Based on this given mandate, in mid of 2016, CPPA-G started market model development efforts by forming an internal team and then hiring internationally recognized market development consultants. A strategy was devised for the preparation of the future market model and later the transition plan (CTBCM Plan). As per the strategy, the initiative was divided into three

phases. The Phase-I (June 2016 to June 2017) included (a) Capacity Building of main power sector entities, (b) High-level Market Model Design and (c) preparation of the draft CTBCM Plan. This phase has been completed by following a thorough consultative process and will be concluded by submission of the market model and CTBCM Plan to NEPRA. Phase-II will entail the detailed market design and Phase-III will be implementation.

During Phase-I, 05 training sessions (including one learning exchange to study the Turkish power market) were carried out in which key market entities i.e. MoE (PD), NEPRA, NTDC, CPPA-G and DISCOs participated. The objective of enhancing the capacity of the power sector core team that will participate in the future market design was successfully achieved. In addition to this, fundamental and advanced level trainings were also conducted by engaging world class resources. Moreover, a number of consultative workshops have been conducted with DISCOs, NTDC, NPCC, MoE (PD) and NEPRA for the discussion of the model. The model, after incorporating all the necessary details and recommendations, will be submitted to the competent Authority.

The competitive market model that is in the development stage, will require a set of rules, regulations and codes to enable the functioning and smooth operation of the new market being envisaged. The current Commercial Code aims to promote and enable the development of the competitive power market, it does not incorporate all the requirements of the new market model. Therefore, one of the most important actions in the implementation phase of CTBCM plan will be the amendment of the Commercial Code in accordance with the needs of the new market model. The Commercial Code will need to be adjusted to the

new market conditions that will facilitate and reflect the market structure and institutional arrangements.

For this purpose, CPPA-G will prepare a draft of the new Market Commercial Code that will set the objectives, principles, rules, procedures, rights and obligations that will govern the Market Operator, Participants and as applicable services providers. It will cover the details and requirements of settlement process including the market balancing pricing and trading, the market settlement period and process to enable prior verification and comments by Participants. It will also include provisions and procedures for metering system registration, the metering register and calculation of energy and capacity for each Participant, capacity obligations, Balancing Mechanisms; contract information and contract register; market operation fee; market credit cover, and others.

As per the current Commercial Code it is envisaged that initially, CPPA-G shall follow the same procedures for settlement, billing, and payments as were followed by CPPA-G of NTDC, for a transition period not longer than two years after issuance of the Commercial Code i.e. June 2017. At end of that period new procedures described in clauses 8.2 to 8.8, 9.2, 9.3 and 9.4 shall come into effect. However, since the preparation of new Market Commercial Code is already underway and shall be submitted to NEPRA in near future, the implementation of the above stated clauses would not be practically a good move. Therefore, a formal request has already been sent to NEPRA to extend the implementation of the existing Commercial Code till the approval of new Market Commercial Code.



16. Director's Report

16.1. Company Incorporation

In the wake of the power sector reforms, CPPA-G Ltd. was incorporated on 28th January 2009 with the Company Registration Office Lahore. The company is fully owned by the Government of Pakistan with the objective to implement and administer market mechanisms for electric power procurement and

sale (settlement of dues of electricity between the buyers and sellers), by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the company to undertake or perform in or pursuant to and in the manner prescribed under or pursuant to the

provisions of the Regulations of Generation, Transmission and Distribution of Electric Power Act; (Act No. XL of 1997). Due to the practical difficulties of segregation of its function from NTDC, the Company could not be operationalized till June 2015.

16.1. Company License

Rule-5 (1) of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules") state that "Notwithstanding anything contained in

these rules, for a period of two years from the commencement of these rules, CPPA-G shall be deemed to be authorized and registered as the market operator

under these rules to commence and conduct the market operations and during this period shall apply for registration in accordance with the provisions of these rules.

16.2. Background

I. In furtherance to power sector reform started in 1992, the strategy envisioned the creation of a competitive wholesale power market that would benefit the power sector and the Pakistan economy in general via newly introduced profit incentives, an increase in managerial autonomy while improving the managerial accountability. There are three types of markets (current and future):

- (i) Single Buyer;
- (ii) Single Buyer Plus; and
- (iii) CTBCM

II. This approach was incorporated in the National Transmission and Dispatch Company (NTDC) Limited, Transmission License. NTDC in accordance with its Transmission License, TL/01/2002 issued by NEPRA on 31 December 2002, established the Central Power Procurement Agency (CPPA) in 2004. Under Article 8 of the Transmission License the functions of billing, settlement and payment to generation companies (GENCO, IPPs, and WAPDA Hydel) was to be

discharged through its CPPA. Further in addition to the billing, settlement and payment functions, NTDC/CPPA was to procure electric power on behalf of the DISCOs and to prepare the organizations and the sector for transition towards a competitive wholesale/bilateral market

III. In 2009, the GOP decided to create an independent company to perform the market functions. The GOP's main objectives for doing so were:

i. The introduction of a new cash flow management system consistent with envisaged sector restructuring.

ii. Improved fiscal discipline, i.e., DISCOs' ability to honour debts, especially those arising from new investments, and to attract further investments for the sector that will result in credibility of sector operations.

iii. The introduction of measures to improve the power supply-demand

balance, while ensuring a reasonable quality of service.

iv. Paving the way toward the next phase of market reform, i.e., CTBCM.

v. Accordingly, Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) was incorporated in 2009 in order to become the successor of the CPPA of NTDC and to take over the existing market operations being performed by NTDC through iFinance Treasury.

vi. The National Energy (Power) Policy 2013, approved by the Council of Common Interests (the "CCI") on July 27, 2013, reiterated the need to reform the CPPA of NTDC.

vii. In furtherance of the policy decision of CCI to reform the CPPA of NTDC, the GOP decided to operationalize the CPPA as an independent legal entity having mandate to discharge the market operations.

16.4. Contractual Framework

As per the approved policy of the GOP the following contractual framework is currently in place:

- a. Execution of Business Transfer Agreement (BTA) between NTDC and CPPA-G;
- b. Execution of the Power Procurement Agency Agreements between CPPA-G and each of the DISCOs;
- c. Execution of the Administration Agreement between CPPA-G and NTDC to authorize the CPPA-G to administer and deal with PPAs
- executed between the existing Generation Companies (IPPs under 1994 power policy and prior thereto, IPPs under the 2002 power policy and 2006 RE Policy, GENCOs, WAPDA Hydel) and WAPDA and/or NTDC;
- d. Execution of fresh Power Purchase Agreements between CPPA-G and GENCOs; and
- e. Novation and amendment of PPA between NTDC and WAPDA for Hydel generation to include CPPA-G as a party thereto responsi-

ble for the commercial aspects thereof.

- f. Execution of back to back arrangements with NTDC to ensure that, following the transfer of business from NTDC to CPPA-G, the functions and obligations to be performed by NTDC or WAPDA under Power Purchase Agreements or Energy Purchase agreements signed by NTDC or WAPDA, will continue to be assumed and exercised by NTDC as per its transmission license or Grid Code.

16.5. Regulatory Framework

The regulatory framework, under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act"), supporting the

reform of CPPA of NTDC is as under:

- a. Modification of the NTDC Transmission License to carve out the Market Operations from NTDC;
- b. Approval and notification of the

Market Rules; and

- c. Approval and notification of Commercial Code for regulating payment and settlement;

16.6. Functions and Responsibilities of CPPA-G

The functions and responsibilities of CPPA-G as Market Operator under the regulatory regime are:

- a. To acquire, take over and / or assume the functions and business of settlement and development of competitive power market from CPPA of NTDC and to carry on these functions and business;

- b. Procurement of electric power on behalf of the DISCOs, including import of power from other countries;

- c. Generation invoice verification on the basis of meter reading or dispatch scheduling report and the terms of the respective Power Purchase Agreements;

- d. Billing to the DISCOs based on the meter readings at Common Delivery Points as per the procedure defined in the Commercial Code;

- e. Collection from the DISCOs and settlement to the Market Participants as per the Commercial Code;

- f. Management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the Commercial Code.

- g. Administration, maintenance and implementation of the Commercial Code, the Market Rules and supervision of compliance by Market Participants including billing, collection, settlement and payment procedures in accordance with the Commercial Code.

- h. Updating, implementing, administering and enforcing the Commercial Code in relation to the Market Rules.

- i. Collecting information and statistics and publishing reports

and information relating to the performance of the Market Operator administered market.

- j. Administering the development of and amendments to the Commercial Code for submission to NEPRA for approval.

- k. Developing and implementing competitive power markets based on policies guidelines of the Federal Government and/or requirements of NEPRA.

- l. Publishing such information on its website as may be required by NEPRA from time to time.

- m. Liaising with other bodies having market functions similar to the Market Operator or administering competitive power markets.

- n. Development of the New Market Model and the CTBCM Plan

- o. Any additional functions pursuant to requirements and provisions under the Commercial Code.



16.7. Key Operating Data

(i) Total Assets, General Fund and Liabilities of CPPA-G for the FY 2010-11 to FY 2016-17 are as follows;

(ii) The financial statements prepared by the management of the Company, present fairly its state of

affairs, the result of its operations and cash flows.

(iii) Proper books of accounts of the Company have been maintained.

FY	Assets (Rupees)	Liabilities (Rupees)	General Fund (Rupees)
FY 2010-11	-	103,799/	-103,799/
FY 2011-12	-	127,132/	-127,132/
FY 2012-13	-	150,465/	-150,465/
FY 2013-14	-	182,825/	-182,825/
FY 2014-15	487,089,338,629/	487,101,138,085/	-11,799,456/
FY 2015-16	438,052,298,245/	438,153,909,032/	-101,610,787/
FY 2016-17	571,955,960,992/	571,921,397,848/	34,563,144/

16.8. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

16.8.1. Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the: International Accounting Standards Board as are notified under the repealed Companies Ordinance; 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall

prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost conventions.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future

events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments
Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016: IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by usage of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on

subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition' and Measure-

ment'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters.



New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements. IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepay-

ment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'; It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact

on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements. On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 - 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and 01 January 2018 respectively. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, amendments to published standards and interpretations that are not yet effective

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

16.8.2. Provisions and Contingencies

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required

to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

Where the outflow of resources of embodying economics benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

16.8.3. Taxation

I) Current

The provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such periods.

II) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be

utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in statement of comprehensive income or directly in equity, respectively.

16.8.4. Foreign Currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates

prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates

prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in income and expenditure account.

16.8.4. Operating Fixed Assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income and expenditure account on reducing balance method so as to write off the cost of operating fixed assets over their estimated remaining useful lives at the rates specified in note 3. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use

and continued till the month preceding the month of disposal. An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the income and expenditure account in the year the asset is derecognized.



16.8.6. Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount

and the difference is charged to the income and expenditure account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income and expenditure account.

16.8.7. Loans and Advances

These are initially recognized at cost, which is fair value of the consideration given. Subsequent to initial recognition, an assessment is made at each balance sheet date to

determine whether an indication of impairment exist or not. If such an indication exist, the estimated recoverable amount of that asset or group of assets is determined and

the impairment loss is recognized in the income and expenditure account.

16.8.8. Cash and Cash Equivalents

For the purpose of cash flow statements cash and cash equivalents comprise of cash in hand,

cash at bank and short term highly liquid investments that are readily convertible to known amount of

cash and which are subject to an insignificant risk of change in value.

16.8.9. Revenue Recognition

In determining that the Company is acting as an agent of DISCOs and K-Electric, the Company has considered the guidance contained in IAS 18 'Revenue'. Paragraph 8 of IAS 18 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increase in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.'

The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the sale of electricity. One feature that indicates that the Company is acting as an agent is that the amount the Company earns is predetermined i.e. the market operator fee as determined by the National Electric Power Regulatory Authority (NEPRA). Further, the Company has no responsibility for providing the goods to the customers, has no inventory risk, has no latitude in

establishing prices and does not bears the customer's credit risk for the amount receivable from the customer.

The market operator fee is recognized as per determination of National Electric Power Regulatory Authority (NEPRA). Profit on deposits with banks is recognized on a time proportion basis taking into account the amounts outstanding and rates applicable thereon.

16.8.10. Due from Principals and Other Receivables

Due from principals and other receivables are carried at original invoice amount.

16.8.11. Energy and Other Payables

Liabilities for energy and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

16.8.12. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value. Financial assets are de-recognized

when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

16.8.13. Off Setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial

statements when there is a legal enforceable right to set off and the Company intends either to settle

on a net basis or to realize the assets and to settle the liabilities simultaneously.

16.8.14. Geographic Segment

The decision makers of the Company consider the whole Company as a single operating segment.

16.8.15. Employee Benefits

Provident fund

The Company operates a contributory provident fund scheme for all its employees. Monthly contributions are made to the fund @ 5% of the basic salary both by the Company and employees.

Gratuity fund

The Company operates on unapproved funded gratuity scheme covering all of its employees who have completed the minimum qualifying period of service as defined under the scheme. The

gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values.

16.9. Summary of statements as per Rule 17 of Public Sector Companies Corporate Governance Rules, 2013

Compliance with the Relevant Principles of Corporate Governance

The Board has complied with the relevant principles of corporate Governance (Annex-I), and has identified the rules that have not been complied with, the period in which such non-compliance continued and reasons for such non-compliance.

State of Affairs, Result of Operations and Cash flows

The financial statements prepared by the Management of the Company present fairly its state of affairs, the result of its operations and cash flows.



Books of Accounts

Proper books of the accounts of the company have been maintained

Appropriate Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and

accounting estimates are based on reasonable and prudent judgment

Sound System of Internal Control

Directors hereby recognize the responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored. Implementation of an ERP system is a major step in this direction.

16.9.1. Appointment of Chairman and other members of the Board

The appointment of Chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices.

16.9.2. Subsidy or other Financial Support from the Government

Company is not reliant on any subsidy or other financial support from the Government.

16.9.3. Significant deviations from last year in operating results of the Company

There are no significant deviations from last year in operating results of the company.

16.9.4. Statutory Payments on account of taxes, duties levies

Company has no statutory obligation on account of taxes, duties, levies and charges.

16.9.5. Board meetings and attendance of Board Members

Total meetings of the Board of Directors and Board Committees held during the FY 2016-17 are as follows:

Sr. No.	Meeting	No. of Meetings attended
1	Board of Directors	13
2	Procurement Committee of Board	10
3	HR Committee of Board	10
4	Risk Management Committee of Board	6
5	Audit Committee of Board	-
6	Finance Committee of Board	7
7	ERP Implementation Committee of Board	4

Attendance of the Board members in these meetings is as follows;

Sr. No.	Name of Directors	No. of Meetings attended
1	Mr. Muhammad Younus Dagha	8
2	Mr. Yousaf Naseem Khokhar	5
3	Mr. Zargham Eshaq Khan	49
4	Dr. Khaqan Hassan Najeeb	33
5	Mr. Fiaz A. Chaudhry	22
6	Mr. Mian Muhammad Imran	19
7	Dr. Rana Abdul Jabbar Khan	13
8	Mr. Basit Zaman Ahmad	7
9	Mr. Abid Latif Lodhi	29

Table 1: Meetings attended by the Directors

Auditor's Report

The Auditors' report to the members will be provided for consideration and adoption in the AGMs.

Acknowledgement

The Directors wish to place on record their appreciation for the work put in and the cooperation displayed by the staff and management of CPPA-G.





CENTRAL POWER PURCHASING AGENCY

NEECA BUILDING, G-5/2,
ISLAMABAD, PAKISTAN

WWW.CPPA.GOV.PK
WWW.FACEBOOK.COM/CPPIA

