PAKISTAN ELECTRICITY MARKET OPERATOR

ANNUAL REPORT 2023

ON THE PATH OF EXCELLENCE TOWARDS SUSTAINABLE ELECTRICITY

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Central Power Purchasing Agency

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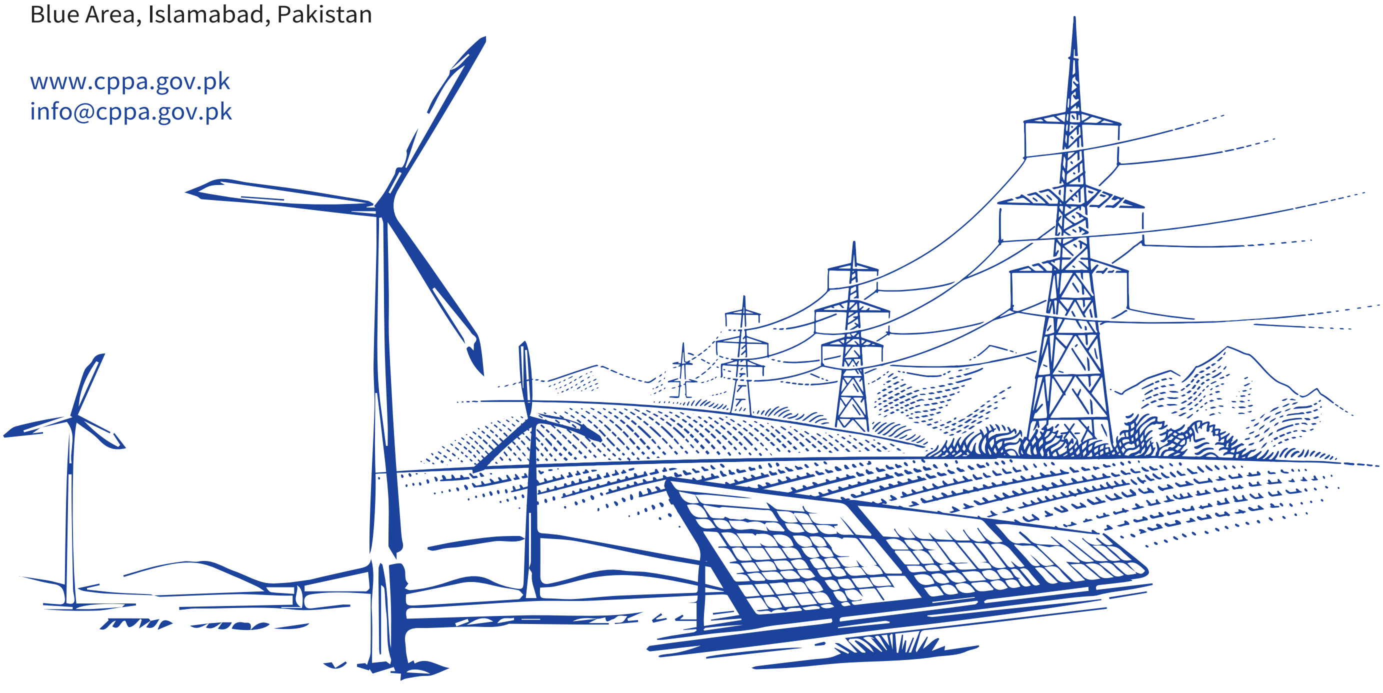

CENTRAL POWER PURCHASING AGENCY

PAKISTAN ELECTRICITY MARKET OPERATOR

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ON THE PATH OF EXCELLENCE
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(+15.22)
735.38
(+20.87)
564.30
3,422
900
3,661
14.36
9.16
10.56
2,550
234
303

TABLE OF CONTENTS

LIST OF ACRONYMS

ADB	ASIAN DEVELOPMENT BACK
AGM	ANNUAL GENERAL MEETING
APEX	ASSOCIATION OF POWER EXCHANGES
BOD	BOARD OF DIRECTORS
CDMP	CIRCULAR DEBT MANAGEMENT PLAN
CEO	CHIEF EXECUTIVE OFFICER
CFO	CHIEF FINANCIAL OFFICER
CIO	CHIEF INFORMATION OFFICER
CLO	CHIEF LEGAL OFFICER
CPPA-G	CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
CTBCM	COMPETITIVE TRADING BILATERAL CONTRACT MARKET
DISCO	DISTRIBUTION COMPANY
ECC	ECONOMIC COORDINATION COMMITTEE
ECM	ENTERPRISE CONTENT MANAGEMENT
EMP	ELECTRICITY MARKET PROFESSIONAL
EMT	ELECTRICITY MARKET TEAM
EPA	ENERGY PURCHASE AGREEMENT
EPEX SPOT	EUROPEAN POWER EXCHANGE
EPIAS/EXIST	ENERGY EXCHANGE OF TURKEY
ERP	ENTERPRISE RESOURCE PLANNING
FCA	FUEL COST ADJUSTMENT
FBR	FEDERAL BOARD OF REVENUE
FESCO	FAISALABAD ELECTRIC SUPPLY COMPANY
FY	FINANCIAL YEAR
FY2023	FINANCIAL YEAR (JULY 2022 – JUNE 2023)
GEPCO	GUJRANWALA ELECTRIC POWER COMPANY
GOP	GOVERNMENT OF PAKISTAN
GWH	GIGA WATT HOUR
HESCO	HYDERABAD ELECTRIC SUPPLY COMPANY
HR	HUMAN RESOURCES
HSD	HIGH SPEED DIESEL
IAA	INDEPENDENT AUCTION ADMINISTRATOR
IESCO	ISLAMABAD ELECTRIC SUPPLY COMPANY
IGCEP	INTEGRATED GENERATION CAPACITY EXPANSION PLAN
IMS	INTEGRATED MANAGEMENT SECURITY
IPP	INDEPENDENT POWER PRODUCER
IT	INFORMATION TECHNOLOGY
KE	K-ELECTRIC LTD.
KPIS	KEY PERFORMANCE INDICATORS
LESCO	LAHORE ELECTRIC SUPPLY COMPANY

LCIA	LONDON COURT OF INTERNATIONAL ARBITRATION
LMS	LEARNING MANAGEMENT SYSTEM
LUMS	LAHORE UNIVERSITY OF MANAGEMENT SCIENCES
MISC	MARKET IMPLEMENTATION SUPPORT COMMITTEE
MEPCO	MULTAN ELECTRIC POWER COMPANY
MO	MARKET OPERATOR
MOE	MINISTRY OF ENERGY
MOE (PD)	MINISTRY OF ENERGY (POWER DIVISION)
MOF	MARKET OPERATION FEE
MOU	MEMORANDUM OF UNDERSTANDING
NEPRA	NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEO	NET ELECTRICAL OUTPUT
NPCC	NATIONAL POWER CONTROL CENTER
NTDC	NATIONAL TRANSMISSION AND DESPATCH COMPANY
OPEM	OPERATOR OF PAKISTAN ELECTRICITY MARKET
PAR	PERFORMANCE APPRAISAL REPORT
PESCO	PESHAWAR ELECTRIC SUPPLY COMPANY
PPD	POLICY AND PLANNING DEPARTMENT
PMS	PERFORMANCE MANAGEMENT SYSTEM/POWER MARKET SURVEY
PPA	POWER PURCHASE AGREEMENT
PPAA	POWER PROCUREMENT AGENCY AGREEMENT
RFO	RESIDUAL FUEL OIL
RFP	REQUEST FOR PROPOSAL
RLNG	RE-GASIFIED LIQUEFIED NATURAL GAS
RMS	REVENUE METERING SYSTEM
RTO	REGIONAL TRANSMISSION ORGANIZATION
SAARC	SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION
SCADA	SUPERVISORY CONTROL AND DATA ACQUISITION
SECP	SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SEPCO	SUKKUR ELECTRIC POWER COMPANY
SFS	SYSTEM FOR SETTLEMENT
SMD	STRATEGY AND MARKET DEVELOPMENT
SPA	SPECIAL PURPOSE AGENT
TOR	TERMS OF REFERENCE
TESCO	TRIBAL AREA ELECTRIC SUPPLY COMPANY
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
WAPDA	WATER AND POWER DEVELOPMENT AUTHORITY
WPPO	WAPDA POWER PRIVATIZATION ORGANIZATION

01 VISION, MISSION & CORE VALUES OF CPPA-G

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.

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 (MO) 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 teamwork within and outside CPPA-G boundaries with the market entities. CPPA-G vision is to have teamwork within and outside the organization (with market participants and administrators) to ensure smooth transition in market development journey.

BEING 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.

02 CHAIRMAN'S MESSAGE

ZAFAR ABBAS
CHAIRMAN BOARD – CPPA-G

Over the past year, power sector has witnessed significant transformation. From the rapid adoption of renewable energy sources to the integration of advanced technologies, our industry is evolving at an unprecedented pace. These changes present both opportunities and challenges and it is our duty to adapt and innovate to achieve the objectives of sustainable and reliable supply of energy to attain energy security.

On behalf of the Board of Directors, CPPA-G, I would like to express my deepest gratitude and appreciation for the dedication of the CPPA-G management and the committed support of the CPPA-G Board for taking initiatives and steps towards achievement of above-mentioned objectives. As CPPA-G has one of the best professional teams among the power sector entities, I am confident that the Company will continue its journey for achievement of excellence in power sector. As Chairman of the Board, I would continue to support CPPA-G towards its transformation that would bring a brighter tomorrow for our nation by operationalization of the wholesale electricity market operations. I welcome all stakeholders to be a part of this future.

Power Sector plays a key role in the development and growth of the economy by ensuring an adequate, secure and cost-effective supply of electricity by utilizing energy resources efficiently. Covid-19 pandemic, global economic recession, depreciation of Pak rupee coupled with increase in international fuel prices remained key challenges for the sector. CPPA, in collaboration with the Power Division and Generation Companies successfully encountered the fuel shortages (for electricity generation) resulting in passing of lesser financial burden to the end consumers of electricity. CPPA-G remained instrumental in assisting Power Division for development of first ever national electricity plan and monitoring framework, in collaboration with various stakeholders. Development and regular up-dation of Circular Debt Management Plan (CDMP) for power sector, load management plan, energy efficiency plan, fuel procurement for power generation, formulation of strategic roadmap for DISCOs, power sector subsidy reforms including tariff design and social protection strategy are the other important areas where CPPA remained closely engaged with Power Division and various national and international stakeholders.

During 2022-23, CPPA-G continued to lead the mandated market reforms, paving the way for opening up of competitive wholesale electricity market in Pakistan. Following the grant of Market Operator license and approval of Market Commercial Code by NEPRA, CPPA-G has successfully completed test run actions within approved time. Here I would specially like to appreciate the team's effort in developing a complete in-house IT solution for managing the market transactions titled as "Market Management System (MMS)" and publishing monthly Preliminary Settlement Statements (PSS) and Final Settlement Statements (FSS) for the market participants using MMS. The systems, tools and all allied services have been thoroughly tested during the test run phase in coordination and consultation with all relevant power sector entities to give confidence to the decision makers over the readiness of the power sector to cope with the upcoming market regime change. CPPA-G also maintained its position as the industry leader with regards to training and capacity building initiatives by conducting roadshows across all major cities of Pakistan, organizing various technical workshops for implementation partners under Electricity Markets Professional (EMP) program.

03 CEO'S MESSAGE

RIHAN AKHTAR
CEO CPPA-G

Fiscal Year 2023 was a challenging year for the country with growth trajectory severely impeded by worsening local economy and global geo-political events. Despite serious challenges encountered by the entire energy value chain of the country, in general, and power sector, in particular, on account of exorbitant imported fuel prices, constraints on fiscal & external accounts, high inflationary trends and devaluation of Pak Rupee, etc. CPPA-G effectively played its role for efficient financial management of the power sector. Despite of these constraints the achievements of CPPA-G during the fiscal year 2022-23 have been exemplary.

Our efforts have not only been consistent but have also borne fruit in substantial accomplishments. The initiatives undertaken in the year 2023 are in line with our vision and resonate with the principles we hold dear. In a time when the global energy industry continues to undergo transformation, CPPA-G operationalized local Coal based power plants and enabled spot buying of coal from Afghanistan in Pak Rupees (by Coal IPPs) which resulted in FOREX savings. CPPA-G was instrumental in negotiations with Power Plants for tariff discounts and further capping of gas marker price which resulted reduction in Circular Debt and future savings. Despite of short collection by the DISCOs, the available funds were efficiently disbursed to the Power Producers without compromising their operations.

Under the market reforms as well, CPPA-G has undertaken many initiatives leading the concept of implementing a competitive power market in Pakistan. CPPA-G has been granted the Market Operator (MO) license in 2022 along with the Market Commercial Code (MCC) by NEPRA and further directed CPPA-G to submit a Test Run Plan to NEPRA. CPPA-G has timely completed all the 24 test run actions pertaining to the Market Commercial Code, test run tools/systems and capacity building. This year saw the complete operationalization of the Market Management System (MMS) built inhouse to manage market transactions in a systematic and automated manner. The MMS enabled CPPA-G to publish the Preliminary Settlement Statements (PSS) and Final Settlement Statements (FSS) issued to the market participants on a monthly basis under the test run phase. CPPA-G remained dedicated to enhancing professional development and fostering innovation through collaborations with both global and local partners, all aimed at shaping a brighter future for the power sector entities. This year CPPA-G continued to invest in capacity building of the power sector professionals and carried out essential specialized trainings for all the power sector entities through its own resources as well as in collaboration with international donors. Apart from the conventional training workshops, CPPA-G also conducted rigorous consultative sessions as mandated by NEPRA under the test run plan and organized a series of consultations to develop consensus on various aspects of the test run amongst the implementing power sector entities.

Conforming to its commitment of serving and adding value to the power sector, CPPA-G has actively participated in the development of the National Electricity Plan (NE-Plan) for the realization of goals, inter-alia, access to affordable energy, energy security & sustainability set in the National Electricity Policy. CPPA-G also provided assistance to the Power Division for Circular Debt management framework, Development and regular updating of Circular Debt Management Plan (CDMP), Techno-commercial assessments and package designing for Solarization of Agriculture tube-wells across Pakistan, Power Sector subsidy reforms (including tariff design and social protection strategy).

CPPA-G has proactively strived to establish a robust, efficient and cybersecure workplace culture by embracing digitalization. The significant additions to attain operational excellence by plugging bottlenecks majorly include ERP (across the board), LMS, IMS, etc. Apart from streamlining operations through automation, the organization has significantly emphasized on empowering and developing its manpower through capacity building by conducting various inhouse/international workshops and trainings, etc. CPPA-G has implemented the best Corporate Governance practices as required under the Public Sector Companies (Corporate Governance) Rules 2013.

The core financial performance of CPPA-G encompassed financial settlement of Power Projects on behalf of DISCOs which delivered Energy worth more than Rs. 2.5 trillion during Financial Year 2022-23. Operating procedures were negotiated and signed with 15 power projects of different technologies and 04 Power plants of different technologies with capacity of 3,243, MW were successfully integrated with the National Grid.

I would hereby like to appreciate the dedication, commitment and perseverance exhibited by every single individual that has been a part of CPPA-G that enabled the accomplishment of milestones and contributed to its success. I firmly believe that together, we shall overcome challenges, seize opportunities, and build a future where CPPA-G's contributions are synonymous with progress and transformation.

04 COMPANY'S PROFILE

The CPPA-G is a public sector company fully owned by Government of Pakistan (the GOP). The Company originated as a sub-department of the National Transmission and Despatch Company Limited (NTDC) and was later bifurcated by way of a Licensee Proposed Modification (LPM) filed by the NTDC in 2015. The statement of reasons in support of the LPM specified that functions of CPPA-G had been allocated to the NTDC as a stopgap measure, in addition to its core transmission and system operation business. CPPA-G was contemplated as a standalone entity but due to practical considerations at the time of grant of license to NTDC, could not be implemented. In 2015, the energy sector was considered to be in a position where a separate Central Power Purchasing Agency could be established, and the envisioned market reforms could be implemented. On these submissions, the Authority on May 29, 2015 approved the LPM of NTDC, through which the functions of CPPA-G and NTDC were bifurcated, with the former becoming a separate legal entity with distinct role, function and mandate.

In furtherance to power sector reform, 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. **Singe Buyer Plus; and**
iii. **Competitive Trading Bilateral Contract Market (CTBCM)**

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-G 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.

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 honor 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, CPPA-G was incorporated in 2009 in order to become the successor of the CPPA-G of NTDC and take over the existing market operations being performed by NTDC through its departments i.e. WPPO, CPPA-G & Manager Finance 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 CPPA-G of NTDC.

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

COMPANY REGISTRATION

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.

Furthermore, the Authority vide its determination dated November 16th 2018, granted a registration No. MOR/01/2018 (the "Registration") to Central Power Purchasing Agency (Guarantee) Limited (the "CPPA-G") to act as the MO under the NEPRA (Market Operator Registration, Standards, and Procedure) Rules, 2015 (the "Market Rules"). The Registration is valid for five (5) years from the date of its issuance or till such date on which Section 23A and 23B of the Act come into force as per Section 1(3) of the Act, whichever is earlier.

CPPA-G filed an application to NEPRA on October 14th 2021. Subsequently, NEPRA granted a Market Operator License No. MOL/01/2022 to CPPA-G on May 31st 2022 to perform function as the Market Operator. CPPA-G has attained a legal status to operate as the Marker Operator with the receipt of this license from the Authority. Further CPPA-G has filed SPA registration application with NEPRA which is pending with the Authority.

CONTRACTUAL FRAMEWORK

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

a. Business Transfer Agreement (BTA) between NTDC and CPPA-G.

b. 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 Nuclear Power Plants.

c. Execution of new Power Purchase Agreements / Energy Purchase Agreements between CPPA-G, GENCOs and IPPs.

d. Novation and amendment of PPA between NTDC and WAPDA for Hydel generation to include CPPA-G as a party thereto responsible for the commercial aspects thereof.

e. 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.

f. Power Procurement Agency Agreements (PPAA) between CPPA-G and each of the DISCOs. The Company has signed PPAAs with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs.

g. In future moving towards a tripartite PPA regime in which CPPA, NTDC and the power producer will jointly enter into a PPA for properly discharging their respective rights and obligations.

FUNCTIONS AND RESPONSIBILITIES OF CPPA-G

Functions as per Registration No. MOR/01/2018 from NEPRA dated 16th November 2018

GENERAL RESPONSIBILITIES

Perform the market operator functions reliably, transparently, objectively and independently and in a non-discriminatory and unbiased manner;

Carry out all works related to the market operator functions, including but not limited to:

a. Preparation of a model for competitive market operations that encompasses both sale of power at wholesale and sale of power at retail and submit the same for the approval of the Authority;

b. Developing, administering and enforcing the Commercial Code;

c. In the case of bilateral contracts between multiple buyers and sellers, settlement of imbalances;

d. Development of commercial standard operating procedures;

e. Procurement of power on behalf of DISCOs during the Single Buyer Phase and Single Buyer Plus Phase; and

f. Cash flow management, treasury management and other relevant functions for the purposes of collection and disbursement as per the Commercial Code;

Not discriminate between market participants, whether prospective or incumbent and whether sponsored privately or by the Federation or Provincial Governments of Pakistan;

Employ a sufficient number of qualified personnel to ensure that its activities are conducted effectively, efficiently, reliably and prudently

Ensure that it possesses the technical and financial capability, material and human resources, and organizational structure, to perform its activities effectively, efficiently, reliably and prudently;

Pay applicable fees;

Not engage in any activity that may disrupt or interfere with the promotion of competition in the market;

While performing its activities relating to competitive market operations, not engage in any activity that can impair its functioning as an independent and impartial market operator;

Furnish to the Authority such information, documentation or data, and in such manner and time, as the Authority may require from time to time;

Submit progress reports to the Authority on the status of activities being undertaken and, where required by the Authority and applicable law, publish the required reports in the appropriate manner;

Comply at all times with the directions and determinations made by the Authority;

Comply with the Act, rules and regulations made in pursuance of the Act, applicable documents, the Commercial Code and the terms and conditions of this registration; and

Submit compliance reports in accordance with Article 12.2;

COMMERCIAL RESPONSIBILITIES AS PER REGISTRATION NO. MOR/01/2018 FROM NEPRA DATED 16TH NOVEMBER 2018

a. Establish processes ensuring adherence of market participants to the Market Rules and to the Commercial Code;

b. Manage the processes of settlement of transactions in accordance with the Market Commercial Code;

c. Keep or cause to be kept separate accounts for the distinct market operator functions and;

d. Submit to the Authority, as and when directed, correct and reliable information regarding imbalances, settlements, prices, number of market participants, percentages of market share, forecasted prices and statistics.

1.1 BOARD OF DIRECTORS

- Mr. Zafar Abbas (Chairman)
- Mr. Rihan Akhtar (Chief Executive Officer)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Saad Fazil Abbasi
- Mr. Shahid Mahmood
- Dr. Rana Abdul Jabbar Khan
- Mr. Muhammad Amjad Khan
- Mr. Ghiasuddin Ahmad
- Mr. Raheel Ijaz

1.2 AUDIT & FINANCE COMMITTEE

- Mr. Raheel Ijaz (Chairman)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Saad Fazil Abbasi
- Mr. Ghiasuddin Ahmad

1.3 FUNCTIONAL HEADS

- Mr. Rihan Akhtar
  (Chief Financial Officer)
- Mr. Abdul Majid Khan
  (Chief Legal Officer)
- Mr. Arshad Javed Minhas
  (Chief Information Officer)
- Mr. Mubasher Ahmad Qureshi
  (Chief Technical Officer)
- Mr. Rehan Hameed
  (Chief (HR&A) Officer)
- Mr. Omer Haroon Malik
  (Head Market Operations & Development)
- Mr. Arbab Fazal Azeem
  (Chief Internal Auditor)
- Mr. Noman Rafiq
  (Company Secretary)

1.4 HEAD / REGISTERED OFFICE

- Central Power Purchasing Agency
  Shaheen Plaza, Plot No. 73-West,
  Fazal-e-Haq Road, Blue Area Islamabad
  Phone: 051-9213616
  Website: http//www.cppa.gov.pk

1.5 BANKERS

- National Bank of Pakistan
- Allied Bank of Pakistan
- Askari Bank Limited
- Faysal Bank Limited
- First Women Bank Limited
- Habib Bank Limited
- The Bank of Punjab
- Standard Chartered Bank (Pakistan) Limited
- United Bank Limited
- Muslim Commercial Bank Limited
- Bank Alfalah Limited
- Bank Al-Habib Limited
- Habib Metropolitan Bank Limited
- Meezan Bank Limited

1.6 COMPANY AS DISCO'S AGENT

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

1.7 LEGAL ADVISOR

- Barrister Munawar us Salam

1.9 AUDITOR

- M/s A.F. Ferguson & Co. Chartered Accountants

05 BOARD OF DIRECTORS

CPPA-G has a diversified Board of Directors which comprises of seasoned professionals with broad spectrum of experiences ranging from policy, finance, legal, engineering and operations. In-terms of institutions, it has members from wide range of relevant organizations including MoE (PD), Ministry of Finance (MoF), NTDC, GENCOs Holding Company and IESCO along with professional independent Directors having professional background of finance, management and legal. The CPPA-G's Board ensures that the company adheres to corporate governance best practices while being compliant with government policies, legal and regulatory frameworks. 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 nine members in its board. Each member of the board is well qualified and possesses more than 20 years of professional experience in their respective fields.

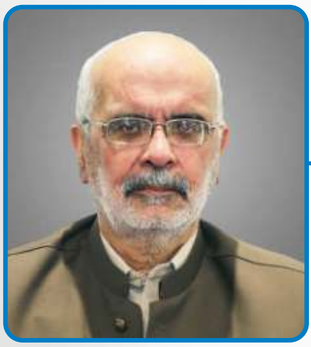
MR. ZAFAR ABBAS

CHAIRMAN BOARD – CPPA-G

MR. SAAD FAZIL ABBASI

MEMBER BOD, CPPA-G

MR. MAHFOOZ AHMAD BHATTI
MEMBER BOD, CPPA-G



MR. MUHAMMAD AMJAD KHAN
MEMBER BOD, CPPA-G

MR. SHAHID MAHMOOD
MEMBER BOD, CPPA-G

DR. RANA ABDUL JABBAR KHAN
MEMBER BOD, CPPA-G

MR. RIHAN AKHTAR
MEMBER BOD / CEO CPPA-G

MR. RAHEEL IJAZ
MEMBER BOD, CPPA-G

MR. GHIASUDDIN AHMAD
MEMBER BOD, CPPA-G

06 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 permeate 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 an Organization's business, there are six committees constituted in CPPA; (a) Audit & Finance Committee, (b) Procurement & Risk Management Committee, (c) HR, Legal & Nomination Committee, (d), (g) Special Committee on Market Implementation & Support Committee and (h) Special Committee on GENCOs, NTDC, Ex-WAPDA DISCOs Vs CPPA-G issues.

FOLLOWING IS THE COMPOSITION OF BOARD'S COMMITTEES:

PROCUREMENT & RISK MANAGEMENT COMMITTEE

- Mr. Muhammad Amjad Khan (Chairman)
- Mr. Zafar Abbas
- Mr. Raheel Ijaz
- Dr. Rana Abdul Jabbar Khan
- Mr. Rihan Akhtar

HR, LEGAL & NOMINATION COMMITTEE

- Mr. Ghiasuddin Ahmad (Chairman)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Saad Fazil Abbasi
- Mr. Shahid Mahmood
- Mr. Rihan Akhtar

SPECIAL COMMITTEE ON GENCOS, NTDC, EX-WAPDA DISCOS VS CPPA-G ISSUES

- Mr. Mahfooz Ahmad Bhatti (Chairman)
- Mr. Shahid Mahmood
- Mr. Rihan Akhtar

AUDIT & FINANCE COMMITTEE

- Mr. Raheel Ijaz (Chairman)
- Mahfooz Ahmad Bhatti
- Mr. Saad Fazil Abbasi
- Mr. Ghiasuddin Ahmad

SPECIAL COMMITTEE ON MARKET IMPLEMENTATION SUPPORT & INFORMATION TECHNOLOGY

- Mr. Ghiasuddin Ahmad
- Dr. Rana Abdul Jabbar Khan
- Mr. Muhammad Amjad Khan
- Mr. Rihan Akhtar

07 MANAGEMENT

The functions of Market Operator require highly skilled and experienced human resource to operate efficiently and effectively. Although, the combination of the three organizational pillars i.e. right people, efficient processes and smart technology makes an organization effective but even amongst the three, the people's dimension is the most important.

The Market Operators in different countries globally tend to have a lean organization with experienced, capable and motivated staff. Similarly at CPPA-G, the strategy devised is to build a lean organization with competent, experienced and motivated human resource and to provide an environment that not only fosters high productivity but also help CPPA-G to retain such resources.

A team of highly capable individuals with vast experience in the Power Sector are heading the Functional Departments at CPPA-G are as follows:

RIHAN AKHTAR
CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

ABDUL MAJID KHAN
CHIEF LEGAL OFFICER

ARSHAD JAVED MINHAS
CHIEF INFORMATION OFFICER

MUBASHAR AHMED QURESHI
CHIEF TECHNICAL OFFICER

NOMAN RAFIQ
COMPANY SECRETARY

OMER HAROON MALIK
HEAD MARKET OPERATIONS & DEVELOPMENT

ARBAB FAZAL AZEEM
CHIEF INTERNAL AUDITOR

REHAN HAMEED
CHIEF (HR&A) OFFICER

MUHAMMAD ASAD
GENERAL MANAGER (CA&T)

MUHAMMAD ZUBAIR
GENERAL MANAGER FINANCE


BOARD OF DIRECTORS
ARBAB FAZAL AZEEM
CHIEF INTERNAL AUDITOR
NOMAN RAFIQ
COMPANY SECRETARY
POLICY & PLANNING DEPT.
RIHAN AKHTAR
CHIEF EXECUTIVE OFFICER
RIHAN AKHTAR
CHIEF FINANCIAL OFFICER
ARSHAD JAVED MINHAS
CHIEF INFORMATION OFFICER
ABDUL MAJID KHAN
CHIEF LEGAL OFFICER
MUBASHAR AHMAD QURESHI
CHIEF TECHNICAL OFFICER
REHAN HAMEED
CHIEF (HR&A)
OMER HAROON MALIK
HEAD (MO&D)
AMIR BASHIR
DY. GM FINANCE (I)
MUHAMMAD ZUBAIR
GM FINANCE (II)
MUHAMMAD ASAD
GM FINANCE (CA&T)
IJAZ MOHSIN HASHMI
DY. GM TECHNICAL (CONVENTIONAL)
TARIQ NASRULLAH MALIK
DY. GM TECHNICAL (RENEWABLES)

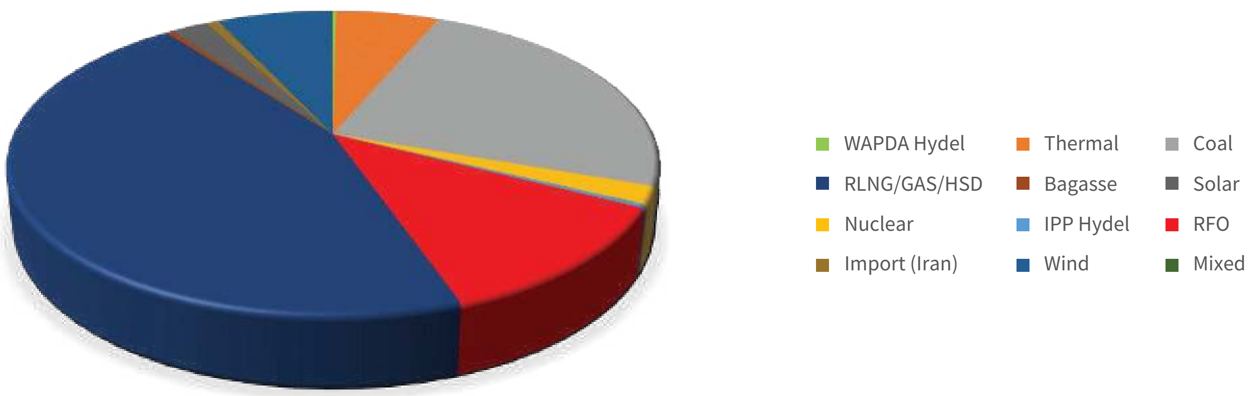
08 KEY HIGHLIGHTS OF THE YEAR

During FY 2022-23, CPPA-G while striving for excellence with passion, innovation and Integration, achieved several landmarks and made substantial progress. Few highlights of the selected key achievements of CPPA-G as the Operator of Pakistan's Electricity Market, are presented below:

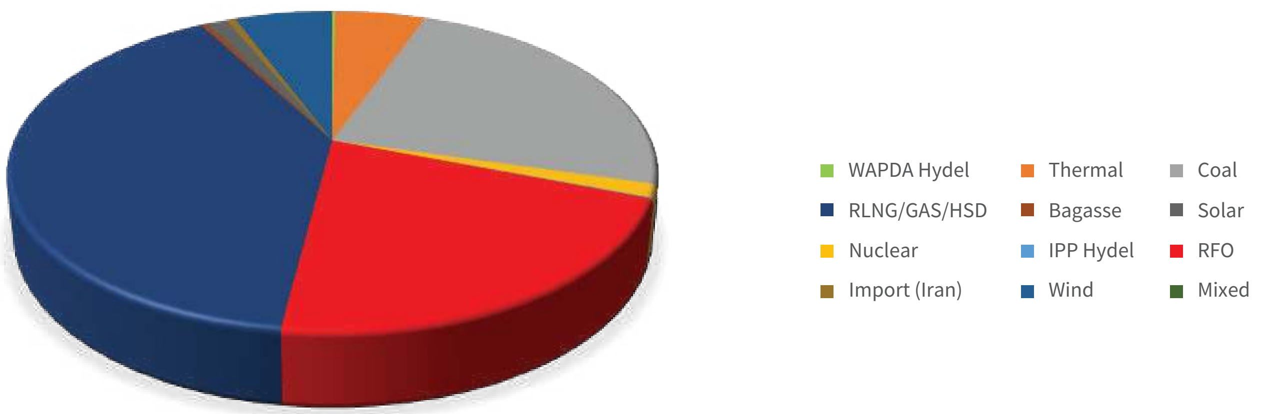
8.1 ENERGY MIX OF GENERATION

Rs. In million				
Fuel Type	2022-23	%age	2021-22	%age
WAPDA HYDEL	2,650	0.2%	2,447	0.2%
THERMAL	86,947	6.2%	83,126	5.5%
COAL	337,456	24.0%	360,937	23.7%
NUCLEAR	26,022	1.9%	19,880	1.3%
IPP HYDEL	5,162	0.4%	1,514	0.1%
RFO	169,080	12.0%	325,344	21.4%
RLNG/GAS/HSD	632,864	45.0%	607,395	39.9%
BAGASSE	5,971	0.4%	5,604	0.4%
SOLAR	30,706	2.2%	18,815	1.2%
IMPORT (IRAN)	10,364	0.7%	8,140	0.5%
WIND	96,880	6.9%	88,675	5.8%
MIXED	2,650	0.05%	686	0.05%
TOTAL	**1,404,859**	**100.0%**	**1,522,562**	**100.0%**

ENERGY MIX GENERATION 2022-23



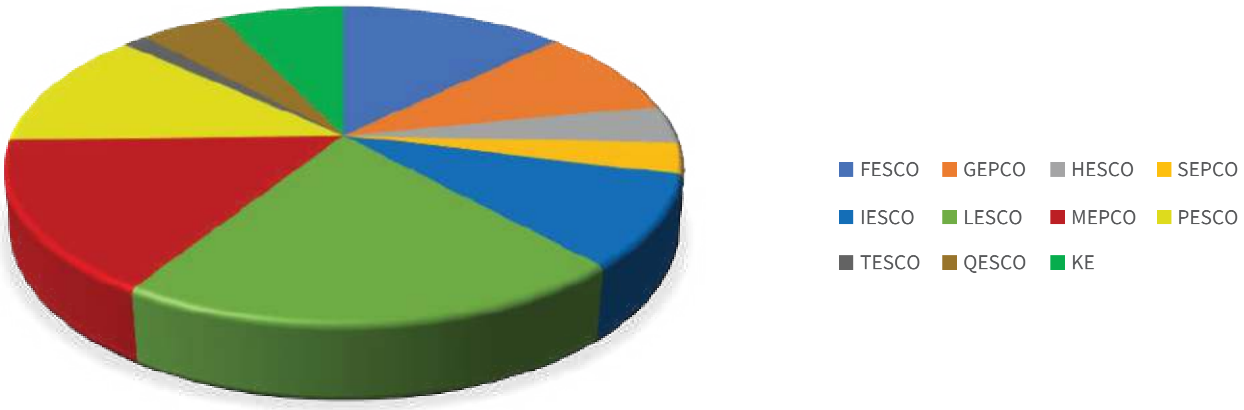
ENERGY MIX GENERATION 2021-22



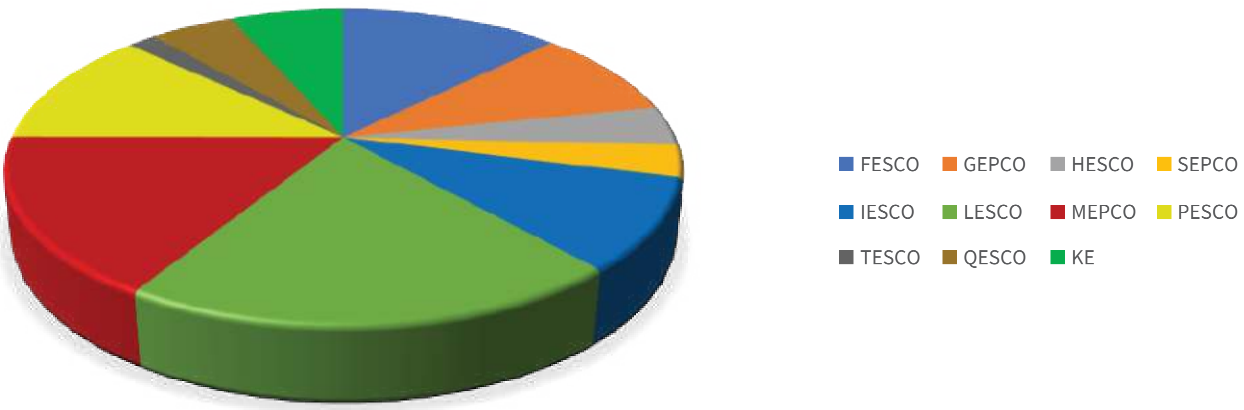
8.2 ENERGY UNITS DELIVERED TO DISCOS

GWh				
	2022-23	%age	2021-22	%age
FESCO	16,041	13%	17,512	13%
GEPCO	11,440	9%	12,678	9%
HESCO	4,917	4%	5,610	4%
SEPCO	3,869	3%	4,490	3%
IESCO	11,724	9%	13,027	9%
LESCO	26,032	21%	28,334	20%
MEPCO	19,506	16%	22,512	16%
PESCO	15,255	12%	16,562	12%
TESCO	1,720	1%	2,284	2%
QESCO	6,005	5%	6,716	5%
K-ELECTRIC	8,961	7%	9,036	7%
TOTAL	**125,468**	**100.0%**	**138,761**	**100.0%**

ENERGY UNITS DELIVERED TO DISCOS 2022-23



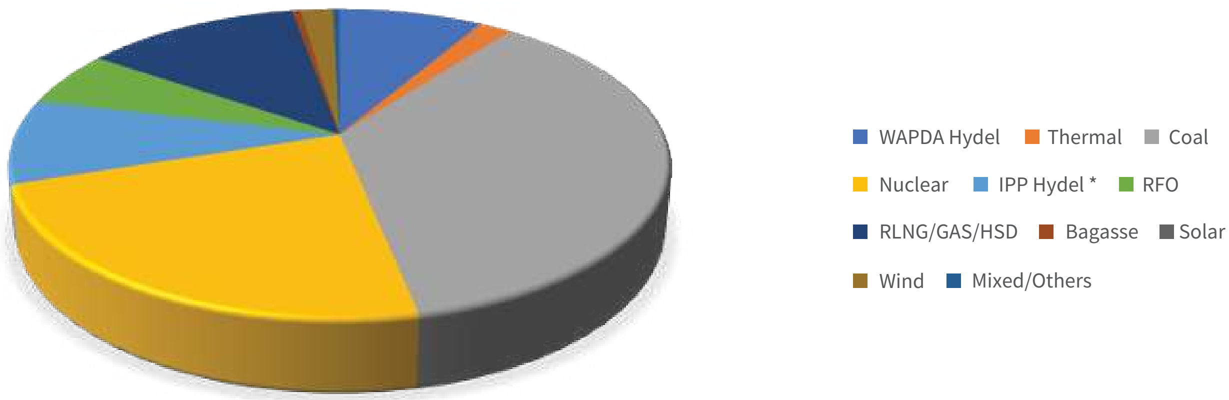
ENERGY UNITS DELIVERED TO DISCOS 2021-22



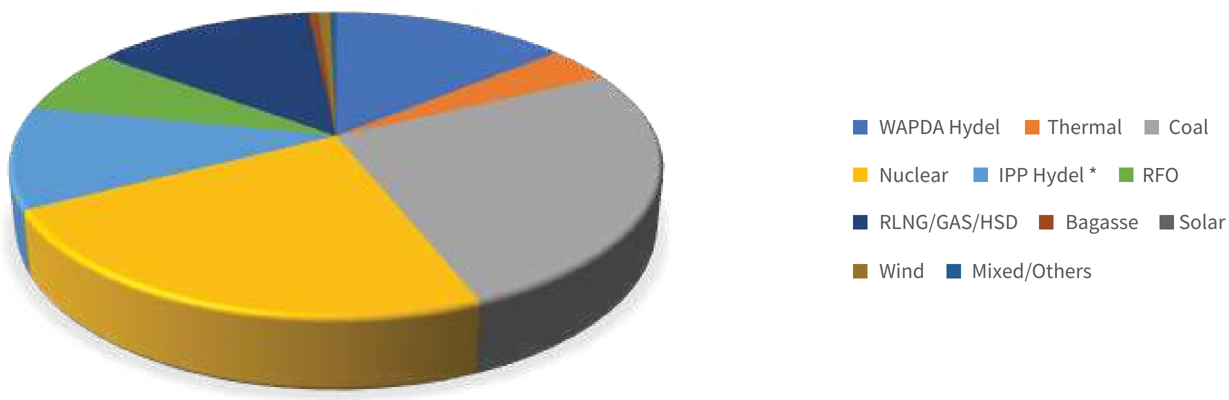
8.3 CAPACITY MIX OF GENERATION

Rs. In million				
Fuel Type	**2022-23**	**%age**	**2021-22**	**%age**
WAPDA HYDEL	100,219	8.5%	121,187	14.0%
THERMAL	22,779	1.9%	33,453	3.9%
COAL	431,781	36.4%	224,826	26.0%
NUCLEAR	273,953	23.1%	202,559	23.5%
IPP HYDEL	104,751	8.8%	93,473	10.8%
RFO	68,992	5.8%	59,802	6.9%
RLNG/GAS/HSD	149,873	12.6%	114,285	13.2%
BAGASSE	5,215	0.4%	4,467	0.5%
SOLAR	644	0.1%	495	0.1%
WIND	22,649	1.9%	6,113	0.7%
MIXED / OTHERS	4,535	0.4%	2,894	0.3%
TOTAL	**1,185,392**	**100.0%**	**863,555**	**100.0%**

CAPACITY MIX OF GENERATION 2021-22



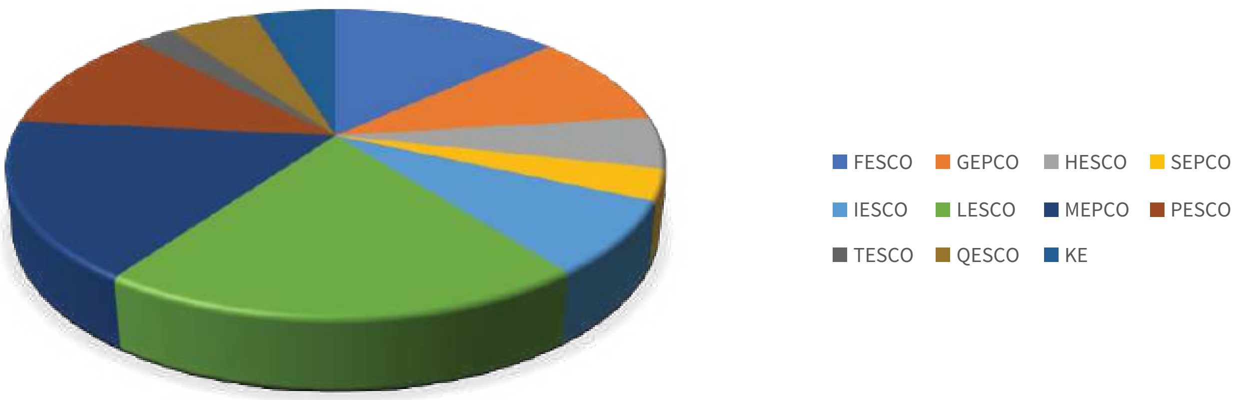
CAPACITY MIX OF GENERATION 2022-23



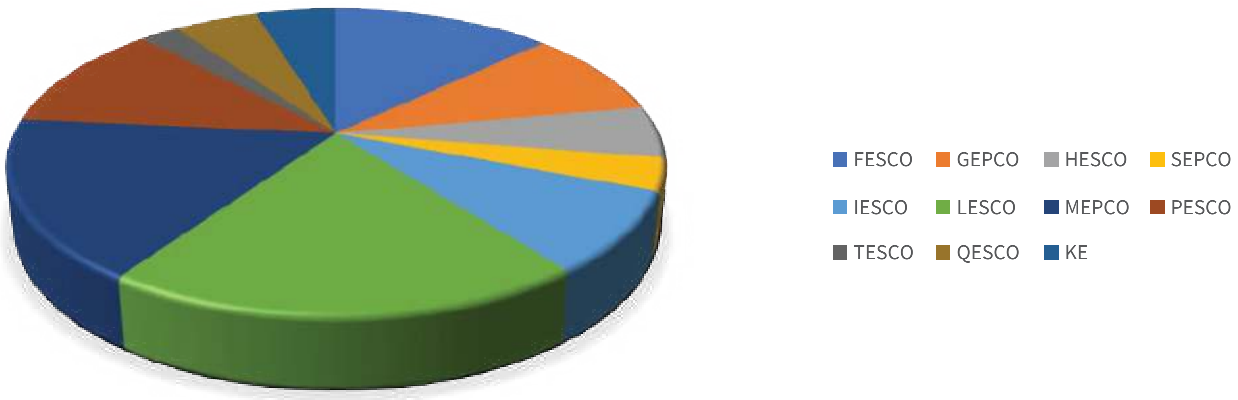
8.4 AVERAGE MDI OF DISCOS

	MW/m			
	2022-23	%age	2021-22	%age
FESCO	3,485	13%	3,499	13%
GEPCO	2,540	10%	2,484	9%
HESCO	1,416	5%	1,474	5%
SEPCO	858	3%	917	3%
IESCO	2,025	8%	2,311	9%
LESCO	5,345	20%	5,440	20%
MEPCO	4,359	17%	4,566	17%
PESCO	2,904	11%	3,100	11%
TESCO	642	2%	622	2%
QESCO	1,330	5%	1,340	5%
K-ELECTRIC	1,255	5%	1,287	5%
TOTAL	**26,158**	**100.0%**	**27,041**	**100.0%**

AVERAGE MDI OF DISCOS 2022-23



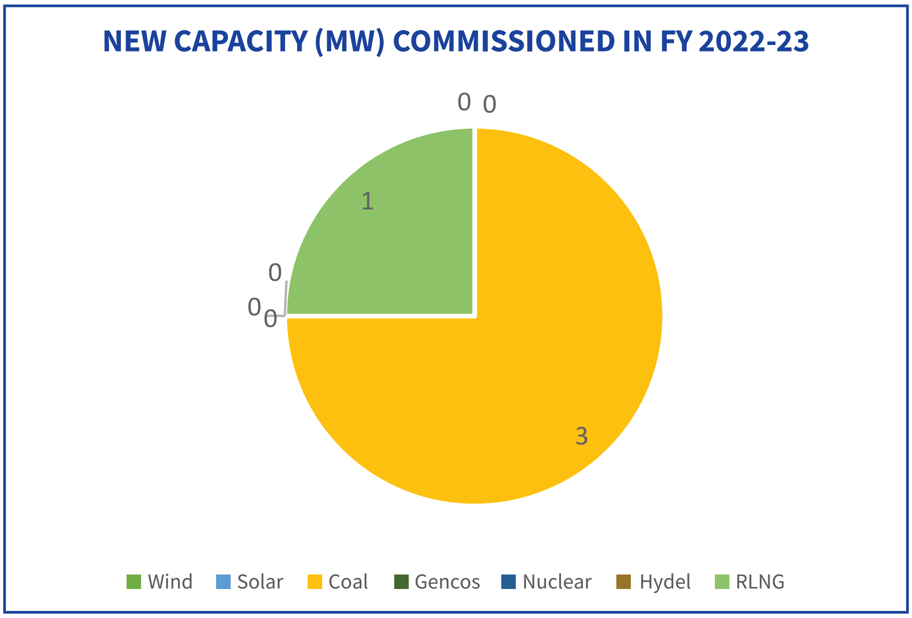
AVERAGE MDI OF DISCOS 2021-23



8.5 PROJECTS COMMISSIONED

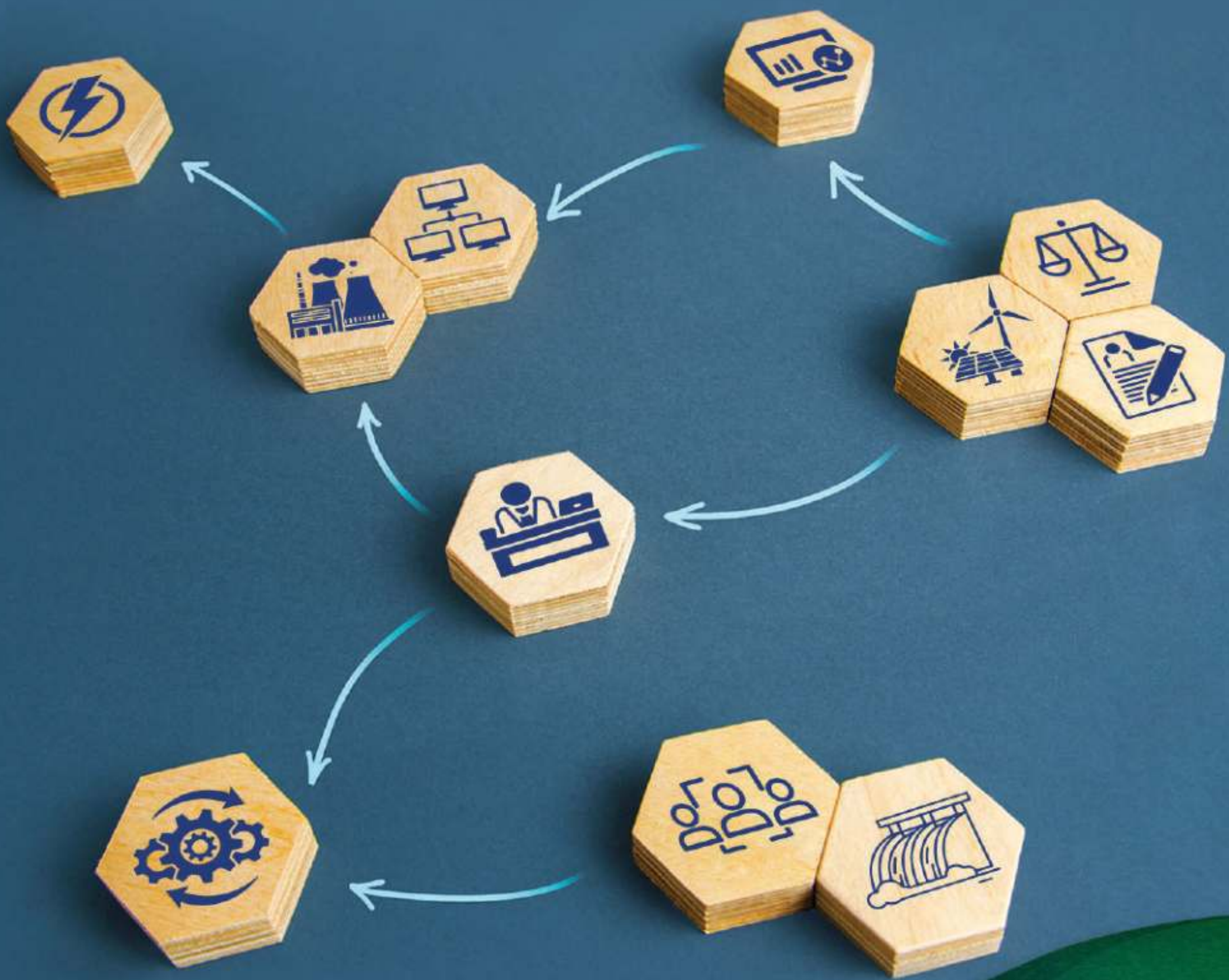
In FY 2022-23, total four (04) power plants of Coal with overall capacity of 3,243 MW were successfully integrated with the national Grid.

Projects Commissioned in FY 2022-23					
Sr. No.	Technology	Details			
		Name of Project	Location	Gross Capacity (MW)	COD
3	Coal	Thar Energy Limited	Tharparkar, Sindh	330	01/10/2022
		Thalnova Power Thar Limited	Tharparkar, Sindh	330	17/02/2023
		Thar Coal Block-1 (Shanghai Electric Ltd)	Tharparkar, Sindh	1320	05/02/2023
6	RLNG	Punjab Thermal Power Pvt. Limited	Trimmu Jhang	1263	22/06/2023



09 DEPARTMENTS OF CPPA-G

CPPA-G as an organization composed of eight functional departments to perform its major core and support functions. The departments are (i) Finance (ii) Technical (iii) Market Operations & Development (iv) Legal Affairs (v) Plan Implementation Unit (vi) Human Resources and Administration (vii) Information Technology, and (viii) Office of Company Secretary.



9.1 FINANCE DEPARTMENT

This Finance Department is responsible for various critical functions, including the procurement of power and energy, corporate accounting, treasury management, compliance with taxation laws, and financial reporting.

POWER PROCUREMENT FUNCTIONS:

- **Power Purchase Negotiations:** The department negotiates and executes Power Purchase Agreements (PPA) and Energy Purchase Agreements (EPA) with power sellers, within the scope of standard documents sanctioned by the Cabinet's Economic Coordination Committee (ECC).

- **PPA Compliance:** The department ensures compliance with executed PPAs and EPAs, meticulously pre-auditing and verifying billings such as Energy Payment, Capacity Payment, Supplemental Charges, and Liquidated Damages. This verification adheres rigorously to NEPRA tariff determinations and PPA/EPA stipulations.

- **Energy Import Management:** The department also oversees the contractual arrangements for importing 104 MW of energy from Iran.

- **Tariff Input and Analysis:** By aassisting NEPRA, the department contributes to tariff determination by providing inputs on tariff petitions, leveraging its stakeholder position.

- **Power Sector Information Support:** The department equips the Ministry of Energy (Power Division) with statistical data, historical trends, financial analyses, and reports crucial for informed decision-making.

- **Liaison with Audit Facilitation:** The department aids the Auditor General of Pakistan, NEPRA, Internal and external Auditors by providing necessary records and explanations for smooth audit operations. It also supports the Principal Accounting Officer during Departmental Audit Committee (DAC) discussions and addresses audit observations before the Public Accounts Committee (PAC).

PURCHASE OF POWER FUNCTIONS:

CORPORATE ACCOUNTS & TREASURY FUNCTIONS

- **Transfer Charge Settlement:** The department handles the settlement of electricity transfer charges to Distribution Companies (DISCOs) and K-Electric as per Commercial Code guidelines.

- **Funds Disbursement:** The department manages funds disbursement on behalf of DISCOs, involving remittances reporting, disbursement to Independent Power Producers (IPPs) and National Transmission & Despatch Company (NTDC), central subsidy settlement, and approved non-cash adjustments.

- **Tax Compliance and Interaction:** Ensuring adherence to tax laws, the department interacts with the Federal Board of Revenue (FBR) on matters pertaining to Income Tax Ordinance 2001, Sales Tax Act 1990, and other taxation issues.

- **Financial Reporting:** The department oversees the comprehensive financial reporting of the company.

ACHIEVEMENTS

- Enhanced Audit and Due Diligence of Practices: The Power Procurement (POP) team demonstrated its dedication to precision, transparency, and adherence to regulatory frameworks such as NEPRA Tariffs, NEPRA regulations, and PPA/EPA provisions. Through rigorous pre-audit and due diligence efforts, the team meticulously identified and disallowed ineligible claims amounting to over Rs. 100 billion from Independent Power Producers (IPPs), underscoring the team's commitment to integrity and professional standards.

- Expert PPA/EPA Negotiation: The POP team's adept negotiation skills in multi-technology Power Purchase Agreements (PPAs) and Energy Purchase Agreements (EPAs) were showcased by successfully negotiating and development of six new agreements during the year. These agreements, including K-2, K-3, and various solar power projects, are projected to result in substantial cost savings over their lifespans. Notably, negotiations surpassed stipulations outlined in MOUs/Master Agreements, rationalizing the tariff, and preventing excessive returns for upcoming IPPs.

- Comprehensive Tariff Analysis and Advocacy: The POP team meticulously analysed tariff petitions, providing expert viewpoints and techno-commercial analyses to assist regulatory authorities in determining rational tariffs. Detailed comments were submitted for new & upcoming projects such as Karachi Nuclear Power Projects, Jamshoro Coal Power Project, Zorlu Solar Project etc. The Authority considered the inputs positively.

- Cross-Border Energy Supply Facilitation: Facilitating electricity supply to remote regions along the Pakistan-Iran border, the POP team successfully executed the 8th Amendment to the existing energy import contract from Iran, dated 6th November 2002.

- Effective Implementation of Master Agreements and EPA Amendments: The team's diligent implementation of Master Agreements and EPA Amendments yielded significant savings of approximately Rs. 43 billion by June 30, 2023 which more than the projected/envisaged saving.

- Operational Damages Recovery: The POP team effectively secured Rs. 74.35 Billion in Operational Liquidated Damages from Power Producers, ultimately leading to a tariff reduction for consumers. Further, through conscientious efforts, Rs. 67 million in damages were recovered from recently established wind IPPs due to execution delays.

- Resolution of Complex Issues: The team effectively resolved the matter concerning KAPCO Liquidated Damages, amounting to Rs. 27.7 billion, through constructive engagement with the Directorate General of Audit.

- Capacity-Related Savings: By adhering to the Initial Capacity Test, the CPPA-G team achieved substantial savings by capping the capacity-related payments once plant availability met the benchmark, ultimately benefiting electricity consumers.

- IT Integration for Enhanced Efficiency: Recognizing the pivotal role of information technology in power procurement, the CPPA(G) procurement team developed a daily basis merit order application. This innovation optimizes dispatch decisions, reduces approval times, and enhances transparency for stakeholders through automated processes and data provision.

- Streamlined Financial Module of LC: The power procurement team successfully implemented a new module to manage Letter of Credit (LCs) and Liquidity Damages (LDs) in alignment with PPA/EPA provisions. This module empowers CPPA(G) management to make informed decisions regarding LDs and LC-related obligations stipulated in the agreements.

In summary, the achievements during the financial year 2023 underscore the POP team's commitment to adherence, negotiation prowess, analytical acumen, cross-border collaboration, and technological integration, all contributing to significant cost savings and enhanced efficiency in power procurement processes.

9.2 TECHNICAL DEPARTMENT

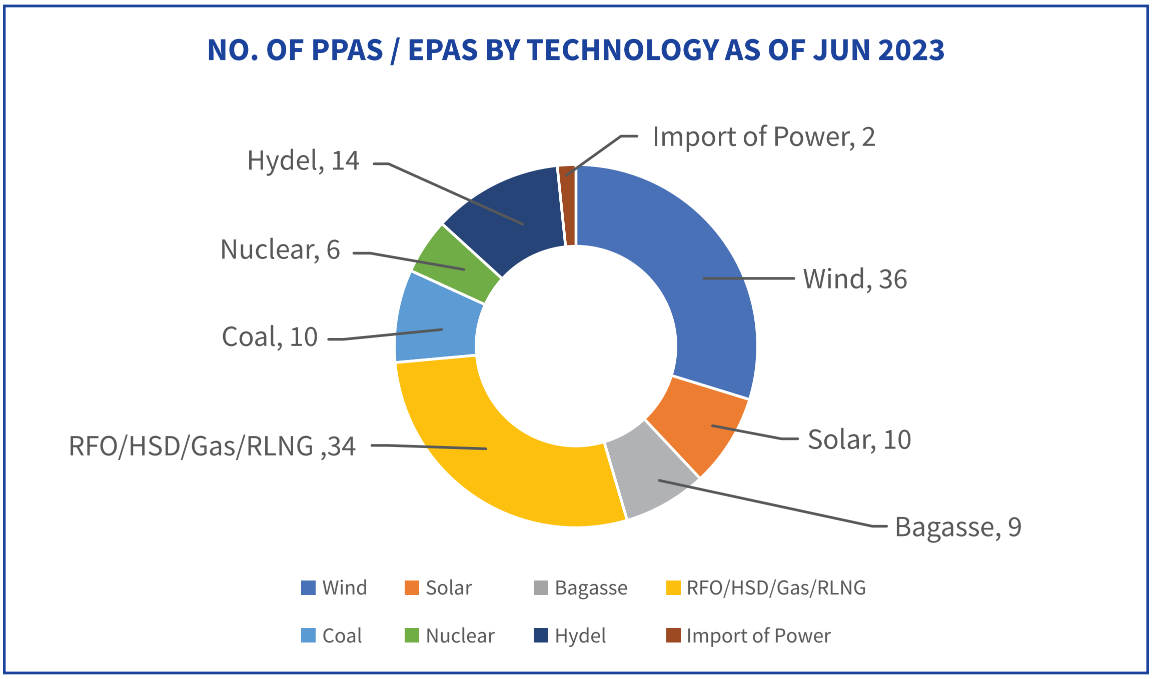
This department manages the procurement of power and energy on behalf of DISCOs through negotiating and finalizing Power Purchase Agreements (PPAs)/Energy Purchase Agreements (EPAs) with the generators. In addition, the Technical Department is also responsible for the verification of the invoices raised by the generators. The core activities of this department include:

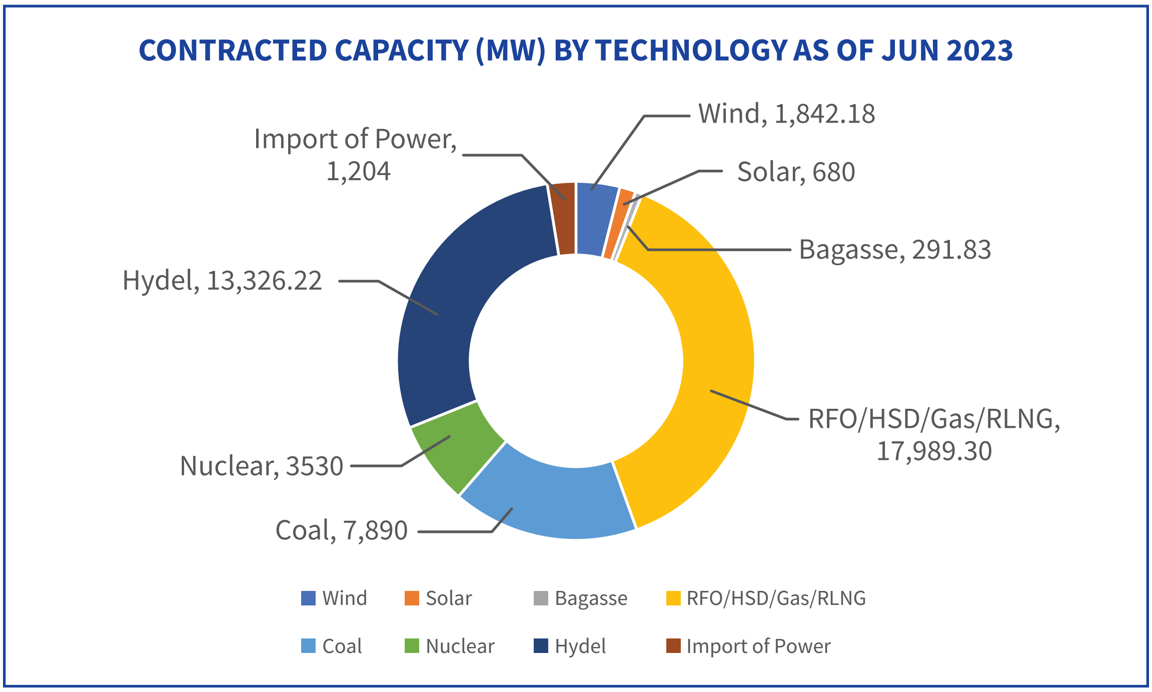
- **Contract Management**
- **Meter Readings Management**
- **Establishing contracts for supply**
- **Generator's Invoice Verification**
- **Annual Capacity Testing of Power Plants**
- **Procurement of power on behalf of DISCOs**
- **Witnessing of Commissioning Tests, Factory Acceptance Tests**
- **Coordination with NEPRA, NTDC, PPIB, AEDB, Ministry of Energy (Power Division) and other federal / provincial government agencies**

The following table shows the total number of PPAs / EPAs being managed by this department (at different stages i.e. development and operational), segregated by technology:

Total No. of PPAs / EPAs as of 30-06-202

Technology	No. of PPAs/EPAs	Gross Capacity (MW*)
Wind	36	1,842.18
Solar	10	680
Bagasse	9	291.83
RFO/HSD/Gas/RLNG	34	17,989.30
Coal	10	7,890
Nuclear	6	3,530
Hydel	14	13,326.22
Import of Power	2	1,204
Total	**121**	**46,754**


NO. OF PPAS / EPAS BY TECHNOLOGY AS OF JUN 2023
Import of Power, 2
Hydel, 14
Nuclear, 6
Wind, 36
Coal, 10
RFO/HSD/Gas/RLNG ,34
Solar, 10
Bagasse, 9
Wind
Solar
Bagasse
RFO/HSD/Gas/RLNG
Coal
Nuclear
Hydel
Import of Power


CONTRACTED CAPACITY (MW) BY TECHNOLOGY AS OF JUN 2023
Wind, 1,842.18
Import of Power, 1,204
Solar, 680
Bagasse, 291.83
Hydel, 13,326.22
RFO/HSD/Gas/RLNG, 17,989.30
Nuclear, 3530
Coal, 7,890
Wind
Solar
Bagasse
RFO/HSD/Gas/RLNG
Coal
Nuclear
Hydel
Import of Power

YEARLY ACHIEVEMENTS

- Contracting of 100 MW additional power from Iran for Gwadar, Baluchistan and amendment in the existing agreement was signed on 13.03.2023.

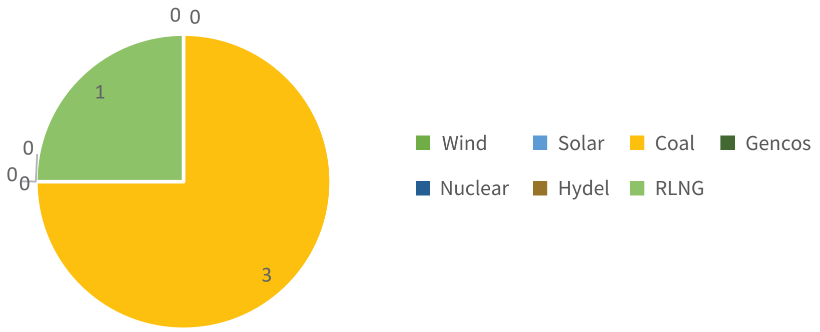
- Finalized the standard solar Energy Purchase Agreement (EPA) for competitive bidding and submitted timely AEDB.

- Following Operating Procedures were negotiated and signed with different technologies by CPPA-G:-

List of OPs Signed From July 2022 to June 2023						
Sr. No.	Section	Power Plant Name	Power Policy	Installed Capacity (MW)	COD	Date OPs signed
1.	Wind	UEP Wind Power	2006	99	16/06/2017	23/12/2022
2.		Artistic Wind Power Pvt Ltd	2006	50	16/02/2022	16/02/2023
3.		Gul Ahmed Wind Energy	2006	50	18/10/2016	21/03/2023
4.		Yunus Energy Limited	2006	50	06/09/2016	09/05/2023
1.	Bagasse	JDW Sugar Mills Unit-III	2006	24.41	03/10/2014	09/12/2022
2.		JDW Sugar Mills Unit-II	2006	24.41	12/06/2014	09/12/2022
3.		RYK Mills Ltd	2006	20.73	24/03/2015	07/12/2022
1.	RFO	Attock Gen Power	2002	159.834	17/03/2009	21/06/2023
2.		PakGen Power Limited	1994	365	01/02/1998	25/11/2022
3.		Narowal Energy Limited	2002	219.158	22/04/2011	23/05/2023
4.		Nishat Chunian	2002	200	21/07/2010	15/06/2023
1.	Coal	China Power Hub (CPHGC)	2015	1320	17/08/2019	11/04/2023
2.		Nishat Power Limited (NPL)	2002	200	09/06/2010	08/06/2023
3.		Kohinoor Energy Limited (KEL)	1994	131.44	20/06/1997	06/12/2023
1.	RLNG	Halmore Power Generation Company Limited	2002	215.4	25/06/2011	23/12/2022

- Successful integration of 3,243 MW in the National Grid after incurring substantial man hours of CPPA under the ambit of rights and obligations of the power purchaser in the framework of Power / Energy Purchase Agreements.

NEW CAPACITY (MW) COMMISSIONED IN FY 2022-23



9.3 PLAN IMPLEMENTATION UNIT

This department of CPPA-G provides executive support in a one-on-one working relationship with CEO. The main functions of this department are:

- Acting 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 & Planning
- Supporting CEO in development/changes of particular power/ energy policies for sustainable power market operations and to reduce liabilities and guarantees of Government of Pakistan
- Facilitation in internal development and streamlines operations to align with the prevailing policies
- Collaboration for the strategic initiatives being taken in the sector for long term sustainability

YEARLY ACHIEVEMENTS

Provided assistant to Power Division for;

- Development of national electricity plan and monitoring framework
- Procurement plan based on EDEIP (component IV)
- Circular Debt management framework
- Development and regular updation of Circular Debt Management Plan (CDMP) for Power Sector
- Solarization of Agriculture tube-well across Pakistan (Techno-commercial assessments and package designing for approval of PM)
- Replacement of Ceiling fans with Efficient fans (Techno-commercial assessments)
- Transition assessment of Electric Vehicles on socio-economic indicators
- Development of multi-stakeholder framework to evaluate impact of procurement of spot RLNG on economic and financial parameters
- Power Sector subsidy reforms (including tariff design and social protection strategy) using data representing 32 million households of Pakistan
- Techno-commercial assessments for following power plants:
- Chashma-5 for selection as committed project Gawadar power plant for siting and selection of fuel
- Development & Institutionalization of Policy & Planning Information System – web-based application:

    i. Data standardization
    ii. Automated uploading
    iii. Interactive BI reports & reporting

- Submission of Monthly FCA Claims with the NEPRA and resolve the queries raised by the NEPRA in timely manner
- Represented CPPA-G for different assignments given by World Bank, IMF and ADB.

With all such milestones covered so far, we envision to move further ahead through contributive growth and thinking big to deliver big.

9.4 MARKET OPERATIONS DEPARTMENT

This department of CPPA-G leads the development of a competitive wholesale electricity market and facilitates its implementation in Pakistan. The main objectives of this department are:

- Designing of a wholesale electricity competitive market model ,its transition road map and operations
- Research and document conclusions for the next stage of market reforms
- Play the role of central facilitator in facilitating the implementation of CTBCM Plan to develop a competitive market
- Market coordination and development activities including the training and capacity building of market stakeholders
- Suggesting and building strategic partnerships with global like institutions
- Market simulations for analysis of market architecture on prices moving forward
- Advisory role to power sector entities regarding market development and implementation
- Program management related to the development of wholesale market
- Coordination with donors for getting technical assistance on market development, implementation and operations

9.4.1 IT SYSTEMS FOR COMPETITIVE POWER MARKET

For the successful operation of any competitive market, the abundance, symmetry, and availability of information is of key importance. By carrying out different IT interventions and reporting the results to the relevant stakeholders, CPPA provides the necessary information required by the market players in the electricity market.

During the FY2022-23, certain systems have been operationalized by CPPA-G in different domains a brief of which is as under:

a. **Market Management System (MMS):** MMS covers the detailed business process automation of the core business functions of MO including the registration of market participant and service providers, information exchange, calculations of imbalances (energy, capacity), settlement, billing, payment method, reporting and analytics. In addition, MMS provides market participants an enabling platform for performing market trading which is a key aspect of competitive market.

b. **System Operator Data Exchange Portal (SDXP):** SDXP is the step towards a gradual transition to paperless economy and improve communication among all stakeholders of the power sector. Through the System Operator Data Exchange Portal (SDXP) core NPCC processes including dispatch instructions, plant availability, day-ahead dispatch, compliance to the dispatch instructions, etc. have been automated. SDXP has been developed by CPPA-G and handed over to NPCC for system operations.

c. **Market Operator Website:** The Market Operator website serves as a vital platform for information sharing with the public in general and the Market Participants (MPs) and Service Providers (SPs) in particular. The website gives an access to general public over vide variety of non-classified data pertaining to the roles, functions, teams and statistics related to the market operator function of CPPA-G. Moreover, through the premium market portal available to enrolled market participants and service providers, the Market Operator website provides exclusive access to the organization-specific data related to market transactions.

d. **Marginal Price Application (MPA):** MPA is the custom build application based upon guidelines and requirements specifically tailored for Pakistan Power Market. This application provides hourly marginal prices which becomes an input to the preliminary settlement statements and final settlement statements for a market participant.

e. **Secured Metering System (SMS):** SMS provides an important input to the market settlement system of the Market Operator and enables efficient, transparent, and trustworthy market transactions. MMS takes input from Secured Metering System (SMS), inter-alia other systems, which then processes the data and generates statements and reports based on provided data.

9.4.2 MARKET TRAININGS AND WORKSHOPS

It is a global practice among the market operators around the globe to arrange specialized trainings and capacity building programs for market participants with a focus on building their competencies. This practice is essential for implementation of the competitive power markets so that all stakeholders remain well informed and have clear understanding of legal policy and regulatory frameworks.

The power sector of Pakistan is also going through a transition from a single-buyer model to a competitive power market model. This transition requires the relevant power sector entities that their employees have the multidimensional skillset to undertake relevant market operations under the ambit of CTBCM.

In this regard, specialized trainings are inevitable to build the competencies of the human resources involved in the operations and administration of the electricity market of Pakistan enabling them to understand the complex and multi-dimensional legal, financial, technical, commercial, and operational paradigm of CTBCM.

In this connection, CPPA has developed a Power Sector School of Excellence (PSCE) in Lahore University of Management Sciences (LUMS) which provides the requisite trainings, capacity building and sustainable knowledgebase to ensure that the stakeholders are well-equipped for the smooth running of affairs in the power sector of Pakistan.

9.4.3 POWER SECTOR SCHOOL OF EXCELLENCE

Objective of PSCE is to train professionals of power sector institutions of Pakistan with specialized trainings and certifications necessary to attain long-term goals and objectives of the country. The PSCE is envisaged to become a training and certification hub for all resources and stakeholders in the power sector of Pakistan.

A number of training sessions and workshops were held during 2022-2023 in PSCE which were attended by representatives from MoE(PD), NEPRA, DISCOs, KE, NTDC, NPCC side-by-side with CPPA-G.

9.4.4 ELECTRICITY MARKET PROFESSIONAL (EMP) PROGRAM 2022-23

Likewise, previous fiscal years, CPPA has maintained its legacy by introducing third signature Electricity Market Professional (EMP) Program this year. First, second and third modules of the signature EMP Program 2022-23 have been organized.

The targeted audiences for this program were officials from relevant entities of power sector including Ministry of Energy (Power Division), NEPRA, NTDC, NPCC, DISCOs, PPIB, AEDB and K-Electric and as such around 150 participants from these entities attended this program. Market Implementation and Regulatory Affair Departments (MIRAD) of DISCOs were invited with full strength to attend this program. Additionally, faculty members from LUMS also attended this program from the perspective of train-the-trainer.

Adopting global practices, CPPA in 2018 took an initiative of launching a signature program titled "Electricity Market Professional (EMP) Program" for capacity building and making adequate understanding of the proposed Competitive Trading Bilateral Contract Market Model (CTBCM) and its implementation Roadmap.

The aim of EMP Program is to enhance the individuals' knowledge not only in terms of the basic concepts of power markets but to also give them a perspective of how the international electricity markets evolved and operate globally. Another objective is to familiarize the power sector entities about the proposed competitive market model for Pakistan, the CTBCM. The EMP Program is designed as a regular training program which will be offered to the participating power sector entities on a yearly basis. For couple of years, CPPA-G was organizing this program under MoU with LUMS to give an opportunity to the LUMS faculty and professors to equip themselves with the competence and knowledge to deliver this program independently in the future. Therefore, as CPPA has established a Power Sector Center of Excellence (PSCE) at LUMS for Power Sector Trainings and Capacity Building, EMP 2022-2023 Program has been offered exclusively by Power Sector Center of Excellence (PSCE) established at LUMS.

9.4.5 CONSULTATIVE WORKSHOP ON CTBCM TEST RUN PLAN

CPPA-G organized a series consultative workshop on the Test Run to deliberate on specific action items on the Test Run. These workshops were delivered by Market Operation and Development team of CPPA and attended by exclusively officials from different power sector entities. The purpose of such workshops was to apprise the audience about the thought process behind different actions of the test run and developing clear understanding of actions and objectives assigned to different power sector entities pertaining to implementation of the test run plan.

9.4.6 DISCOS BOD ORIENTATION ON CTBCM

CPPA-G organized multiple orientation sessions for LESCO, PESCO, IESCO and GEPCO Board of Directors for creating awareness for stakeholders on the CTBCM and introduce them to competitive wholesale electricity market in Pakistan. These workshops were delivered by USAID Consultant and CPPA Professionals jointly.

These workshops have provided participants a holistic overview of market design, institutional structure, contractual arrangements, transactions, and settlement under CTBCM.

9.4.7 WORKSHOP ON MEDIUM TERM LOAD FORECASTING

CPPA-G has organized a 5-Day workshop in LUMS, Lahore in February 2023 for DISCOs Professionals capacity building on medium term demand forecasting techniques. The objective of this workshop was to create capability among participants to drive the PMS tool and generate reports using various modules in the tool. The workshop was delivered by CPPA Professional and has provided understanding of medium-term load forecasting and impact of various results on future works such as generation expansion planning.

9.4.8 WORKSHOP ON TRANSMISSION PLANNING

CPPA-G has organized a 5-Day workshop in LUMS, Lahore in March 2023 for NTDC and DISCOs Professionals' capacity building on transmission planning techniques. The objective of this workshop was to equip the participants with international best practices in Transmission Planning techniques, methodologies, and studies. This has built their skills on evidence-based power planning and decision-making that has paved the way for a clear and authoritative Transmission System Expansion Plan (TSEP) for NTDC and Integrated Transmission Plans for DISCOs.

9.4.9 INFORMATION DISSEMINATION ON CTBCM VIA ROADSHOWS & WORKSHOP

Roadshow and workshops were planned in all capital cities of Pakistan for creating awareness and developing understanding of CTBCM. CPPA-G has successfully organized roadshows in Islamabad, Lahore, Peshawar, Karachi and Gujranwala during the reporting period. These roadshows were attended by participants from Provincial Bodies, Policy Institutes, Bulk Power Consumers (BPCs), IPPs and academia. Furthermore, CPPA-G also organized six consultative sessions on different aspects of the test run further supported by 19 online sessions pertaining to contract management and regulatory affairs. CPPA-G also organized a consultative session on the final test run report with representation from DISCOs, NTDC (in its roles as TSP and system operator), K-Electric, and other stakeholders.

9.4.10 YEARLY ACHIEVEMENTS

- Acquisition of Market Operator License from NEPRA
- Securing approval by NEPRA on Market Commercial Code and Test Run Plan
- Assisted in developing CTBCM implementation plans of DISCOs, NTDC, NPCC, PPIB, AEDB etc. for collaborative and synergized efforts toward implementation of competitive market
- Led the implementation of test run plan as central coordinator as designed by NEPRA
- Established and notified Commercial Code Review Panel (CCRP) for Market Commercial Code (MCC)
- Received enrollment application from all ten Ex-WAPDA DISCOs
- Developed application for preparation of merit order on shorter duration
- Developed Commercial Code Operating Procedures (CCOPs) for Market and Contract Registration, Metering, Firm Capacity Certification, Capacity Obligation and Security Covers
- Developed state of the art Market Operator website with premium portal for market participants
- Processed the opening of bank accounts for market operations.
- Calculated the firm capacity for demand side participants.

- Facilitated MISC in supervision of the CTBCM Test Run implementation
- Provided facilitation to the Boards of power sector entities to monitor implementation of respective CTBCM Test Run actions
- Prepared the financial and legal segregation plan
- Prepared Market Commercial Code, CCoPs and Process Manuals for market governance
- Developed in house Market Management System (MMS)
- Prepared Preliminary Settlement Statement (PSS) and Final Settlement Statement (FSS) for Market Participants
- Prepared Yearly Settlement Statement and calculated capacity obligations of all market participants.
- Prepared commercial parts of market PPAs
- Contributed in formulation and approval of National Electricity Policy w.r.t electricity market
- Provide assistance to NEPRA in preparation of market related regulations
- Prepared commercial allocation methodology of legacy PPAs
- Strengthening of of Market Implementation and Regulatory Affair Department (MIRAD) in DISCOs through trainings and technical assistance. Further providing support in revising Connection Agreement, Distribution Code and Cost of Service Study.
- Supported NTDC in Grid Code revision, SMS project and Generation Planning Training.
- Facilitated PPIB/AEDB in preparation of licensing application and IAA strengthening
- Organized third round of its signature Electricity Market Professional (EMP) program (2022-23) to continue building the capacity of power sector entities jointly responsible for implementation of competitive wholesale market in Pakistan including MoE (PD), NEPRA, DISCOs, NPCC, NTDC, KE, AEDB and PPIB.
- Arranged several capacity building sessions and training workshop for relevant stakeholders Including workshops under PSCE platform on Medium Term Demand Forecasting, Transmission Planning, Generation Planning, and DISCOs Business Planning.
- Won Bright Sparks annual scholarship for attending International Power Exchanges (APEX) annual conference
- Engaged international donor agencies including USAID, ADB and World Bank to fund technical assistance for several market initiatives of CPPA-G and other power sector entities.

9.4.11 TRANSITION TOWARDS COMPETITIVE WHOLESALE ELECTRICITY MARKET

GRANT OF MARKET OPERATOR (MO) LICENSE BY NEPRA

CPPA-G has been granted the license of the Market Operator of the Pakistan's Competitive Electricity Market by NEPRA. Along with this license, the Market Commercial Code was also approved by NEPRA as well as a six-month test run plan was approved which assign 24 actions to respective implementing entities including CPPA. Accordingly, Authority directed CPPA to undertake CTBCM test-run plan as a central coordinator for the power sector during the soft-launch of the market.

9.4.12 IMPLEMENTATION OF CTBCM TEST RUN PLAN CASTING

In compliance of the direction of the NEPRA, a six-month long test run plan encapsulating 24 actions was undertaken by CPPA-G from the date of granting MO License by direction of NEPRA. Test run plan did not have any financial implication on any market player. However, as per direction of NEPRA, testing of processes, IT systems and methodologies developed under MCC was inevitable for checking readiness of the market players. Henceforth, CPPA-G has successfully coordinated with the DISCOs, NTDC (in its roles as TSP and system operator), K-Electric, and other stakeholders to for effective completion of the test run.

In the test run phase, the readiness of relevant power sector entities to provide data inputs for the Market Management System (MMS) and other related IT systems was carried out. In this phase, the market participants were made aware of the MMS data requirements and processes, and they successfully completed their internal IT and operational changes to accommodate the new system and its associated procedures. Specifically, this phase also ensured that the power sector entities undergo thorough exercise of relaying and processing the relevant data sets as required.

The test-run phase also allowed market participants to review and evaluate the output data reports, generated from MMS, in relation to their operational and commercial needs. This hands-on experience and knowledge gained will enable them to participate in the competitive wholesale market and make informed decisions when financial implications are put into effect after the launch of the CTBCM.

9.5 LEGAL AFFAIRS DEPARTMENT

CPPA-G plays a central role in the power sector of Pakistan, forming the contractual nexus between the Independent Power Producers and the end consumers through the Distribution Companies. As such, the CPPA-G Legal Department's work informs, and is informed by, practically every aspect of CPPA-G's business, The Department is tasked with ensuring organization compliance with its legal, regulatory, and contractual obligations; providing its legal expertise and guidance on a broad spectrum of matters related to CPPA-G's role in the sector.

The Department's responsibilities comprise of providing insightful inputs into the diverse array of legal issues the organization faces in its day-to-day operations, from contract negotiations and disputes resolution matters to legal compliance and regulatory issues. In this regard, the Department serves as the organization's strategic advisors, helping CPPA-G navigate the complex legal landscape underpinning the national power sector while aligning legal decisions with the organization's business goals and values.

The Department comprises of senior legal professionals, each with extensive legal expertise tailored to the organization's specific needs. Possessed of a deep understanding of CPPA-G's industry, operations, and culture, the Legal Department is able to offer practical and relevant legal solutions to the organization. Working closely and collaboratively with the other departments and decision-makers within CPPA-G and the sector, the Legal Department fosters a comprehensive understanding of the organizations business objectives, providing proactive legal guidance, anticipating potential risks, and ensuring that the company's activities remain compliant with applicable laws and regulations. The Department routinely engages in drafting and reviewing contracts, mitigating disputes, and providing legal opinions on matters germane to the organization's core business, contributing to the efficient functioning of CPPA-G.

Over the past twelve months the CPPA-G Legal Department has been responsible for several key successes, each of which have the potential for far-reaching impacts on the organization and the sector at large. Late last year, CPPA-G filed its application for registration as the 'Special Purpose Agent' before the National Electric Power Regulatory Authority – the sectoral regulator. With this move, CPPA-G moves

towards the successful implementation of the Competitive Trading Bilateral Contract Market, while simultaneously balancing preexisting contractual obligations under the historical 'Single Buyer Plus' model of intranational power procurement and accurately reflecting CPPA-G's existing role as both the Power Purchaser and the agent of the Distribution Companies – themselves the demand aggregators for the entire national consumer base. Complementing its application was the revised commercial code – the 'Special Purpose Agency Code' – submitted by CPPA-G, which provides for refined mechanisms for handling the complex transactional chain which underpins the existing power procurement process while reflecting and accommodating the new regime the competitive energy market represents.

CPPA-G's Legal Department also played a key role in the successful early commissioning of the Thar Coal Block-I (TCB-I) power project. Originally envisioned to come online in June of this year, through the efforts of CPPA-G's Legal Department, the project was successfully able to achieve its Commercial Operations Date in February, a full four months early. The project's operationalization represents a watershed moment in Pakistan's power sector, reflecting the transition from imported fuels to indigenous sources; this transition directly results in lower costs of fuel – and thus the energy produced thereby – while improving Pakistan's energy security. Further, promoting and developing indigenous resources such as local coal produces second-order benefits to the regional and national economies in the form of job creation, vocational training, and increased tax revenue.

Given the significant positive impact the project would have, including directly leading to increased national access to affordable electricity and substiting costlier imported fuels, the Legal Department vociferously pursued the case of TCB-I, successfully having the effectiveness of its Power Purchase Agreement begin from the date of its execution – i.e. 27.08.2019 – instead of the project's subsequent Financial Close. Through meticulous legal work and advice, collaboration with key stakeholders both within the organization and the sector as a whole, and proactive problem-solving, the Department significantly contributed to the timely completion of the process, commissioning the project months in advance and positively impacting the lives of millions of Pakistani consumers by facilitating the operationalization of a reliable and cost-effective indigenous energy source. It is estimated that the national basket price of power was reduced by approximately PKR 22 billion per month due to these efforts, providing direct, tangible and meaningful relief to the Pakistani citizenry.

The Legal Department also provides its keen insights into arbitral litigation the organization is presently engaged in. Several of these cases involve core, substantive questions of law and policy, with the potential for significant, far-reaching outcomes. To this end, the Department is deeply engaged with flagship law firms from around the world, advising and instructing diverse teams of legal professionals on matters of Pakistani law and litigation strategy in order to ensure that the organization receives the best possible representation before the tribunals, and to effect the organization's desired outcomes. The Legal Department has already achieved successes in this regard, and confidently looks forward to similarly achieve favorable outcomes going forward.

Another major milestone achieved by the Legal Department was the successful negotiation and finalization of the Power Purchase Agency Agreement with K-Electric; pursuant to the Cabinet Committee on Energy's directives on the matter, the Legal Department worked collaboratively with K-Electric, and assisting the taskforce instituted by the Office of the Prime Minister under the chairmanship of Mr. Shahid Khaqan Abbasi. Following the resolution by the taskforce of key outstanding issues, the Department engaged with its counterparts at K-Electric, and following several rounds of extensive negotiations, the agreement was prepared which reflected the interests and protected against the concerns of both parties. As a result, the Department was able to contribute significantly towards ensuring the energy security of Pakistan's major metropolis, the commercial heart of the country and its principal economic hub.

The Legal Department was also able to successfully renegotiate and revise the Power Purchase Agreement relating to an Independent Power Producer to achieve significant savings for the end consumers. Responding to revisions made to the project's corresponding Gas Supply Agreement, the Department was able to consolidate savings which the project would otherwise have potentially retained as a result of the changes to the Gas Supply Agreement – including a transition to indigenous sources of fuel – into the Power Purchase Agreement, resulting in a downward revision of the applicable Marker Price Index. As a result of the Department's tireless efforts in negotiating and drafting the corresponding amendment to the Power Purchase Agreement, the end consumers were able to realize savings estimated at PKR 4.9 billion for the period between July 2021 through September 2022 alone, in addition to subsequent savings over the remainder of the project's contractual period.

The Legal Department of CPPA-G has, over the course of the past year, netted significant successes for the organization, providing in-depth and insightful legal analyses and advice to the organization and informing key milestones in the organization's transition towards the competitive energy market. The Department plays an indispensable role within the organization, helping key stakeholders within CPPA-G and the sector navigate the complex intersection of the applicable legal and regulatory regime, national policy as directed by the Federal Government, and emerging legal and technological developments within the sector to ensure CPPA-G's continued effective operation.

9.6 HUMAN RESOURCES AND ADMINISTRATION

HR&A department at CPPA-G is led by Chief HR&A Officer, who oversees a dynamic team of professionals. Our vision is to provide innovative HR solutions with exceptional quality services, thereby, enabling CPPA-G and its employees to perform at par excellence.

9.6.1 SYNOPSIS OF HR&A FUNCTIONS:

HR&A department covers multitude of HR functions to provide smooth and non-stop services to all the sections of CPPA-G. The synopsis of HR role is given as under:

HR Operations

- Implementation of Code of Conduct & HR Policies
- Employee Record Mgt
- Employee Relations
- Deals Grievance and Harassment matters

Recruitment & Selection

- Job Analysis and Planning
- Sourcing and Attracting Candidates
- Initial Screening and Evaluation by Testing
- Agency & Head-Hunting Firm
- Interviews and Selection
- Offer and Onboarding
- Employee Orientation

Compensation & Benefit

- Payroll Administration
- Offboarding of Employee's
- Employee Terminal Benefits
- Annual Performance Evaluation
- Group Life Insurance
- EOBI

Organization Development

- Organizational Diagnosis and Assessment
- Organizational Restructuring
- HR Forecasting
- Development of Policies & Procedures
- Development of Employee Handbook

Training & Development

- Training Needs Assessment
- Engagement of Third-party firms for Trainings Design and Development
- Trainings Delivery and Facilitation
- Post Training Evaluation
- Employee's career & succession Planning

HR Legal Framework

- Handling of Employee Grievance
- Legal & Regulatory Compliance with applicable laws and regulations.

Procurement & Logistics

- Ensuring all procurements while following the designated Supply Chain procedures
- Keeping ample quantity of different kinds of entities' stocks
- Ensure Compliance with PPRA rules for procurement

Fleet Management

- Vehicle Record Keeping
- Vehicle Fuel Management
- Vehicle Maintenance
- Travel Operations

Facility Management and General Administration

- Keeping Office Ambiance intact & clean
- Facilitating official meetings and events
- House Keeping
- Group Health Insurance
- General Contingencies
- Safety and Security Matters
- Travel Arrangements

9.6.2 HR & ADMIN FUNCTION WISE PROGRESS:

During the F.Y 2022-23, HR&A Department has made significant contributions by achieving its yearly targets on time and as per the criterion set by the competent authority.

CONTINUOUS SUPPORT TO NEW MARKET OPERATOR MILESTONES:

After the issuance of License as Market Operator to CPPA-G, HR department is providing continuous support to ensure that all activities, including hiring of critical workforce for Market Operations & Development, their placements, budgeting, and other necessary requirements, to be completed in a timely manner to support the operations of Market Operational and Development.

CAPACITY BUILDING TRAINING PROGRAMS FOR EMPLOYEES OF CPPAG:

The Human Resources (HR) department has played a pivotal role in fostering the professional growth and development of employees at CPPAG through an array of capacity-building training programs. With a focus on enhancing skill sets and fostering continuous learning, the HR department has successfully organized both in-house and external training sessions throughout the year 2022-2023. These training initiatives have been carefully designed to empower employees and equip them with the knowledge and competencies needed to excel in their respective roles.

To ensure a comprehensive and targeted approach, the HR department has conducted Training Needs Assessment (TNA) activities for the year 2023-2024. This proactive measure enables the timely planning and implementation of training programs for the upcoming year, aligning them with individual and organizational requirements. The range of training programs organized by the HR department includes diverse topics and areas of expertise. Few Trainings facilitated by HR are listed as under:

- Public Procurement Training Courses by PPRA.
- Internal Audit Training
- Information Security Management System Awareness Sessions
- Workshop on Employees Salary, Wage Benefits & Compensation Mgt. under Employment Law
- Microsoft Power Business Intelligence
- Hyper Converge Infrastructure (HCI) Solution
- E-Learning Course on Clean Energy and Emission Reduction
- Trend Micro's Deep Security Professional Training
- TMI Mediation Course for Legal Department Officers.
- Appraisal and Risk Management
- Monitoring and Evaluation Techniques
- Project Contract and Procurement Management
- Development of Key Performance Indicators (KPIs)
- Training session for PC-I Preparation.
- Manual for Development
- Advance MS Excel
- Training on Communication and Presentation Skills

PROGRESSION/PROMOTION CYCLE:

The HR team invested substantial effort in the meticulous execution of the Progression/Promotion policy throughout the 2021-2022 fiscal year, securing the esteemed endorsement of the CPPAG Board of Directors. Building upon this achievement, the HR department successfully concluded the inaugural promotion cycle as well as the Upgradation cycle (twice a year) for the year 2022-2023, impeccably aligning with the established principles embedded within the sanctioned Progression/Promotion Policy. With unwavering determination, we diligently ensured that our employees benefited from timely and equitable advancement opportunities, highlighting our steadfast commitment to fostering a dynamic and rewarding professional journey.

LEAVE MANAGEMENT SYSTEM – GO LIVE:

HR department took the initiative to automate the process of applying and approval of leaves in year 2021-2022. With the support of IT department, a Leave Management System was developed which helps employees in applying for leaves online. Moreover, the approving authority is also now using the online system to grant approvals. In the current year 2022-2023, the LMS is fully functional and live which has enabled CPPAG to move towards its objective of achieving a paper-less environment as well the availability and accuracy of real-time data.

SUCCESSFUL IMPLEMENTATION OF INTEGRATED MANAGEMENT SYSTEM (IMS) ACROSS ORGANIZATION:

The HR and IT departments spearheaded a company-wide endeavor to implement the "Integrated Management System (IMS)." This initiative involved conducting a comprehensive assessment of existing organization-wide processes to identify bottlenecks and areas for improvement, following the guidelines outlined by the Integrated Management System (ISO 27000 & 270001).

During the development phase, policies were carefully formulated, and training sessions were diligently delivered to initiate the implementation stage. The implementation stage was successfully completed in January 2023 and the Pilot – Internal Audit Activity was conducted by the CPPA-G IS Champions and QMS Consultants, with the indispensable support of Information Security Management Representatives (ISMR) and accordingly in the first Internal audit turned out with an impressive compliance rate of 93%, however, the corrective actions plan is already in progress to meet the 100% requirements of the standard. Our ultimate objective is to obtain certification, and we remain unwavering in our commitment to achieve this significant milestone.

DAY CARE FACILITY:

The day care facility for babies of working mothers, which was initiated by the HR department in the previous year, remains an integral part of our commitment to supporting our employees. This continued service has proven to be instrumental in fostering a positive work-life balance for our working mothers at CPPA-G. By offering a reliable and convenient day care solution, we enable our valued employees to focus on their professional responsibilities with peace of mind, knowing that their little ones are in capable hands.

The availability of the day care facility has had a profound impact on Female staff retention within our organization. Through this ongoing initiative, we are proud to continue nurturing the well-being and success of our working mothers, ensuring they can pursue their careers while knowing their children are receiving quality care. The day care facility not only reflects our commitment to being an employer of choice but also demonstrates our dedication to fostering a work culture that values and supports the diverse needs of our employees.

PARTNERSHIP WITH WEPOWER TO SUPPORT FEMALE IN STEM ROLES:

CPPA-G participated in the 3rd WePOWER Conference in Bangkok, Thailand, hosted by The World Bank and signed the partnership to support the initiative of educating, enabling, and empowering the women to join and grow in energy sector of Pakistan. Representatives discussed the role of women in the energy sector, addressing barriers, and promoting gender diversity. Key topics included STEM education, employability, pay disparities, inadequate facilities, and workplace safety. CPPA-G actively engaged with the vision and developing strategies for attracting and retaining female professionals.

CPPA-G voluntarily committed the List of Activities (LOA) focusing on STEM education, recruitment, professional development, retention, and policy changes. CPPA-G aims to create a gender-balanced and inclusive workplace, providing facilities and implementing equity-based HR policies and actively participating in the WePOWER National Chapter to support gender diversity and empowerment in the energy sector. Furthermore, CPPA-G's commitment to promote women's inclusion in the power sector led to the successful collaborative activity with Asian Institute of Technology (AIT) under WePOWER SAR Technical Training program wherein 20 scholarships for mid-career female engineers from Pakistan has been secured, moreover, two additional scholarships were secured by 2 Female Engineers of CPPA-G working in Market Operations and Project Implementation Unit departments.

PROMOTING WOMEN IN ENERGY UNDER USAID'S POWER SECTOR IMPROVEMENT ACTIVITY (PSIA):

During the 2022-2023 period, CPPA-G HR had the privilege of hosting a group of talented and motivated female participants, for the second time, as part of the Future of Women in Energy Scholars Program, a collaboration between the U.S. Pakistan Women's Council and USAID's Power Sector Improvement Activity (PSIA). 20 scholars visited CPPA-G as part of their two-week program in Pakistan, where we had the opportunity to showcase our work and engage with these aspiring energy leaders. We discussed the role of CPPA-G in ensuring the financial viability and reliability of Pakistan's power system and emphasized the importance of clean and renewable energy in the country's energy future. We provided insights into the various opportunities available within CPPA-G and encouraged the scholars to pursue careers in the power sector.

ACCA APPROVED EMPLOYER:

CPPA has successfully qualified for the prestigious ACCA-approved employer program and has become a proud member of the AE Club. This achievement marks a significant milestone in our commitment to excellence and upholding the highest professional standards in the finance industry. Our partnership with ACCA represents the beginning of a strong relationship focused on working together for the greater public good. In celebration of this accomplishment, HR hosted a ceremony to amplify our collaboration on a larger scale, including ACCA Global Socials and media platforms. We recognize the significance of this achievement and the positive impact it will have on our organization's reputation. As we moved forward, HR team has leveraged this accomplishment to attract top finance talent and aims to sustain our position as a leading player in the Power Sector of Pakistan.

9.6.3 ADMIN WORK PROGRESS

EXPANSION OF DAY-CARE AND LADIES COMMON ROOM:

Recognizing the increasing number of female employees and working mothers, the Admin Section has proactively expanded lady's common room and the expansion of day care is in progress with the focused approach on priority basis. This thoughtful initiative provides a supportive and inclusive environment, allowing our employees to balance their work and personal responsibilities seamlessly.

IMPROVEMENT IN EXISTING FIRE FIGHTING SYSTEM:

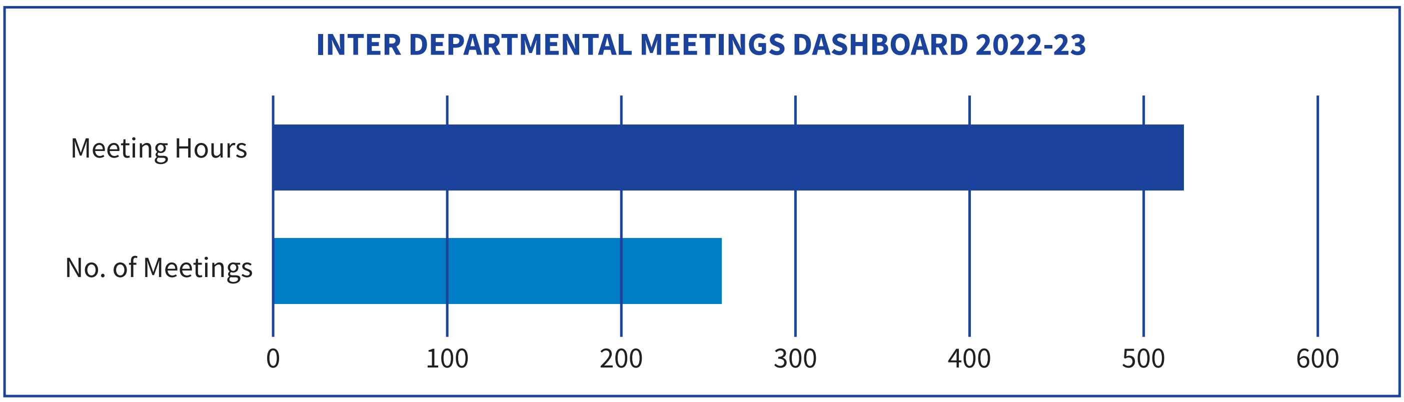
Safety is our utmost priority, and to ensure the well-being of our employees and the protection of our assets, we have invested in upgrading our Fire Fighting System. This strategic move aligns with the protocols set by the Emergency & Disaster Management Department of Capital Administration Authority (CDA). The improved system empowers our staff with quick access to water hoses and advanced firefighting equipment, enabling them to respond promptly and effectively in case of emergencies. By investing in this enhanced system, we are demonstrating our unwavering commitment to safeguarding lives and minimizing potential damages.

These accomplishments in the Administration Department not only enhance the working environment but also reflect our dedication to creating a safe, inclusive, and progressive workplace. We remain committed to continuously improving our administrative services and initiatives, ensuring that our employees and visitors experience the best possible support and comfort throughout their interactions with our company.

MEETINGS ARRANGEMENT / MANAGEMENT:

The Administration team, recognized for their exceptional expertise in managing various administrative functions, extends their invaluable support to all official meetings within organization. This comprehensive support encompasses a wide range of meetings, including team gatherings, board meetings, interdepartmental collaborations, and engagements with external delegations. With their meticulous attention to detail and commitment to excellence, the Administration team seamlessly facilitates these sessions, ensuring their smooth execution and optimal outcomes. Their exceptional organizational skills and proactive approach enable them to handle diverse meeting requirements effectively.

Throughout the year, the Administration team has once again demonstrated their dedication by successfully facilitating over 250+ meetings of different natures. Their proficiency in managing logistics, coordinating schedules, and ensuring seamless arrangements & communication has contributed to the overall execution of these meetings. A brief snapshot of Admin Services with regards to meetings is provided below:



9.7 INFORMATION TECHNOLOGY DEPARTMENT

The Central Power Purchasing Agency (CPPA) being conscious of its changing role in becoming the most modern, robust, effective and efficient organization in the power sector, has assigned the highest priority to build its IT capabilities over the last couple of years. "Digital Transformation" is the key to the success for the achievement of strategic business objectives and smooth business operations. Further to achieve business-IT alignment for undertaking the role of a modern MO by performing various IT intensive business functions, a matching cutting-edge information technology capability has been planned in terms of infrastructure, digital transformation as well as human resource assets for ensuring the services of the highest quality.

To realize the CPPA-G's vision and to meet the emerging and expanding requirements of the power sector, following are the major achievements of IT department that focus on optimizing Information Technology infrastructure and more rapidly deployment of IT capabilities that are accessible by CPPA-G users and stake holders of Pakistan's Power Sector.

9.7.1 YEARLY ACHIEVEMENTS

Spearheading Technological Advancements: We have been at the forefront of harnessing the latest technologies, revolutionizing our operations, and propelling our organization into the future. Through strategic implementation of emerging technologies, such as artificial intelligence, blockchain, and cloud computing, we have seamlessly transformed critical processes, enhancing efficiency and productivity.

Robust Cybersecurity Measures: Recognizing the paramount importance of safeguarding our organization's digital assets, we have fortified our cybersecurity defenses with unparalleled vigilance. Our dedicated team has implemented state-of-the-art security protocols, leveraging advanced threat detection systems and proactive monitoring measures. As a result, we have successfully safeguarded sensitive data, ensuring the utmost protection for our organization and stakeholders.

Streamlined Digital Transformation: Embracing the digital age, we have embarked on an ambitious journey of digital transformation. Through meticulous planning and execution, we have revamped outdated systems, introducing user-friendly interfaces and intuitive applications. Our efforts have seamlessly integrated digital solutions across various departments, optimizing processes, and fostering a culture of efficiency and innovation.

Enhanced Data Analytics Capabilities: Harnessing the power of data, we have strengthened our analytics capabilities, empowering decision-makers with insightful and actionable information. By implementing robust data management systems and leveraging advanced analytics tools, we have unlocked valuable insights, enabling evidence-based decision-making and driving organizational growth.

Seamless Collaboration and Communication: Recognizing the significance of effective collaboration, we have fostered a digital ecosystem that encourages seamless communication and knowledge sharing. Our implementation of cutting-edge collaboration tools has empowered teams to work cohesively, transcending geographical boundaries and enabling real-time collaboration.

CPPA-G has been awarded Market operator licence from NEPRA. Market operator website is developed to expose MO online presence for public and market participants portal. The website is responsible to present all the tasks related to market operations. Strengthening ICT infrastructure and office automation of CPPA-G by installing, configuring, and testing of Network Topology Mapper. It gives details of every live node on CPPA-G network having Layer 2/3 connectivity. It was also requirement of IMS policy, pre-activity planning, discovery of unknow devices, port mapping, IT inventory management, intranet bottleneck finder and way forward to bringing all IT infrastructure including Data Center facilities and power backup system on single monitoring system.MO will primarily deal with capacity and energy imbalances. The website provides easy access to MO staff to share and post information.

Empowering Citizens through Digital Services: Guided by our commitment to service, we have revolutionized the delivery of stakeholder-centric services. By leveraging digital platforms, we have enhanced accessibility, convenience, and transparency in interactions with our internal and external stakeholders. Through intuitive mobile applications and user-friendly portals, we have empowered our stakeholders to effortlessly access CPPA services, fostering a stronger sense of community engagement and satisfaction.

9.7.2 SOFTWARE DEVELOPMENTS:

Phase-II of the Market Management System (MMS) was meticulously analyzed, orchestrated, designed, and developed, encompassing critical processes such as Balancing Mechanism of Energy and Capacity, Excess Transmission Losses, Firm Capacity Certificates Management, Capacity Obligations Management, and Credit Covers. The successful operationalization of MMS Phase-I in the production environment, along with its smooth change management, marks a significant milestone.

The Leave Management System underwent thorough analysis, design, and development for both Phase-I and Phase-II. Phase-II has now been seamlessly integrated into production, further enhancing our organization's leave management capabilities.

The Daily Merit Order Generation System and Fuel Stock Management underwent extensive design, development, and production phases after providing comprehensive training to Independent Power Producers (IPPs).

The CPPA and MO websites, along with their related secured portal, were meticulously designed, developed, and successfully launched, improving access and communication for stakeholders.
The integration of the CDXP portal with the Electronic Contents Management System (ECM) was flawlessly executed, ensuring the smooth movement of historic document attachments from CDXP to ECM.

The implementation of a Service Oriented Architecture (SOA) for integrating ERP with MMS demonstrates our commitment to seamless communication and efficiency. Additionally, the analysis of twenty other services from six major applications for conversion to Oracle Service Bus communication signifies our dedication to staying at the forefront of technological advancements.

9.7.3 BUSINESS INTELLIGENCE/BACK-OFFICE AUTOMATION:

The implementation of the ERP Financials System for Market Operations (MO) within CPPA has significantly enhanced financial management across various modules, including General Ledger, Payables, Receivables, Cash Management, Accounting, and Org Structures. The successful integration with EBS and MMS further streamlines our organization's operations.

The design and initiation of development for Phase-II of the Wholesale Electricity Model (WEM) have introduced advanced features such as data visualization, dashboards, advanced reports, and graphical analysis. This phase is being seamlessly integrated with the Actual Data Visualization Model (ADVM) to provide comprehensive insights.

Back-office automation has been successfully implemented within the EBS, enabling streamlined processes for the Employees Loan Process in HRMS and Payroll modules, Leave Policies through integration with LMS, Power Weighting Factor (PWF) feature, verification of WHT of dividend invoices from CPP invoices, generation of automatic Late Payment Surcharge invoices, Interest Invoice Generation for Imported Electricity, centralization of KIBOR/LIBOR rates, enhancement in Back Feed Billing, and Fuel Cost Adjustment.

Business users from various functions have been trained on Power BI tool, empowering them to develop interactive dashboards, reports, filters, and graphs, thereby enhancing their analytical capabilities.

The diligent support and maintenance of 18 business applications/modules/portals, including ERP Oracle EBS, Custom Modules of ERP, and Oracle APEX Portals, have ensured their smooth operation and optimal performance.

9.7.4 DATABASE MANAGEMENT/GOVERNANCE:

A major upgrade of the Oracle EBS database and application was successfully executed, resulting in enhanced security, functionality, and system performance.

The installation, configuration, and go-live of SQL Server migrations for the MMS production environment were seamlessly completed.

The migration of Oracle Production and ERP Storage from an old SAN to a new SAN was flawlessly orchestrated, ensuring zero downtime and uninterrupted operations.

9.7.5 INFORMATION SECURITY / IT GOVERNANCE:

A comprehensive internal audit of the Integrated Management System (IMS) was meticulously planned, prioritized based on risk assessment, and executed for ISO 27001 and ISO 20000 compliance. The audit resulted in 392 findings, with an impressive compliance level of 93%. Corrective action plans are underway to address the remaining 7% of observations.

IMS corrective actions and risk management were conducted in response to the findings from the audit. A targeted corrective action plan was developed and executed, resulting in comprehensive resolutions, including disabling USBs, record indexing of IT support, BitLocker activation, introduction of OWASP in software development, OneDrive activation, notification of Incident Management Plan, and the preparation of a Risk Management and Business Continuity Plan.

An incident management process was successfully developed to address various types of incidents, ensuring swift responses to failures, policy violations, and crisis situations. The process covers incidents such as fire fighting, first aid, data center crises, network crises, cyber security incidents, power crises, terrorism, earthquakes, riots, and asset theft.

Compliance with NEPRA's Security of IT and OT Regulations 2021 was ensured, and a compliance report

was successfully submitted. Additionally, active participation as a member of the Power Cert notified by NEPRA for the Power Sector was maintained.

The future roadmap for information security for CPPA was meticulously developed, encompassing crucial areas such as Endpoint Protection with EDR (Trend Micro Apex One), Sandbox (Trend Micro Deep Discovery Analyzer), Privilege Access Management through One Identity – PAM, MFA, and Active Roles, Patch Management through GFA Lan Guard, Network Access Control through ForeScout NAC, and Security Readiness through Picus Security.

The roadmap for upgrading Infoblox DNS security and Dark Trace Network scanning and immune system was thoughtfully developed. Future enhancements include Dark Trace Prevent for continuous monitoring of the CPPA network, DNS solutions to enhance control and visibility of network traffic, and the deployment of Trend Micro Deep Security Solution for Server and Applications Protection, significantly bolstering CPPA's cybersecurity posture.

9.7.6 DATA CENTER MANAGEMENT AND OPERATIONS:

As a leader, the planning, design, and implementation of a cutting-edge Tier III Data Center for CPPA-G were successfully executed, adhering to TIA 942 design and facility standards. The project achieved substantial cost savings of over Rs. 5.0 million by avoiding the need for external consultancy.

The deployment and operationalization of new Firewall FPR 2120, Access Switches, UPS, Network Operations Centre, Rack space hosting, and Data Centre Service Level Agreements were meticulously planned and flawlessly executed, enhancing the overall infrastructure and ensuring reliable operations.

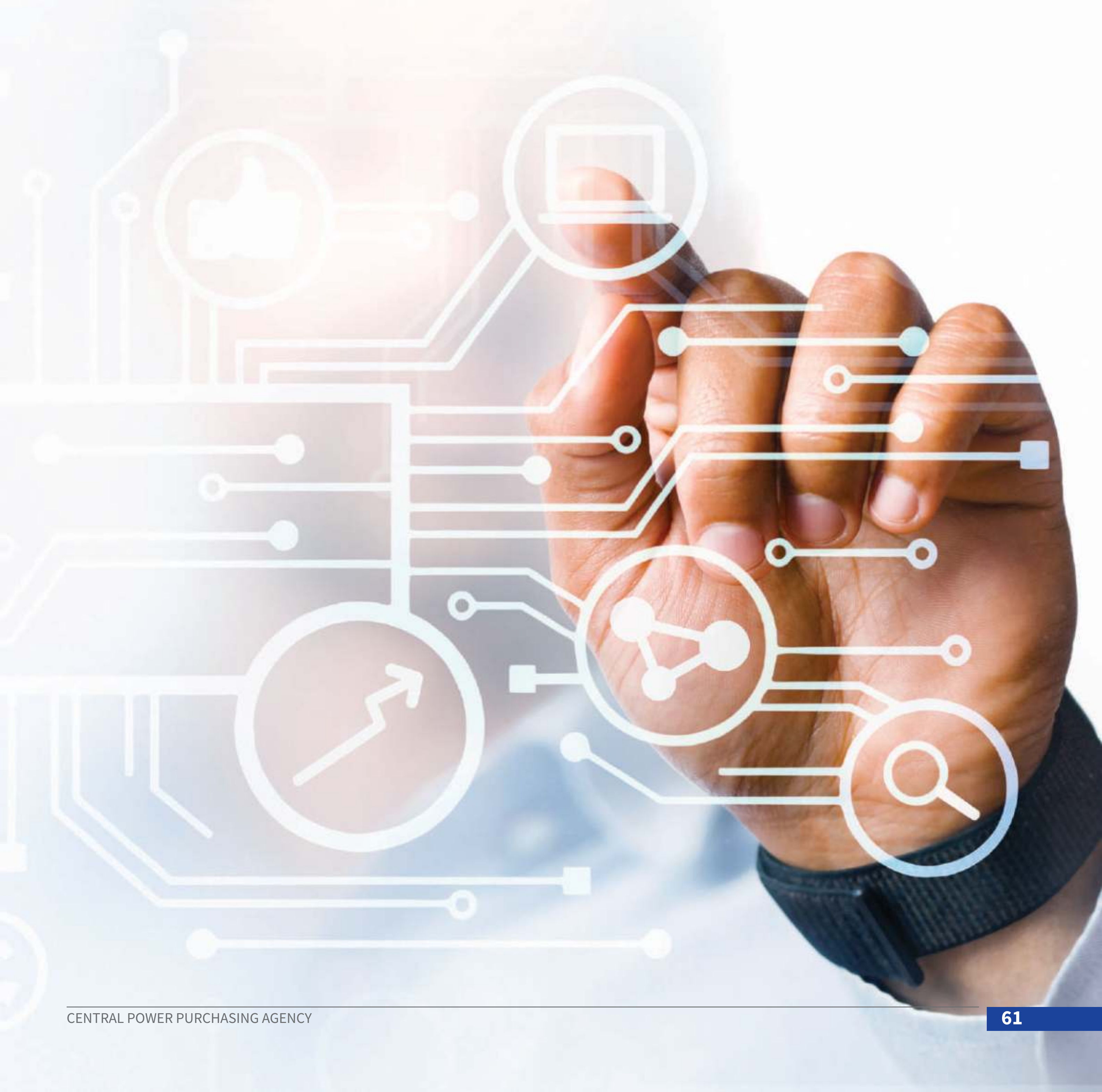
The deployment and operationalization of FTD-5516 firewall, configuration of VMware vCentre Server 8.0, and the installation, upgrade, and configuration of VMware ESXi on all servers in the Data Centre were accomplished seamlessly, resulting in enhanced security, availability, and compatibility.

9.7.7 NETWORK MANAGEMENT/OPERATIONS:

A comprehensive project was undertaken to plan, design, configure, and install Cisco FPR 2120, significantly improving network security architecture and replacing the ISR 4351. The implementation included various security policies, firewall rules, IPS settings, URL filtering, and SSL decryption.

The planning and design of a Security Operation Centre, including sizing for Security Information and Event Management, Network Access Control (NAC), Privilege Access Management (PAM), and Penetration Testing, were successfully executed. A proof of concept for the Sangfor Internet Access Gateway (IAG) was also conducted.

The integration of physical security control devices, such as video surveillance, physical access control, Network Video Recorder (NVR), and Biometric System, with the CPPA network was accomplished seamlessly, ensuring enhanced security and centralized control.



9.8 COMPANY SECRETARY OFFICE

The Office of the Company Secretary maintains compliance of SECP Act, 2017 and Public Sector Companies (Corporate Governance) Rules 2013 and State Owned Enterprises (Governance & Operations) Act 2023. The other functions of this office are:

- Engagement of External Auditor and preparation of Directors Report
- Organizing important meetings for CPPA-G including Annual General Meetings / Extra Ordinary General Meetings (EoGMs) Board meetings, Board Committee meetings, and Commercial Code Review Panel (CCRP) meetings
- Maintaining documentation of above-mentioned meetings
- Provide Secretarial support to the General body, Board of Directors, Board Committees and CCRP and management of the Company
- Follow-up implementation on the General body, Board of Directors, Board Committees and CCRP decisions
- Maintaining the Record and Books of Accounts, preparation of financial statements and filing of tax returns of CPPA-G Employees Gratuity Fund & CPPA-G Employees Provident Fund
- Investment of Funds of CPPA-G Employees Gratuity and Provident Fund
- Preparation of Business Plan & Statement of Corporate Intent.

YEARLY ACHIEVEMENTS

Following is a list of key achievements earned by this office during FY2022-23:

- Maintained compliance of CPPA-G with the relevant principles of corporate Governance as per Public Sector Companies (Corporate Governance) Rules, 2013, Companies Act 2017 and State Owned Enterprises (Governance & Operations) Act 2023
- Organized 11 Board of Director's Meetings
- Organized 25 meetings of different Board Committees
- Fully Implementation of BoardPac software for Board & Committee meetings which is a step towards paperless environment.
- Coordinate with the External Auditors for the completion of Statutory Audit of the Company and Compliance Audit Public Sector Companies Corporate Governance Rules, 2013 for the F.Y 2022-23
- Prepared Director's Report and Annual Report, Statement of Corporate Intent and Business Plan of the Company

9.9 INTERNAL AUDIT DEPARTMENT

Acknowledging the importance of Internal Auditing, Clause (1) of Rule 22 of Public Sector Companies (Corporate Governance) Rules, 2013 requires that:

“There shall be an Internal Audit Function in every Public Sector Company. The Chief Internal Auditor, who is the head of Internal Audit Function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee.”

In compliance with the above provision, Internal Audit department has been established in CPPA-G to help the organization to achieve its objectives by systematically evaluating and improving the effectiveness of risk management, control, and governance processes. To achieve this goal, Internal Audit function of CPPA performs the following major functions:

- Preparing and communicating Risk-based annual audit plan for approval from the Audit Committee
- Evaluating risk exposure and risk mitigation strategies of CPPA along with the effectiveness of the risk management processes
- Evaluating reliability and integrity of information, its source and information processing mechanism used by CPPA for discharging its responsibility relating to market operations
- Evaluating the system established to ensure compliance with laws and regulation, statutory requirements, policies and procedures which could have significant impact on the organizations
- Evaluating the policies and procedures for safeguarding CPPA's assets and verifying existence of such assets
- Evaluating the governance and organizational structure of CPPA
- Reporting periodically on the internal audit activities carried out during the period
- Reporting significant risk exposures and control issues, including fraud risk and governance issues, to the audit committee
- Carrying out special audits/assignment on the direction of audit committee
- Identifying and updating the available knowledge, skills, and competencies within the Internal Audit department
- In addition, the Chief Internal Auditor is the secretary of the Whistle Blowing Unit, established under the Whistle Blowing Policy, for addressing the complaints raised by any person regarding perceived wrongdoing or malpractices in CPPA
- Furthermore, the Internal Audit Department also acts as a focal point for the Pakistan Citizen Complaint Portal and coordinate with different department for the timely redressal/ resolution of citizen’s complaint.

9.9.1 YEARLY ACHIEVEMENTS

In compliance with the Internal Audit plan for 2022-23, as approved by Audit Committee, the Internal Audit department has successfully performed the audits/reviews of following critical business processes and function.

- Settlement of Energy and Capacity invoices to Distribution Companies during Jul-2020 to June-2022.
- Budgetary control and monitoring process.
- Information Technology Audit broadly covering the IT governance structure, IT policies, its implementation and testing of General IT Controls (GITCs).
- Treasury Management function
- Review of Legal department
- Human Resource Management & Payroll processing
- Follow up of Board Letter, Statement of Compliance with Public Sector (Corporate Governance) Rules, 2013 and Critical Internal Audit observations.
- To have a more proactive audit approach, the audit strategy is revised for the Financial Year 2023-24 and 2024-25, wherein focus would be place on the following critical risks:

a. **Strategic Business Risks** arising out of relations with IPPs, NEPRA, Power Policies and new changes taking place in power sector.

b. **Emerging Risks** i.e. the potential risks that are not fully understood, recognized and addressed but has potential to cause significant risk for organization. In case of CPPA in particular, and power sector in general, the Competitive Trading Bilateral contract market (CTBCM) represents a paradigm shift from the legacy Single Buyer Market and will have major impact in the current processes and functions of CPPA.

For this purpose, Internal Audit has performed a comprehensive Risk Assessment exercise to review/update the overall Audit Universe. The outcomes of this risk assessment, in conjunction with the revised audit strategy, have laid the foundation for the Risk-based Internal Audit plans for the fiscal year 2023-24 and 2024-25.

10 CPPA-G'S CONTRIBUTION TO THE POWER SECTOR

CPPA-G throughout the year actively contributed towards the development of the power sector of Pakistan and improvement of the regulatory and policy framework. This included:

•In an effort towards the development of green energy production and government's target of achieving 30 % share of renewable energy in total electricity mix of the country by 2030, Four (4) power plants of different technologies including three (3) plants of Coal, one (01) plant of Nuclear with overall capacity of 3,243 MW were successfully integrated with the national Grid.

- Development of National Electricity Plan and framework
- Development and regular updation of Circular Debt Management Plan for Power sector
- Power Sector subsidy reforms (including tariff design and social protection strategy) using data representing 32 million households of Pakistan
- Finalized the standard solar Energy Purchase Agreement (EPA) for competitive bidding and submitted timely AEDB/PPIB
- Led the implementation of test run plan as central coordinator as designed by NEPRA
- Issued Preliminary Settlement Statement (PSS) and Final Settlement Statement (FSS) to relevant Market Participants
- Developed state of the art Market Operator website with premium portal for market participants
- Deployed international and local consultants at DISCOs, NTDC and PPIB with the cooperation of donor agencies
- Assisted DISCOs in operationalization of Market Implementation and Regulatory Affairs Department (MIRAD) within all DISCOs
- Conducted specialized workshops for MIRAD Department of DISCOs for strengthening and capacity building particularly Planning Section and Contract Management Section

10.1 ASSISTANCE TO DISCOS

DISCOs are one of the most important stakeholders of the future electricity market. Therefore, CPPA-G believes that DISCOs must be equipped with adequate capacity to participate in the competitive market. Assistance is being extended by CPPA-G to the DISCOs pertaining Medium Term Load Forecasting, Transmission Planning and Electricity Markets. Furthermore, five consultative sessions on test run were delivered in the fiscal year.

Similarly, another 19 online workshops for contract management and regulatory affair section (CM&RA) and legal section of MIRAD were organized where MIRAD Professionals actively participated. In these workshops, participants were apprised about the tasks and responsibilities of CM&RA and legal sections of MIRAD. Further, guidelines for performing the duties efficiently have also been discussed along with detailed review of important regulatory documents such as the NEPRA Act, Security Package Documents (SPDs), Open Access Regulation, Procurement Regulations etc.

10.1.1 CONNECTION AGREEMENTS

With the efforts of CPPA, the World Bank has hired a consultant to help DISCOs in preparation of the Connection Agreements (CAs) who have completed the draft in this fiscal year. CPPA was also the part of core working group who have worked on drafting connection agreements. Consequently, connection agreements were prepared and submitted to NEPRA for approval.

10.1.2 DISTRIBUTION CODE

With the efforts of CPPA, the World Bank has hired a consultant to help DISCOs in preparation of the Distribution Code amendments. During the fiscal year, the consultant worked on the distribution code amendments. Since, the amendments were subject to the finalization and approval of the Grid Code, the amendments were parked until the approval of revised Grid Code by NEPRA. With the recent approval of the Grid Code, the consultation on the amendments will be completed early next year followed by the finalization of the revised Distribution Code.

10.1 ASSISTANCE TO DISCOS

NTDC being Transmission Network Operator (TNO) is a very critical entity for Power Sector. Hence, CPPA-G has been working towards its strengthening, and aided on the following fronts during this year:

10.2.1 TRANSMISSION PLANNING

During this fiscal year, CPPA-G has provided support to NTDC through a training on transmission planning. The objective of this training was to equip the participants with international best practices in transmission planning techniques and methodologies, and studies. This has built their skills on evidence-based power planning and decision-making that has paved the way for a clear and authoritative Transmission System Expansion Plan (TSEP) for NTDC

10.2.2 REVISION OF GRID CODE

CPPA-G assisted NTDC in revising of grid code during the fiscal year. CPPA was the member of core working group of grid code revision committee where CPPA provided technical assistance in drafting different sections of the grid code.

10.2.3 SMS METERING PROJECT

During this fiscal year, CPPA-G team provided assistance to NTDC in developing SOPs of SMS metering operations. Further, CPPA team also supported NTDC in developing a dedicated department for metering responsible for SMS metering project.

10.3 ASSISTANCE TO NPCC

NPCC being the System Operator (SO) is a very critical element for the smooth operation of an electricity market and CPPA-G has been working towards its strengthening and provided assistance on the following fronts this year:

10.3.1 SYSTEM OPERATOR LIMITED RESTRUCTURING

During this fiscal year, CPPA-G team provided assistance to NPCC via an international consultant hired by funding of multilateral donors for limited restructuring of NPCC. Consultant has started working for the said purpose and prepared preliminary report related to intervention required for strengthening and restructuring of System Operator.

10.3.2 SOP FOR SDXP

During the fiscal year CPPA has handed over the SDXP tool to NPCC. In this regard, CPPA also trained the professionals in NPCC and IPPs to use the developed tool for performing operations digitally like the availability notices, submission of plants events, load curtailment, and dispatch instructions. Further, CPPA has also helped NPCC to develop the SOPs for using SDXP.

10.3.3 DEVELOPMENT OF VARIABLE COST SUBMISSION PORTAL

Under the ambient of test run, It was directed by the Authority to develop a portal for new IPPs which will enable them to share their variable cost information with the System Operator. The portal has been developed and was made operational in October 2022.

10.3.4 DEVELOPMENT OF MERIT ORDER APPLICATION

The test run plan mandated to move towards real-time merit order, as is also the international practice, and shorten the duration of merit order preparation from currently 15 days to targeted 1 day. In this regard CPPA-G developed an application to reduce the preparation time as desired.

10.4 ASSISTANCE TO PPIB /AEDB

NPCC being the System Operator (SO) is a very critical element for the smooth operation of an electricity market and CPPA-G has been working towards its strengthening and provided assistance on the following fronts this year:

COORDINATION SUPPORT IN CTBCM IMPLEMENTATION

PPIB/AEDB in the envisaged role of Independent Auction Administrator (IAA) has a very major role to play in the competitive wholesale market. In order to prepare for the IAA and play this role effectively, PPIB/AEDB is required to get registration from NEPRA and strengthening its auctioneer function. In this connection, CPPA-G has extended full support to PPIB/AEDB in preparation of their registration applications via an international consultant hired by multilateral donor funding. The applications has been prepared and submitted to NEPRA for grant of license.

Additionally, another international consultant through ADB has been deputed which is helping PPIB in the registration process and strengthening of the auctioneer. Moreover, CPPA has also facilitated PPIB in getting consultant from the World Bank to work on the revision of Security Package and new market contracts.

11 INTERNATIONAL COLLABORATIONS & DONOR ASSISTANCE

CPPA-G strives to build Strategic Partnerships and collaborations with like entities both local and international. Doing this would enable CPPA to have a knowledge sharing platform and to have an opportunity to grow. The following paragraphs present a detail regarding the actions performed during this fiscal year (2022-23) under strategic partnerships developed by CPPA-G. Likewise, CPPA-G remains in active coordination with the international donor agencies including USAID, ADB and the World Bank for technical assistance and collaboration in the areas of mutual interest.

11.1 ASSOCIATION OF POWER EXCHANGES (APEX)

During this fiscal year, CPPA has maintained the good relations with its strategic partners. Previously, CPPA was honored with Board Member position on Association of Power Exchanges (APEx) Board of Directors. This year, CPPA was invited to attend the APEx Annual Conference in Croatia. Moreover, professional of CPPA has also won APEx Bright Spark Scholarship to attend this prestigious conference.

The Association of Power Exchanges (APEx) facilitates development and communication of ideas and practices in the operation of global competitive electricity markets. The Bright Sparks Program is a signature initiative of APEx to support the development of young energy professionals to enable them become future market leaders. The program gives three scholarship winners from around the world the opportunity to attend the annual APEx Conference to meet with international thought leaders and experience the local industry and culture. Bright Spark is fully competitive program where participants from all over the world compete for getting fully funded fellowship to attend the annual conference of APEx.

Further, CPPA always sought to have good relations with World's Market Operators and strive to create bilateral relationship with them. A delegation from CPPA visited the power sector entities and specially the Market Operator of Brazil under the CLDP program funded by Power Sector Improvement Activity (PSIA) USAID. Market Operators of US and Canada are also in touch with CPPA and agree to have cooperation in future.

11.2 USAID TECHNICAL ASSISTANCE

CPPA-G has been seeking donor support from USAID in the design of the CTBCM, its approval by the regulator, capacity building of staff, and strengthening of IT infrastructure. During this fiscal year, CPPA-G secured technical assistance (TA) from USAID in short term consulting support to facilitate key activities and regulatory requirements for transition to a competitive power market. With the help of USAID consultant, CPPA prepared the drafts of the Commercial Code for MO. Power Sector Improvement Activity (PSIA) USAID also facilitated in the test run phase by providing support on the preparation of monthly and final test run reports, development of SOPs for MIRAD, performing Cost of System Study (CoSS) and facilitating multiple orientation sessions for DISCOs Board of Directors (BoDs).

Moreover, with the USAID assistance, CPPA-G has arranged Electricity Market Professional Program 2022-23, Medium Term Load Forecast (MTLF) Training and Transmission Planning Trainings under Power Sector Improvement Activity (PSIA). PSIA USAID also facilitated a study tour for CPPA-G staff under the Commercial Law Development Program (CLDP) to the Brazilian Electricity Market.

Similarly, USAID has is also funding the participation of CPPA-G officers in the APEx Annual Conference 2023, scheduled to be held in Turkey in September 2023. Likewise, multiple study visits are under pipeline with the funding of USAID for market professionals' capacity building.

PSIA USAID also organized an orientation session for young female students under the Future of Women in Energy Scholars Program in collaboration with CPPA-G to discuss the power sector and the role of CPPA-G in the supply chain.

11.3 TECHNICAL ASSISTANCE BY WORLD BANK

In this financial year, World Bank remains supportive of the market development activities and provided technical assistance through local and international consultants to not only the CPPA-G but also to other power sector entities.

The international consultant deployed by the World Bank assisted CPPA-G and PPIB in the preparation of the new market contracts. Another team of consultants were hired by the World Bank to support DISCOs in in Connection Agreements, Distribution Code amendment and other CTBCM Test Run related actions through local and international consultants. Similarly, international consultants are assisting PPIB in the revision of Security Package and preparing for the new market contracts.

Currently, Electricity Distribution Efficiency Improvement Project of the World Bank is in the initial stages wherein CPPA-G is seeking assistance on hiring the services of an international consulting firm for market reforms, renewal of SDDP license and provision of PSSE dongles for DISCOs among other initiatives.

THE WORLD BANK

CPPA-G is also a part of the WePOWER Technical Training Series for 100 Women Professionals in the SAR Energy Sector as an active member of the working group. The WePOWER-SAR100 Series is a collaborative regional effort to build gender diversity in the energy and power sector across the South Asia region (SAR). SAR100 is offered as part of the South Asia Regional Infrastructure Connectivity (SARIC) program, funded the Australian Department of Foreign Affairs and Trade (DFAT) through Palladium International. The World Bank is spearheading SAR100 together with national counterparts from seven (7) participating countries represented in the Regional Working Group (RWG).

11.4 SUPPORT BY ASIAN DEVELOPMENT BANK

The Asian Development Bank has been providing generous support to the market reforms in Pakistan since many years. The international consulting firm, MRC Consultants and Transaction Advisors, has been onboard with CPPA-G since 2015 and providing technical assistance in all aspects of market development and implementation. This year, MRC helped CPPA-G in preparation Market Commercial Code and getting the regulatory approval from NEPRA. During the process, ADB's consultants also contributed in developing rejoinders for the comments of the stakeholders received during the stakeholder consultation process. Additionally, ADB's consultants provided assistance in the CPPA-G restructuring project, preparation of the CCOPs, Manuals and many other such activities related to market development.

ADB

ASIAN DEVELOPMENT BANK

The technical assistance provided by the Asian Development Bank to CPPA greatly helped and enabled CPPA to attain the Market Operator license from NEPRA in May 2022. The subject technical assistance under ADB has been concluded. In this regard, a multilateral donor's workshop was also organized by ADB on 12th December 2022 to highlight key activities and milestones achieved under the ADB Technical Assistance program during the market reforms process and future prospects related to the competitive wholesale market in Pakistan.

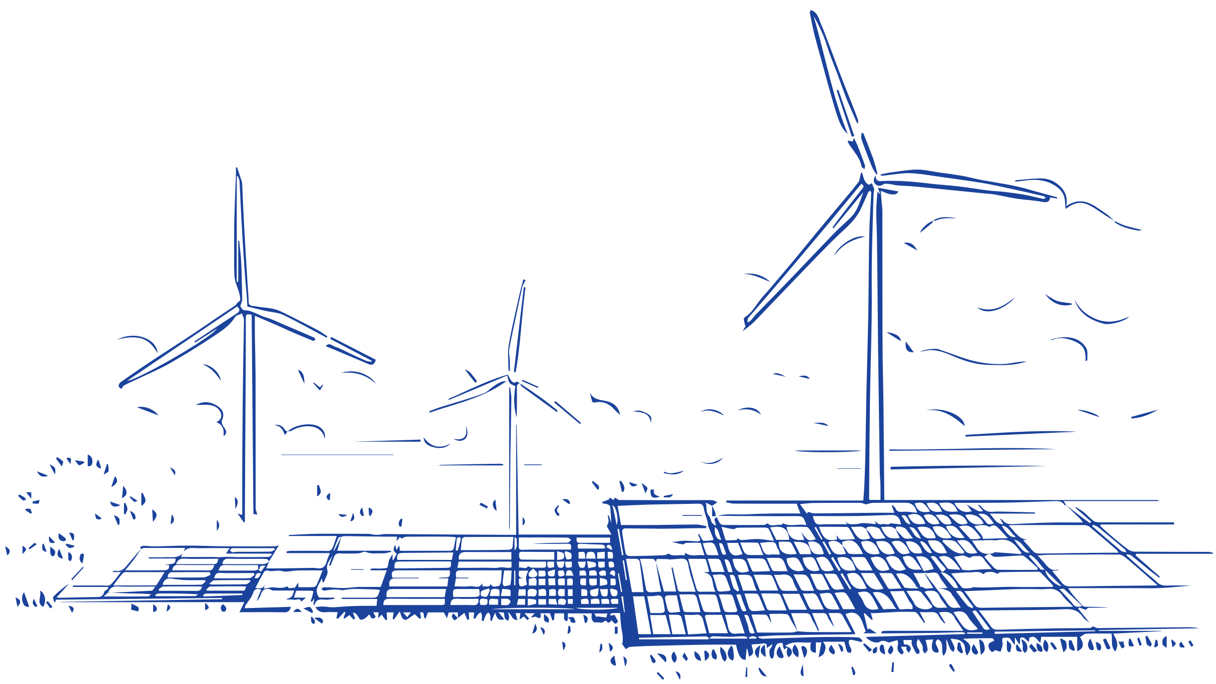
12 MARKET PARTICIPANTS

Market Participants in Pakistan can be categorized into two types i.e. Distribution Companies and Generation Companies. The tables below provide the list of Generation Companies which have made contracts with CPPA by June 2023, and their contracted capacity:

LIST OF GENERATION PARTICIPANTS		
WIND		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	FFC ENERGY LIMITED	49.50
2	FOUNDATION WIND ENERGY-I PRIVATE LIMITED	50.00
3	FOUNDATION WIND ENERGY-II PRIVATE LIMITED	50.00
4	GUL AHMED WIND POWER LIMITED	50.00
5	HAWA ENERGY PRIVATE LIMITED	49.74
6	HYDRO CHINA DAWOOD POWER PRIVATE LIMITED	49.50
7	JHIMPIR POWER PRIVATE LIMITED	49.74
8	MASTER WIND ENERGY LIMITED	49.50
9	METRO POWER COMPANY LIMITED	50.00
10	SACHAL ENERGY DEVELOPMENT PRIVATE LIMITED	49.50
11	SAPPHIRE WIND POWER COMPANY LIMITED	52.80
12	ACT WIND ENERGY PRIVATE LIMITED	30.00
13	TENAGA GENERASI LIMITED	49.50
14	THREE GORGES 1ST WIND FARM PAKISTAN LIMITED	49.50
15	UEP WIND POWER PRIVATE LIMITED	99.00
16	YUNUS ENERGY LIMITED	50.00
17	ZORLU ENERGY PAKISTAN LIMITED	56.40
18	ZEPHYR POWER PRIVATE LIMITED	50.00
19	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-A)	49.74
20	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-B)	49.74
21	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-C)	49.74
22	ARTISTIC ENERGY	49.30
23	THREE GORGES 2ND WIND FARM PAKISTAN LIMITED	49.50
24	THREE GORGES 3RD WIND FARM PAKISTAN LIMITED	49.50
25	MASTER GREEN ENERGY LIMITED	50.00
26	LUCKY RENEWABLES PRIVATE LIMITED	50.00
27	LAKESIDE WIND POWER	50.00
28	ARTISTIC WIND POWER PRIVATE LIMITED	50.00
29	LIBERTY WIND POWER-I PRIVATE LIMITED (ZULAIKHA)	50.00
30	LIBERTY WIND POWER-II PRIVATE LIMITED (ZULAIKHA)	50.00
31	INDUS WIND ENERGY LIMITED	50.00
32	ACT 2 DIN WIND PRIVATE LIMITED	50.00
33	METRO WIND POWER LIMITED	60.00
34	NASDA GREEN ENERGY PRIVATE LIMITED	50.00
35	DIN ENERGY PRIVATE LIMITED	50.00
36	GUL AHMAD ELECTRIC LIMITED	50.00
	OVERALL CAPACITY OF WIND PROJECTS	**1,842.18**

SOLAR		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	AJ POWER (PRIVATE) LIMITED	12.00
2	HARAPPA SOLAR (PVT) LIMITED- REVISED	18.00
3	APPOLO SOLAR DEVELOPMENT PAKISTAN – REVISED	100.00
4	BEST GREEN ENERGY PAKISTAN LIMITED – REVISED	100.00
5	CREST ENERGY PAKISTAN LIMITED – REVISED	100.00
6	QUAID-E-AZAM SOLAR POWER (PVT) LTD. - REVISED	100.00
7	ZHENFA SOLAR	100.00
8	HNDS*	50.00
9	MERIDIAN*	50.00
10	HELIOUS*	50.00
	OVERALL CAPACITY OF SOLAR PROJECTS	**680.00**

BAGASSE		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	CHINIOT POWER	62.40
2	JDW SUGAR MILLAS UNIT-II	26.60
3	JDW SUGAR MILLAS UNIT-III	26.83
4	THAL INDUSTRIES CORPORATION LIMITED	41.00
5	RYK MILLS LIMITED	30.00
6	ALMOIZ INDUSTRIES LIMITED	36.00
7	CHANAR ENERGY LIMITED	22.00
8	HAMZA SUGAR MILLS LIMITED	15.00
9	SHATAJ SUGAR MILLS LTD*	32.00
	OVERALL CAPACITY OF BAGASSE PROJECTS	**291.83**



RFO/HSD/GAS/RLNG		
SR. NO.	**NAME OF GENERATION PARTICIPANT**	**GROSS CAPACITY (MW)**
1	AES LALPIR PRIVATE LIMITED	362.00
2	AES PAK GEN PRIVATE LIMITED	365.00
3	ALTERN POWER **	29.00
4	ATLAS POWER LIMITED	219.16
5	ATTOK GENERATION LIMITED	159.00
6	NPPMCL-BALLOKI RLNG	1223.00
7	QATPL-BHIKKI RLNG	1180.00
8	DAVIS ENERGY LIMITED **	12.00
9	ENGRO POWERGEN QADIRPUR	223.80
10	FAUJI KABIRWALA	157.00
11	FOUNDATION POWER COMPANY DHARKI LIMITED	177.54
12	GENCO-I	880.00
13	GENCO-II	1791.70
14	GENCO-III	2059.65
15	HALMORE POWER GENERATION COMPANY LIMITED	215.40
16	NPPMCL-HAVELLI BAHADUR SHAH RLNG	1230.00
17	HUBCO	1292.00
18	HUBCO-NAROWAL	219.16
19	KAPCO	1600.00
20	KOHINOOR ENERGY LIMITED	131.44
21	LIBERTY POWER PROJECT	235.00
22	LIBERTY POWER TECH LIMITED	202.18
23	NISHAT CHUNIAN POWER LIMITED	202.18
24	NISHAT POWER LIMITED	200.00
25	ORIENT POWER PRIVATE LIMITED	218.00
27	ROUSH POWER PRIVATE LIMITED	450.00
28	SABA POWER COMPANY LIMITED	134.00
29	SAIF POWER LIMITED	215.50
30	SAPPHIRE ELECTRIC POWER COMPANY LIMITED	215.40
31	UCH	586.00
32	UCH-II	386.20
33	PUNJAB THERMAL POWER	1263.00
34	HABIBULLAH COASTAL**	155.00
	OVERALL CAPACITY OF RFO/HSD/GAS/RLNG PROJECTS	**17989.30**

COAL		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	CHINA POWER HUB GENERATION COMPANY LTD	1,320.00
2	ENGRO POWERGEN THAR (PVT) LTD	660.00
3	LUCKY ELECTRIC POWER COMPANY	660.00
4	PORT QASIM ELECTRIC POWER COMPANY	1,320.00
5	SAHIWAL COAL PROJECT	1,320.00
6	SIDDIQSONS ENERGY LTD*	330.00
7	THAR ENERGY LIMITED	330.00
8	THALNOVA POWER THAR LIMITED	330.00
9	THAR COAL BLOCK-1 (SHANGHAI ELECTRIC LTD)	1,320.00
10	GWADAR COAL FIRED POWER PROJECT BY CIHC PAK POWER COMPANY LIMITED*	300.00
	OVERALL CAPACITY OF COAL PROJECTS	**7,890.00**

NUCLEAR		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	CHASHMA NUCLEAR 1	325.00
2	CHASHMA NUCLEAR 2	325.00
3	CHASHMA NUCLEAR 3	340.00
4	CHASHMA NUCLEAR 4	340.00
5	KARACHI NUCLEAR PLANT K-2	1100.00
6	KARACHI NUCLEAR PLANT K-3	1100.00
	OVERALL CAPACITY OF NUCLEAR PROJECTS	**3530.00**

HYDEL		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	WAPDA HYDEL POWER PLANTS — CAPACITY	8,419.96
	A) MANGLA — 1,000.0	
	B) GOMAL ZAM — 17.4	
	C) TARBELA — 3,478.0	
	D) TARBELA 4TH EXTENSION — 1,410.0	
	E) WARSAK — 243.0	
	F) DUBER KHAWAR — 130.0	
	G) ALLAI KHAWAR — 121.0	
	H) KHAN KHWAR — 72.0	
	I) GOLEN GOL — 108.0	
	J) JABBAN — 22.0	
	K) DARGAI — 20.0	
	L) KURAM GARHI — 4.0	
	M) CHITRAL — 1.0	
	N) GHAZI BROTHA — 1,450.0	
	O) CHASHMA — 184.0	
	P) JINNAH — 96.0	
	Q) RASUL — 22.0	
	R) NANDIPUR — 13.8	
	S) SHADIWAL — 13.5	
	T) CHICHOKI — 13.2	
	U) RENALA KHURD — 1.1	
2	JAGRAN (AJK) – I	30.40
3	KAROT POWER COMPANY PRIVATE LIMITED	720.00
4	KOHALA (CHINA INTERNATIONAL WATER & ELECTRIC COMPANY)*	1124.00
5	LARAIB NEW BONG ESC.	84.00
6	MALAKAND-III	81.48
7	MIRA POWER LIMITED	102.00
8	NEELUM JEHLUM	969.00
9	SK-HYDRO PVT. LIMITED*	884.00
10	PATRIND HPP	150.00
11	RENOLIA	17.00
12	DARAL KHWAR	36.60
13	RIALI-II*	7.08
14	AZAD PATTAN HPP*	700.70
	OVERALL CAPACITY OF HYDEL PROJECTS	**13326.22**

IMPORT OF POWER		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	TAVANIR – IRAN	204.00
2	CASA-1000*	1000.00
	OVERALL CAPACITY OF IMPORT OF POWER PROJECTS	1204.00

GROSS CAPACITY OF THE SYSTEM	46,754

Note: * PPA signed but not commissioned yet
** Project is no more operational

LIST OF DEMAND SIDE MARKET PARTICIPANTS (DISTRIBUTION COMPANIES)

1 Faisalabad Electric Supply Company (FESCO)
2 Gujranwala Electric Power Company (GEPCO)
3 Hyderabad Electric Supply Company (HESCO)
4 Islamabad Electric Supply Company (IESCO)
5 Lahore Electric Supply Company (LESCO)
6 Multan Electric Power Company (MEPCO)
7 Peshawar Electric Supply Company (PESCO)
8 Quetta Electric Supply Company (QESCO)
9 Sukkur Electric Power Company (SEPCO)
10 Tribal Areas Electric Supply Company (TESCO)
11 K-Electric (KE)

13 FUTURE OUTLOOK

This section presents an overview of the actions and plans for improving the operational performance and information transparency of CPPA-G as well as for 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 sections discuss the steps taken and the plans underway to achieve the above-mentioned objectives.

13.1 MARKET DEVELOPMENT

CPPA is working on the transition of the existing market from the single buyer model to a competitive wholesale power market. FY2023 was just another successful year for CPPA-G in terms of moving few steps further towards the ultimate goal of establishing competitive wholesale market. This year CPPA-G got MO license from NEPRA along with market commercial code. Further, Authority approved a test run plan entailing 24 actions assigned to respective implementing entities including CPPA to test processes, IT systems and methodologies under MCC.

CPPA not only pushed hard on building its internal capacity in-terms of people, processes and technologies but also persistently engaged the other power sector entities to become partners in this journey. With the execution of test run plan, the quantum of market operationalization activities increased manifolds with full commitment to successfully test the processes.

Actions under test run plan were categorized into three broad categories (i) Action under the Market Commercial Code (ii) Development of tools for market operations and (iii) capacity building of the relevant stakeholders. CPPA has been working on capacity building of overall power sector for last several years and CPPA-G designed a comprehensive phase-wise strategy for developing and implementing a competitive market keeping in view the paradigms of People, Processes and Technology.

To cater for the 'people' aspect, CPPA-G has been engaged in the restructuring of the organization to align the organizational resource requirements with the needs of business model. CPPA-G has also enhanced its market development team and hired professional to cater for the immediate requirements related to market development and operations. In addition, various initiatives to enhance the capacity of the relevant personnel are being carried out through various innovative market workshops and training programs such as EMP. An Electricity Market Team (EMT) has been formulated which includes the members from the relevant power sector entities to facilitate the transition scheme.

For the 'processes' part, CPPA-G has aligned the legal and regulatory framework with the proposed market model. MO code has been approved by NEPRA and SPA Code is in the regulatory approval process. Moreover, CPPA has prepared six Commercial Code Operating Processes and 16 Manuals to aid the automation of market functions and processes. CPPA-G has worked with the grid code amendment team of NTDC so that any proposed amendment would be aligned with the amended grid code along with requirements of the system. DISCOs are being made enabled through the operationalization of MIRAD to independently undertake the operations in the competitive market.

As far as 'technology' is concerned, CPPA-G has developed inhouse market management system (MMS) which automated all the core process of market operations. CPPA automated its entire set of business processes through the adoption of technological reforms such as ERP, ECM and CDXP and upgraded its allied IT infrastructure. CPPA-G, not only this, but also engaged with NPCC and NTDC to enhance their performance by deploying state of the art load forecasting and simulation/modeling tools such as unit commitment, short-term forecasting, medium-term forecasting, and market price simulation tools. Further, CPPA has developed a modern website for Market Operator.

Hence, to commence the wholesale competitive market and complete test run plan is an uphill task, but with all power sector entities performing their part as planned, this goal will be achieved within the specified time.

Moving forward, the Market Operator will also be working on the development of ancillary market design considering the local context of the Power Sector of Pakistan. Furthermore, with the approval of the National Electricity Plan (NEP), strategy formulation for gradual reduction of capacity threshold (currently 1 MW) for transition to retail market is also under process.

14 DIRECTOR'S REPORT 2022-23

14.1 BACKGROUND

The CPPA-G is a fully owned company of the Government of Pakistan (the GOP). The Company originated as a sub-department of the National Transmission and Despatch Company Limited (NTDC) and was later bifurcated by way of a Licensee Proposed Modification (LPM) filed by the NTDC in 2015. The statement of reasons in support of the LPM specified that functions of CPPA-G had been allocated to the NTDC as a stopgap measure, in addition to its core transmission and system operation business. CPPA-G was contemplated as a standalone entity but due to practical considerations at the time of grant of license to NTDC, could not be implemented. In 2015, the energy sector was considered to be in a position where a separate Central Power Purchasing Agency could be established, and the envisioned market reforms could be implemented. On these submissions, the Authority on 29th May 2015, approved the LPM of NTDC, through which the functions of the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) and NTDC were bifurcated, with the former becoming a separate legal entity with distinct role, function and mandate.

In furtherance to power sector reform, 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) Competitive Trading Bilateral Contract Market (CTBCM)

This approach was incorporated in the Transmission License of NTDC. NTDC in accordance with its Transmission License, TL/01/2002 issued by NEPRA on 31st 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, Nuclear and WAPDA Hydel) was to be discharged through CPPA. Further in addition to the billing, settlement and payment functions, NTDC/CPPA-G 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.

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., DISCO's ability to honor 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, CPPA-G was incorporated in 2009 in order to become the successor of the CPPA of NTDC and take over the existing market operations being performed by NTDC through its departments i.e. WPPO, CPPA & Manager Finance Treasury.

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

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

viii. CPPA-G by following the directions of GoP, in consultation with stakeholders, formulated the CTBCM market model and the plan for transitioning of the Single Buyer market to CTBCM and NEPRA has approved the CTBCM in November 2020.

14.2 COMPANY LICENSE

The Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (“the Act") was amended vide the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 (the "Amendment Act") promulgated on 02nd May, 2018 wherein different new provisions were introduced to provide a framework for the development of competitive electric power market in the country.

In this regard, inter alia, Sections 23A and 23B were introduced in the NEPRA Act which provide for the grant of licence as well as duties and responsibilities of the Market Operator (the "MO"). However, in terms of Section 1(3) of the Act, the said Sections (i.e. 23A and 23B) shall come into force within five (05) years of promulgation of the Amendment Act i.e. on May 02, 2023, or on such earlier date as the Federal Government may notify.

The Authority vide its determination dated November 16, 2018, granted a registration No. MOR/01/2018 (the "Registration") to Central Power Purchasing Agency (Guarantee) Limited (the "CPPA-G") to act as the MO under the NEPRA (Market Operator Registration, Standards, and Procedure) Rules, 2015 (the "Market Rules"). The Registration is valid for five (5) years from the date of its issuance or till such date on which Section 23A and 23B of the Act come into force as per Section 1(3) of the Act, whichever is earlier.

On 14th October 2021, CPPA-G filed an application to NEPRA. Subsequently pursuant to section 23A & 23B of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, NEPRA granted a Market Operator License No. MOL/01/2022 to CPPA-G on 31st May 2022, to perform function as the Market Operator, however in terms of Section 1(3) of the NEPRA Act, the said Sections (i.e. 23A and 23B) shall come into force within five (05) years of promulgation of the NEPRA Amendment Act i.e. on 02nd May 2023, or on such earlier date as the Federal Government may notify, till such time CPPA-G shall continue to perform the functions of Market Operator and Power Purchaser under Registration No. MOR /01/2018 dated 16th November 2018.

CPPA-G has also filed an application before NEPRA seeking an extension of its registration / provisional registration to continue its role as power purchaser / DISCOs’ agent until such time as NEPRA formally registers CPPA-G to act in said capacity.

14.3 CONTRACTUAL FRAMEWORK

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

a. Business Transfer Agreement (BTA) between NTDC and CPPA-G.

b. 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 Nuclear Power Plants.

c. Execution of fresh Power Purchase Agreements between CPPA-G, GENCOs and IPPs.

d. Novation and amendment of PPA between NTDC and WAPDA for Hydel generation to include CPPA-G as a party thereto responsible for the commercial aspects thereof.

e. Novation and amendment of PPAs between NTDC / WAPDA with various IPPs to include CPPA-G as a party thereto responsible for the commercial aspects thereof.

f. Entered into 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.

g. Execution of the Power Procurement Agency Agreements (PPAA) between CPPA-G and each of the DISCOs. The Company has signed Power Procurement Agency Agreements (PPAAs) with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs.

h. A tripartite PPA among CPPA-G, NTDC and the power producer.

14.4 FUNCTIONS AND RESPONSIBILITIES OF CPPA-G

CPPA-G has been granted MO License under section 23A & 23B on 31st May 2022, however in terms of Section 1(3) of the Act, the said Sections (i.e. 23A and 23B) shall come into force within five (05) years of promulgation of the Amendment Act i.e. on 02nd May 2023, or on such earlier date as the Federal Government may notify. Currently the functions and responsibilities of CPPA-G are:

i. Functions (As per Registration No. MOR/01/2018 from NEPRA dated 16th November 2018)

a. Carry out all works related to the market operator functions till the activation of section 23A and 23B as mentioned in NEPRA Amendment Act.

b. Facilitate the National Grid Company/System Operator in performance of its functions in accordance with law;

c. Ensure that it organizes and develops the model for competitive market operations in consultation with the relevant stakeholders.

d. Establish an efficient system of collecting, organizing and processing data sent by the National Grid Company/System Operator.

e. Implement the Market Rules; and

f. Keep records of contracts and contractual obligation with the Market Rules, the Commercial Code, the terms and conditions of this registration and the directions of the Authority issued from time to time;

ii. Commercial Responsibilities (As per Registration No. MOR /01/2018 from NEPRA dated 16th November 2018)

a. Establish processes ensuring adherence of market participants to the Market Rules and to the Commercial Code.

b. Manage the processes of financial settlement of energy sale transactions in accordance with the Commercial Code.

c. Keep or cause to be kept separate accounts for the distinct market operator functions.

d. Provide data to the Authority, as and when directed, relating to the generated and/or sold quantities of electricity as well as the amounts paid under power purchase contracts.

e. Provide information to the Authority, as and when directed, relating to executed power purchase contracts; and

f. Submit to the Authority, as and when directed, correct and reliable information regarding prices, number of market participants, percentages of market share, forecasted prices and statistics.

14.5 SUMMARY OF STATEMENTS AS PER RULE 17 OF PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

14.5.1 Compliance with the relevant principles of Public Sector Companies (Corporate Governance) Rule, 2013

Company has complied with the relevant principles of (Corporate Governance) Rules 2013, as per Public Sector Companies (Corporate Governance) Rules, 2013.

14.5.2 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, cash flows and changes in General Fund.

14.5.3 Books of Account

Proper books of account of the Company have been maintained.

14.5.4 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.

14.5.5 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.

14.5.6 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.

14.5.7 Board meetings and attendance of Board Members

Total meetings of the Board of Directors and Board Committees held during the Financial Year 2022-23 are as follows:

SR. NO.	MEETING	NO. OF MEETINGS
1	BOARD OF DIRECTORS	11
2	PROCUREMENT COMMITTEE OF BOARD	04
3	HR COMMITTEE OF BOARD	08
4	RISK MANAGEMENT & IT COMMITTEE OF BOARD	02
5	AUDIT COMMITTEE OF BOARD	05
6	FINANCE COMMITTEE OF BOARD	03
7	SPECIAL COMMITTEE ON MISC	01
8	SPECIAL COMMITTEE ON GENCOS VS CPPA-G ISSUES	02

Table 1: Meetings held during F.Y 2022-23

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

SR. NO.	NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
1	MR. ARSHAD MAJEED MOHMAND	03
2	MR. ZAFAR ABBAS	15
3	MR. WASEEM MUKHTAR	01
4	MR. MAHFOOZ AHMED BHATTI	36
5	MR. MIAN MUHAMMAD IMRAN	06
6	MR. SHAHID MAHMOOD	04
7	MR. MUHAMMAD AMJAD KHAN	16
8	MR. GHIAS UD DIN AHMAD	01
9	MR. RAHEEL IJAZ	01
10	MS. NATASHA JEHANGIR KHAN	01
11	MR. MUHAMMAD ANWAR SHEIKH	09
12	DR. RANA ABDUL JABBAR KHAN	16
13	MR. SAAD FAZIL ABBASI	24
14	MR. PERVAIZ IQBAL	13
15	MR. RIHAN AKHTAR	35

Table 2: Meetings attended by the Directors

14.5.8 Remuneration of Board Members

Members of the Board are paid a fixed lump sum fee for attending the Board meetings or Board Committee meetings. The fee paid to various Board members for attending the Board meetings and Board Committee meetings is as follows:

SR. NO.	NAME OF DIRECTORS	FEE PAID RS. IN MILLIONS
1	MR. ARSHAD MAJEED MOHMAND	0.19
2	MR. ZAFAR ABBAS	0.94
3	MR. WASEEM MUKHTAR	0.06
4	MR. MAHFOOZ AHMED BHATTI	2.25
5	MR. MIAN MUHAMMAD IMRAN	0.38
6	MR. SHAHID MAHMOOD	0.25
7	MR. MUHAMMAD AMJAD KHAN	1.00
8	MR. GHIAS UD DIN AHMAD	0.06
9	MR. RAHEEL IJAZ	0.06
10	MS. NATASHA JEHANGIR KHAN	0.06
11	MR. MUHAMMAD ANWAR SHEIKH	0.56
12	DR. RANA ABDUL JABBAR KHAN	1.00
13	MR. SAAD FAZIL ABBASI	1.50
14	MR. PERVAIZ IQBAL	0.81
15	MR. RIHAN AKHTAR	NIL

Table 3: Fees paid to the Directors during FY 2022-23

During the FY 2022-23 No Remuneration was paid to the Chief Executive Officer

14.5.9 Subsidy or other Financial Support from the Governments

Company gets its revenue requirements through Market Operator Fee which is duly approved by NEPRA every year. Therefore, all the expenditures of the Company are met within this Agency Fee. The Company is not reliant on any subsidy or other financial support from the Government for meeting its expenditures.

14.5.10 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.

Key Operating and Financial Data

Key operating and Financial Data for the F.Y 2017-18 to F.Y 2022-23 is as follows;

FINANCIAL YEAR	REVENUE (RUPEES)	EXPENDITURES (RUPEES)
FY 2017-18	640,504/-	658,497/-
FY 2018-19	854,989/-	709,447/-
FY 2019-20	873,108/-	807,657/-
FY 2020-21	743,696/-	952,357/-
FY 2021-22	1,149,095/-	1,162,849/-
FY 2022-23	2,370,162/-	1,387,726/-

Table 4: Income and Expenditure Data (Rupees in Thousand)

AS AT 30TH JUNE	ASSETS (RUPEES)	LIABILITIES (RUPEES)	GENERAL FUND (RUPEES)
2018 (RESTATED)	16,424,728/-	16,400,627/-	24,101/-
2019 (RESTATED)	25,235,147/-	25,129,947/-	105,200/-
2020 (RESTATED)	14,537,504/-	14,349,349/-	188,155/-
FY 2020-21	22,598,125/-	22,654,188/-	(56,063)
FY 2021-22	26,092,974	26,267,285	(174,311)
FY 2022-23	72,698,444	72,296,527	401,917/-

Table 5: Balance Sheet Data (Rupees in Thousand)

14.5.11 Statutory Payments on account of taxes, duties levies

The Company has created provisions of taxation in the Financial Statements as per the prevailing tax rates on the reporting date.

14.5.12 Significant plans and decisions

i) Future Organizational Role

In future the Power Purchaser and Market Operator will be two separate entities, one entity will work as Market operator under CTBCM and Power Purchaser will work as Special Purpose Agent on behalf of DISCOs who will continue with the legacy contracts, WAPDA and other Public Sector Power Plants. Accordingly, CPPA-G has submitted an application and SPA Code to NEPRA for grant of license of Special Purpose Agent (SPA). Market Operations will start after the approval of the Commercial Market Operation Date (CMOD) by NEPRA.

ii) Organizational restructuring

Presently all the functions of MO and Power Purchaser are being performed by CPPA-G human resource. The services of IT, HR, Corporate Finance and Company Secretary departments will be shared between MO and SPA before legal segregation. Market Finance actions under the approved determination shall be led by Finance Section of MOD with support of Finance Section of CPPA-G.

Market Operator (MO) shall continue to avail the shared services offered by CPPA-G under the Business Transfer Agreement (BTA) until MO is developed after legal segregation. For providing such services from SPA to MO, a Service Level Agreement (SLA) will be executed between MO Licensee and CPPA-G

iii) Market Implementation Strategy

NEPRA while granting the Market Operator License, following directions were also issued for implementation strategy;

a. CPPA-G shall coordinate with DISCOs, NTDC, KE, SO & others for test run plan of Market Commercial Code & other activities;

b. CPPA-G shall designate a Senior Officer from Market Operations to act as a primary focal person with the Authority, which already has been designated;

c. Submission of SPA Registration Application, Draft Agency Code along with Roadmap Plan for legal segregation of MO & SPA;

d. Functional Separation of MO & SPA ;

e. Develop a Robust IT Strategy for Competitive Market; and

f. Monthly/Final Reports on Dry Run to NEPRA

NEPRA has issued the MO License and directed CPPA-G to complete Twenty-Four necessary actions under the CTBCM Dry Run Plan which are categorized as:

(A) Actions under Market Commercial Code
(B) Test Run Tools and Systems and
(C) Awareness, Capacity Building and Reports, with different timelines.

Furthermore, NEPRA has already distinguished actions between responsible entities and supporting entities and has also bifurcated the respective actions between the two distinct functions of MO and SPA. CPPA-G has completed most of the actions required in determination of NEPRA.

14.5.13 Value of investment of provident, and gratuity funds

Based on the latest audited accounts as on 30th June 2022, provident fund investment (net assets) was of Rupees 95.40 million and gratuity fund investment (net assets) was Rupees 150.85 million respectively.

14.5.14 Auditor's Report & Appointment for next year

The Auditors have provided an unqualified report for F.Y 2022-23. The Auditors' report to the members will be provided for consideration and adoption in the AGM. The retiring Auditors being eligible for appointment have submitted their consent to be appointed for the FY 2023-24.

14.5.15 Acknowledgement

The Directors wish to place on record their appreciation for the cooperation of Power Division, Finance Division, NEPRA, DISCOs, PPIB, AEDB, NTDC and all other stakeholders. Further Directors hereby appreciate for the work put in and the cooperation displayed by the staff and management of CPPA-G. Furthermore, Directors also acknowledge the extensive Audit Work carried out by the External Auditors of the Company.

Chief Executive Officer, CPPA-G

Chairman / Director, CPPA-G

15 AUDITOR'S REPORT & FINANCIAL STATEMENTS

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Central Power Purchasing Agency (Guarantee) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Central Power Purchasing Agency (Guarantee) Limited (the Company), which comprise the statement of financial position as at June 30, 2023, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the surplus, and other comprehensive loss, the changes in general fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Affco

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Aftab Ahmad.

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Chartered Accountants
Islamabad
Date: October 16, 2023

UDIN: AR202310610jnCvKNd6D

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	30 June 2023	30 June 2022	1 July 2021
		(Rupees in thousand)		
ASSETS				
Non-current assets				
Property and equipment	5	131,866	93,342	89,292
Intangible assets	6	52,008	45,824	60,584
Right-of-use asset	7	17,209	86,048	154,887
Deferred income tax asset	8	-	-	-
Long term security deposits	9	21,864	21,264	21,264
Long term loans to employees	10	106,301	-	-
		329,248	246,478	326,027
Current assets				
Taxation recoverable - net	11	-	82,957	59,500
Advances, prepayments and other receivables	12	5,708,461	76,664	142,120
Current portion of long term loans to employees	10	25,824	-	-
Balance in escrow deposit accounts - restricted	13	30,878,696	12,041,480	10,794,357
Cash at bank - deposit accounts	14	35,756,215	13,645,395	11,276,121
		72,369,196	25,846,496	22,272,098
Total assets		72,698,444	26,092,974	22,598,125
FUND AND LIABILITIES				
FUND				
General fund		401,917	(174,311)	(56,063)
LIABILITIES				
Non-current liability				
Lease liability	15	-	23,701	110,472
Current liabilities				
Accrued and other liabilities	16	72,211,576	26,156,813	22,471,169
Current portion of lease liability	15	23,701	86,771	72,547
Provision for taxation	11	61,250	-	-
		72,296,527	26,243,584	22,543,716
Total liabilities		72,296,527	26,267,285	22,654,188
Contingencies and commitments	17			
Total fund and liabilities		72,698,444	26,092,974	22,598,125

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		(Rupees in thousand)	
INCOME			
Market operation fee	18	1,092,378	630,978
Profit on bank accounts		1,266,270	518,117
Finance income	10.1	11,514	-
		2,370,162	1,149,095
EXPENDITURE			
Operating expenses	19	(1,380,252)	(1,145,915)
Finance costs	20	(7,474)	(16,934)
		(1,387,726)	(1,162,849)
SURPLUS / (DEFICIT) BEFORE TAXATION		982,436	(13,754)
TAXATION CHARGE	21	(338,682)	(50,478)
SURPLUS / (DEFICIT) AFTER TAXATION		643,754	(64,232)

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		(Rupees in thousand)	
SURPLUS / (DEFICIT) AFTER TAXATION		643,754	(64,232)
OTHER COMPREHENSIVE (LOSS):			
Items that will not be reclassified to the income and expenditure statement:			
Remeasurement loss on defined benefit obligation	16.2.1	(67,526)	(54,016)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		576,228	(118,248)

The annexed notes 1 to 29 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 30 JUNE 2023

	GENERAL FUND (Rupees in thousand)
Balance as at 1 July 2021	(56,063)
(Deficit) for the year	(64,232)
Other comprehensive (loss) for the year	(54,016)
Total comprehensive (loss) for the year	(118,248)
Balance as at 30 June 2022	(174,311)
Surplus for the year	643,754
Other comprehensive (loss) for the year	(67,526)
Total comprehensive income for the year	576,228
Balance as at 30 June 2023	401,917

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER **DIRECTOR** **DIRECTOR**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (deficit) before taxation		982,436	(13,754)
Adjustments for non-cash charges and other items:			
Depreciation	19	52,871	39,590
Amortization	19	17,907	16,599
Depreciation on right-of-use asset	19	68,839	68,839
Provision for gratuity	16.2.1	47,471	37,785
Profit on bank accounts		(1,266,270)	(518,117)
Imputed interest on lease liability	20	6,907	16,669
Finance income	10.1	(11,514)	-
Employee benefits related to long-term interest free loans	19.1	68,750	-
Cash flows from operating activities before working capital changes		(32,603)	(352,389)
Working capital changes:			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables		(5,655,950)	98,138
Balance in escrow deposit accounts - restricted		(18,837,216)	(1,247,123)
Increase in current liabilities			
Accrued and other liabilities		46,033,006	3,689,880
		21,539,840	2,540,895
Cash generated from operations		21,507,237	2,188,506
Income tax paid	11	(194,475)	(73,935)
Gratuity contribution paid	16.2.1	(93,240)	(96,037)
Profit on bank accounts received		1,290,423	485,435
Increase in long term security deposits		(600)	-
Long term loans to employees - net	10.1	(189,361)	-
		812,747	315,463
Net cash generated from operating activities		22,319,984	2,503,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets	5	(91,395)	(43,640)
Intangible assets purchased	6	(24,091)	(1,839)
Net cash used in investing activities		(115,486)	(45,479)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liability	15.1	(93,678)	(89,216)
Net increase in cash and cash equivalents		22,110,820	2,369,274
Cash and cash equivalents at the beginning of the year		13,645,395	11,276,121
Cash and cash equivalents at the end of the year	14	35,756,215	13,645,395

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 Central Power Purchasing Agency (Guarantee) Limited ("the Company") is a Company limited by guarantee and not having share capital incorporated in Pakistan on 28 January 2009 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its registered office is situated at 73-West, Shaheen Plaza, Fazal-E-Haq Road, Blue Area, Islamabad, Pakistan. The Company is incorporated to function as a not-for-profit organization, and the objects, for which the Company is established, are to implement and administer market mechanisms for electric power procurement and sale, 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 Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, and in the secondary legislation pursuant thereto, as amended from time to time, and to do all such other things as are incidental or conducive to the attainment of or in furtherance of the aforesaid objects and in furtherance of the policies, objectives and provisions of or contemplated under the aforesaid Act and secondary legislation made thereunder.

Pursuant to the commencement of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 (Market Rules) notified vide SRO 541(I)/2015 dated 28 May 2015, the Company was deemed to be authorized and registered as the market operator under the aforesaid rules to commence and conduct the market operations. To enable its function as market operator, the Company signed a Business Transfer Agreement (BTA) dated 3 June 2015 with National Transmission and Despatch Company Limited (NTDCL), a separate government owned Company. NTDCL transferred its functions, operations, assets and liabilities related to the Central Power Purchasing Agency, a department of NTDCL and Contract Registrar and Power Exchange Administrator (CRPEA) to the Company (collectively referred to as Market Operations Undertaking).

On 16 November 2018, National Electric Power Regulatory Authority (NEPRA) approved the registration of the Company as market operator under Rule 3 of the Market Rules. The Commercial Code of the Company, required to be prepared under the Market Rules was also approved by NEPRA under Rule 5 of the Market Rules vide SRO 542(I)/2015 dated 2 June 2015 amended vide SRO 912 (I)/2015 and SRO 538 (I)/2016 dated 7 September 2015, 8 June 2016 and 17 February 2020 respectively.

The main operations and responsibilities of the Company as defined in the Market Rules are as follows;

a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from NTDCL 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 term 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 (collectively as per the Commercial Code; and

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

1.2 As per the Market Rules, the Market Operator (i.e. the Company) shall not, except to the extent specified in the terms and condition of registration or in an authorisation, stand surety, give guarantees or in any other manner offer or provide security for the indebtedness or obligations of any other person. Further, the payment responsibilities of the Company in the role of Market Operator as per the Commercial Code are as follows;

> "The Company in this process (settlement and billing), shall act as an agent of DISCOs without assuming payment responsibilities. Payment and debts remain with DISCOs. The Company shall not be held liable for non-payment to market participants." (Clause 8.8.2)

The Company has signed Power Procurement Agency Agreements (PPAAs) with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes (i.e. procurement of various electrical and related products contracted under Power Purchase Agreements (PPAs) and centralized collection and settlement of products contracted under PPAs and use of system charges and payment by DISCOs to NTDCL and power generation companies, as regulated and determined by NEPRA in accordance with Commercial Code) and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs as provided in PPAAs as follows:

Under Article 3.1.7 of the PPAAs;

"Title to the purchased electrical energy and generation capacity procured by CPPA-G for and on behalf of DISCO as well as obligation of DISCO to make payment of transmission charge or use of system charge always vest in DISCO and shall not pass to CPPA-G at any time."

And under article 5.6.1 of the PPAAs:

"The DISCOs shall honor any Power Purchase Agreements entered into by the CPPA-G on behalf of the DISCOs pursuant to this Agreement. The DISCO shall be the principal and primary obligor in respect of all payments and obligations of the purchaser towards the seller or supplier under the Power Purchase Agreements and the transmission use of system charge regulated and determined by NEPRA".

Accordingly, the liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs as provided in the Market Rules, Commercial Code and PPAAs, and the management has assessed that liabilities and assets rests with Principal and other parties where the Company only acts as an agent.

1.2.1 The Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements as disclosed in note 23.1.1.1. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will be signed retrospectively. Further, K-Electric has also confirmed the Company's role of acting in the capacity of an agent of K-Electric for arrangement of energy with respect to the expired agreement and for the agreement to be signed.

1.3 As per the Market Rules, the Company's responsibilities include development of competitive market in Pakistan. In pursuance of its responsibilities, the Company submitted detailed design for the Competitive Trading Bilateral Contract Market (CTBCM) which was approved by NEPRA.

Under Sections 23A and 23B of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the Act), the Company submitted an application on 14 October 2021 for grant of the license for the MO along with the draft Market Commercial Code (the "MCC") for approval of the Authority, which was granted and MO License was issued to CPPA-G on 31 May 2022 for a period of 20 years which came into force on the effective date i.e. 27th April, 2023 the day on which section 23A and section 23B of the Act came into effect as stipulated in section 1(3) of the Act.

The Licensee shall perform such functions which are provided in the Act, Market Operator Regulations, MO License, and as approved by the Authority in the Market Commercial Code, inter alia, enrollment of Market Participants and Service Providers, registration of contracts, issuance of settlement statements, settlement of imbalances, determination of capacity obligations, issuance of firm capacity certificates, determination and obtaining of security covers, devising of dispute resolution mechanism, enforcement of the Market Commercial Code, training and capacity building of relevant stakeholders, and further development of the market.

In compliance with the terms and conditions of the MO license, at the earliest but not later than twelve (12) months from date of grant of the License, CPPA-G was required to separate its functions, as market operator from its existing role as an agent of the DISCOs, in two distinct legal entities i.e. the MO for implementation of CTBCM model, and the Special Purpose Agent (SPA) for continuing the present operations of CPPA-G under a new Agency Code which is to be approved by NEPRA, and apply to the Authority for transfer of the MO license from CPPA-G to MO.

Moreover, until such time the functions of the Company as agent of the DISCOs and Market Operator are not separated in two distinct legal entities, the Company was required to ensure within three (03) months from the date of the grant of the license, that its business is operated in such a manner that the management responsible for Market Operations and accounting thereof is segregated from the CPPA-G's role as agent of the DISCOs so that the Market Operations are carried out independently, transparently, and impartially.

For a period of six (06) months from the date of grant of the License, the Company was required to carry out test run of all activities provided in the MCC in order to check effectiveness and adequacy of the MCC and readiness of all the systems and processes for implementation of competitive electric power market in collaboration with the other stakeholders and licensees.

For the purpose of test-run, the CPPA-G was required to perform the activities such as enrolment of market participants and service providers, commercial allocation and registration of legacy contracts, collection of metering information, calculation of firm capacity certificates, calculation of capacity obligations, calculation of security covers, shadow monthly settlement statements for energy and capacity imbalance etc.

The Board of Directors approved the functional segregation plan leading to legal segregation and a roadmap for legal segregation of SPA and MO was submitted to NEPRA vide letter dated 29 June 2022.

The Company has carried out functional segregation of accounting and management functions as per the plan approved by the Board of Directors. Further, the test run has been completed and the report in this respect has been prepared and the management has been authorized by the BOD to submit the report to the Power Division to seek approval from Cabinet Committee on Energy (CCOE) for submission of the report to NEPRA for further necessary action under law.

Due to pending approval/actions from the authorities, MO has not been formed in the specified time. The Company is in the process of making a request to the Authority for extension in time.

The Company is also currently in the process of obtaining registration for SPA and related agency code from NEPRA. The Company has assessed that the issuance of MO license and functional segregation doesn't have any impact on these financial statements, other than disclosure of issuance of the license.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain items as disclosed in the relevant accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee (PKR/Rupees) which is the Company's functional currency.

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2.4 Significant accounting estimates and areas of judgements

The preparation of financial statements in conformity with the approved accounting standards requires the management to make judgements, estimates and assumptions that effect the application of policies and related reported amounts of assets and liabilities, income and expenses. The estimates and associated judgements based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about carrying value of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that year, or in the year of the revision and any future year affected.

In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgements which are relevant to these financial statements:

a) Property and equipment and intangible assets

The Company reviews the method of depreciation and amortization, useful life and value of assets for impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment and intangible asset with a corresponding effect on the depreciation / amortization charge and value of assets for possible impairment.

b) Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax laws and the decisions of appellate authorities in the past. This involves judgements on future tax treatments of certain transactions.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable income will be available against which such losses and credits can be utilized.

c) Defined benefit plan

Defined benefit plan requires assumption to be made for future outcomes, the principal ones being in respect of increase in salary rate, discount rate used to convert cashflows to current values. The assumptions are determined by independent actuary annually.

d) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment to determine if the control of an identified asset has been passed between the parties. Control exists if substantially all of the economic benefits from the use of the asset are transferred to the lessee and the lessee has the ability to direct its use for a period of time. As per IFRS 16, the Company assess the lease term as the non-cancelable lease term and uses incremental borrowing rate as the discount rate to determine the present value of lease payments for determination of lease liability and related right to use asset.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following International Financial Reporting Standards (IFRS standards) as notified under the Companies Act, 2017 are effective for accounting periods beginning from the dates specified below:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	1 January 2023 & 1 January 2024
IAS 7	Statement of Cashflows (Amendments)	1 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	1 January 2023
IAS 12	Income Taxes (Amendments)	1 January 2023
IFRS 4	Insurance Contracts (Amendments)	1 January 2023
IFRS 16	Leases (Amendments)	1 January 2024

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12	Service concession arrangements.

4. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements;

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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. The cost of day to day servicing are charged to the income and expenditure statement during the period in which they are incurred.

Depreciation is charged to the income and expenditure statement on straight line method at the rates specified in note 5. Depreciation on additions to the fixed assets is charged from the month in which the asset is available for use and no depreciation is charged for the month in which the property and equipment is disposed off.

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 disposal of the asset which is determined by comparing the proceeds from disposal with the carrying amount of property and equipment is included in the income and expenditure statement.

4.2 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortization 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 costs are charged to income during the period in which they are incurred.

Amortization is charged to income and expenditure statement on straight line method at the rates specified in note 6 from the month in which the asset is available for use and no amortization is charged for the month in which intangible asset is disposed off.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset which is determined by comparing the proceeds from disposal with the carrying amount of intangible asset is included in the income and expenditure statement.

4.3 Leases

The Company assesses whether a contract is or contains a lease at the inception of a contract and whether the contract conveys the right to control the use of underlying asset for a period of time in exchange of consideration.

i) Right of use assets

A right-of-use asset is recognized at the commencement date of a lease. Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight line basis from the current date over the earlier of the end of lease term or the useful life of the right-of-use asset. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subsequently stated at cost less any accumulated depreciation and impairment loss (if any) and are adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

ii) Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income and expenditure statement if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between a reduction of the liability and a finance cost. The finance cost is charged to the income and expenditure statement as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Further, requirements of IFRS 16 "Leases" have been waived off by SECP in respect of power purchase agreements entered by companies up to 1 January 2019. As explained in note 1.2 to the financial statements, the Company has assessed that it acts as an agent on behalf of DISCOs and accordingly, there is no impact of the same on these financial statements.

4.4 Impairment of non-financial assets

The Company assesses at each statement of financial position 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 statement. 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 the income and expenditure statement.

4.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in income and expenditure statement, as incurred.

(i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The charge for current tax also includes adjustment, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

(ii) Deferred tax

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 for all deductible temporary differences 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 assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 reporting date. Deferred tax is charged or credited in the income and expenditure statement, except to the extent that it relates to items recognized in other comprehensive income or directly in the fund. In this case the tax is also recognized in other comprehensive income or directly in the fund, respectively.

4.6 Advances, prepayments and other receivables

These are recognized at cost, which is the fair value of the consideration given.

4.7 Provisions and contingencies

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event 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. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

A contingent liability is disclosed when the Company has a possible litigation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.8 Foreign currencies

Transactions in foreign currencies are translated into Pak Rupees using exchange rate at the date of transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Rupees at exchange rates ruling on the statement of financial position date. Exchange gains and losses, where applicable, is credited / charged in income and expenditure statement.

4.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.10 Income recognition

i) Revenue from contracts with customers

The Company's net income mainly arises on account of market operation fee received from DISCOs and K-Electric. The Company is acting as an agent and the title to the energy procured always vest with distribution companies (DISCOs) and K- Electric as per Power Purchase Agency Agreements. Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. The Company recognises income in respect of market operation fee when services are rendered as the performance obligation are generally met over time. The Company uses output method and recognise income at the amount invoiced if the Company's right to invoice is based on value of services transferred and the amount invoiced represent the value transferred to DISCOs and K-Electric. It is measured at transaction price and the method for charging of market operation fee to DISCOs and K-Electric is approved by NEPRA in the commercial code. The rate of market operation fee is determined by NEPRA and payable by DISCOs and K-Electric on receipt of invoice.

ii) Interest income on bank deposits

Profit on bank deposits is calculated using effective interest rate method and recognised in the income and expenditure statement.

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4.11 Accrued and other liabilities

Liabilities for accrued and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Where the Company is acting as an agent of the Principals, the liabilities are recognised to the extent of remittances received by the Company from the Principals but not yet paid to the power generation companies.

4.12 Employee benefits

Salaries, wages and benefits are accrued in the period in which associated services are rendered by employees of the Company. The accounting policy for provident and gratuity benefits are described below:

Provident fund

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

Gratuity fund

The Company operates an approved funded gratuity scheme under an independent trust for its regular employees who have completed the minimum qualifying period of service as a defined benefit plan. The gratuity scheme is managed by trustees. The Company's obligation in respect of the defined benefit plan is calculated by estimating the present value of future benefit that employees have earned in return of this service in the current and prior periods; that benefit is discounted to determine its present value. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The latest valuation was carried out as at 30 June 2023 details of which are disclosed in note 16.2.1 to the financial statements.

The interest is calculated by applying discount rate to the net balance of the defined benefit obligation and fair value of plan assets. The cost is included in employee benefit expense in the income and expenditure statement.

Past service costs are recognized immediately in income and expenditure statement.

Remeasurement gain/losses are recognized in other comprehensive income.

4.13 Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when the Company become a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise of financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to the income and expenditure statement.

Classification of financial assets

The Company classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVTOCI); and
- at amortized cost.

The Company determines the classification of financial assets at initial recognition and the classification depends on the Company's business model for managing the financial assets and the contractual cashflow characteristics. The Company reclassifies its debt investment when and only when its business model for managing those instruments changes.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- financial liabilities at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Initial recognition

Financial assets and liabilities

The financial assets are initially recognized at fair value, plus, in case of a financial asset not at FVTPL, transaction costs. Transaction cost of financial assets carried at FVTPL are expensed in the income and expenditure statement. All financial liabilities are initially measured at fair value and in the case of loans and borrowings (if any) and payables, net of directly attributable transaction costs.

Subsequent measurement

i) **At amortized cost**

Subsequent to the initial recognition, these are measured at effective interest rate method and subject to impairment. Gains and losses are recognized in the income and expenditure statement when the asset/ liability is derecognized/ or modified or the asset is impaired.

ii) **At FVTPL**

Subsequent to the initial recognition, these are carried in the statement of financial position at fair value with net changes in fair value recognized in income and expenditure statement.

Financial assets (other than equity instruments) at FVTOCI

Subsequent changes in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in income and expenditure statement.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month's ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in the income and expenditure statement. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the income and expenditure statement. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified, but is transferred to the statement of changes in general fund.

ii) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position only when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the income and expenditure statement.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial position if the Company has legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or realize the assets and to settle the liabilities simultaneously.

5 PROPERTY AND EQUIPMENT

	Operating fixed assets						
	IT and networking equipment	Furniture and fixture	Leasehold improvements	Electric installations	Vehicles	Office equipment	Total
	(Rupees in thousand)						
At 1 July 2021							
Cost	113,658	29,459	34,011	44,371	19,830	11,659	252,988
Accumulated depreciation	(91,206)	(17,530)	(12,076)	(15,672)	(18,913)	(8,299)	(163,696)
Net book value	22,452	11,929	21,935	28,699	917	3,360	89,292
Year ended 30 June 2022							
Opening net book value	22,452	11,929	21,935	28,699	917	3,360	89,292
Additions	10,735	559	-	-	30,118	2,228	43,640
Depreciation (note 19)	(15,023)	(4,423)	(6,802)	(8,875)	(2,780)	(1,687)	(39,590)
Closing net book value	18,164	8,065	15,133	19,824	28,255	3,901	93,342
At 30 June 2022							
Cost	124,393	30,018	34,011	44,371	49,948	13,887	296,628
Accumulated depreciation	(106,229)	(21,953)	(18,878)	(24,547)	(21,693)	(9,986)	(203,286)
Net book value	18,164	8,065	15,133	19,824	28,255	3,901	93,342
Year ended 30 June 2023							
Opening net book value	18,164	8,065	15,133	19,824	28,255	3,901	93,342
Additions	61,405	4,200	5,309	18,298	-	2,183	91,395
Disposals (note 5.2)							
Cost	-	-	-	-	15,172	-	15,172
Accumulated depreciation	-	-	-	-	(15,172)	-	(15,172)
	-	-	-	-	-	-	-
Depreciation (note 19)	(25,405)	(3,900)	(7,509)	(11,286)	(3,195)	(1,576)	(52,871)
Closing net book value	54,164	8,365	12,933	26,836	25,060	4,508	131,866
At 30 June 2023							
Cost	185,798	34,218	39,320	62,669	34,776	16,070	372,851
Accumulated depreciation	(131,634)	(25,853)	(26,387)	(35,833)	(9,716)	(11,562)	(240,985)
Net book value	54,164	8,365	12,933	26,836	25,060	4,508	131,866
Annual rate of depreciation (%)	33%	20%	20%	20%	10%	20%	

5.1 Certain assets were transferred to the Company on 3 June 2015 by NTDCL in accordance with the terms and conditions of the Business Transfer Agreement between NTDCL and the Company. However, transfer of title of the 4 vehicles (2022: 4 vehicles) in the name of the Company is under process with the Vehicle Registration Authorities.

5.2 During the year, 16 vehicles were transferred to NTDCL by the Company as per its Board approval. However, transfer of title of these vehicles in the name of NTDCL is not yet made by year end.

6 INTANGIBLE ASSETS

	Enterprise Resource Planning System	Computer Softwares and License fees	Assets under development (note 6.1)	Total
	---------------- (Rupees in thousand) ----------------			
At 1 July 2021				
Cost	37,674	45,369	9,083	92,126
Accumulated amortization	(25,514)	(6,028)	-	(31,542)
Net book value	12,160	39,341	9,083	60,584
Year ended 30 June 2022				
Opening net book value	12,160	39,341	9,083	60,584
Additions	-	1,221	618	1,839
Amortization charge (note 19)	(7,534)	(9,065)	-	(16,599)
Closing net book value	4,626	31,497	9,701	45,824
At 30 June 2022				
Cost	37,674	46,590	9,701	93,965
Accumulated amortization	(33,048)	(15,093)	-	(48,141)
Net book value	4,626	31,497	9,701	45,824
Year ended 30 June 2023				
Opening net book value	4,626	31,497	9,701	45,824
Additions	-	22,245	1,846	24,091
Transferred from assets under development	-	8,570	(8,570)	-
Amortization charge (note 19)	(4,626)	(13,281)	-	(17,907)
Closing net book value	-	49,031	2,977	52,008
At 30 June 2023				
Cost	37,674	77,405	2,977	118,056
Accumulated amortization	(37,674)	(28,374)	-	(66,048)
Net book value	-	49,031	2,977	52,008
Annual rate of amortization (%)	20%	20%		

6.1 As at 30 June 2023, the assets under development represents payment made in respect of implementation of Electricity Load Forecast Tool.

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7 RIGHT-OF-USE ASSET

	Note	2023	2022
		(Rupees in thousand)	
	7.1		
Opening net book value		86,048	154,887
Depreciation charge for the year (note 19)		(68,839)	(68,839)
Closing net book value		17,209	86,048
Cost		292,565	292,565
Accumulated depreciation		(275,356)	(206,517)
Net book value		17,209	86,048
Annual rate of amortization (%)		24%	24%

7.1 The Company obtained building on lease for office use. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease period is from 1 October 2018 to 30 September 2023 (5 years).

8 DEFERRED INCOME TAX ASSET

Deferred tax asset as at 30 June 2023 to the extent of Rupees 29.86 million (2022: Rupees 96.16 million) has not been recognized as the Company is uncertain about the timing and extent of future taxable income against which such benefits can be utilized.

	2023	2022
	(Rupees in thousand)	
This comprises of following:		
Deferred tax asset on deductible temporary differences in respect of:		
Unused tax losses	-	58,449
Unused tax depreciation and amortisation	-	17,812
Accelerated accounting depreciation / amortization	23,314	18,314
Leases	1,883	7,083
Accrued profit on bank accounts	(8,323)	(15,327)
Provision for staff benefits	12,985	9,831
	29,859	96,162
Less: Unrecognized deferred tax asset	(29,859)	(96,162)
	-	-

9 LONG TERM SECURITY DEPOSITS

These deposits are not carried at present value as the impact was considered not material.

10 LONG TERM LOANS TO EMPLOYEES - SECURED

	2023	2022
	(Rupees in thousand)	
Loans to employees	132,125	-
Current portion shown under current assets	(25,824)	-
	106,301	-

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	2023	2022
	(Rupees in thousand)	
10.1 Movement in long term loans to employees:		
Gross amount disbursed	213,772	-
Less: loss on initial recongnition of financial assets	(68,750)	-
Present value of disbursements	145,022	-
Finance income for the year	11,514	-
Repayments	(24,411)	-
Balance at the end of the year	132,125	-
Less: current portion shown under current assets	(25,824)	-
	106,301	-

10.2 This represents long-term interest free loans given to employees in accordance with the Company's policy for the maximum period of 5 years or remaning period of employees employment with the Company whichever is earlier. These loans are secured against the terminal benifits of the employees available with the Company on the date of disbursement of the loans.

10.3 As per the accounting policy of the Company, these long term loans to employees are initially recognized at fair value, and the resulting difference of the gross amount disbursed and the fair value is recognized in the income and expenditure statement under "Operating expenses".

10.4 These long term loans to employees are measured at the effective interest rates ranging from 16.13% to 22.36% (2022: Nil) per annum.

11 TAXATION RECOVERABLE - NET

	Note	2023	2022
		(Rupees in thousand)	
Balance at the beginning of the year		82,957	59,500
Provision made during the year - net		(338,682)	(50,478)
Income tax paid / deducted at source during the year		194,475	73,935
Balance at the end of year		(61,250)	82,957
Less: amount classified under current liabilities		61,250	-
		-	82,957

12 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2023	2022
Advances - unsecured, considered good:			
Staff advances		1,847	1,415
Advances to suppliers		851	1,617
		2,698	3,032
Market operation fee receivable from DISCOs and K-Electric (related parties) - unsecured	12.1	405,766	-
Prepaid expenses		11,855	20,669
Income tax recoverable from the tax authorities	17.1.2	5,259,284	-
Accrued profit on bank accounts		28,700	52,853
Other receivables		158	110
		5,708,461	76,664

12.1 The maximum aggregate amount at the end of any month during the year due from related parties was Rupees 405,766 thousand (2022: due to related parties was Rupees 411,821 thousand).

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13 BALANCE IN ESCROW DEPOSIT ACCOUNTS - RESTRICTED

13.1 This represents restricted balance of Rupees 30,860,172 thousand (2022: Rupees 12,031,993 thousand) and Rupees 18,524 thousand (2022: Rupees 9,487 thousand) held in escrow accounts for profit / rental payments of Pakistan Energy Sukuk-I / Sukuk-II issued by Power Holdings (Private) Limited (PHL) and escrow account for payment to WAPDA Hydel, respectively.

In accordance with Escrow Arrangement Agreements, the Company is routing collection proceeds and the debt surcharge collection through the Company's escrow accounts. The Company has issued an irrevocable instructions to bank for transfer of collection of these account to these escrow accounts on daily basis. The balance in these escrow accounts shall be utilized solely for the purposes of making profit / rental payments to the Certificate Holders by PHL. The escrow accounts are held under an exclusive lien for benefit of the Certificate Holders, and Meezan Bank Limited, a trustee, have sole control over these accounts and the Company is not permitted to make any withdrawals and / or give any instructions with respect to the amounts lying in these escrow accounts except as permitted under the Escrow Arrangement Agreements.

The balance held in escrow account for payment to WAPDA Hydel represents the amount held in accordance with Escrow Agreement with WAPDA for maintaining minimum balance in escrow account.

These balances have been presented separately from cash at bank in the statement of financial position from the current year, due to the aforesaid nature of restrictions on escrow deposit accounts, for better presentation. Comparative figures have also been reclassified and presented separately to conform to current year basis and presentation. The impacts of above reclassification are as follows:

	Reclassified from	**Reclassified to**
As at 30 June 2022:		
Balance in escrow deposit accounts - restricted of Rupees 12,041,480 thousand	Bank balances - deposit accounts	Statement of financial position
As at 1 July 2021:		
Balance in escrow deposit account - restricted of Rupees 12,041,480 thousand	Bank balances - deposit accounts	Statement of financial position

Further, the balance in escrow deposit accounts of Rupees 12,041,480 thousand as at 30 June 2022 have been reclassified from cash and cash equivalents to cash flows from operating activities in the statement of cash flows.

In accordance with the requirements of IAS 1 "Presentation of Financial Statements", a third statement of financial position as of 1 July 2021 has also been presented to reflect above reclassification.

13.2 The balances in deposit accounts carry mark up which ranges from 6.5 % to 19.5% (2022: 5.42% to 12.25%) per annum.

14 CASH AT BANK - DEPOSIT ACCOUNTS

14.1 This includes cash at bank amounting to Rupees 35,670,748 thousand (2022: Rupees 13,544,943 thousand) collected from the Principals as at the reporting date pending settlement among the market participants by the Company as per the Commercial Code. Cash at bank amounting to Rupees 85,467 thousand (2022: Rupees 100,452 thousand) is held by the Company out of which Rupees 85,332 thousand (2022: Rupees 100,000 thousand) has been received from GoP for arbitration payments and the balance amount of Rupees 135 thousand (2022: Rupees 452 thousand) is for running its operations.

14.2 The balances in deposit accounts carry mark up which ranges from 6.5 % to 19.65% (2022: 5% to 12.25%) per annum.

14.3 These balances includes Rs 10,779,144 thousand (2022: Rupees 3,631,991 thousand) held with the Bank of Punjab and National Bank of Pakistan - related parties.

15 LEASE LIABILITY

	2023	2022
	(Rupees in thousand)	
Total lease liability	23,701	110,472
Less: current portion shown under current liabilities	(23,701)	(86,771)
	-	23,701

15.1 Reconciliation of lease liability

	2023	2022
Opening balance	110,472	183,019
Unwinding of interest on lease liability	6,907	16,669
Payments during the year	(93,678)	(89,216)
Closing balance	23,701	110,472
Less: current portion shown under current liabilities	(23,701)	(86,771)
	-	23,701

16 ACCRUED AND OTHER LIABILITIES

	Note	2023	2022
Payable by the Company to the market participants representing offer*		40,412,172	13,136,890
Payable to Power Holdings Limited (PHL) (a related party) in respect of energy payables swapped by GoP	13.1	30,860,172	12,031,993
Neelum Jhelum surcharge	16.1	62,627	62,627
Electricity duty	16.1	429,500	310,656
Accrued and other payables by the Company	16.2	447,105	614,647
		72,211,576	26,156,813

*As per Commercial code, the power generation companies licenced by the NEPRA, having PPA signed by, assigned to administer by the Company on behalf of DISCOs have been defined as market participants representing offer.

16.1 These represent Neelum Jhelum surcharge and Electricity Duty collected from IPPs on Back Feed billing (also known as Export Energy billing which means issuing electricity bills to IPPS for importing electricity from National Grid at rates determined by NEPRA) and payable to Government of Pakistan on demand.

16.2 Accrued and other payables by the Company

	Note	2023	2022
		(Rupees in thousand)	
Advance from DISCOs and K-Electric (related parties) against market operation fee - unsecured	12.1	18,494	385,628
Advance from GoP for arbitration payment		85,332	100,000
Withholding tax payable		1,420	747
Payable to employees contributory provident fund		-	2,981
Payable to employees gratuity fund	16.2.1	89,552	67,795
General sales tax payable - net		46,706	7,960
Payable to suppliers		44,962	22,396
Bid security		12,787	3,598
Accrued and other liabilities	16.2.2	147,852	23,542
		447,105	614,647

16.2.1 The latest actuarial valuation was carried out at 30 June 2023, using the projected unit credit actuarial cost method. The amounts recognised in financial statements are determined as follows:

	2023	2022
	(Rupees in thousand)	
Statement of financial position		
Present value of defined benefit obligation	360,787	218,650
Less: Fair value of plan assets	(271,235)	(150,855)
Net liability	89,552	67,795
Changes in present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	218,650	123,612
Current service cost	44,612	35,331
Interest cost on defined benefit obligation	29,203	12,359
Benefits due but not paid - payables	-	(148)
Benefits paid	(4,663)	(5,916)
Remeasurement losses:		
- Actuarial loss from changes in financial assumptions	51,763	22,732
- Experience adjustments	21,222	30,680
Present value of defined benefit obligation at the end of the year	360,787	218,650
Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	150,855	51,581
Contributions	93,240	96,037
Interest income on plan assets	26,344	9,905
Benefits paid	(4,663)	(5,916)
Benefits due but not paid	-	(148)
Return on plan assets, excluding interest income	5,459	(604)
Fair value of plan assets at the end of the year	271,235	150,855
Expenses to be charged to the income and expenditure statement		
Current service cost	44,612	35,331
Interest cost on defined benefit obligation	29,203	12,359
Interest income on plan assets	(26,344)	(9,905)
	47,471	37,785
Total remeasurement losses recognized in other comprehensive income		
- Actuarial loss from changes in financial assumptions	51,763	22,732
- Experience adjustments	21,222	30,680
	72,985	53,412
Return on plan assets, excluding interest income	(5,459)	604
	67,526	54,016
Changes in net liability		
Net liability at the beginning of the year	67,795	72,031
Expenses charged to the income and expenditure statement	47,471	37,785
Remeasurement losses recognized in other comprehensive income	67,526	54,016
Contributions	(93,240)	(96,037)
Net liability at the end of the year	89,552	67,795

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Significant actuarial assumptions

	2023	2022
Discount rate used for year end obligation	15.75%	13.50%
Salary increase rate used for next year end obligation	35.00%	9.25%
Salary increase rate used for financial year 2025 onwards is 15.75%		
Next salary is increased at	1 July 2023	1 July 2022
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates	Moderate	Moderate
Retirement Assumption	Age 60	Age 60
Average duration of obligation	10	11

Plan assets comprise:

	2023	2022
Sukuks	89.13%	98.09%
Mutual funds	10.19%	0.00%
Cash at bank	0.43%	1.45%
Others	0.25%	0.46%
	100.00%	100.00%

Year end sensitivity analysis on defined benefit obligation

	Rupees in thousands
Discount rate +100 bps	(33,711)
Discount rate -100 bps	39,689
Salary increase +100 bps	39,209
Salary increase -100 bps	(33,914)

Expected benefit payments for next 10 years and beyond

	Rupees in thousands
FY 2024	16,247
FY 2025	39,950
FY 2026	25,895
FY 2027	32,786
FY 2028	119,212
FY 2029	85,814
FY 2030	28,027
FY 2031	76,439
FY 2032	25,016
FY 2033	98,441
FY 2034 and onwards	23,725,952

Estimated expenses to be charged to the income and expenditure statement in next year is Rupees 72,877 thousand.

The Company faces the following risks on account of defined benefit plan:

a) **Final Salary Risk** (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

b) **Demographic Risks**

o Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

o Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

c) **Investment Risk** – the risk of the investment underperforming and being not sufficient to meet the liabilities.

16.2.2 Accrued and other liabilities includes accrual on account of performance bonus to employees of Rupees 83,702 thousand (2022: Nil).

17 CONTINGENCIES AND COMMITMENTS

17.1 CONTINGENCIES

17.1.1 The Company filed a tax reference on 13 June 2018 before the Honorable Lahore High Court (LHC) against the order of the Appellate Tribunal Inland Revenue (ATIR) followed by Commissioner Inland Revenue (Appeals) (CIR(A)) wherein the order of Assistant Commissioner Inland Revenue (ACIR) creating demand of Rupees 1,514 million, Rupees 816 million and Rupees 934 million for tax years 2016 and 2017 vide notices dated 11 January 2017 and 10 August 2017 under section 153(1)(b) of the Income Tax Ordinance, 2001 due to non deduction of withholding taxes on payment made to NTDCL against use of system charges. The taxation authorities have recovered tax amounting to Rupees 1,751 million against the collective demand of Rupees 3,264 million through attachment of bank accounts of the Company and the Company obtained stay order from LHC against remaining outstanding demand. On 7 November 2018, LHC set aside the orders and remanded back the case to the taxation officer for re-determination of tax liability. Thereafter, neither an order has been issued nor a civil appeal has been filed in the Supreme Court of Pakistan against the order of the Lahore High Court by the Department, therefore, it has been assumed that the order has attained finality. The Company has recovered/adjusted the same tax from NTDCL in compliance of section 161(2) of ITO, 2001 and provided legal opinion to NTDCL for its adjustment in NTDCL's income tax returns but NTDCL has not agreed with the same opinion, therefore, the Company sought second independent opinion wherein it has been again suggested that NTDCL should claim adjustment of the same amount in the revised income tax returns of NTDCL.

17.1.2 The tax authorities issued show cause notice for tax liability of Rupees 5,567 million on 20 November 2018 on account of turnover tax and super tax under the Income Tax Ordinance, 2001, assuming that the settlement of power generators invoices to DISCOs are the sales of the Company. The Company has filed writ petition against the show cause in the Lahore High Court on 20 December 2018 and LHC has decided the petition with direction to LTO, Lahore to satisfy the petitioner regarding jurisdiction to him and also on issue an independent order in this regard. Thereafter, LTO issued a fresh notice on dated 24 May 2022 and the Company submitted detailed reply to the Notice on 13 June 2022, against which the tax authorities issued assessment order on 30 November 2022. The assessment order was challenged before the Commissioner Inland Revenue, Appeals, Lahore (CIR(A)) who also upheld the order on 27 April 2023 and the tax authorities recovered Rupees 5,259 million on the same day through attaching bank accounts of the Company. The Company has challenged this coercive recovery before the Honourable Lahore High Court (the LHC) through filing writ petition and also challenged the impugned order of the (CIR(A)) before the Appellate Tribunal Inland Revenue, Lahore (the ATIR). The matter is currently pending adjudication before the LHC and the ATIR. The amount recovered by the tax authorities has been recognized by the Company as tax recoverable from the tax authorities as disclosed in note 12 to these financial statements. The management and its legal advisor are confident that the matter will be decided in the Company's favour and the amount recovered by the tax authorities will be refunded to the Company by tax authorities.

17.1.3 The tax authorities have issued assessment order on dated 15 June 2022 wherein demanded Rupees 44.180 million due to adjustment of previous year refund against tax liability of 2019. The Company has filed appeals before the Commissioner Inland Revenue, Appeals, Lahore the (CIR(A)) on 25 June 2022 and the CIRA has remanded back the case to tax authorities vide order dated 20 October 2022 and the tax authorities has challegned the order of (CIR(A)) before the ATIR. Hence, the matter is still pending adjudication before the ATIR.

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17.1.4 The Tax authorities has issued show cause notice dated 16 May 2023 for tax liability of Rs 9,692 million for adjudication on account of the minimum tax for the tax year 2019, assuming that the settlement of power generators invoices to DISCOs and K-Electric are the sales of the Company. The Company has challenged this show cause before the Honorable Lahore High Court through filing consitutional writ petition wherein, the Honorable Lahore High Court vide its order sheet dated 22 June 2023 has directed that no adverse action shall be taken against the petitioner till the adjudication of the matter. The case is currently pending adjudication before authorities.

17.2 COMMITMENTS

	Note	2023	2022
Contractual commitments of the Company:		(Rupees in thousand)	
- in respect of property and equipment		-	96,626
- in respect of intangibles		-	54,961
- in respect of expenses		-	475
		-	152,062

18 MARKET OPERATION FEE

	Note	2023	2022
Market operation fee	18.1	1,256,235	731,934
Less: sales tax		(163,857)	(100,956)
		1,092,378	630,978

18.1 This represents market operation fee determined by National Electric Power Regulatory Authority (NEPRA) for the administration, maintenance and implementation of the Commercial Code, NEPRA (Market Operator Registration, Standards and Procedure) Rules, supervision of compliance by market participants and billing, collection, settlement and payments procedures.

19 OPERATING EXPENSES

	Note	2023	2022
		(Rupees in thousand)	
Salaries and other benefits	19.1	1,020,956	791,543
Repair and maintenance		7,316	7,589
Legal and professional		10,311	13,516
Directors' meeting fee		9,125	13,750
NEPRA license fee		20,821	36,653
Auditor's remuneration	19.2	3,200	2,830
Depreciation	5	52,871	39,590
Amortization	6	17,907	16,599
Depreciation on right-of-use asset	7	68,839	68,839
Rent		1,873	5,373
Utilities		14,258	12,771
Communication		10,056	8,183
Travelling		21,026	11,474
Vehicles' running		16,657	10,944
Training expenses		4,622	27,106
Office supplies		10,589	11,400
Printing and stationery		3,196	4,176
Fee and subscriptions		63,780	48,960
Advertisement		2,499	1,517
Security services expenses		5,455	3,690
Miscellaneous		14,895	9,412
		1,380,252	1,145,915

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19.1 Salaries and other benefits includes provident fund and gratuity fund charge of Rupees 19,386 thousand and Rupees 47,471 thousand (2022: Rupees 14,648 thousand and Rupees 37,785 thousand) respectively by the Company. This also includes employee benefits amounting to Rupees 68,750 thousand (2022: Nil) related to differential amount on initial recognition of long-term interest free loans given to employees, as disclosed in note 10 to these financial statements.

19.2 Auditor's remuneration

	2023	2022
	(Rupees in thousand)	
Statutory audit fee	2,400	2,140
Audit fee of employees retirement funds	375	290
Review of annual statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	200	175
Out of pocket expenses	225	225
	3,200	2,830

19.2.1 Audit fee includes sales tax of Rupees 388 thousand (2022: Rupees 359 thousand).

20 FINANCE COSTS

	Note	2023	2022
		(Rupees in thousand)	
Imputed interest on lease liability	15.1	6,907	16,669
Bank charges		567	265
		7,474	16,934

21 TAXATION CHARGE

	2023	2022
Current tax	338,682	50,478

21.1 Reconciliation of tax charge for the year

	2023	2022
Surplus / (deficit) before tax	982,436	(13,754)
Tax at applicable rate of 29% (2022: 29%)	284,906	(3,989)
Carry forward business losses utilized during the year	(76,261)	-
Super tax	106,396	-
Deferred tax asset not recognized	(6,477)	(22,378)
Effect of permanent differences	30,118	-
Tax effect of minimum tax on certain income / expenses	-	76,845
	338,682	50,478

22 PROVIDENT FUND RELATED DISCLOSURE

The investments of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

23 BALANCES BETWEEN THE MARKET PARTICIPANTS THROUGH THE COMPANY IN ITS AGENCY ROLE AS A MARKET OPERATOR NOT REFLECTED IN THESE FINANCIAL STATEMENTS

The Company is acting as an agent of DISCOs and K-Electric in respect of designated purposes as explained in note 1.2 to the financial statements. Accordingly the Company performs verification of invoices submitted by power generation companies, under PPAs signed by the Company on behalf of DISCOs. The Company calculates the transfer charge on monthly basis for the settlements between the market participants in accordance with the applicable provisions of the Commercial Code. Details of amount due to / from market participants and PHL (in respect of energy payables swapped by GoP) through the Company as at the reporting date and not reflected in these financial statements are as follows :

23.1 **Details of payables / receivables between the market participants as on 30 June 2023 has been provided as under:**

	Note	2023	2022
		(Rupees in thousand)	
Payable by market participants representing demand*	23.1.1	2,758,451,372	2,650,964,488
Payable by NTDCL through loan notes, a Government owned entity	23.1.2	26,769,851	26,769,851
Advance to Customs**		1,166,550	-
Advance paid to Lakhra Power Generation on demand on behalf of market participants	23.1.3	5,490,877	5,490,877
		2,791,878,650	2,683,225,216
Receivable by market participants representing offer	23.1.4	2,195,643,854	1,993,854,966
Payable by HUBCO	23.1.5	(802,000)	(802,000)
Energy payables swapped by Government of Pakistan	23.1.6	668,309,140	715,341,133
		2,863,150,994	2,708,394,099
Less: Payable by the Company to market participants and in respect of energy payables swapped by GoP and recorded in financial statements	16	(71,272,344)	(25,168,883)
		2,791,878,650	2,683,225,216

*Market participants means the licensed ten Ex-Wapda DISCOs which shall share the power pool as per the power pool allocation currently operated by the system operator and K-Electric.

**This represents amounts comprising sales tax, income tax and custom duties paid to custom authorities on account of imports of electricity from Tavanir. The amount will be adjusted once goods declaration will be submitted by custom authorities on CREST.

	Note	2023	2022
		(Rupees in thousand)	
23.1.1 Payable by market participants representing demand	23.1.1.1 & 23.1.1.2		
Government owned distribution companies			
Lahore Electric Supply Company Limited (LESCO)		319,620,615	302,012,483
Faisalabad Electric Supply Company Limited (FESCO)		106,660,255	114,292,112
Multan Electric Power Company Limited (MEPCO)		163,279,010	184,361,693
Quetta Electric Supply Company Limited (QESCO)		544,127,707	487,524,581
Gujranwala Electric Power Company Limited (GEPCO)		58,638,788	58,045,540
Islamabad Electric Supply Company Limited (IESCO)		110,042,284	162,862,289
Peshawar Electric Supply Company Limited (PESCO)		544,275,284	497,948,125
Tribal Areas Electric Supply Company Limited (TESCO)		66,210,943	56,211,916
Hyderabad Electric Supply Company Limited (HESCO)		388,297,237	348,739,096
Sukkur Electric Power Company Limited (SEPCO)		354,264,173	318,647,939
		2,655,416,296	2,530,645,774
K-Electric Limited	23.1.1.3	345,531,026	399,569,809
Tariff Differential Subsidy - unallocated	23.1.1.4	(284,983,882)	(281,933,423)
Markup on energy payables swapped by GoP	23.1.1.5	42,487,932	2,682,328
		2,758,451,372	2,650,964,488

23.1.1.1 These represent amounts due against settlement of energy to DISCOs and K-Electric. The Company has signed Power Procurement Agency Agreements (PPAAs) with all DISCOs to perform the designated purposes on the terms and conditions set forth in the agreements subject to the stipulations prescribed by NEPRA and / or Commercial code. PPAA with K-Electric has not been signed till the date of authorization of these financial statements. The GoP has approved the withdrawal of electricity by K-Electric from the previous limit of 650 MW to 1100 MW as temporary arrangement. The PPAA between CPPA-G and K-Electric has been agreed for withdrawal of electricity by K-Electric upto 2050 MW and the same would be signed by the parties after approval of GoP and NEPRA. There will be two effective dates for the PPAA, one for the electricity withdrawn by K-Electric from 2015 for 650 MW to 1100 MW and the second one will be prospectively from the actual enhancement.

23.1.1.2 DISCOs and K-Electric have not yet acknowledged delay payment interest (DPI) amounting to Rupees 316,940 million (2022: Rupees 271,038 million) and Rupees 167,017 million (2022: Rupees 120,969 million) respectively from the period 2009 to 2023. This includes DPI charged to DISCOs and K-Electric amounting to Rupees 110,630 million transferred from NTDCL under BTA for the period 2009 to 2015 which has not been acknowledged on the grounds that NEPRA has disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. Further, NEPRA has allowed the DISCOs to offset DPI after 2015 to the extent of late payment charges recovered from consumers by the DISCOs.

On 29 June 2018, the Company filed petition with NEPRA for regularization of DPI amounting to Rupees 110,630 million vide letter No. CPPA-G/2018/CEO/5924-25 followed by the reminders dated 17 October 2018, 29 May 2019, 15 January 2020, 19 June 2020, 21 July 2020 and 2 September 2020. On 3 November 2020, NEPRA vide letter number NEPRA/ADG(Tariff)/TRF-100/39259) decided that the consumer end tariff is determined in accordance with the Tariff (Standards and procedures) Rules-1998 and that the matter has already been settled which was notified in the official gazette and is now past and closed transaction and cannot be considered and allowed retrospectively. In prior year, the Company vide letter number CFO/DGMF(CA&T)/(B&R)/Rec18586-87 dated 9 July 2021 filed reference with Ministry of Energy (Power Division) Government of Pakistan (GoP) for regularization of DPI not acknowledged by DISCOs including Rupees 110,630 million transferred under BTA. On 25 August 2021, GoP in a meeting held with DISCOs decided to take up the matter with DISCOs for early resolution and afterwards the Company will issue necessary adjustments to DISCOs in this regard. During the year, a revised reference vide letter no CFO/DGMF(CA&T)/(B&R)/Rec/20909 dated 23 December 2022 is filed by the Company with Ministry of Energy (Power Division) Government of Pakistan (GoP) for regularization of DPI not acknowledged by DISCOs including Rupees 110,630 million transferred under BTA from the period 2009 to 2015 and Rs 212.84 billion for the period 2016 to November 2022.

The matter is pending for settlement till the date of authorization of these financial statements.

23.1.1.3 NTDCL entered into Energy Supply Agreement (ESA) with K-Electric on 26 January 2010 which expired in January 2015. According to expired ESA, the invoice for every month is to be cleared by K-electric within 15 days while the remaining amount payable along with next month invoice. Mark-up @ KIBOR plus 3% is chargeable on any delayed payment of invoices. The Company has filed a suit for recovery of Rupees 83,990 million not acknowledged by K-Electric along with interest from the date of default against K-Electric in Civil Court, Islamabad where the matter is pending adjudication and next hearing is fixed on 4 November 2023 for announcement of the orders on the said application. K-Electric is of view that this should be adjusted against its subsidy receivable from GoP.

The ECC accorded approval in principle for agreed draft of arbitration agreement for the settlement of receivables / payables, including subsidy payable by GOP, between K-Electric and Government departments including the Company/NTDCL and has empowered the arbitrator to take final decision thereof. The Federal Government Cabinet ratified the ECC decisions as on 8 June 2021. The proceedings of civil suit by the Company shall be subject to the resolution under the said arbitration agreement. The Privatization Commission will provide the secretarial support for coordination among the different Government Divisions or Entities.

As per the draft Arbitration Agreement, arbitrator will determine the outstanding receivable from and payable to K-Electric by the Government department and the same shall be set off by the arbitrator to settle the past payables and receivables of the K-Electric. The ECC constituted an inter-ministerial committee under the convenorship of Minister for Planning, Development and Special Initiatives with secretariat support by Privatization Commission of Pakistan.

As per the draft arbitration agreement as mentioned above, the parties to the agreement have agreed on the settlement of any dispute arising out of or in connection with the claims of either parties by arbitration, through the sole arbitrator appointed in accordance with the Terms of Reference (ToRs) which is yet to be finalized between both the companies. In pursuance to the above, the recovery suit filed by the Company against K-Electric in Civil Court, Islamabad would be withdrawn after the signing of Arbitration agreement.

During the year, PM constituted a Task Force to resolve the issues of K-Electric and finalize the modalities of the such agreement to which the Company is also a party. The PM Task Force has submitted draft "Mediation Agreement" between Government of Pakistan, NTDCL, CPPA-G, SSGC, KWSB and K-Electric. The matter shall be approved by the cabinet and implementation shall be taken accordingly.

23.1.1.4 This represents unallocated balance of Tariff differential Subsidy (TDS) of Rupees 220,389 million (2022: Rupees 156,901 million), incentive package announced by PM of Rupees 8,788 million (2022: Rupees 69,225 million), economic stimulus package of Rupees 46,200 million (2022: Rupees 46,200 million), Prime Minister's Relief package of Rupees 3,980 Million (2022: Rupees 3,980 million) for small and medium size enterprises (SMEs) on account of COVID-19 pandemic, Zero rated industrial rebate of Rupees 3,127 million (2022: Rupees 3,127 million) and subsidy received for small and medium size enterprises (SMEs) AJK & Gilgit Baltistan of Rupees 2,500 million (2022: Rupees 2,500 million). These balances will be allocated to DISCOs in accordance with Government's directions which are still awaited.

23.1.1.5 This represents aggregate net receivable from DISCOs on account of mark-up on energy payable swapped by Government of Pakistan as explained in Note 23.1.6. These balances are paid to Power Holding Limited (PHL) on account of markup and recovered by DISCOs through levy of Finance Cost Surcharge (FCS) from final consumer as determined by NEPRA and repaid to the Company by DISCOs. The markup was initially charged to DISCOs in prior years and certain DISCOs did not acknowledge the transfer of this mark-up amounting to Rupees 40,267 million (2022: Rupees 40,267 million). However after levy of FCS, DISCOs pay the FCS to the Company, after collection from the consumers. Accordingly, the markup receivable / payable from / to DISCOs as at 30 June 2023 amounts to Rupees 42,488 million (2022: Rupees 2,682 million). The amount is to be paid by DISCOs through levy of FCS from consumers.

	Note	2023	2022
		(Rupees in thousand)	
23.1.2 Payable by NTDCL through loan notes, a government owned entity	23.1.2.1		
Loan note payable by NTDCL		42,412,169	42,412,169
Net worth transferred back to NTDCL in FY 2018-19		(7,163,223)	(7,163,223)
Overbooked revenue by NTDCL transferred back to NTDCL in FY 2018-19		251,061	251,061
Settlements made during the FY 2020-21			
- through adjustment of DISCOs payables to NTDCL		(11,416,430)	(11,416,430)
- through adjustment of use of system charges payables by DISCOs		(3,713,726)	(3,713,726)
Receivable from GoP in lieu of K-Electric previously allocated to GENCOs		6,400,000	6,400,000
		26,769,851	26,769,851

23.1.2.1 As detailed in note 1.1 above, the Company entered into a BTA with NTDCL in 2015. The detail of assets and liabilities transferred to the Company by NTDCL (under the BTA) in its capacity as agent of DISCOs and K-Electric as per resolution passed in meeting of Board of Directors of the Company held on 13 February 2017 and the terms of the BTA are as follows:

	Rupees in thousand
Assets transferred to the Company	
Property and equipment, net of accumulated depreciation	4,137
Trade receivables	316,074,535
Advances, deposits and prepayments	2,926,482
Advances to suppliers and contractors	2,445
Accrued interest	7,570,720
Other receivable from associated companies	802,000
Current account IOT (net receivable)	128,046,147
Government loan mark-ups receivable adjustments in DISCOs	68,551,593
K-Electric differential of marginal cost (payable by GoP)	6,400,000
Events after the statement of financial position date	11,291,401
Other receivables	65,493,054
Cash and bank balances	6,339,070
	613,501,584

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Liabilities transferred to the Company	Rupees in thousand
Net worth	7,163,233
Trade payables	480,873,218
Miscellaneous accounts payable	874,327
Provision for KESC accrued markup	7,559,332
Current account IOT (net payable)	159,443,643
	655,913,753
Loan note receivable from NTDCL as at 30 June 2015	42,412,169

In a meeting held on 26 January 2017, the Company and NTDCL agreed that a net liability of Rupees 42,412 million is payable by NTDCL to the Company.

The settlement of this transaction through loan notes would be treated as full and final payment of the entire consideration in lieu of transfer of Market Operations Undertaking. However, as per BTA, any assets, receivable or liability relating to Market Operations not known to NTDCL and discovered by either party after the date of closing but by 2 June 2019, shall be immediately transferred to the Company. In case any assets, receivable or liability relating to Market Operations are discovered and transferred, it is expressly agreed between the parties that the purchase price of Rupees 42,412 million shall accordingly be adjusted as per the requirements of BTA. The parties agree and acknowledge that the purchase price of Rupees 42,412 million has been calculated on the basis of the actual book value of the Market Operations Undertaking (excluding the transferred employees). If, at any time, it is determined by both parties that the purchase price of Rupees 42,412 million is required to be revised on account of change in book value, or due to prior miscalculation of the book value, of the Market Operations Undertaking (excluding the transferred employees), then the parties shall in good faith re-calculate the purchase price. The loan note amount payable as at 30 June 2023 is Rupees 26,770 million (2022: Rupees 26,770 million) of which Rupees 6,400 million is yet to be acknowledged by NTDCL.

23.1.3 This represents advance given against operations and maintenance expenses and for fueling of a Power complex wholly owned by government and government related entities. The operations of plant have been discontinued under the directives of the Federal Government. The advance shall be adjusted upon the directives of the Federal Government.

	Note	2023	2022
		(Rupees in thousand)	
23.1.4 Receivable by market participants representing offer	23.1.4.1 & 23.1.4.2		
Government owned Generation companies (GENCOs)		84,467,910	106,649,970
WAPDA Hydel Company		268,147,609	274,621,570
Nuclear Power Plants		235,582,433	206,548,295
Independent Power Producers (IPPs)		1,526,173,381	1,324,599,231
		2,114,371,333	1,912,419,066
Payable balance to WAPDA		133,970,873	133,970,873
Less: balance receivable from WAPDA		(53,500,918)	(53,500,918)
Amounts due to WAPDA	23.1.4.3	80,469,955	80,469,955
Amounts due to WAPDA for HUBCO	23.1.5	802,000	802,000
Others		566	163,945
		2,195,643,854	1,993,854,966

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23.1.4.1 This includes an amount of Rupees 218,228 million (2022: Rupees 142,547 million) due by market participants in respect of late payment interest. As on 30 June 2023, an amount of Rupees 127,487 million (2022: Rupees 109,859 million) is disputed in respect of liquidated damages penalties, imposed on power producers due to non-fulfilment of contractual provisions of PPAs. On resolution of dispute, the recovery of this amount shall be passed to the market participants representing demand is not reflected in these due balances.

23.1.4.2 Invoices by IPPs amounting to Rupees 99,824 million (2022: Rupees 73,924 million) were submitted to the Company however included in the transfer pricing to DISCOs subsequent to the close of the financial year. Under the respective PPAs, the invoices are payable after 25/30 days of submission of invoices by the IPPs. Therefore, the settlement to DISCOs is being done on the basis of invoice receipt and trued-up as per verification of the Company as per Commercial Code. Had the invoices been received / verified by the Company as at the reporting date, the same would have been added in the transfer pricing to DISCOs and the payable by the market participants representing demand and receivable by the market participants representing offer would have been increased by the same amount.

As per agreements signed with IPPs by the Company, the invoices for the delayed payment interest is submitted by IPPs when a payment against the original invoice is paid in full. The Company transfers the amount of delayed payment interest to the DISCOs that is verified and acknowledged as payable to the IPPs. As at 30 June 2023 if all the amount due and payable to IPPs is paid, the IPPs would have been entitled for a delayed payment interest amounting to Rupees 88,236 million (2022: Rupees 49,658 million) and the same would have been transferred to DISCOs as payable by market participants representing demand. The allocation among the DISCOs would have been in the ratio amount due from each DISCO (Principal).

23.1.4.3 This mainly represents balances transferred by WAPDA to NTDCL in 2008-09 which were later transferred to the Company as a result of BTA in 2015. Further, this also includes Rupees 2,318 million (2022: Rupees 2,318 million) payable by WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 533.93 million (2022: Rupees 533.93 million) on behalf of SEPCOL. The amount receivable from JPGL represents advance given for fueling of power complex. This advance was given with the objective to provide continuous electricity supply to the general public during the times of heavy loadsheddings as JPGL did not have funds for fuel purchasing. Recovery and liquidation proceedings are underway through the legal advisor of the Company. Recovery suit has been filed against JPGL and SEPCOL on 19 October 2015 and 10 October 2016 respectively for the recovery of outstanding amount before competent jurisdictions. As per the latest audited financial statements of JPGL and SEPCOL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets and the Honorable Islamabad High Court has ordered for winding up proceedings of SEPCOL through an order dated 11 January 2019. WAPDA has not acknowledged the aforementioned advances aggregating to Rupees 2,926 million (2022: Rupees 2,926 million).

23.1.5 This represents amount due from HUBCO on account of HUBCO first fuel fill, sanctioned by GOP through Pakistan State Oil (PSO). Ministry of Finance made the subject payment to PSO and instructed HUBCO to book a payable towards WAPDA. HUBCO has denied the payment of this amount and has disputed with WAPDA, and it was agreed between both the parties on 1 April 2009 that both parties will have the legitimate opportunity on commencement of 20th anniversary of plant to raise this matter. The Company approached HUBCO on 1 November 2017 to settle the matter but HUBCO refused to recognize the said balance. Resultantly, the Board in a meeting held on 9 May 2018 resolved to adjust the cost of first fill along with interest against overdue late payment charges invoiced by HUBCO and in case HUBCO disagrees, resolve the issue through dispute resolution mechanism. HUBCO has disputed the adjustment and filed case against the Company in Sindh High Court. Pursuant to the initiative of Government of Pakistan, through master agreement dated 11 February 2021 signed between the parties, it was agreed and parties have conceded to the sole arbitrator for the resolution of the dispute, accordingly, the arbitral proceeding on the subject issue are pending before the sole arbitrator.

23.1.6 The tariff and regulatory structure of the power sector ensures such working capital mechanism for the power producers, that enables them to keep a secured supply of electricity, which depends on the procurement of fuel. Since the payments to the power producers have been secured by sovereign guarantee issued by the Government of Pakistan (GoP), if the power producers are not paid on due dates, they shall start calling upon the sovereign guarantees. Further, a late payment surcharge is also imposed due to which the power sector remains under circular debt.

This leads GoP to swap the energy payables with commercial loans and ijara agreement from banks. In accordance with the Economic Coordination Committee (ECC) decisions, these syndicated term finance facilities are being parked in Power Holding Limited (PHL) which transfers the funds received under these financing facilities to the Company on direction of Ministry of Energy, Power Division. The Company, acting in the capacity of agent of DISCOs and K-Electric, makes payment against these funds to power generation companies and repay these amounts to PHL on demand in accordance with the instructions received from GoP.

Servicing of loans amounting to Rupees 233,534 million (2022: Rupees 246,383 million) were being managed by way of Financing Cost Surcharge levied on end consumers under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated 3 October 2014. Further, as per ECC decisions, servicing of loans amounting to Rupees 37,500 million (2022: Rupees 41,667 million) and Rupees 41,000 million (2022: Rupees 41,000 million) was the responsibility of GoP (Finance Division) and DISCOs respectively whereas servicing of loans amounting to Rupees 53,252 million (2022: Rupees 71,237 million) would be managed by a surcharge yet to be levied by GoP. Out of above loans of Rs 365,286 million, loans amounting to Rs 283,286 million have been restructured to fresh loans during the year, pursuant to ECC decision.

Further Power Holding Limited (PHL) has raised Rupees 199,967 million and Rupees 200,000 million in financial year 2019-20 and 2018-19 respectively to swap the energy payable by issuance of shariah compliant Sukuk Certificates for a tenure of ten years and payment of rental markup was the responsibility of DISCOs.

Pursuant to ECC decision, servicing of all these loans and the payment of rental mark-up against shariah compliant Sukuk Certificates shall be managed by the way of Financing Cost Surcharge levied on end consumers under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 292(I)/2023 dated 6 March 2023.

As at 30 June 2023, Rupees 96,944 million (2022: 96,944 million) have been paid by the Company to PHL on account of servicing of loan, as per the instructions of Ministry of Energy (Power Division) GoP, relating to loans where notification of surcharge for servicing of loan is yet to be levied by GoP and where servicing of loan is responsibility of GoP (Finance Division). The balance so paid to PHL is netted off from energy payable swapped by Government of Pakistan.

23.2 As on 30 June 2023, Use of system charges payable by DISCOs to NTDCL and Pak Matiari-Lahore Transmission Line Company (Private) Limited (PMLTC) through NTDCL is Rupees 46,707 million (2022: Rupees 25,264 million) and Rupees 43,298 million (2022: Rupees 19,468 million) respectively.

23.3 Details of cases handled by the Company on behalf of Principals

As disclosed in note 1.1, 1.2 and 23.1.2.1, as a result of BTA, all disputed balances and litigations pertaining to the Principals on account of purchase of energy was transferred to the Company from NTDCL in 2015. The below notes summarizes the pending litigations in respect of matters where Company is acting in the capacity of agent on behalf of the Principals under the applicable laws, regulations and underlying agreements with Principals. Management expects a favorable outcome of these cases however, impact if any, in respect of these contingencies will be borne by the Principals. Litigation / arbitration expense incurred on actual basis are being charged to the Principals as pass through item as capacity transfer price.

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23.3.1 The Company has adjusted USD 2.659 million (equivalent to Rupees 547.754 million) (along with interest of Rupees 283.5 million) from Orient Power Company (Private) Limited (Orient) in respect of liquidated damages on account of non-commissioning of plant operations on the Required Commercial Operation Date (RCOD). Orient has filed Writ Petition No. 6793/2015 titled Orient Power Company ltd. vs NTDCL before the Lahore High Court on 10 March 2015 against the imposition of liquidated damages. The case is pending adjudication on maintainability.

The Company has adjusted USD 0.447 million (equivalent to Rupees 128.334 million) from FFC Energy Limited. The Company has filed a Writ Petition NO.1365/2017,titled CPPA vs. NEPRA etc. against FFC Energy Limited on 11 April 2017 whereby the decision of NEPRA to reimburse the liquidated damages to FFC energy Limited has been challenged. The High Court disposed of the writ petition with the direction to approach the Appellate Tribunal of NEPRA.

Management believes that it has a reasonable strong case to impose liquidated damages.

23.3.2 The Southern Electric Power Company Limited (SEPCOL) breached its obligation under the First Interim Arrangement and Power Purchase Agreement ('PPA'). Therefore, the Company ceased provision of Fuel Advance to SEPCOL. SEPCOL filed a Request for Arbitration ("RFA"), which it subsequently held in abeyance in the International Court of Arbitration ("ICA") against the damages amounting to Rupees 5,027 million on account of non- fulfillment of provisions of the (PPA). Second Interim arrangement was agreed upon by the parties but of limited avail as. SEPCOL demonstrated continuous default of its obligations under the agreed arrangements. The Company raised liquidated damages amounting to Rupees 8,343 million against SEPCOL for the period spanning from February 2008 to June 2015 during which plant remained non-operational.

The Company is pursuing the recovery and liquidation proceedings of SEPCOL through legal advisor/Counsel.

23.3.3 The Company has disputed mark up charged by WAPDA amounting to Rupees 4,900 million (2022: Rupees 4,900 million) on pre-BTA loan obtained by WAPDA to fulfil the working capital requirement of the Company. However, the Company has denied the payment of the said mark up as untenable and non-processable owing to the absence of any legal framework with WAPDA Hydro Electric.

23.3.4 JPGL filed a request for arbitration in the International Court of Arbitration (ICA) on 12 January 2009.

On 7 March 2014, ICA announced its final award and declared that WAPDA is liable to pay Rupees 596 million, Rupees 50 million and Rupees 134 million for pre-award interest on additional capacity claim, NEC / indexation and interest thereon and pre-award interest under the settlement agreement claim respectively.

On the other hand, ICA directed JPGL to pay forthwith Liquidated Damages (LDs) amounting to Rupees 778 million along with Rupees 558 million and Rupees 796 million on account of pre-award interest on LD's and fuel advance claim respectively. Each party was further advised to equally share cost of arbitration amounting to Rupees 108 million.

Management believes that enforcement proceedings are time barred and not enforceable. The final award of ICA becomes contractual obligation of the parties. To date, JPGL has not submitted the ICA award for enforcement before any Court of competent jurisdiction in Pakistan. As per the relevant laws, JPGL was required to submit the award for enforcement within six years from the date of the award, the period of which has been expired on 30 June 2021.

The Company is pursuing the recovery and liquidation proceedings of JPGL through legal advisor.

23.3.5 The Company had a dispute with Chiniot Power Limited on account of fixed components of NEPRA's tariff over and above of 45% of Annual Plant Capacity Factor (APCF). The Chiniot Power Limited had filed writ petition on 4 April 2019 against the matter before Islamabad High Court where the matter is reserved for judgement. The Company is confident that no liability will be payable by the Principals on account of this matter.

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

24.1 Financial instruments by category

	2023	2022
Financial assets at amortised cost	(Rupees in thousand)	
Maturity up to one year		
Other receivables	434,624	52,963
Balance in escrow deposit accounts - restricted	30,878,696	12,041,480
Cash at bank - deposit accounts	35,756,215	13,645,395
Current portion of long term loans to employees	25,824	-
Maturity after one year		
Long term security deposits	21,864	21,264
Long term loans to employees	106,301	-
Financial liabilities at amortised cost		
Maturity up to one year		
Accrued and other liabilities	71,563,277	25,318,419
Current portion of lease liability	23,701	86,771
Maturity after one year		
Lease liability	-	23,701

24.2 Credit quality of financial assets

The credit quality of the Company's financial assets has been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS).

	Rating			2023	2022
	Short term	Long term	Agency	(Rupees in thousand)	
Balance in escrow desposit accounts - restricted					
Meezan Bank Limited	A1+	AAA	JCR-VIS	30,860,172	12,031,993
Habib Bank Limited	A1+	AAA	JCR-VIS	18,524	9,487
				30,878,696	12,041,480
Cash at bank - deposit accounts					
National Bank of Pakistan	A1+	AAA	PACRA	6,368,872	2,922,964
Allied Bank Limited	A1+	AAA	PACRA	4,539,542	3,007,421
Askari Bank Limited	A1+	AA+	PACRA	2,816,676	1,523,429
Faysal Bank Limited	A1+	AA	PACRA	1,697,543	480,350
Habib Bank Limited	A1+	AAA	JCR-VIS	4,475,686	517,045
The Bank of Punjab	A1+	AA+	PACRA	4,410,273	709,027
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	38,415	50,803
United Bank Limited	A1+	AAA	JCR-VIS	2,311,309	423,818
MCB Bank Limited	A1+	AAA	PACRA	3,845,182	524,036
Bank Alfalah Limited	A1+	AA+	PACRA	488,025	86,703
Bank Al-Habib Limited	A1+	AAA	PACRA	3,783,302	2,982,336
First Women Bank Limited	A2	A-	PACRA	227,309	82,230
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	87,421	127,712
Meezan Bank Limited	A1+	AAA	JCR-VIS	666,660	207,521
				35,756,215	13,645,395

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Counterparties with external credit ratings

	Rating			2023	2022
	Short term	Long term	Agency	(Rupees in thousand)	
Other receivables					
Other	AA+	-	PACRA	-	110
Accrued profit on bank accounts					
National Bank of Pakistan	A1+	AAA	PACRA	8,442	35,858
Faysal Bank Limited	A1+	AA	PACRA	6,509	5,682
First Women Bank Limited	A2	A-	PACRA	3,098	1,013
Meezan Bank Limited	A1+	AAA	JCR-VIS	7,508	3,518
The Bank of Punjab	A1+	AA+	PACRA	-	5,690
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,143	1,092
				28,700	52,853
Market operation fee receivable from K-Electric	A1+	AA	PACRA	115,697	-
				144,397	52,963
Counterparties without external credit ratings					
Other receivables				290,227	-
Current portion of long term loans to employees				25,824	-
Long term security deposits				21,864	21,264
Long term loans to employees				106,301	-
				444,216	21,264

24.3 Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

'Risk management is carried out by the Company under policies approved by the Board of Directors (the Board). The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The main areas of financial risks faced by the Company are as follows:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations.

Bank balances and profit accrued on bank deposits represented by other receivables in note 24.1 are subject to the requirements of IFRS 9 and the identified impairment loss was immaterial as the Company limits its exposure to credit risk by maintaining accounts with banks that have reasonably high credit ratings. Credit ratings and exposure of bank balances is disclosed in note 24.2.

In addition to above, financial assets include other receivables, long term security deposits and long term loans to employees. Credit ratings and exposure are disclosed in note 24.2. Management has assessed that there is no material impairment loss in respect of financial assets of the Company and these are recoverable in full.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the maturity date. The amounts disclosed in the table are undiscounted cash flows:

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	Carrying amount	Contractual cashflows		
		Less than one year	Between 1 to 5 years	Over 5 years
		(Rupees in thousand)		
As at 30 June 2023				
Accrued and other liabilities	71,563,277	71,563,277	-	-
Lease liability	23,701	23,701	-	-
As at 30 June 2022				
Accrued and other liabilities	25,318,419	25,318,419	-	-
Lease liability	110,472	86,771	23,701	-

(iii) Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on financial instruments.

(a) Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

The Company is not exposed to currency risk since the Company, being an agent of DISCOs, passes on all exchange gains / losses on translation of foreign exchange denominated financial liability to DISCOs with no impact on these financial statements.

(b) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant interest-bearing financial assets except for bank balances in deposit accounts other than escrow accounts whose payments are restricted as disclosed in note 13.1 to the financial statements.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is:

	2023	2022
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	35,756,215	13,645,395

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus before tax for the year would have been Rupees 357,562 thousand higher / lower (2022: Rupees 136,454 thousand), mainly as a result of higher / lower interest income on bank balances. This analysis is prepared assuming the amounts of bank balances at reporting dates were outstanding for the whole year.

(c) Price risk

Price risk represents the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At the period end, the Company is not exposed to price risk since there are no financial instruments, whose fair value or cash flows will fluctuate because of future changes in market prices.

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24.4 Fair value of financial asset and financial liabilities

Carrying amount of all financial assets and liabilities, reflected in the financial statements are reasonable approximation of their fair value.

24.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non-derivative financial assets

The fair value of non-derivative financial assets is determined as the present value of future cash flows, discounted at market rates of interest, at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities is determined as the present value of future cash flows, discounted at market rates of interest, at the reporting date or, where applicable, fair value is determined by reference to their quoted closing repurchase price, at the reporting dates. This fair value is determined for disclosure purposes.

24.6 Offsetting financial assets and liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable netting arrangements and similar agreements.

25 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

25.1 The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer, Executives and Directors of the Company are given below:

	Chief Executive Officer		Executives	
	2023	2022	2023	2022
	---------------- (Rupees in thousand) ----------------			
Managerial remuneration	-	-	319,457	225,068
Allowances:				
House rent	-	-	143,756	101,281
Utilities	-	-	31,946	22,507
Medical	-	-	31,946	22,507
Conveyance	-	-	54,100	43,992
Bonus	-	-	50,353	93,996
Leave encashment	-	-	25,614	19,862
	-	-	337,715	304,145
Contribution to provident fund	-	-	16,310	11,792
	-	-	673,482	541,005
Number of persons	1*	1*	110	86

*From 1 April 2022 Chief Financial Officer of the Company has been assigned an additional charge of Chief Executive Officer (CEO) in pursuant to the approval of the Federal Government vide notification dated 1 April 2022. No remuneration has been paid for additional charge of CEO by the Company during the year.

25.2 The aggregate amount charged in these financial statements in respect of meeting fee paid to 12 (2022: 13) directors is Rupees 9,125 thousand (2022: Rupees 13,750 thousand).

No remuneration except meeting fee, was paid to non-executive directors of the Company.

26 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Government of Pakistan (GoP) and related entities under control of GoP including DISCOs and K-Electric, GENCOs, WAPDA, PAEC, NTDCL and various other IPPs, provident fund, gratuity fund, directors of the Company and key management personnel. The amount due from and due to related parties are shown under respective receivables and payables. Detail of transactions with related parties other than specifically disclosed in these financial statements are as follows:

The Company, in the normal course of business, pays for utilities and makes regulatory payments to entities controlled by GoP which are either disclosed in respective notes to these financial statements or are not individually significant transactions.

26.1 Government related entities

26.1.1 Market operation fee:

	2023		2022	
	Invoicing	Receipts	Invoicing	Receipts
	(Rupees in thousand)			
FESCO	167,343	62,630	94,390	112,382
GEPCO	121,963	50,135	67,424	89,805
HESCO	67,981	31,976	39,920	48,967
IESCO	97,260	37,654	62,876	79,627
LESCO	256,696	89,510	147,412	180,650
MEPCO	209,335	84,219	123,357	148,578
PESCO	139,442	60,160	85,034	113,937
QESCO	63,863	32,332	36,643	48,080
SEPCO	41,221	20,057	25,156	33,673
TESCO	30,845	14,662	15,834	10,295
K-Electric	60,286	-	33,888	833
	1,256,235	483,335	731,934	866,827

26.1.2 During the year, the Company has received Rupees 3,038,498 million (2022: Rupees 2,587,442 million) from or on the behalf of DISCOs in accordance with its mandate as market operator.

26.1.3 During the year, the Company paid to the Government owned market participants representing offer and PHL amounts to Rupees 1,294,819 million (2022: Rupees 896,678 million) in accordance with its mandate as market operator.

26.2 Post employment benefit plan:

	2023	2022
	(Rupees in thousand)	
Contribution to provident fund	39,101	30,716
Contribution to gratuity fund	93,240	96,037

27 NUMBER OF EMPLOYEES

	2023	2022
Number of employees as on 30 June	235	228
Average number of employees during the year	232	221

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28 GENERAL

28.1 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

28.2 Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purpose of better comparison and to conform to current year basis and presentation.

29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 0 5 OCT 2023 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR

16 CORPORATE GOVERNANCE REPORT

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Review Report to the Members
On the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Central Power Purchasing Agency (Guarantee) Limited for the year ended June 30, 2023.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2023.

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Chartered Accountants
Islamabad
Date: October 16, 2023
UDIN: CR202310610mGJ9q5QZR

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

Statement of Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company	:	**Central Power Purchasing Agency (Guarantee) Limited**
Name of the line Ministry	:	**Ministry of Energy (Power Division)**
For the year ended	:	**June 30, 2023**

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th rowspan="2">S. no.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Y</th><th>N</th><th>Remarks</th></tr>
<tr><th colspan="3">Tick the relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✔</td><td></td><td rowspan="2">Independent directors were appointed on June 13, 2023 after approval of Federal Government. There were no independent directors prior to June 13, 2023 since previous independent directors completed their term on December 26, 2021.</td></tr>
<tr><td>2.</td><td>The Board has at least one-third of its total members as independent directors. As at June 30, 2023 the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Natasha Jehangir Khan
2. Ghiasuddin Ahmad
3. Raheel Ijaz</td><td>13-06-2023</td></tr>
<tr><td>Executive Director</td><td>Rihan Akhtar</td><td>01-04-2022</td></tr>
<tr><td>Non-Executive Directors</td><td>1. Zafar Abbas
2. Mahfooz Ahmad Bhatti
3. Shahid Mahmood
4. Saad Fazil Abbasi
5. Muhammad Amjad Khan
6. Dr. Rana Abdul Jabbar Khan</td><td>08-11-2022
12-08-2020
10-04-2023
08-11-2022
16-07-2021
07-07-2022</td></tr>
</table></td><td>3(2)</td><td>✔</td><td></td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector Companies and listed Companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✔</td><td></td><td></td></tr>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the rules in making nominations of the persons for election as Board members under the provisions of the Act.</td><td>3(7)</td><td></td><td></td><td>All the nominations on the Board of Directors are made by the Government of Pakistan (GoP).</td></tr>
<tr><td>5.</td><td>The chairman of the Board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✔</td><td></td><td></td></tr>
<tr><td>6.</td><td>The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.</td><td>4(4)</td><td>✔</td><td></td><td></td></tr>
<tr><td>7.</td><td>The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)</td><td>5(2)</td><td>N/A</td><td></td><td>The Chief Executive has been appointed by the GoP.</td></tr>
</table>

8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.cppa.gov.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✔ ✔ ✔		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✔		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b) (ii)	✔		
11.	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.	5(5) (b) (vi)	✔		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c) (ii)	✔		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c) (iii)	✔		
14.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✔		
15.	The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✔		
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			None
17.	The Board has ensured the compliance with policy directions requirements received from the Government.	5(11)	✔		
18.	(a) The Board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✔ ✔ ✔		
19.	The Board has monitored and assess the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✔		

<table>
<tr><td>20.</td><td>The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.</td><td>9</td><td>✔</td><td></td><td></td></tr>
<tr><td>21.</td><td>(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.
(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.
(c) The Board has placed the annual financial statements on the Company's website.</td><td>10</td><td>✔

N/A

✔</td><td></td><td></td></tr>
<tr><td>22.</td><td>All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td></td><td>✔</td><td></td></tr>
<tr><td>23.</td><td>(a) The Board has formed the requisite committees, as specified in the Rules.
(b) The committees were provided with written term of reference defining their duties, authority and composition.
(c) The minutes of the meetings of the committees were circulated to all the board members.
(d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit & Finance Committee</td><td>05</td><td>Raheel Ijaz</td></tr>
<tr><td>HR & Nomination Committee</td><td>05</td><td>Ghiasuddin Ahmad</td></tr>
<tr><td>Procurement & Risk Management Committee</td><td>05</td><td>Dr. Rana Abdul Jabbar Khan</td></tr>
</table></td><td>12</td><td>✔
✔
✔
✔</td><td></td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called with their remuneration and terms and conditions of employment.</td><td>13</td><td>✔</td><td></td><td></td></tr>
<tr><td>25</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✔</td><td></td><td></td></tr>
<tr><td>26.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission in terms of subsection (1) of section 225 of the Act.</td><td>16</td><td>✔</td><td></td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✔</td><td></td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.</td><td>18</td><td>✔</td><td></td><td></td></tr>
<tr><td>29.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.
(b)The annual report of the Company contains criteria and details of remuneration of each director.</td><td>19</td><td>✔

✔</td><td></td><td></td></tr>
</table>

<table>
<tr><td>30.</td><td>The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the Audit Committee and the Board.</td><td>20</td><td>✔</td><td></td><td></td></tr>
<tr><td>31.</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><td>Name of the member</td><td>Category</td><td>Professional Background</td></tr>
<tr><td>Raheel Ijaz</td><td>Non-Executive / Independent/ Chairman</td><td>Banking and Finance</td></tr>
<tr><td>Natasha Jehangir Khan</td><td>Non-Executive / Independent</td><td>Power Sector</td></tr>
<tr><td>Ghiasuddin Ahmad</td><td>Non-Executive / Independent</td><td>Power Sector Administration</td></tr>
<tr><td>Saad Fazil Abbasi</td><td>Non-Executive</td><td>Accounts and Finance</td></tr>
<tr><td>Mahfooz Ahmad Bhatti</td><td>Non-Executive</td><td>Power Sector Finance</td></tr>
</table>

The chief executive and chairman of the Board are not members of the audit committee.</td><td>21(1)

21(2)</td><td>✔

✔</td><td></td><td>Majority of the members including chairman of audit committee are independent non-executive directors after appointment of independent directors on June 13, 2023 as explained in remarks against S. no. 1 and 2. There were no independent directors prior to June 13, 2023 since previous independent directors completed their term on December 26, 2021.</td></tr>
<tr><td>32</td><td>(a) All meetings of the audit committee at which issues relating to accounts and audit were discussed were attended by the following:
• Chief Financial Officer
• Chief Internal Auditor
• Representative of External Auditor
(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.
(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.</td><td>21(3)</td><td>

✔

✔
✔

✔</td><td>

✔</td><td></td></tr>
<tr><td>33.</td><td>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.
(b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.
(c) The Internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>✔
✔
✔</td><td></td><td></td></tr>
</table>

34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✔		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✔		

Chief Executive Officer

Chairman

Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013
For the Year Ended June 30, 2023

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the Company to seek compliance by end of next accounting year):

S. no.	Rule/sub-rule No.	Reasons for non-compliance	Future course of action
01	**11(3)** In order to acquaint the Board members with the wider scope of responsibilities concerning the use of public resources, to act in good faith and in the best interests of the Public Sector Company, at least one orientation course shall be arranged annually for the directors.	Due to late induction of Independent Directors, the orientation session could not be held during the year. However, the orientation session was duly held on September 15, 2023.	Compliance has been made in ensuing year.
02	**21(3)** The chief internal auditor shall attend all meetings of the audit committee at which issues relating to accounts and audit are discussed.	Chief Internal Auditor could not attend one such meeting due to his family emergency, however he attended all the other meetings of audit committee at which issues relating to accounts and audit were discussed.	Will be complied in future.

(CHIEF EXECUTIVE OFFICER)

(CHAIRMAN)

CPPA
Pakistan Electricity Market Operator

Central Power Purchasing Agency

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