Pakistan Electricity Market Operator

Central Power Purchasing Agency

ANNUAL REPORT 2020

Striving for

Excellence

through

Innovation & **Teamwork**

www.cppa.gov.pk

Central Power Purchasing Agency,
Shaheen Plaza, Plot No. 73 West, Fazal-e-Haq Road,
Blue Area, Islamabad, Pakistan

www.cppa.gov.pk
info@cppa.gov.pk

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Table of Content.

List of Acronyms.

ADB	Asian Development Back
AGM	Annual General Meeting
APEx	Association of Power Exchanges
BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CLO	Chief Legal Officer
CPPA	Central Power Purchasing Agency
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
FY2020	Financial Year (July 2019 – June 2020)
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
IPP	Independent Power Producer
IT	Information Technology
KE	Karachi Electric Ltd.
KPIs	Key Performance Indicators
LESCO	Lahore Electric Supply Company
LCIA	London Court of International Arbitration
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	Ministry of Finance
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
P&PD	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
SPS	Special Purpose Supplier
ToR	Terms of Reference
TESCO	Tribal Area Electric Supply Company
USAID	United Stated Agency for International Development
WAPDA	Water and Power Development Authority
WPPO	WAPDA Power Privatization Organization

01.

Vision, Mission & Core Values of CPPA-G.

Vision Statement.

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

Mission Statement.

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 MO will design and implement.

Excellence

We strongly believe that MO 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.

Message from the Chairman CPPA-G.

Ali Raza Bhutta
Chairman Board, CPPA-G

The electricity sector plays a key role in the development and growth of the economy by ensuring an adequate, secure and affordable supply of electricity for end consumers. The policy interventions of the government in the sector are in line with its ultimate Goal of providing seamless supply of electricity at affordable prices while enhancing the sustainability of the power sector. To achieve this vaster objective, all the relevant entities of the power sector need to make their tireless determined contributions towards encountering the prevailing challenges including transmission and distribution system bottlenecks, low recovery and lack of competition in the market.

Market Operator in any electricity market plays an important role in improving the transparency in market operations, introducing competition in trade and improving the capacity of stakeholders for active participation in the market. Competitive market structure through a gradual transition, technological advancements and penetration of renewables all have forced the business entities around the world to rethink and change their business models for survival and sustainable operations.

FY 2019-20 was another challenging year for CPPA-G in terms of operational performance and its journey towards a competitive power market. The achievements of CPPA-G during the year are in line with the vision of its leadership and covers the overall people, process and technology dimensions.

On the people front, CPPA-G has been focusing heavily on the training and capacity building of not only its own employees but associated power sector entities. In this regard, CPPA-G for second consecutive year organized its signature EMP training program, bringing all power sector organizations on one common platform. Restructuring of the organization is also ongoing. Work is being carried out on aligning the power sector framework with the proposed market model along with bringing concrete improvements in some important power sector functions of generation planning, demand forecasting and dispatch optimization. With respect to technology, CPPA-G has not only automated its business processes and IT infrastructure but also facilitating allied power sector entities in enhancing their performance with deployment of state-of-the-art tools and software.

These achievements would not have been possible without full dedication of the CPPA-G management and the committed support of the CPPA-G Board. I am proud of what CPPA-G has achieved in the year FY 2019-20 and confident that the Company will continue to deliver transparent market operations and its journey towards transition to competitive market.

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 reforming the electricity market operations. I welcome all stakeholders to be a part of this future.

> *"The successes achieved by CPPA-G during the year are in line with the vision of its leadership and covers the overall people, process and technology dimensions."*

Message from the CEO CPPA-G.

Waseem Mukhtar
Chief Executive Offier, CPPA-G

Fiscal Year 2020 proved to be another significant year with historical achievements in the Pakistani power market while envisaging proactive developments in all cadres. Laterally, from the revolutionary contours of market development to the demanding fronts of present market operations and from Industrial Package Proposal to broad level sectoral integration, our teams onboard proved their exceptionalism with due vigilance. The corporate DNA of the organization marked a commendable gradient in the overall experience curve while dealing with out-of-the-box challenges and assignments.

Having passed through the year aback, a glimpse at the time-film reflects rigorous intervention of disruptive and sustaining technologies that required contemplation for innovative business models, proactive governance structures and stake-based performance handling.

Though, the COVID-19 dilemma provoked various disruptions in business-as-usual dynamics, but it also delivered and reflected the resilience and come-back of power sector leaders in packaging new proposals, smoothening declining economic curves through corrective measures and other initiatives. Relieve was granted by the Government for the low-income consumer classes during pandemic times bringing CPPA-G and other techno-commercial facet power businesses into direct exposure to non-recoveries and low-efficiencies but this may, in part, be compensated with diminishing international fuel prices and possible concessions by corporate financers.

The year begone has set precedents for various paradigms – to name a few: lateral & structural thinking, cross-sectoral sensitivity analyses and economic flows, professional packaging, tool-based system optimization, IT overhaul to cater for the envisaged market model [CTBCM] and much more. All this has been possible with strenuous dedication of unsung professionals working beyond their apparent limits to ensure the long-term sustainability and longevity of the reforms being worked upon.

Submission and public hearing of Detailed Design report on CTBCM to NEPRA has also marked a memorable milestone in the portfolio of Market Development followed by commencement of series of consultative sessions across the sector involving various public and private sector entities. The new awaited market regime is being thoroughly debated in the corridors of executive hierarchies. This brings in dozens of opportunities and challenges for the CPPA-G teams to detail the concepts, processes, and long list of DOs and DON'T's.

In a sector that revolves around 2 trillion rupees annually, services stake of CPPA-G are very pivotal and this compelled the board of the organization to invest heavily on the people to refine the processes and envisage a market model through high-end digitalized technologies and lateral innovative approaches. All of this was appropriated via dedicated engagement of renowned consultants and internal teams for development of digital platforms for future market [CTBCM] along with other elements in the Second Phase of CPPA-G Data Exchange Portal [CDXP].

On the offset of IGCEP submission by System Planner, CPPA-G prepared an innovative Power Purchase Price and End Consumer Tariff Outlook Report [with an outlook of up to 2030]. This report presents major components of power costs, which include; energy, capacity and other system costs taking into consideration various economic and technical projections. The report derived from state-of-the-art consortium of models that encompass various Power Sector techno-commercial flows and concepts.

I believe that any perseverance and proactive firmness may only be developed in individuals and organizations through challenges and rightful exposures. Such a situations bring along with them treasures of opportunities and fortunes. In saying so, I strongly believe that the vision and mission of our organization in line with our Core Values have served our long-term purpose of heading towards self-sustainable and positively impactful Power Sector to contribute for a developed economy.

> *“I believe that any perseverance and proactive firmness may only be developed in individuals and organizations through challenges and rightful exposures.”*

04.

Company Profile.

The CPPA-G is a wholly 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 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.

I. 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):

a. Single Buyer;
b. Singe Buyer Plus; and
c. Competitive Trading Bilateral Contract Market (CTBCM)

II. II. This approach was incorporated in the National Transmission and Dispatch Company (NTDC) Limited, Transmission License. NTDC in accordance with its Transmission License, TL/01/2002 issued by NEPRA on 31 December 2002, established the Central Power Procurement Agency (CPPA) in 2004. Under Article 8 of the Transmission License the functions of billing, settlement and payment to generation companies (GENCO, IPPs, and WAPDA Hydel) was to be discharged through its CPPA. Further in addition to the billing, settlement and payment functions, NTDC/CPPA was to procure electric power on behalf of the DISCOs and to prepare the organizations and the sector for transition towards a competitive wholesale/bilateral market.

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

a. The introduction of a new cash flow management system consistent with envisaged sector restructuring.
b. 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.
c. The introduction of measures to improve the power supply-demand balance, while ensuring a reasonable quality of service.
d. Paving the way toward the next phase of market reform, i.e., CTBCM.
e. 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.
f. 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 of NTDC.
g. 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.
h. 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 by 2020. The market model and the transition plan were submitted to NEPRA in March 2018 for obtaining regulatory approval. The process to approve the model and the plan has been initiated by NEPRA

Company License.

Rule-5 (1) of the NEPRA Market Operator (registration, standards and procedure) rules, 2015 (the "Market Rules") state that "notwithstanding anything contained in these rules, for a period of two years from the commencement of these rules, CPPA-G shall be deemed to be authorized and registered as the Market Operator under these rules to commence and conduct the market operations and during this period shall apply for registration in accordance with the provisions of these rules.

Under the market rules 2015, CPPA-G filed the registration application to NEPRA on April 27, 2017. Consequently, CPPA-G received the certificate of registration no. MoR /01/2018 from nepra on November 16, 2018 to perform function as the market operator. Cppa-g has attained a legal status to operate as the marker operator with the receipt of the certificate of registration from the authority.

Contractual Framework.

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

a. Execution of Business Transfer Agreement (BTA) between NTDC and CPPA-G.
b. Execution of the Administration Agreement between CPPA-G and NTDC to authorize the CPPA-G to administer and deal with PPAs executed between the existing Generation Companies (IPPs under 1994 power policy and prior thereto, IPPs under the 2002 power policy and 2006 RE Policy, GENCOs, WAPDA Hydel) and WAPDA and/or NTDC.
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. 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.
f. 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.
g. In future moving toward a tripartite PPA regime in which CPPA, NTDC and the power producer will jointly enter into a PPA for properly discharging the rights and obligations.

Functions & Responsibilities of CPPA-G.

The functions and responsibilities of CPPA-G being Market Operator are:

General and Technical Responsibilities

a] Perform the market operator functions reliably, transparently, objectively and independently and in a non-discriminatory and unbiased manner;
b] Carry out all works related to the market operator functions,
c] Facilitate the National Grid Company/System Operator in performance of its functions in accordance with law;
d] Ensure that it organizes and develops the model for competitive market operations in consultation with the relevant stakeholders;
e] Establish an efficient system of collecting, organizing and processing data sent by the National Grid Company/System Operator;
f] Implement the Market Rules; and
g] 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;

Commercial Responsibilities

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;

Board of Directors.

- Mr. Ali Raza Bhutta (Chairman)
- Mr. Waseem Mukhtar (Chief Executive Officer)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Muhammad Anwer Sheikh
- Mr. Muhammad Imran Mian
- Dr. Khawaja Riffat Hassan
- Mr. Shahid Iqbal Chaudhry
- Mr. Ghias ud Din Ahmad
- Mr. Hamid Ali Khan
- Ms. Ayla Majid

Audit Committee.

- Ms. Ayla Majid (Chairperson)
- Mr. Muhammad Imran Mian
- Mr. Hamid Ali Khan
- Dr. Khawja Riffat Hassan

Functional Heads.

- Mr. Rihan Akhtar (Chief Financial Officer)
- Mr, Arshad Javed Minhas (Chief Information Officer)
- Mr. Abdul Majid Khan (Chief Legal Officer)
- Mr. Mubashar Ahmad Qureshi (Chief Technical Officer)
- Mr. Rehan Hameed (Chief (HR&A) Officer
- Mr. Noman Rafiq (Company Secretary)
- Mr. Omer Haroon Malik (DGM Strategy & Market Development)

Head 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

Registered Office.

- Shaheen Plaza, Plot No. 73-West, Fazal-e-Haq Road, Blue Area Islamabad

Bankers.

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

Company as DISCOs 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)
- Sukkar Electric Supply Company (SEPCO)

Legal Advisor.

- Mr. Munawar us Salam

Auditor.

- M/s Riaz Ahmed & Co. Chartered Accountants

05.

Board of Directors.

CPPA board adheres to corporate governance best practices

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. Thus, striking a healthy balance. The CPPA-G's Board ensures that the company adheres to corporate governance best practices while being compliant with policy, legal and regulatory 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 ten 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. Ali Raza Bhutta
Chairman BoD,
CPPA-G

Ms. Ayla Majid
Member BoD,
CPPA-G

Mr. Muhammad Anwer Sheikh
Member BoD,
CPPA-G

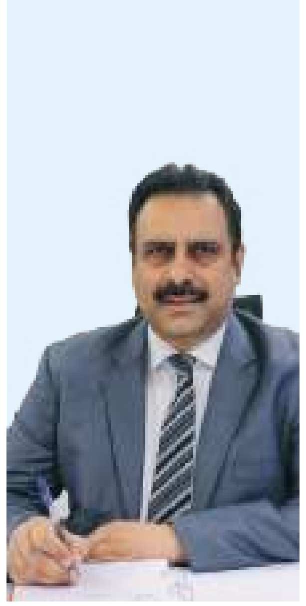
Mr. Shahid Iqbal Chaudhry
Member BoD,
CPPA-G

Dr. Khawaja Riffat Hassan
Member BoD,
CPPA-G

Mr. Mahfooz Ahmad Bhatti
Member BoD,
CPPA-G

Mr. Waseem Mukhtar
Member BoD /
CEO CPPA-G

Mr, Hamid Ali Khan
Member BoD,
CPPA-G



Mr. Muhammad Imran Mian
Member BoD,
CPPA-G

Mr. Ghias ud Din 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 permeates throughout the organization. The Company's Board achieves this by constituting committees to oversee various key functions of the Company and provide decision making support to the Board.

Keeping in-view the requirements of a Market Operator in general and the business needs in particular, there are six committees constituted in CPPA; (a) Audit Committee, (b) Procurement Committee, (c) Human Resource Committee, (d) Risk Management Committee, (e) Finance Committee, and (g) Nomination Committee.

Additionally, various other committees of the Board are constituted in CPPA-G to help the Board of Directors to discharge Its functions amicably.

Meetings of Board of Directos & Board Committees

Total meetings of the Board of Directors and Board Committees held during FY2019-20 are as follows:

Sr. No.	Meeting	No. of Meetings Attended
1	Board of Directors	09
2	Procurement Committee of Board	10
3	HR Committee of Board	14
4	Risk Management Committee of Board	05
5	Audit Committee of Board	07
6	Nomination Committee	Nil
Special Committees of CPPA-G Board		
7	Finance Committee	06
9	Committee on NJHPC	03
10	Committee on Market Implementation & Support Committee	06
12	Committee on HUBCO First Fill	01
16	Special Committee on Sub Committee of GENCO – III Case	06

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

Procurement Committee.

- Dr. Khawaja Riffat Hassan (Chairman)
- Mr. Muhammad Anwer Sheikh
- Mr. Ghias ud Din Ahmad
- Mr. Mahfooz Ahmad Bhatti
- Mr. Shahid Iqbal Chaudhry
- Mr. Waseem Mukhtar

Human Resource Committee.

- Mr. Muhammad Anwer Sheikh (Chairman)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Hamid Ali Khan
- Mr. Ghias Ud Din Ahmad
- Ms. Ayla Majid
- Mr. Waseem Mukhtar

Risk Management Committee.

- Mr. Mahfooz Ahmad Bhatti (Chairman)
- Mr. Mian Muhammad Imran
- Mr. Ghias Ud Din Ahmad
- Mr. Waseem Mukhtar

Audit Committee.

- Ms. Ayla Majid (Chairman)
- Mr. Muhammad Imran
- Mr. Hamid Ali Khan
- Dr. Khawaja Riffat Hassan

Nomination Committee.

- Mr. Ali Raza Bhutta (Chairman)
- Mr. Mahfooz Ahmad Bhatti
- Mr. Muhammad Anwer Sheikh

Finance Committee.

- Mr. Muhammad Anwer Sheikh (Chairman)
- Mr. Mian Muhammad Imran
- Mr. Hamid Ali Khan
- Ms. Ayla Majid

IT Implementation Committee.

- Mr. Muhammad Anwer Sheikh (Chairman)
- Mr. Shahid Iqbal Chaudhry
- Ms. Ayla Majid
- Mr. Waseem Mukhtar

Market Implementation and Support Committee.

- Mr. Ghias Ud Din Ahmad (Chariman)
- Mr. Mahfooz Ahmad Bhatti
- Dr. Khawaja Riffat Hassan
- Ms. Ayla Majid
- Mr. Hamid Ali Khan
- Mr. Waseem Mukhtar

07.

Management Team.

The functions of Market Operator require highly skilled and experienced human resource to operate 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, the strategy devised is to build a lean organization with competent, experienced and motivated employees and to provide an environment that not only fosters high productivity but also help CPPA-G to retain such resources.

A team of highly capable individuals with vast experience in the Power Sector are heading the Functional Departments at CPPA-G. Their designation with respect to the department is highlighted below:

3 pillars

of CPPA as an effective market operator

right people,
efficient processes &
smart technology

Waseem Mukhtar
Chief Executive Office

Rehan Hameed
Chief [HR&A] Officer

Abdul Majid Khan
Chief Legal Officer

Mubashar Ahmed Qureshi
Chief Technical Officer

Rihan Akhtar
Chief Financial Officer

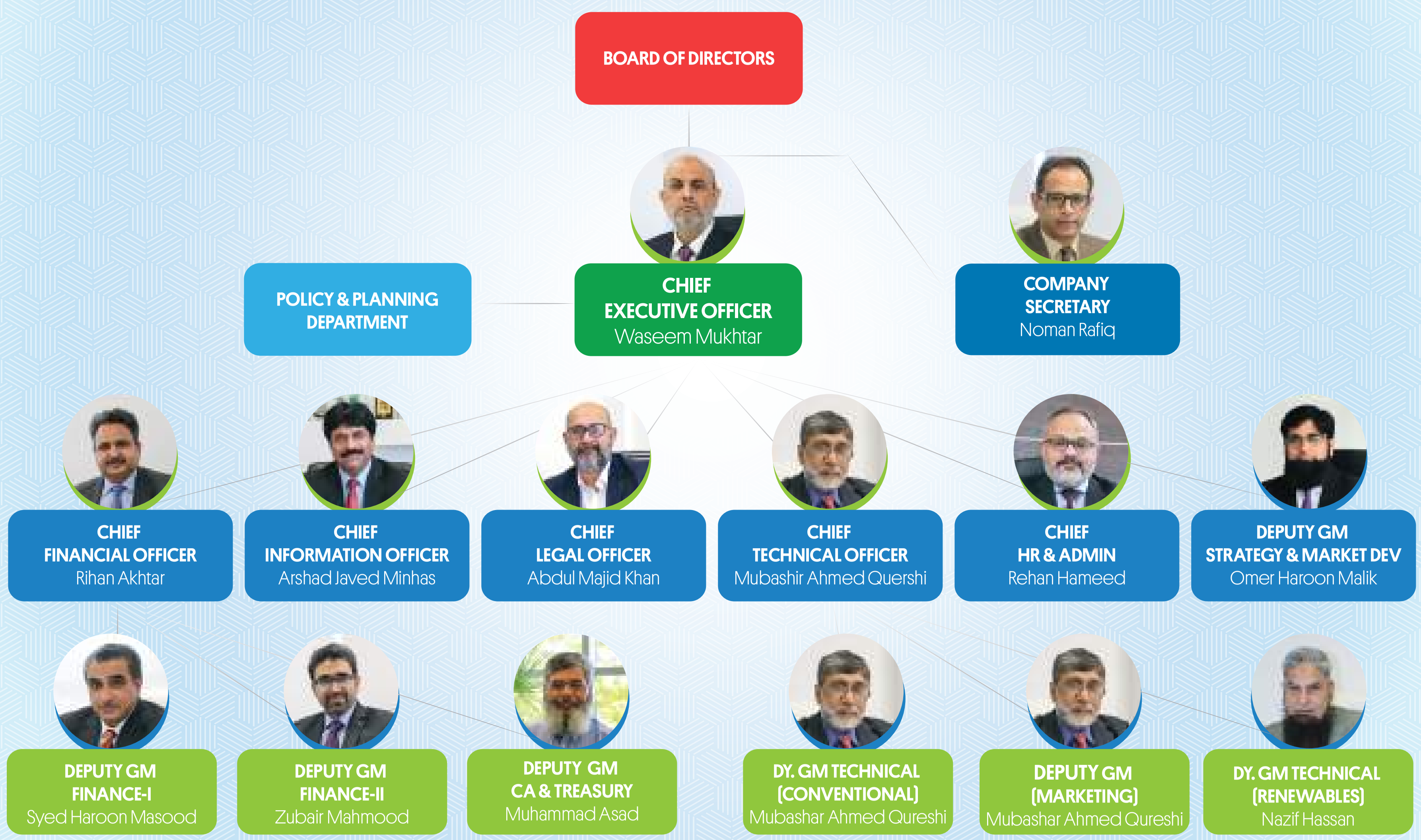
Omer Haroon Malik
Dy. GM Strategy & Market Development

Arshad Javed Minhas
Chief Information Officer

Noman Rafiq
Company Secretary

ORGANIZATIONAL CHART

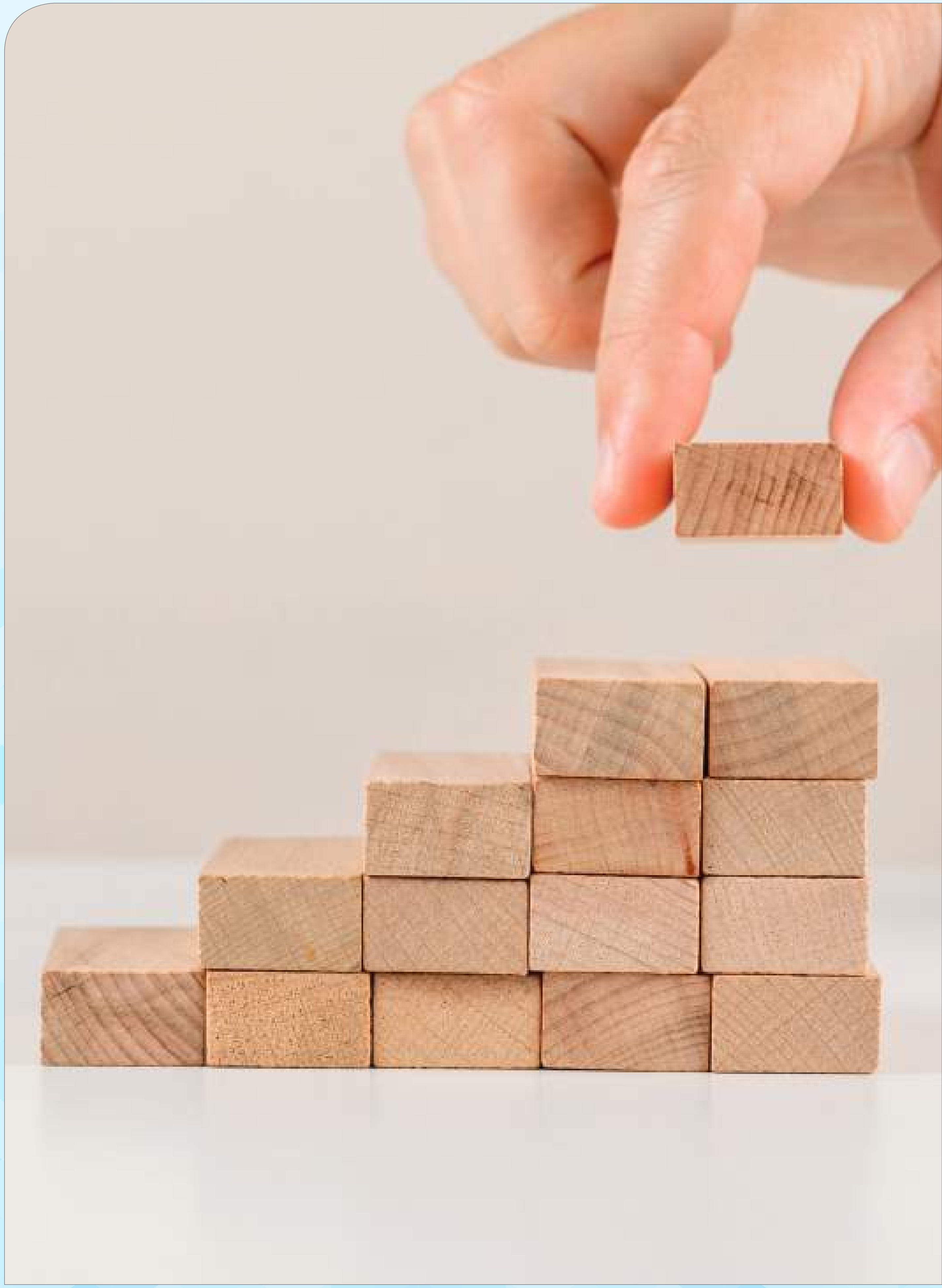
FUNCTIONAL HEADS/SENIOR MANAGEMENT



08.

Key Highlights of the Year.

During FY2020, 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:

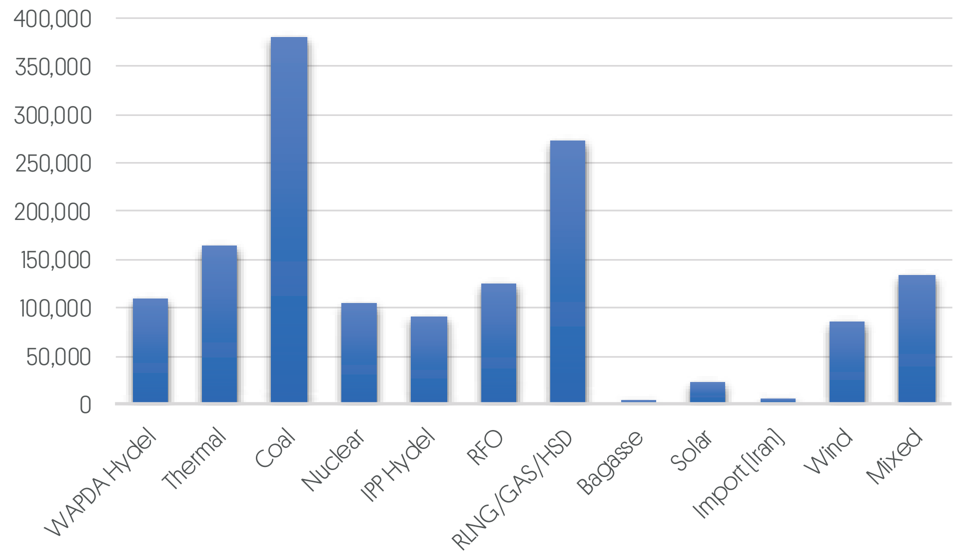


08.1

Procurement of Power on Behalf of DISCOs.

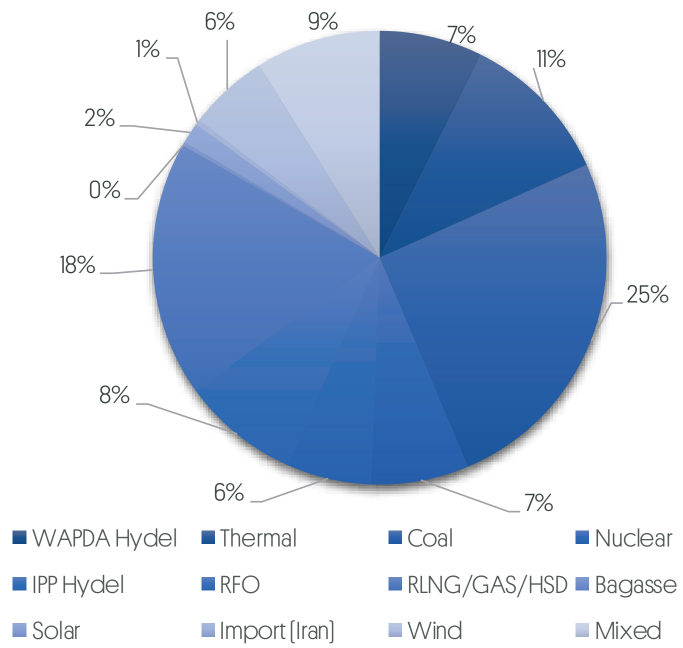
Purchase of Power in Numbers

Generation	EPP	CPP	Total PPP
Generation Technology			
	Amount in Million Rupees		
WAPDA Hydel	2,858	107,546	110,404
Thermal	123,540	40,113	163,653
Coal	180,522	199,489	380,011
Nuclear	9,842	94,984	104,826
IPP Hydel	1,380	89,406	90,786
RFO	40,166	84,834	125,000
RLNG/GAS/HSD	270,541	132,494	272,824
Bagasse	3,878	2,283	3,965
Solar	18,417	87	22,203
Import (Iran)	5,507	Nil	5,507
Wind	67,870	17,945	85,815
Mixed	1,142	3786	133,636
Grand Total	**725,662**	**772,969**	**1,498,630**



Purchase of Power in Percentage

Generation	Total PPP % Age
Generation Technology	
WAPDA Hydel	7%
Thermal	11%
Coal	25%
Nuclear	7%
IPP Hydel	6%
RFO	8%
RLNG/GAS/HSD	18%
Bagasse	0%
Solar	1%
Import (Iran)	0%
Wind	6%
Mixed	9%
Grand Total	**100%**



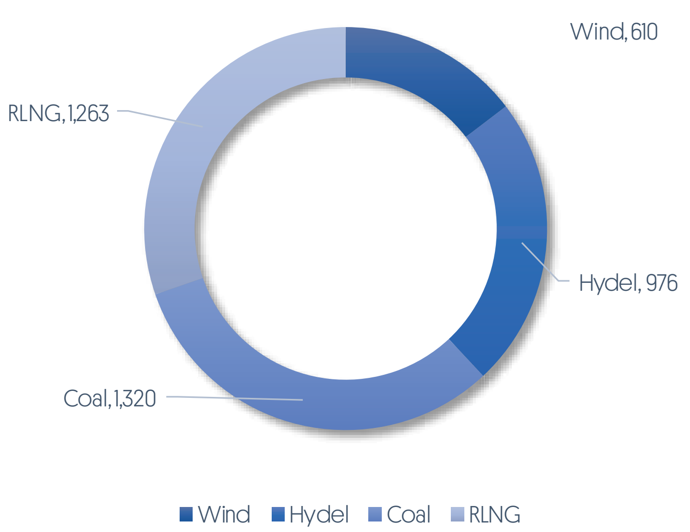
Net Capacity Contracted.

CPPA-G in FY 2019-20 signed fifteen PPAs/EPAs on behalf of DISCOs, with a total 2,906 MW of contracted capacity. Twelve EPAs were signed with wind plants, one PPA was signed with small hydro power plant, one was signed with large hydro power plant and one PPA was signed with coal power plant.

The following agreements on behalf of DISCOs were executed:

Agreements on behalf of DISCOs

Sr#	Technology	2016-17	2017-18	2018-19	2019-20
1	Wind	448	610	-	-
2	Bagasse	132	-	-	-
3	Solar	12	-	-	-
4	Nuclear	340	-	-	-
5	Hydel	720	102	976	-
6	Coal	1,980	1,650	1,320	1,320
7	RLNG	3,563	1,263	-	-
	Total	**7,195**	**1,650**	**2,685**	**2,906**



08.2

Transition towards Competitive Wholesale Electricity Market.

08.2.1

CTBCM High-Level Model Approved By NEPRA.

NEPRA approved the Competitive Trading Bilateral Contract Market (CTBCM) Model vide its Determination issued on December 5, 2019. The approval of CTBCM approval of NEPRA has paved the foundation for the establishment of a competitive wholesale electricity market in Pakistan.

Pursuant to the mandate given by ECC in its decision dated April 2015, CPPA-G prepared the high-level conceptual design of the CTBCM Model and the Plan through consultation process. As per ECC's decision, the same was submitted to NEPRA in March 2018, for regulatory approval. Before submission to NEPRA, legal alignment of CTBCM with the NEPRA Act was checked by Special Committee represented by Ministry of Energy (Power Division), Ministry of Finance, NEPRA and CPPA-G. After enactment of the amended NEPRA Act in April 2018, NEPRA also separately ensured the alignment of the Model submitted by CPPA-G with the Act. NEPRA published the CTBCM Model and Plan on its website and comments from stakeholders including IPPs were forwarded to CPPA-G, which were responded by CPPA-G. After the conclusion of an extensive regulatory review process, NEPRA approved the CTBCM Model on December 05, 2019. NEPRA while approving the Model, further directed CPPA-G to update the Plan and also submit the Detailed Design Report by Feb 05, 2020.

Approved by NEPRA.
Competitive Trading Bilateral Contract Market (CTBCM) Model

08.2.2

Updated CTBCM Detailed Design and Implementation Roadmap.

Pursuant to the direction of the Authority for updating the CTBCM Detailed Design and Implementation Roadmap within sixty days of high-level model approval, CPPA-G initiated extensive stakeholder consultations.

In this regard, CPPA-G organized several consultative workshops and meetings during December 2019 to February 2020. These include consultative sessions and meetings with Ministry of Energy (Power Division), NEPRA, Ex- WAPDA Distribution Companies (DISCOs), K-Electric, National Transmission and Dispatch Company, National Power Control Center (NPCC), Alternate Energy Development Board (AEDB), Private Power Infrastructure Board (PPIB) and Independent Power Generation Companies (IPPs).

Consequently, CPPA-G, prepared the updated Detailed Design and Implementation Roadmap, along with the Integrated Electricity Market Simulation Model (IE-MSM) and the same were submitted to NEPRA on February 5, 2020 meeting the target deadline given by the Authority.

As a part of review process, the comments of the stakeholders were forwarded by NEPRA to CPPA-G for rejoinder. Comments from nine different stakeholders were received which were timely responded back. Additionally, CPPA-G received NEPRA's own comments on Detailed Design and Implementation Roadmap from NEPRA during May and June, 2020 which were given a thorough deliberation by the CPPA-G team while drafting the detailed responses. Additionally, the reports on the Detailed Design and Implementation Roadmap were updated in light of NEPRA comments. A separate report on the Alternative Choices for CTBCM and Review of International Markets was also prepared. Consequently, the rejoinder to the comments of NEPRA, the revised reports on Detailed Design and Roadmap and the report on Alternate Choices and International Market review were submitted to NEPRA for regulatory review and approval on July 30, 2020. it is expected that the regulatory review of the Detailed Design and Roadmap will be concluded in early next year.

CPPA Submitted.
Detailed Design and Implementation Roadmap, along with Integrated Electricity Market Simulation Model (IE-MSM) to NEPRA

08.2.3

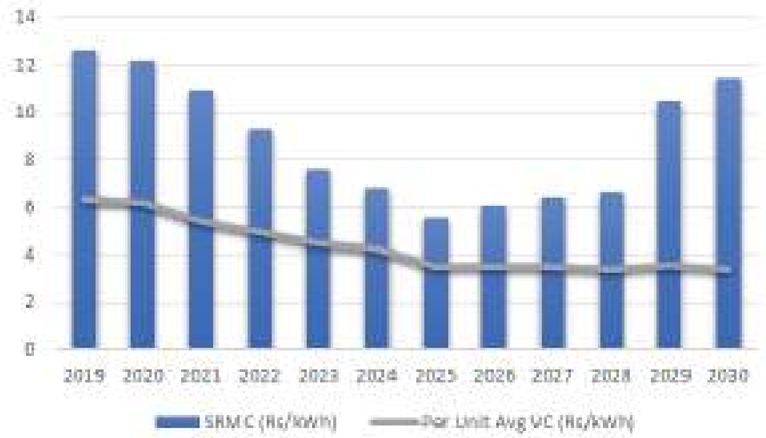
Market Simulation & Modeling.

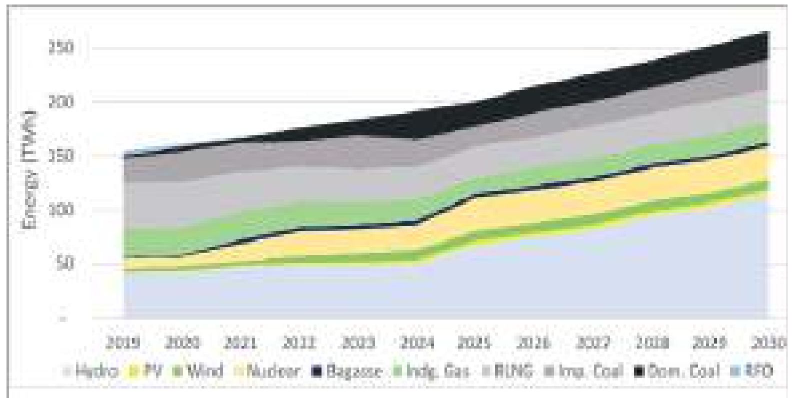
During the FY2020, CPPA-G updated Its Integrated Energy Market Simulation Model (IE-MSM) in compliance with NEPRA's direction in the decision of CTBCM high level design approval. An overview of simulation and modelling exercise is presented in the following paragraphs.

The Integrated Electricity Market Simulation Model (IEMSM) is a combination of off-the-shelf (OTS) software and MS Excel based automated tools that process different types of inputs and generate different analyses and results. The amalgam of the IEMSM include the state-of-the-art dispatch optimization tool i.e. Stochastic Dual Dynamic Programming (SDDP) tool; Electricity Cost Allocation Tool (ECAT) to allocate the existing and future PPAs/EPAs costs among different DISCOs; Market Contracts Analysis Tool (MCAT) to simulate the revenues of generators and costs for demand in various type of contracts; Firm Capacity Allocation Tool (FCAT) to simulate the contribution of intermittent resources to the security of system; and preliminary dashboards to see the impacts of changing different factors on the outputs of all these tools.

For the successful operation of any competitive market, the abundance, symmetry and availability of information is of key importance. The IEMSM produces all the necessary information required by the market players in the future electricity market of Pakistan. It produces useful blends of data that would be required by investors as well as buyers and tries to mimic the types of analyses these entities will perform in the future. This tool is also very important to build the capacity of the DISCOs to carry out their future procurements on competitive terms.

CPPA-G updated the IEMSM report with latest available data and submitted to the Regulator. The report presented an overview of the market simulation exercises done by CPPA-G for estimating the future market prices on principle of least cost economic dispatch. Simulation results estimate the future market prices so that all market participants have the information of future projections and to help investors, with more robust and accurate information regarding the future market.





Dispatch Mix (2019 - 2030)

Updated.
Integrated Electricity Market Simulation Model (IEMSM)

Stochastic Dual Dynamic Programming (SDDP) Tool
Electricity Cost Allocation Tool (ECAT)
Market Contracts Analysis Tool (MCAT)
Firm Capacity Allocation Tool (FCAT)

08.2.4

Strategic Partnership.

CPPA-G has already established few important strategic partnerships with international organizations and academic institutions. So far, three Memorandums of Understanding (MoUs) has been signed with EPIAS, the Market Operator of Turkey, EPEX SPOT, the European Power Exchange and Lahore University of Management Sciences (LUMS) and National University of Science & Technology (NUST). These MoUs set the ground for building strong strategic partnerships with an international market operators and exchanges as well as leading university of Pakistan. CPPA-G is also a member of the Association of Power Exchanges (APEX).

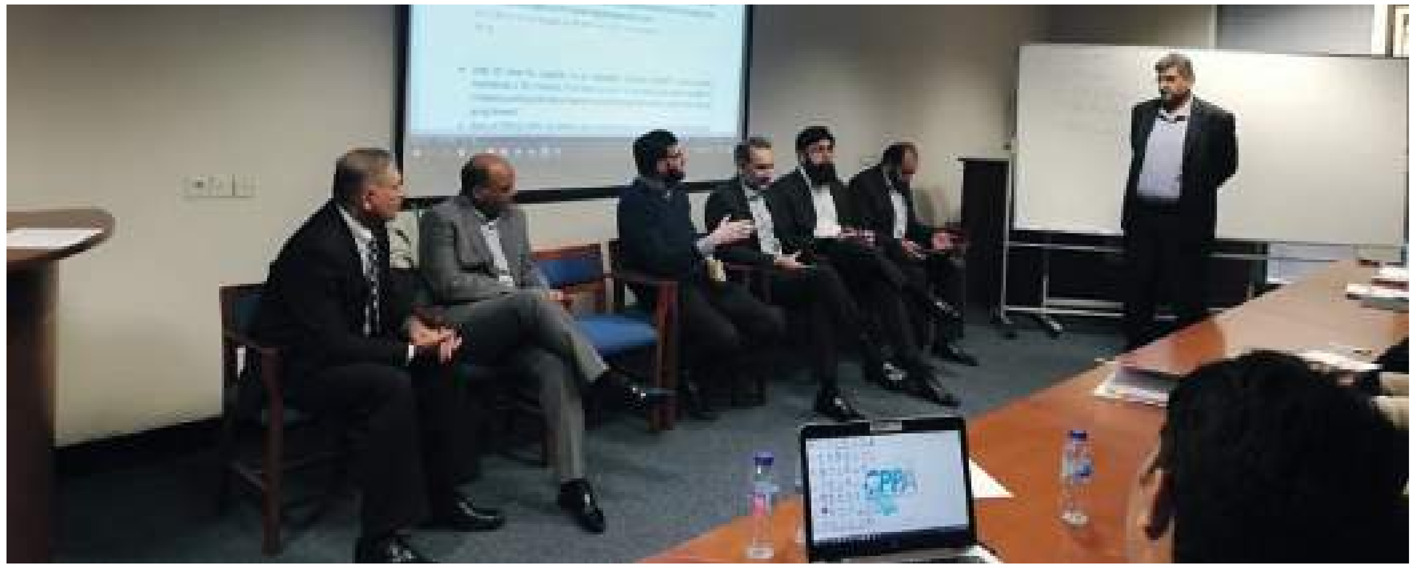
This year, under the strategic alliance with the market operator of Turkey, a knowledge-exchange to the power sector entities of Turkish electricity market was planned for the members of the Market Implementation Support Committee (MISC) of the board this year. The purpose of this visit was to apprise the board members about the governance structure of the power sector entities operating in the competitive markets and to strengthen their understanding of international competitive markets. However, due to the pandemic prevailing across the globe, this visit has been postponed and will be rescheduled next year as pandemic situation gets better around the world.

Leveraging on the success of already developed partnerships CPPA-G is striving to establish similar partnership with more of such entities. in the regard, CPPA-G has made contacts with AESO and NYISO and is all set to partner these organizations in the near future.

08.2.5

Assignment on Wheeling.

In compliance to the directions of Honorable Secretary, Ministry of Energy (Power Division) to CPPA-G to identify issues on wheeling and propose a workable solution to address the issues. CPPA-G developed the Concept Paper in consultation with stakeholders highlighting nine major issues in Wheeling Regulation 2016 and proposal for their resolution which was submitted to NEPRA for regulatory review. A hearing was called by NEPRA wherein the issues were discussed in detail. Given the importance of the subject, Chairman NEPRA assigned LUMS Energy Institute being a neutral entity to convene a consultative session on Wheeling. An extensive three-day consultative session was held at LUMS in December 2020 with the participation of DISCO, KE, NPCC, NTDC, IPPs and Independent Consultants. LUMS consolidated the comments and feedback of all participants and submitted the report on findings and conclusion of the session for the consideration of the Authority.



08.2.6

Market Training & Workshops.

For CPPA-G, the training, capacity building & continuous professional development of the manpower is of prime importance. This is the reason why CPPA-G not only focuses on the training of its own employees but also gives significant importance to the capacity building of all the power sector entities working closely with CPPA-G for transformation of the electricity market. In this connection, a number of training sessions and workshops were held during 2019-2020 which were attended by representatives from MoE(PD), NEPRA, DISCOs, KE, NTDC, NPCC side-by-side with CPPA-G.

Few important market sessions and workshops of 2019-2020 are described below:

Electricity Market Professional (EMP) Program 2019.

In the power sector of Pakistan which is marked by accelerated change requires that participants have adequate expertise to transact in the proposed electricity market of Pakistan for market integrity. Therefore, under the MoU signed with LUMS in 2018, CPPA-G had launched second round of its signature market training and certification program, titled "Electricity Market Professional Program (EMP), to ensure market participants and stakeholders have baseline knowledge of markets and how they will participate and operate in the future competitive electricity market of Pakistan. The targeted audiences for this program are officials from relevant entities of power sector entities including Ministry of Energy (Power Division), NEPRA, NTDC, NPCC, DISCOs, PPIB, AEDB and K-Electric and as such around 50 participants from these entities are attending this program. Additionally, faculty members from indigenous universities like LUMS also attended this program from the perspective of train-the-trainer.

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. Like EMP 2018, this program was divided into four separate modules. Three modules of the EMP-2019 Program have been completed and last module originally planned for March this year but delayed amidst pandemic situation in Pakistan is yet to happen in which around 50 participants are expected to graduate as EMP certified professionals.

The EMP Program is designed as a regular training program which will be offered to the participating power sector entities on an yearly basis. For Initial few years, CPPA-G will organize this program with the assistance of 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, in the coming years, this program will be offered exclusively by LUMS Energy Institute.

Training on Capacity Markets by World Bank/CRA.

CPPA-G organized a two-days training workshop from in August 2019 on Capacity Markets in collaboration with the World Bank. This training was delivered by senior experts and trainings from Charles River Associates, USA at the World Bank Office. The workshop was attended by the participants from NEPRA, NTDC, NPCC DISCOs, KE, World Bank and CPPA-G. Foreign trainers from PSR Brazil were engaged by CPPA-G to deliver this training remotely using online training platform. The purpose of this training was to give general understanding of the capacity market to all stakeholders to enhance their understanding in planning the system in a more efficient manner.

In collaboration with

THE WORLD BANK

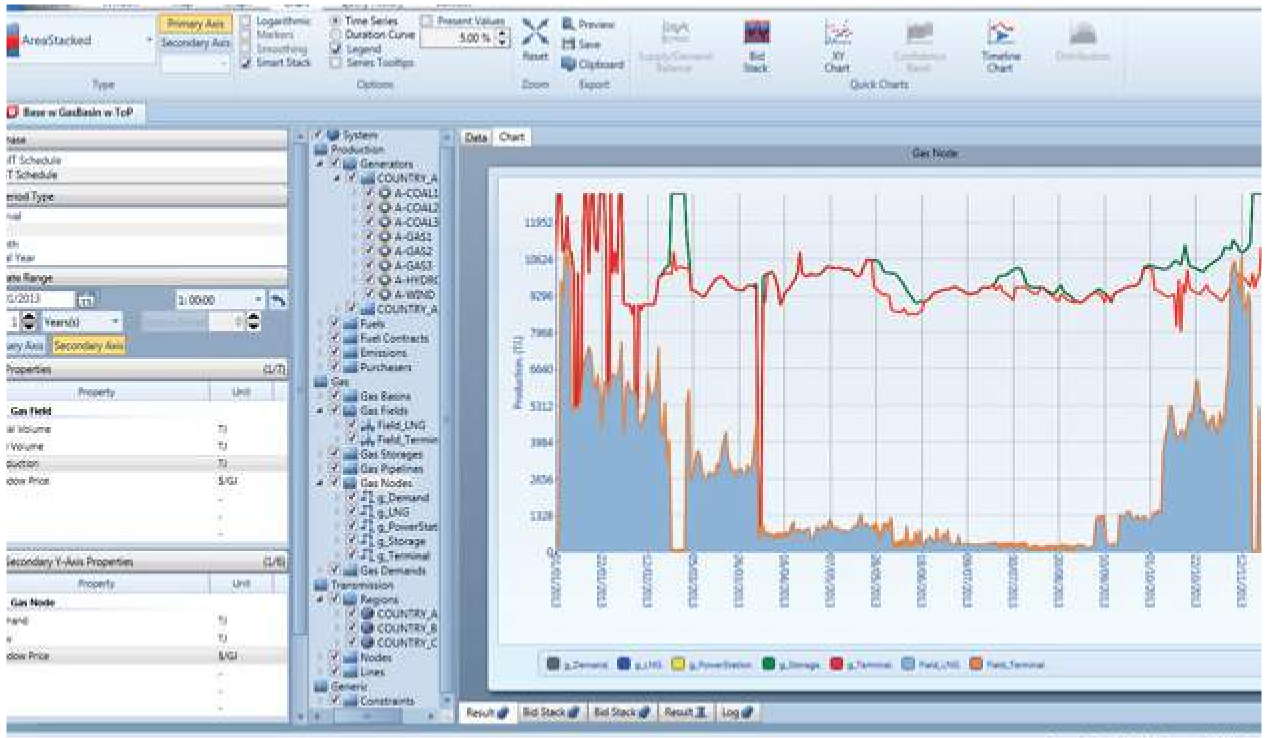
Online Training by PSR Brazil.

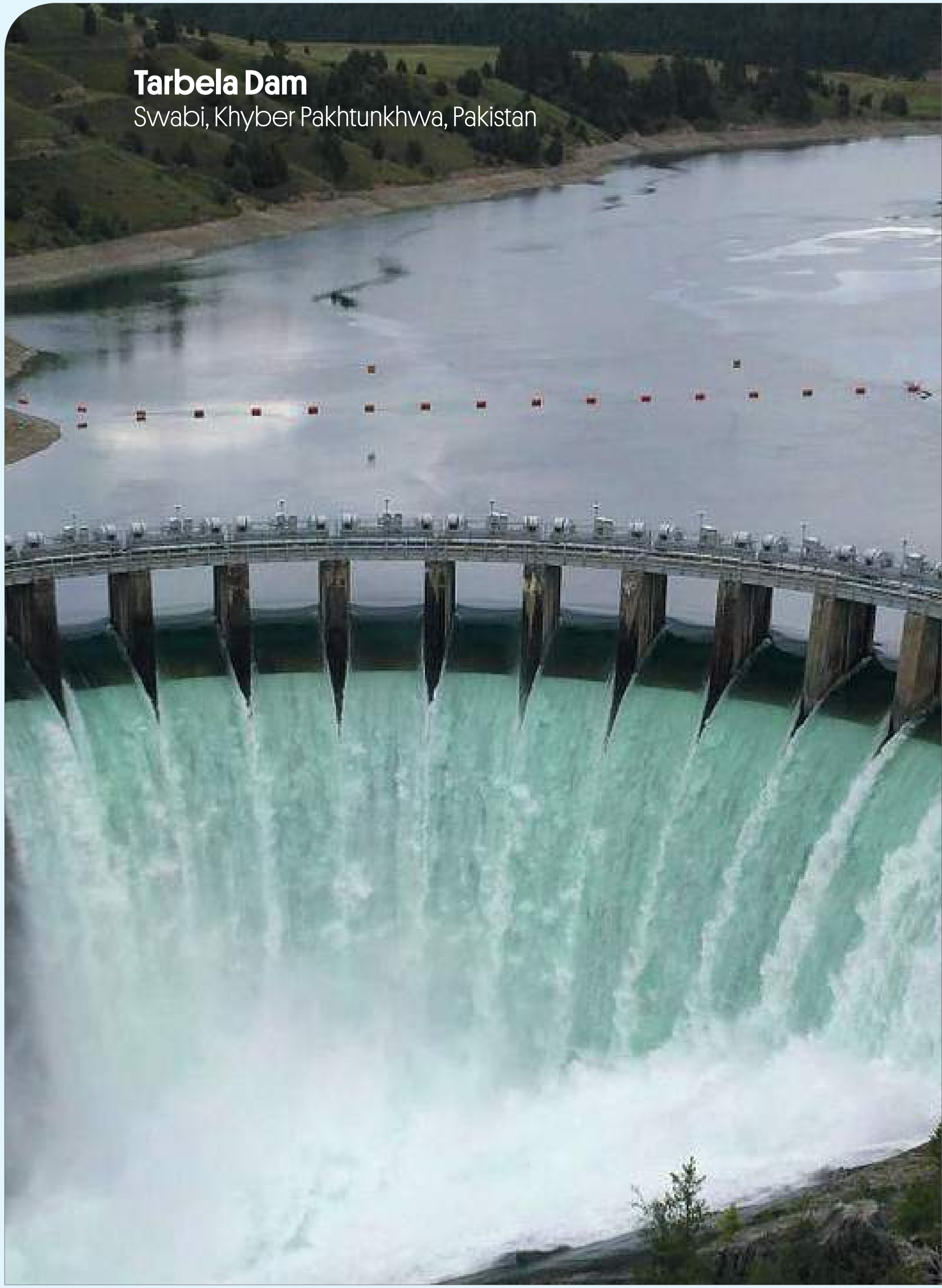
CPPA-G arranged a five-days online training workshop from in September 2019 and February 2020 at CPPA-G office building Islamabad on Liberalized Electricity Markets and Price Formation. The workshop was attended by the participants from relevant departments of CPPA-G. Foreign trainers from PSR Brazil were engaged by CPPA-G to deliver this training remotely using online training platform.

Training by Energy Exemplar on PLEXOs.

CPPA-G arranged a five-days online training workshop in May 2020 for getting familiarity and expertise on modern power system optimization and long/short term planning software "PLEXOS ". This is a state-of-art, off-the-shelf tool which is being used in more than 50 countries around the world .The workshop was attended by the participants from relevant departments of CPPA-G. Foreign expert trainers from Energy Exemplar were engaged by CPPA-G to deliver this training remotely using online training platform.

PLEXOS BY ENERGY EXEMPLAR





08.3

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:

a. CPPA-G prepared the model of the competitive wholesale electricity market of Pakistan and got it approved by NEPRA this year in December 2019.

b. Following approval of the high-level model, CPPA updated the Detailed Design and Implementation Roadmap after extensive consultations with Ministry of Energy (Power Division), NEPRA, Ex- WAPDA Distribution Companies (DISCOs), K-Electric, National Transmission and Dispatch Company, National Power Control Center (NPCC), Alternate Energy Development Board (AEDB), Private Power Infrastructure Board (PPIB) and Power Generation Companies. The same were submitted to NEPRA on February 5, 2020 meeting the target deadline given by the Authority.

c. 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, CPPA-G have signed the 12 Energy Purchase Agreements (EPAs) of the total capacity of 610 MW with Wind Power Projects under Government Renewable Energy Power Policy-2006. Additionally, one PPA was signed with coal power plant for a capacity of 1,320 MW.

d. Launched second round of its signature Electricity Market Professional (EMP) program 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.

e. Proving assistance and facilitation to DISCOs, NTDC planning, & NPCC through organizing workshops, training sessions, on-the-job trainings, etc. on forecasting, generation and operation planning.

f. Availability of reliable data and its timely sharing with market participants is the key to ensure transparency and predictability in the market. Therefore, keeping in view this important aspect of the competitive market, CPPA-G has initiated the Data Institutionalization Project in support of NTDC and NPCC.

g. CPPA-G prepared and submitted the updated Integrated Electricity Market Simulation Model (IE-MSM) (2019-2030) report to NEPRA. It explains the methodology and results of a preliminary exercise on dispatch optimization done by CPPA-G on the state-of-the-art simulation tool named SDDP. The report presents a summary of the simulation exercises done by CPPA-G for estimating the future market prices using a least cost dispatch optimization tool.

h. CPPA-G has also developed an application to automate the discovery of hourly marginal prices on daily basis. Once the regulatory approval is achieved on the methodology / SOP for determination of marginal prices, the complete software will be finalized followed by the commercial rollout.

i. CPPA-G along with other power sector entities has been facilitating the operationalization of wheeling on a broader scale and for the resolution of issues identified in the wheeling regulations.

j. Facilitated the formation of Market Implementation Groups at the DISCOs, NTDC, NPCC, PPIB, AEDB etc. for collaborative and synergized efforts toward the development and implementation of competitive market.

k. Commenced the development of a short-term load forecasting tool in collaboration with NPCC and LUMS.

l. CPPA-G has engaged a foreign consulting firm to provide generation forecast from all WPPs to NPCC. The consulting firm is on-board and preparing a wind forecasting model for Pakistan.

Moreover, under its facilitation role for market development, CPPA-G also assisted the DISCOs, NTDC and NPCC on various fronts:

08.3.1

Assistance to DISCOs.

DISCOs are one of the most important components of the future electricity market and 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 to the following important areas::

Demand Forecasting:

CPPA-G has been facilitating all DISCOs in preparation of their medium-term forecast report 2017-18 based on Power Market Survey (PMS) methodology. Throughout the year, CPPA-G staff worked with the DISCOs to improve the forecasting model for the medium-term forecast and add additional features to the model. Also CPPA-G staff has been making preparations for the next iteration of the forecast report. All these activities are undertaken in coordination with NTDC.

CTBCM Implementation Assistance to DISCOs:

CPPA-G held several consultative sessions with DISCOs for updating the CTBCM Roadmap pursuant to direction of NEPRA in CTBCM determination dated 5 Dec 2019. Consequently, DISCOs submitted their Implementation plans to NEPRA within due dates. All DISCOs have also nominated their officials for the Market Implementation Groups (MIGs) to work on the implementation of DISCO relevant actions under the CTBCM plan. Moreover, CPPA-G organized a workshop wherein all the DISCOs with the facilitation of CPPA-G deliberated on the structure of the Market Implementation Department (MID) and consequently a structure for the MID was jointly proposed by the DISCO.

08.3.2

Assistance to NTDC.

Indicative Generation Capacity Expansion Plan:

This year, CPPA-G provided support to NTDC in collection and preparation of the input data for the updated iteration of the IGCEP using PLEXOs tool. CPPA-G provided inputs in reviewing various assumptions and formulating various scenarios. Professionals of CPPA-G also provided several trainings to NTDC staff on operation of the OPTGEN+SDDP module which is used for long term generation planning. These trainings will help NTDC to develop an inhouse model through this state-of-the-art generation cost optimisation tool.

Long-term Forecasting:

CPPA-G has been assisting NTDC in preparation of the long-term forecast report. CPPA-G consultant provided trainings to NTDC staff on the long term as well as medium term forecast tools. It also assisted NTDC staff in the finalization of the forecast report based on financial- year 18-19. CPPA-G has also been pursuing USAID to provide a licensed version of EViews to NTDC to undertake the regression analysis for the long-term forecasting.

Coordination Support in CTBCM Implementation:

CPPA-G held several consultative sessions with NTDC for updating the CTBCM Roadmap pursuant to direction of NEPRA in CTBCM determination dated 5 Dec 2019. Consequently, NTDC submitted its Implementation plan to NEPRA within due date. NTDC have also nominated their officials for the Market Implementation Groups (MIGs) to work on the implementation of its relevant actions under the CTBCM plan. CPPA-G has also conducted several sessions at NTDC explaining various features of CTBCM and answering queries of NTDC staff on CTBCM design and implementation roadmap. CPPA-G team also collected the requirements of Power System Planning Department of NTDC regarding institutionalization of several data streams. It is planned that the data institutionalization at Planning NTDC will be undertaken by the ERP team of NTDC with support available from CPPA-G.

08.3.3

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 during this year, provided assistance on the following fronts:

Wind Generation Central Forecast:

tIn order to support NPCC in the unit commitment and economic dispatch, one of the critical inputs i.e. VRE generation forecast was also unavailable. CPPA-G has engaged a service provider to provide generation forecast from all WPPs to NPCC. The data handling and communication mechanism between each WPP, forecast consultant and NPCC is being managed by CPPA-G during this phase and will be handed over to NPCC (or NTDC's IT department). The service provider is on-board and is in the process of preparing its models for Pakistan. This service will be available to NPCC in 1-2 months' time.

Short Term Demand Forecast:

In order to support unit commitment and economic dispatch decisions, another critical input is the demand forecast. In this regard, with support from CPPA-G, LUMS EIG has been engaged to prepare a tool for short term demand forecasting. This tool will be capable to forecast system and disco level demand on hourly resolution for next week. This is also in the development phase and is expected to be operational in 5-6 months.

Coordination Support in CTBCM Implementation:

CPPA-G held several consultative sessions with NPCC for updating the CTBCM Roadmap pursuant to direction of NEPRA in CTBCM determination dated 5 Dec 2019. Consequently, NPCC submitted its Implementation plans to NEPRA within due date. NPCC has also nominated its officials for the Market Implementation Groups (MIGs) to work on the implementation of relevant actions under the CTBCM plan.

08.3.4

Assistance to PPIB/AEDB.

Coordination Support in CTBCM Implementation:

CPPA-G organized stakeholders' consultative session for updating the CTBCM detailed design and roadmap wherein the representative from PPIB and AEDB actively participated. CPPA-G also held a detailed meeting with the MD and senior officials of PPIB explaining various features of CTBCM and answering their queries on CTBCM design and implementation roadmap. Consequently, PPIB and AEDB has established dedicated Market Implementation Group within their respective organizations to jointly work on the implementation of CTBCM relevant group of actions.

09.

Key Performance Indicators.

The key delivery strategies of the CPPA-G as an organization in its role as Market Operator and Power Purchaser were set out in the Strategic Plan of CPPA-G. The strategy is driven by regulatory obligations, market development direction, the capabilities of market participants, and the provision of long-term benefits to Pakistani consumers. The Strategic Plan also serves as the basis of formulating the Market Operator's Fee.

For strategic planning and management, CPPA-G uses the Balance Score Card [BSC] tool. This BSC is helpful in communicate what the company is trying to accomplish; align the operational work with strategy; prioritize projects, products, and services; and measure and monitor progress towards strategic targets. The BSC system connects the dots between big picture strategy elements such as mission, vision, core values, strategic targets and the more operational elements such as functional objectives, functional targets and operational initiatives.

The idea of BSC revolves around four major elements which are Financial Performance, Customer/Stakeholder Satisfaction, Learning and Growth and Internal Business Processes. CPPA-G derives its strategic targets from the core of the four elements on which the BSC technique is based upon.

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

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1 Compliance

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

- Strict compliance was maintained by CPPA-G with corporate law, secretarial
- practices, and corporate governance rules
- Statutory reports were prepared and submitted to the regulatory bodies on periodic basis
- Compliance with power sector legal and regulatory framework was maintained

2 Corporate Culture

Develop healthy Corporate Culture & Rebranding

- CPPA-G promulgated its core values continuously within and outside the organization
- Team building events were organized to promote healthy relationship among the employees
- The office space was renovated enhancing the corporate image and keeping in view the safety, security and convenience of employees

3 Human Resource Development

Invest in good people

- CPPA-G grows in strength from 198 last year to 210 employees this year
- New office space for employees secured
- Deployment of automated HR Management resulting in timely disbursement of employee benefits.
- Training Need Assessment (TNA) was carried out
- Several training sessions both within and outside CPPA-G organized

4 Organizational Restructuring

Restructuring of CPPA-G

- The Phase-0 (Preparatory) & Phase-I (High-Level MO Design) of restructuring completed
- High-level mapping of the 30 functions of generic MO has been completed
- High level staffing plan and budget prepared for MO
- Working continued on Phase-II of restructuring which includes detailed process manuals and flow charts of the MO functions

5 Transparency

Data institutionalization and publishing

- CDXP launched to facilitate data sharing among CPPA-G and market participants transparently
- Implementation of ERP and ECM systems for automation of business processes reduced human intervention
- Published market data and market reports on official website
- Extensive stakeholders' consultations on market development
- Data Institutionalization project in progress to build an integrated database aims to serve as single source of truth for market participants

CPPA keep a strategic focus on the targets that are aligned with Strategic Plan. During FY2020, following actions were performed to achieve the following strategic targets:

6 IT Transformation

IT transformation of CPPA-G

- ERP Phase-I & II implemented
- Implementation of Enterprise Content Management (ECM) System
- Launch of CPPA-G Data Exchange Portal (CDXP)
- Deployment of Monitoring Portal at Ministry of Energy (Power Division)
- Commencement of Data Institutionalization Project involving CPPA-G, NPCC and NTDC
- Tier – III Data Centre site for MO established.
- Wind Forecast Portal implemented.
- Marginal Price Discovery Application for MO implemented.
- FCA process for NEPRA Reporting automated
- BI Analytical tool on ERP module of CDXP implemented.
- Database vault solution implemented.
- 4 years detail ICT plan for OPEM prepared.

7 Competitive Market Development

Design and facilitate implementation of wholesale Competitive Market Model

- CTBCM high level model approved by NEPRA
- Updated Detailed Design and Implementation Roadmap submitted to NEPRA
- More then 500 comments from stakeholders and NEPRA on detailed design and roadmap responded back -Facilitated other stakeholders in preparation of their implementation plans for CTBCM

8 Strengthen Relationships

Strengthen relationships with Market Participants and Service Providers

- Assistance to NTDC, NPCC and DISCOs continued on various fronts related to market development
- Partnership with LUMS and NUST on capacity building and market development
- Donor coordination with USAID, ADB, World Bank etc.
- Active engagement with Electricity Market Team which represents all the relevant Power Sector Entities of Pakistan
- Collaboration with NEPRA in many aspects related to market development
- Collaboration with universities such as NUST on academic grounds
- CDXP Portal enhanced interaction and data sharing among CPPA-G and market participants

10.

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] Legal and Corporate Affairs [iv] Strategy and Market Development [v] Human Resources and Administration [vi] Information Technology [vii] Policy & Planning, and [viii] Office of Company Secretary.

We Believe in

Building People

Developing Processes

Supported by Technology

10.1
Finance Department.

All financial matters of CPPA, both internal and external are performed by this department.

The core functions which are performed under this department for CPPA-G includes:

1. Billing and Settlements
2. DISCOs and Bulk Consumers Billing
3. Internal Accounting
4. Market Accounting
5. Treasury

10.1.1
Yearly Achievements.

Following are some key achievements accomplished by this department during FY2019-20:

- Enhancements of ERP added drastic value addition in the accounting process i.e. enhancement in relevance and reliability accounting data, improvement in decision making process, reduced the risk of data redundancy and duplication to minimum level, reduced the risk of fraud/error due to high level control in place throughout the Company and reduced the risk of data security loss due to high level data security in the form of authorized data access to different financial information users of the Company etc.
- During the COVID-19 situation, ensured smooth functioning of its functions, remotely through VPN connectivity and close coordination through Microsoft Teams. Wherever essential, limited number of officials also attended the office as per SOP, accordingly all the processes and functions were performed without any interruptions.
- Complete compliance of "Public Sector Companies (Corporate Governance) Rules, 2013" i.e. timely preparation and submission of monthly, quarterly, half yearly and annual financial statements as per International Financial Reporting Standards and applicable local laws within stipulated time as required by the rules.
- Ensured transparency in the payment obligations through developing and following an SOP regarding the process of billing, settlement, cash collection and payments.
- Various measures have been taken to speed up the process of collection of subsidies from GoP such as building strong relationship with concerned departments, vigilant follow up on daily basis with MoF, AGPR for swift processing of file.
- Government Audit carried out number of routine as well as special Audit of the payments made by CPPA-G under the provision of respective Power Purchase Agreements and no irregularity was established by the Government Audit during 2018-19
- Achieved successful completion of the audit by AGPR, Government of Pakistan for FY 2018-19.
- Achieved successful completion of the statutory audit of the Financial Statements pertaining to FY 2019-20.
- Settlement of the audit qualification in the Independent Auditor's Report as compare to last financial year.

10.2
Technical Department.

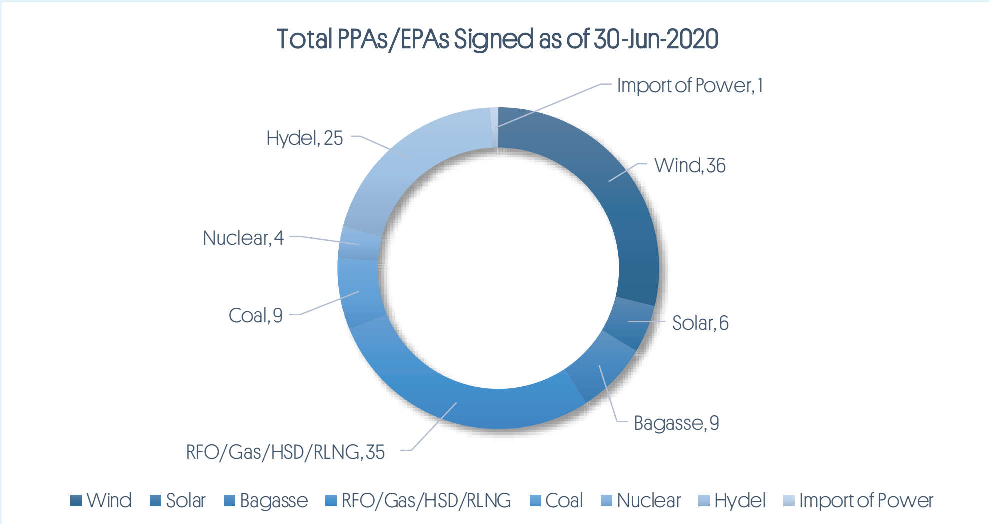
This department manages the procurement of power and energy on behalf of DISCOs through negotiating and finalizing Power Purchase Agreements (PPAs) and Energy Purchase Agreements (EPAs) with the generators. In addition, the Technical Department is also responsible for the verification of the invoices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

The core activities of this department include:

- Procurement of power on behalf of DISCOs
- Establishing contracts for supply
- Coordination with PPIB, AEDB, Ministry of Energy (MOE) Power Division, Ministry of Finance, Ministry of Law and other governmental agencies
- Meter Readings Management
- Supplier and NTDC Invoice Verification
- Meter Audit
- Annual Capacity Testing of Power Plants

The following table shows the total number of PPAs / EPAs being managed by this department, segregated by their fuel type:

Sr. No.	Technology / Type	Number of Agreements (as of June 2020)		
		PPAs/EPAs Signed Up to Jun 2019	*New PPAs/EPAs Signed In FY 2019-20*	*Total PPAs/EPAs Signed as of Jun 2020*
1	Wind	24	12	36
2	Solar	06	-	06
3	Bagasse	09	-	09
4	RFO/Gas/HSD/RLNG	34	01	35
5	Coal	08	01	09
6	Nuclear	04	-	04
7	Hydel	23	02	25
8	Import of Power	01	-	01
	Total	**109**	**16**	**125**

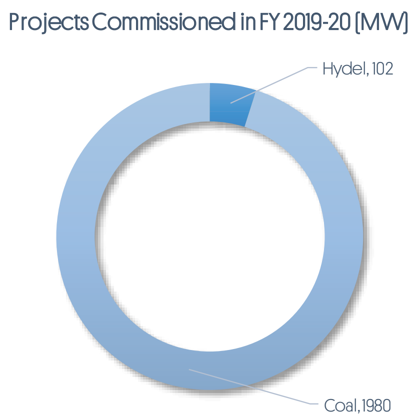


10.2.1
Yearly Achievements.

Following are some key achievements accomplished by this department during FY2019-20:

- Contracting a total capacity of 4,169 MW through signing sixteen (16) Energy/Power Purchase Agreements with the wind, coal, RLNG and hydro power plants.
- Successful integration of 2,082 MW into National Grid after incurring substantial man hours of CPPA-G under the ambit of rights and obligations of the power purchaser in the framework of purchase agreements.

Sr. No.	Project Type	Commissioned (MW)	
1	WIND	-	
2	Solar	-	
3	BAGASSE	-	
4	Hydel	102	Gulpur (10-03-20)
5	RFO/Gas/HSD/RLNG		
6	Coal	1980	CPHGC (17-08-19) EPTL (07-10-19)
	Total	**2,082**	



10.3
Strategy & Market Development Department.

This department of CPPA-G leads the development of a competitive wholesale electricity market and facilitates its implementation in Pakistan. SMD department is also involved in outlining the business strategy of CPPA-G along with the preparation of the company's Strategic Plan.

The main functions of this department are:

1. Designing of a wholesale electricity competitive market model and its transition road map
2. Research and document conclusions for the next stage of market reforms
3. Play the role on behalf of CPPA-G in facilitating the implementation of CTBCM Plan to develop a competitive market
4. Market coordination and development activities including the training and capacity building of market stakeholders
5. Suggesting and building strategic partnerships with global like institutions
6. Market simulations for analysis of market architecture on prices moving forward
7. Program management and coordination for donor funded projects

10.3.1
Yearly Achievements.

Following are some key achievements accomplished by this department during FY2019-20:

- CTBCM high level model got approved by NEPRA in December 2019
- Prepared a Detailed Design Report encapsulating the details of new market design and submitted to NEPRA for regulatory approval
- Prepared updated Implementation Roadmap Report encapsulating the detail plan of CTBCM implementation and submitted to NEPRA for regulatory approval
- Updated Integrated Electricity Market Simulation Model [IE-MSM] which integrates various off-the-shelf and MS Excel based simulation tools to simulate inter alia marginal prices in the market by 2030, market contract simulation, allocation of existing PPA cost to market participants, analysis on calculation of firm capacity etc.
- Submitted rejoinder of more than 500 comments from Stakeholder and NEPRA
- Provided support to DISCOs, NPCC and Planning NTDC in preparation of their detailed implementation plans
- Organized and delivered the Energy Market Professional [EMP] Program 2019, a 20-days residential training program, segregated into 4 modules in collaboration with LUMS and international trainers. It was attended by around 50 participants from all the DISCOs, NTDC, NPCC, NEPRA, MoE, CPPA-G and KE. Three modules are completed this year and the last module which was postponed due to pandemic will be held next year
- Arranged several capacity building sessions and training workshop for relevant stakeholders Including workshops by foreign trainers both online and onsite
- Facilitated the formation of Market Development Working Groups of different power sector entities to bring the relevant professionals of implementing entities on a centralized platform to work closely and collaboratively toward the development and implementation of competitive market
- Established a team of stakeholders titled Electricity Market Team which includes representatives from MoE[PD], NEPRA, NTDC, NPCC, DISCOs, K-Electric, PPIB, AEDB to closely engage the stakeholders in the development of the competitive electricity market
- Engaged international donor agencies including USAID, ADB and World Bank to fund technical assistance for several market initiatives of CPPA-G.

10.4
Legal & Corporate Affairs Department.

The work of Legal Department spans the breadth of the Company and is hallmarked by the unique ability to work collaboratively and to respond quickly to major issues and changing priorities. We have achieved our performance measures despite being under-staffed which reflects our continued commitment to high professional standards and our agility to work as an effective team foremost. We have witnessed success in lowering our legal costs and adopting effective measures for dispute prevention.

Furthermore, the Legal Department maintained its physical presence throughout the unprecedented challenges posed due to the Covid-19 pandemic. Bearing in mind the motive of sustainable growth and development of CPPA's objectives, Legal Department has remained actively and prudently involved in the affairs of the Company. From daily minor hurdles to major legal consideration during the Lock down amid Covid-19, Legal Department deployed its best resources to look upon the matters. During the period, legal matters that required immediate attentions were addressed with utmost possible precision and swiftness.
Our core function encapsulates ensuring compliance through advisory within the ambit of sustainable solutions for the energy sector while maintaining effective contract management with adequacy of safeguards ranging multitude of dimensions from negotiations to litigation/dispute resolution.

While working together to achieve best results has yielded fruits with success. CPPA-G confirms the news of being in receipt of a favorable international arbitration award and the success regarding arbitration in the London Court of International Arbitration [LCIA]; is one of the world's leading international institutions for commercial dispute resolution. CPPA-G believes that certain provisions of the PPA were rightly invoked to safeguard the contractual rights which accrued and was subsequently disputed by certain entity which was vigorously contested. Furthermore, CPPA-G undertook active measures to astronomically reduce costs of arbitration by facilitating localising the venue of a foreign seated arbitration in an acclaimed amicable manner.

Continuous efforts have materialized in the furthering the policy initiatives through constructive negotiations. The initiative of transitioning from bilateral PPA to tripartite PPA has materialized in the successful execution with improved risk allocation and better aligned to the regulatory framework.
The Legal Department has performed various integral functions throughout the year by working proactively. It has provided legal opinions in several matters, which not only prevented several financial and technical disputes rather safeguarded the Company from un-necessary litigation. The Legal Department has also provided valuable inputs which hinge the future of the national power sector.

Taking its cues from the Federal Government's interest in promoting renewable and indigenous forms of generation, the Legal Department has taken the initiative in engaging with private sector parties interested in investing in renewable technologies. To this end, in the previous year alone, the Legal Department has spearheaded the negotiations and drafting of energy purchase agreements with over a dozen renewable power generators, resulting in an influx of several hundred megawatts' worth of clean, indigenous energy into the national power pool. This induction of clean energy will go a long way towards ensuring Pakistan's energy independence, as well as its commitment towards combating climate change.

The Legal Department was also responsible for developing and drafting standardized tripartite energy purchase agreements relating to bagasse, solar, and wind power projects; these agreements ensured that the risks would be equitably allocated inter se the parties, while providing greater clarity on the critical role to be played by the entity providing interconnection facilities and other systemic services which have a direct bearing on the relationship between private power generation companies and CPPA.

As a first of its kind, the Legal Department negotiated and drafted the standardized energy purchase agreement relating to small hydroelectric power plants situated in Azad Jammu & Kashmir. Incorporating novel concepts and predicated upon a win-win understanding between the parties, these agreements ensured that energy generated through such hydroelectric projects – which is among the cleanest and lowest-cost forms of energy generation – would supply the growing needs of the region. The energy inducted from these plants will contribute significantly towards the region's energy security while also ensuring that water – a critical resource – is optimally utilized. The Legal Department's negotiation and drafting resulted in a template agreement which has already been adopted by private investors and has served as the ECC-approved draft for similar future projects.

Given the potentially sensitive nature of legal issues, Legal Department deliberates on what is the best course of action to deal with the issue. Legal Department had been taking quick necessary actions to avoid the unnecessary escalation of issues, thereby saving valuable time and money.

10.5
Human Resource & Administration.

HR & Admn department at CPPA-G is headed by Chief HR&A Officer, who oversees a dynamic team of 8 Officers working in the capacity of Manager & Assistant Managers assisted by the support staff. In addition to that, the Transport Supervisor manages the team of 10 drivers round the clock to provide transport services along with the fleet management.

HR & Admn department has made a progressive journey since the inception of CPPA-G in 2015 from the support dept to be a strategic partner for all the internal stakeholders for successful corporate sustainability with smooth transition towards the Power Market Operator of Pakistan. Our vision is to provide innovative HR solutions with exceptional quality services, thereby, enabling CPPA-G and its employees to perform at par excellence.

10.5.2
Departmental Scope.

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
- HR Service Delivery
- Employee Record Mgt
- Employee Relations
- Contract & Vendor Mgt

Recruitment & Selection
- Job Advertisement
- Written Test & Interview
- Onboard & Orientation
- Offer & Acceptance

Compensation & Benefit
- Payroll Processing
- Exit Management
- Employee Terminal Benefits
- Group Health Insurance
- Life Insurance

Organization Development
- Organization Restructuring
- Policies & Procedures
- HR Manual
- Employee Handbook
- Recreation Activities

Training & Development
- Training Need Assessment
- Profiling of Training Needs
- Training Programs in collaboration with PPRA Rules
- Training Feedbacks & ROI

HR Legal Framework
- Employee Grievance
- Legal Matters
- Legal Compliance
- Contract Management

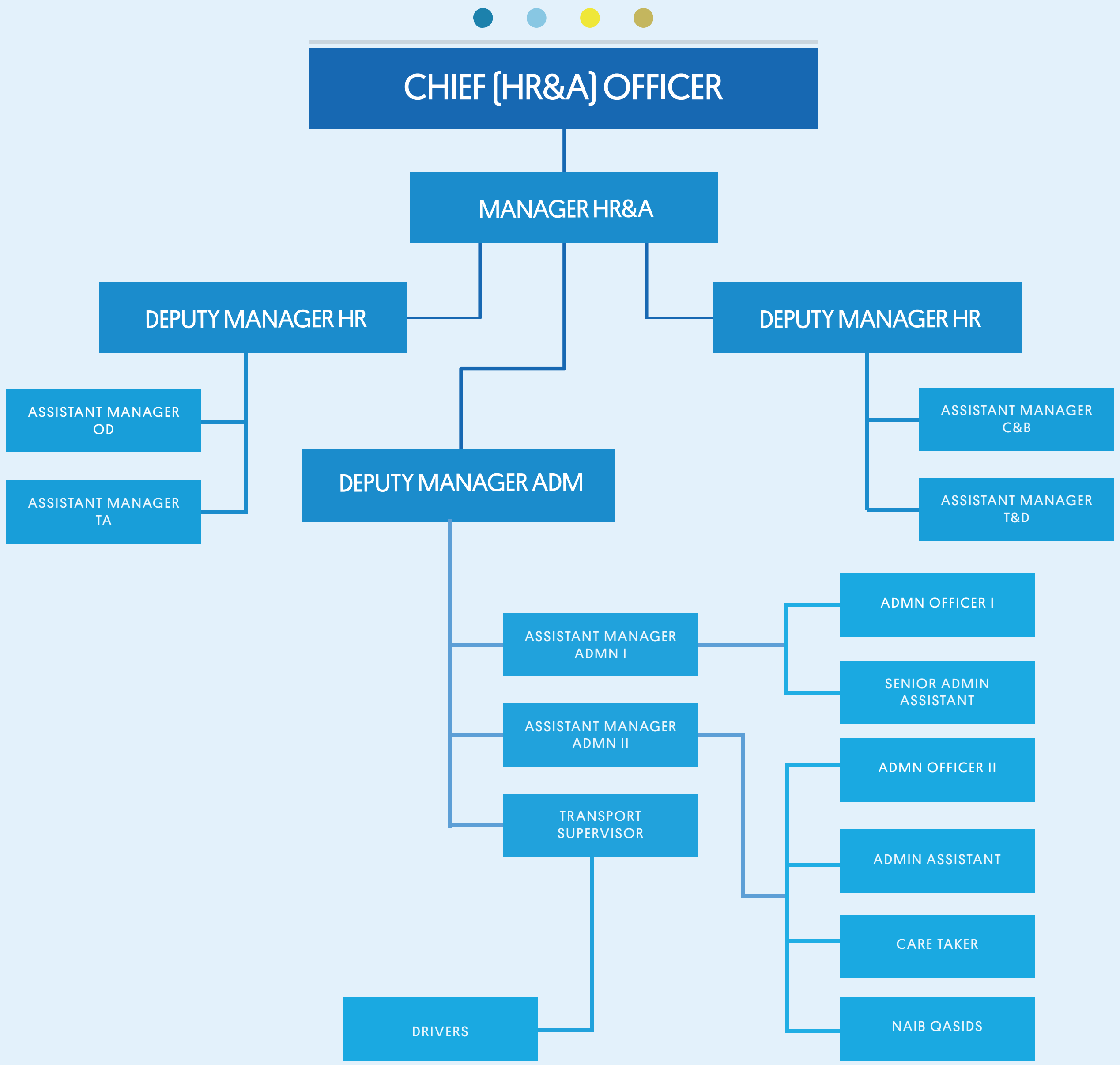
Procurement & Logistics
- Ensuring all procurements while following the designated Supply Chain procedures
- Keeping ample quantity of different kinds of entities' stocks

Fleet Management
- Vehicle Record Keeping
- Vehicle Fuel Management
- Vehicle Timely Maintenance
- Vehicle Tour Operations

Facility Management
- Keeping Office Ambiance
- Facilitating all in-house meetings/trainings etc
- Office House Keeping
- Travel Arrangements

10.5.1
Organogram.

The main functions of this department are:



10.5.1
Yearly Achievements.

During the fiscal year 2019-20, HR&A Department has made significant contributions by achieving its yearly targets on time and as per the criterion set by the competent authority. Successfully inducted new personnel against different vacant positions resulting in an increase of CPPA from 198 last year to 210 this year.

HR&A Department Transformation.

CPPA-G while embarking on its journey in 2015, aimed to transform itself from public sector entity to a knowledge-based organization. In that context, the ratio of support staff to professional was more than 50% in the preceding years. By the end of fiscal year 2019-20, the ratio of professional staff rose to more than 70%. Thus, reinforcing CPPA-G's commitment to become a knowledge-based organization.

Organization Restructuring.

HR&A department played a vital part in the operationalization of Policy Governance & Corporate Department along with the restructuring of Technical Department into three subsections that comprises of Conventional, Renewable & Market Operations. Moreover, HR&A department divided its team into the core functions of HR for smooth functioning.

Recruitment & Onboarding of Fresh Human Capital.

HR&A department successfully completed the absorption of the 17 deputationists from the NTDCL into CPPA-G with their consent. Subsequently, 20 different vacant positions that includes Deputy General Manager, Manager, Assistant Manager and Drivers were filled following the detailed recruitment process while hiring the services of third-party Recruitment Testing Service i.e. M/s Pakistan Testing Service.

Training & Development.

Training & Development domain got operationalized within the HR&A department in the fiscal year 2019-20. An in-house Project Management Professional (PMP) was organized. Quotations were collected from three top training providers from the market as per PPRA rules and Pakistan Management Institute Islamabad (PMI, Islamabad) was finalized for the PMP training. It imparted 32 Professional Development Units (PDUs) to 20 participants from various departments of CPPA-G nominated by the Functional Heads. It was concluded by the certificate awarding ceremony, distributed by Mr. Rehan Hameed, Chief HR&A Officer CPPA-G.

Along with it, week-long session in-house session was organized on "Overview of US Energy Sector" for 23 employees with 5 training hours. Furthermore, in collaboration with IT department, a training on Helpdesk Server and Digital Ticketing System was conducted for all POCs for all department comprising of 24 training hours.
Training & Development domain of HR&A department also sent employees in sessions organized by Institute of Tender Management, Pakistan Planning & Management Institute (PPMI), Institute of Financial Markets in Pakistan and Franklin Covey.

HR&A Policies & Procedures.

HR&A department has been actively involved in introspecting the policies in practice. For that matter, the promotion policy of NEPRA, PPIB, IESCO and KE were studied and a draft was formulated that is currently under review.
Further, Employee Handbook was prepared and handed over to the newly inducted employees of CPPA-G during the first ever orientation program designed and organized by the HR&A department. Mr. Abid Latif Lodhi, ex-CEO CPPA-G, Mr. Rehan Hameed, Chief (HR&A) Officer and Mr. Omer Haroon, DGM SMD addressed the audience and welcomed the officers in the CPPA-G family.

Implementation of ERP Module.

HR&A in collaboration with the IT department has successfully implemented the ERP across the CPPA-G. Almost 90% work of HR&A department is performed on ERP system that includes fully operationalized HRIS, Payroll System, Help Desk and Digital Ticketing System.
Renovation of Office Building

The HR&A department successfully hired a separate building for CPPA-G at Shaheen Plaza Blue Area Islamabad. Now the uphill task was its renovation. The services of M/s Marks Designer got availed while following PPRA rules and the office renovation was successfully completed in the fiscal year 2019-20 within the allocated budget.

SAARC Delegation.

The HR&A department had the honour of hosting SAARC Delegation in the newly transformed Training Hall of Shaheen Plaza. The hard work and efforts rendered by HR&A department were

Performance Management System.

Performance of the CPPA-G employees were evaluated through Bell Curve Appraisal System that has been approved by the BOD CPPAG and was successfully completed for the year 2019-20 and the annual increments were awarded.

Enterprise Content Management.

HR department has actively taken part in process automatization of official record, as the initiative taken by the Management has been followed in true letter and spirit.

Employee Engagement.

Employee Satisfaction only indicates happiness level; however, organizations with an engaged workforce have significantly performed better. The performance of the third-party health insurance company was evaluated through a online survey for the betterment of the services. In addition to that, HR&A department organized farewell parties for the retiring employees. For employees who go beyond the line of duty, HR&A Department, in addition to the formal recognition, provided Honorarium to acknowledge the services in the fiscal year 2019-20.

Engagement of New Health Insurance Company.

HR Department has successfully engaged the services of reputed Insurance Company to continue uninterrupted health services for its employees, a tender was floated as per the guidelines of PPRA, services of M/s Askari Health Insurance was engaged from the current fiscal year.

Corporate Reporting.

HR Department has timely submitted all related corporate documents, required, as per NEPRA Compliance, moreover, HR Department has also handled queries regarding Government Audits.

Other Achievements.

HR&A department along with aforementioned achievements, was also involved in some keys developments like procurement of Generator for Data Centre & Office Building, procurement of Phase Sequence Controller & Surge Protection for the safety of Data Centre, change of name on Shaheen Plaza electricity bill through IESCO for tax rebate purpose, building emergency exist stairs case at the rear side of the building through owner, as per local administration policy and operationalization of Cafeteria & Prayer area for staff at Shaheen Plaza.

Coronavirus (COVID-19) Contingency Initiatives.

Keeping in view the unprecedented situation arose due to Covid-19, the HR&A department has taken all the safety measures like mandatory wearing of masks and use of sanitizer along with periodic disinfection of the entire CPPA-G building in accordance to the guidelines issued by the Government of Pakistan. Moreover, HR&A along with IT department enabled the employees to remain connected via Microsoft Teams to continue the office operations uninterruptedly.

Managers & Officers

Support Staff

Transport Staff

Security Guards

10.6
Information Technology.

The Central Power Purchasing Agency (CPPA) being conscious of its changing role in becoming the most modern, effective and efficient organization in the power sector, has assigned the highest priority to build its IT capabilities over the last couple of years. In Information Communication Technology Planning of CPPA, one of the key targets is to ensure "Digital transformation". To automate and enhance the controls over quality of data being captured and produced from sophisticated applications is the initiative that has been taken in-order to improve the efficiency and transparency which is the most important element for existing business as well as for the establishment of an efficient competitive market.

To achieve business-IT alignment for undertaking the role of a modern Market Operator and a goal of IT intensive business functions as a result, a matching cutting-edge information technology capability has been planned both in terms of Infrastructure as well as human capital to ensure the higher quality services.

Information Technology is critical to the success of a modern organization. Its pervasiveness allows us to take labor and time saving technologies for granted, but a great deal of effort must be invested in planning, designing, and implementing information technology systems that really improve business operations.

We consider our information technology assets, our "soft" infrastructure, and also as the foundation for future development of the Electricity Market, without which the dream of an effective and efficient electricity market cannot be realized. We will have to treat information as a strategic asset, establishing a robust, reliable, modern, and interoperable technology infrastructure to support data collection, analysis, reporting, and even direct operations. To realize this vision, we are focused on optimizing Information Technology (IT) investments and more rapidly deployment of IT capabilities, drawing on our highly skilled and innovative workforce positioned to meet these emerging and expanding requirements.

10.6.1
Yearly Achievements.

Coronavirus (COVID-19)

disease is the first pandemic in human history where information technology and social media have proved to be instrumental in sustaining organizational performance and even in many cases their very existence. IT applications and infrastructure were used on a massive scale by modern and progressive organizations to keep their workforce safe, productive and connected while being physically apart.

Information Technology department of CPPA-G played a vital and dynamic role in responding to the COVID-19 epidemic by providing a seamless transition to work from home through multiple online applications, Virtual Private Network (VPN) configurations and video conferencing systems. The IT department has also achieved its goals set at the start of year parallel to handling the catastrophic circumstances during pandemic. Some of the achievements are mentioned on following pages.

- Wind Forecast Portal was developed and launched to gather wind forecast data from independent consultant. Before Wind Forecast Portal, this data was shared by IPPs through emails, now CPPA-G gets data directly from independent consultant and the link of IPPs has been eliminated.
- Marginal Price Discovery application was developed and launched for OPEM. This application will be used for determining price of each unit produced by the IPP under the umbrella of OPEM. This application will help in forecasting the cost of production and selling price of electricity.
- Fuel Cost Adjustment (FCA) is one of the most crucial area, which was still processed through manual working, it was a time taking and extensive activity to gather, consolidate, compile, reconcile and submit to the regulator NEPRA. Now the FCA process has been automated in ERP system. The automation has brought more accuracy, reliability and acceptance from users. CPPA-G plans to provide the FCA report on one click to NEPRA.
- Implementation of APEX (BI Analysis) application with complete life cycle and integration with ERP system will revolutionize the reporting to users and CPPA-G management. This BI tool gives free hand to users to develop the report they want and enable users to perform analysis on extracted data. From its launch, the management and users both are got facilitated for day to day analysis and reporting by themselves.
- Online Metering Data submission was one of the modules of CDXP and launched earlier this year. This module allows DISCOs to submit their monthly Common Delivery Point (CDP) meter readings online through CDXP. This module will further integrate with Billing to DISCOs module and results in end to end automation of the billing to DISCOs. Not only this automation resolves billing disputes with DISCOs but also help in settlements with NTDC.
- Another project of Database Vault Solution is in-progress of implementation which will restrict access to specific areas in database from any user, including users who have administrative access. Database Vault will resolve security problems by protecting against insider threats, meeting regulatory compliance requirements and enforcing separation of duty. It enables users to apply fine-grained access control to sensitive data in a variety of ways.
- As part of Market Operator's IT Plan, a new site of tier-III Data Centre has been developed and all required civil work has been planned. It was one of the most important milestones which has been completed in initial stage of project.
- A new application for Annual Dependency Capacity Testing (ADC)/ Annual Capacity Testing (ACT) process has been developed which has enabled the users to collect and record testing results in ERP system and use information to extract reports and share results with other stakeholders. The system also generates the alerts to business users regarding upcoming tests of the power plants.
- A detailed IT Plan for Operator of Pakistan Electricity Market (OPEM) and Special Purpose Trader (SPT) for restructuring of CPPA-G is one of the most important activity from future perspective which will be mainly performed by IT department. Strategizing the future goals and methodologies to achieve goals and proceed into new era of OPEM and supporting current structure of SPT, this plan describes all endeavors of future and requirements needs to meet the plan. The plan was designed and developed in shortest possible time with acceptability from CPPA-G management. With the completion of IT Plan, the major milestone of RPMO project has been achieved before its time.
- To provide an ease to users in day to day communication among CPPA-G another step was taken by IT department by developing and launching web-based Phonebook application. This application provides phone number directory and blood group information of CPPA-G employees.
- Development and launch of Visitor Management System. Visitor management portal will allow CPPA-G to monitor access and purpose of visitors. By allowing CPPA-G users to make decision, this system will be used for scheduling meetings and booking meeting rooms.
- In current year when COVID-19 Pandemic hit every social area of life and limited every activity maximum to home, the importance of automated businesses was realized by every individual whose social life was affected by the pandemic. In this crucial time CPPA-G IT department leaded the organization from front and provided automated platform to execute the business processes to employees of CPPA-G. With the help of CPPA-G Data Exchange Portal (CDXP), the IPPs and DISCOs were also facilitated to submit their invoices and metering data online instead of submitting hard copies. The longsighted vision of CPPA-G management and right time investment in IT department brings fruit full results for whole organization and the collaboration of IT department internal teams changes the pandemic nightmare into success story and set example for the sector.

10.7
Policy & Planning Department.

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, Governance & Corporate 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

10.7.1
Yearly Achievements.

Following are some key achievements accomplished by this department during FY2019-20:

- Evaluation and proposal for optimization and waiver of fuel take-or-pay commitments,
- Evaluation and packaging of industrial economic growth proposal (Use More, Pay Less),
- Consultative resolution of Ease of Doing Business processes,
- Inputs related to preparation of internal policies and plans,
- Comparative analysis for integration of gas & power sector and substitutive natured applications,
- Sensitivity analyses for various scenarios on wholesale and retail levels for power business on PLEXOS, excel based analytic models and other platforms,
- Formulation of financial models for generation, supply & distribution segments of power business,
- End consumer tariff analysis of IGCEP 2047 and respective monthly fuel price projections for FY2021 and duly submitted to NEPRA,
- Model based activity on possible debt restructuring for various CPEC power projects for discovery of potential savings,
- Incentives design for Industrial Economic Zones,
- Participation in K-Electric Additional Supply options – taking into account Policy, Regulatory and Techno-commercial aspects
- Discovery and evaluation of tariff rationalization plan for power sector With all such milestones covered so far, we envision to move further ahead through contributive growth and thinking big to deliver big!

10.8
Office of Company Secretary.

The Office of the Company Secretary maintains compliance of SECP Act, 2017 and Public Sector Companies [Corporate Governance] Rules 2013.

The other functions of this office are:

- Engagement of External Auditor and preparation of Directors Report
- Organizing important hi-level 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
- Follow-up implementation on the General body, Board of Directors, Board Committees and CCRP decisions
- Maintaining the Record, maintenance of Books of Accounts, preparation of financial statements and filing of tax returns of CPPA Employees Gratuity Fund & CPPA Employees Provident Fund.

10.8.1
Yearly Achievements.

Following are some key achievements accomplished by this department during FY2019-20:

- Maintained compliance of CPPA-G with the relevant principles of corporate Governance as per Public Sector Companies [Corporate Governance] Rules, 2013
- Organized 09 Board of Director's Meetings
- Organized 74 meetings of different Board Committees
- Maintained documents of all the Board and Board Committee meetings held during the year
- Coordinate with the External Auditors for the timely completion of Statutory Audit of the Company and Compliance Audit Public Sector Companies Corporate Governance Rules, 2013 for the F.Y 2019-20
- Improved Corporate Governance Rules Compliance for FY 2019-20

11.

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.

11.1

Market Development.

Work on the transition of the existing market from the single buyer model to a competitive wholesale power market by 2022 is in progress at full pace at CPPA-G. FY2020 was just another successful year for CPPA-G in terms of moving few steps further towards the ultimate goal of establishing competitive wholesale market. CPPA-G 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 regulatory approval of the proposed high level market model, the quantum of market development activities has increase manifolds with the advancement in detailed designing and its implementation in the coming two years.

CPPA-G has designed a comprehensive phase-wise strategy for developing and implementing a competitive market keeping in view the paradigms of People, Processes and Technology.

PEOPLE

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 future business models. 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. Market Working Groups have also been established at respective power sector entities to collaborate with CPPA-G on market development efforts.

PROCESSES

For the 'processes' part, CPPA-G has been working to align the legal and regulatory framework with the proposed market model. MO commercial code and Special Purpose trader (SPT) both will have separate commercial codes and work is in progress for formulation of documents. CPPA-G is working with 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. IGCEP plan has also been updated by NTDC team where CPPA-G provided necessary support where required. DISCOs are made enabled to independently generate PMS based demand forecasts as well.

TECHNOLOGY

As far as 'technology' is concerned, CPPA-G has automated its entire set of business processes through the adoption of technological reforms such as ERP, ECM and CDXP and upgraded it's 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 generation planning, forecasting and simulation/modeling tools such as unit commitment and short-term forecasting tools for NPCC, medium-term forecasting and generation planning tool for NTDC, market price simulation tools and allied IT equipment and infrastructure.

Moreover, the assistance to market participants will be accelerated through Market Implementation Support Committee (MISC) of the CPPA-G Board. An international exchange for the CPPA-G Board members to an international electricity market (TURKEY) ,in order to give them opportunity to study how electricity market function in real and examine the role of market operator in administering a competitive electricity market had been organized which unfortunately postponed until next year due to pandemic situation around the world . CPPA-G. (iv) Functional Separation and Trial Run of MO BU (v) Legal Separation. To commence the wholesale competitive market by planed COD will be an uphill task, but with all power sector entities performing their part as planned, this goal can be achieved within the specified time.

Phase of Market Development Strategy

The market development strategy was divided into the following three phases:

PHASE ONE

The Phase-I included (a) research and study of global competitive markets, (b) capacity building of market entities, (c) proposing the market model and CTBCM Plan for Pakistan through a consultative process, (d) building strategic partnerships with Market Operators globally and (e) submission of the CTBCM model and plan for approval. This phase has been completed and NEPRA approved the high-level detail design In December 5, 2019.

PHASE TWO

The Phase-II is the detailed market design phase which comprises (i) preparation of the updated CTBCM Roadmap in consultation with the relevant stakeholders (ii) preparation of the updated Detailed Design of the CTBCM in consultation with the stakeholders, and (iii) preparation of the updated Integrated Electricity Market Simulation Model (IE-MSM) Report took place. These updated documents were required to be submitted to NEPRA within 60 days of the receipt of the approval determination i.e. by February 4, 2020. CPPA-G organized several consultative workshops and meetings during December 2019 to February 2020. These include consultative sessions and meetings with Ministry of Energy (Power Division), NEPRA, Ex- WAPDA Distribution Companies (DISCOs), K-Electric, National Transmission and Dispatch Company, National Power Control Center (NPCC), Alternate Energy Development Board (AEDB), Private Power Infrastructure Board (PPIB) and Independent Power Generation Companies (IPPs). Consequently, CPPA-G, prepared the updated Detailed Design and Implementation Roadmap, along with the Integrated Electricity Market Simulation Model (IE-MSM) and the same were submitted to NEPRA on February 5, 2020 meeting the target deadline given by the Authority. Subject to NEPRA's approval of detail design documents, this phase is also completed.

PHASE THREE

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

11.2

Restructuring the Organisation & Building HR Capacity.

CPPA-G has been mandated by the ECC to lead the development of competitive wholesale electricity in Pakistan. The Authority has also authorized CPPA-G to serve as the Market Operator of the existing as well as future electricity market. Keeping in view the arising conflict of interest of the two CPPA-G primary functions i.e. the MO function and the Agency Function, Authority has also directed to commence the operational and legal bifurcation of the company functions through organizational restructuring before commencement of the competitive market regime. This call for an immediate configuration of the overall functional structure and organizational hierarchy of the company in the light of the existing operational objectives as well as the future business requirements.

Consequently, organizational restructuring of the CPPA-G is being carried out is which is divided into five phases; [i] High Level Organization Design [ii] Detail Level Organization Design [iii] Organizational Implementation [iv] Functional Separation [v] Legal Separation

Completion of the Phase-I of the restructuring was achieved this year 2020 when the high-level design of the generic MO organization was completed. During this phase, the 30 functions of the MO were identified, and their conceptual details were also formulated. Currently, Phase-II is in progress where detailed business processes of each MO function is being formulated. Additionally, Commercial Code Operating Procedures [CCOP] are also being develop which will not only complement the MO Commercial Code but also inform the restructuring activity by providing an additional layer of details to the MO functions. Rest of phases will be commenced in next year.

Second phase of organizational restructuring requires CPPA-G to develop the process manuals with detailed process maps. This phase remained in progress during the year 2020. Third Phase of restructuring includes HR and IT system Implementation which will be completed till third quarter of 2021 following testing and legal separation of CPPA-G till 2022. Initially an operational segregation of CPPA-G will be made in two functions i.e. Special Purpose trader [SPT] and the Market Operator [MO] followed by their legal incorporation. Once created, while still reporting to the CEO CPPA-G, the new units will work independently of each other, and once both units can perform individually, these units will be legally separated. The proposal of restructuring was submitted to the Board of CPPA-G and was approved.

Based on the mandate given by ECC in conjunction with the direction by the Authority, the restructuring of CPPA-G is inevitable to avoid conflicts [if any] that the company may have in administrating the role of a Market Operator during proposed competitive market regime that commences in 2022. The CPPA-G Board has already approved principally the restructuring of CPPA-G.

CPPA-G has also engaged an International restructuring expert to design the business processes associated with the operations of the new business units. The plan for the implementation of restructuring activity has also been updated in line with the anticipated approval of conceptual design of CTBCM model by the NEPRA.

11.3

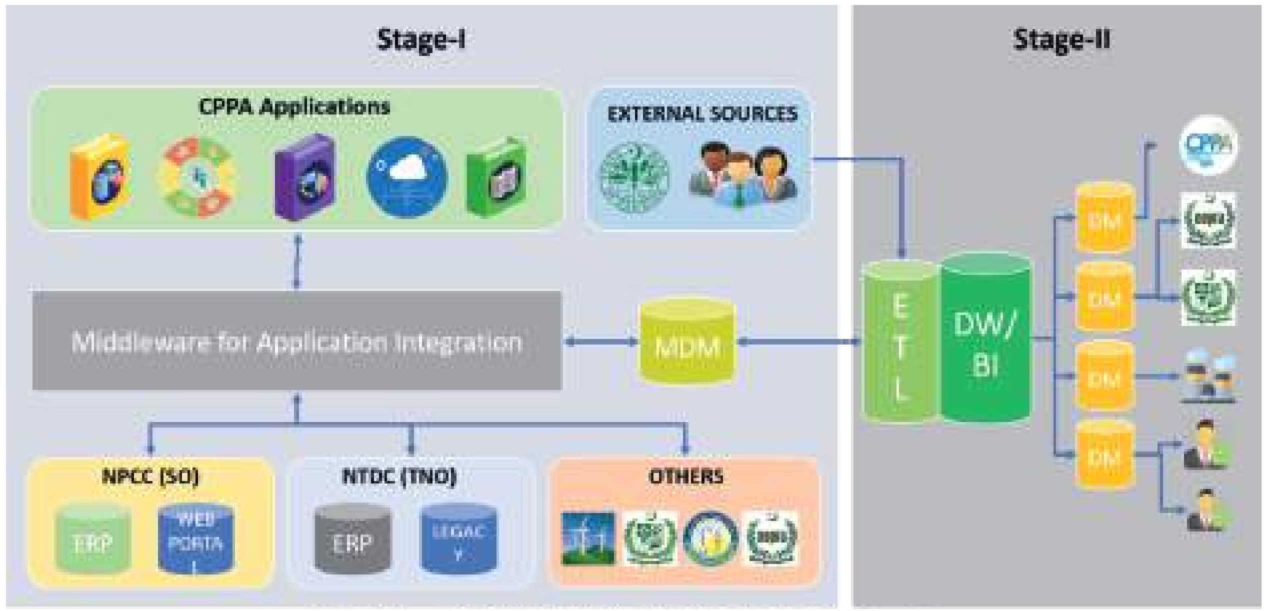
Data Institutionalization.

CPPA-G current role is expected to change enormously owing to the significant redesign of the Wholesale Electricity Market of Pakistan. To meet the challenges of the above change, CPPA-G needs to design and implement a complete Data Institutionalization solution to streamline and integrate the internal business process with the business applications of all other market participants to run the electricity market efficiently, effectively, with transparency and increase compliance with regulations and international best practices.

The data is being processed and maintained at all the main market participants in structured and un-structure forms, electronically or manually. These are proliferating islands of information having desperate applications covering multiple channels, divisions, and functions. That data is later gathered and shared with CPPA-G [Market Operator] for the purpose of billing & settlement, market simulations and forecasting. It is cumbersome and very hectic process to gather data, consolidate and generate analytics. The whole process is suffering with operational inefficiencies, questionable analytics, error prone integration and slow enterprise and sector wide agility and innovation.

Availability of reliable data and its timely sharing with market participants is the key to ensure transparency and predictability in the market. Data Institutionalization is also one of the seventeen group of actions required to be completed for CTBCM implementation. Once implemented, this will boost the investors' confidence on one side due to the timely availability and access to transparent data from a 'single source of truth' and on the other side will result in better informed decision making by the market players.

Under this initiative of Data Institutionalization, crucial data in CPPA-G, NTDC and NPCC related to system operations, forecasting, planning, simulation and competitive market operations and settlement will be identified along with data sources for proper data input, validation, warehousing, retrieval and reporting afterwards. This will include an end-to-end process capturing above stated steps, capacity building of the relevant stakeholders and establishment of data storage solutions [servers, applications, databases, reporting software etc.] in these entities. Once implemented other entities of the sector like Ministry, NEPRA, Provincial Energy Departments, IPP's, IRSA etc. can benefit from the data repository to run their analysis for decision making. In this project, data fields for NPCC has been Identified and reached to stage of automation. Similarly, same will be followed for NTDC data after the finalization of data for NPCC.



Architecture of Data Initialization Solution for Market Operator

12.

Strategic Partnerships & Collaborations.

CPPA-G is obliged to "Liaise with other international bodies having market functions similar to CPPA-G or administering competitive power markets" in accordance with the Section 12, sub-section 12.i.(vii). of the Commercial Code. In order to oblige this requirement, CPPA-G strives to build Strategic Partnerships with like entities both local and international. Doing this would enable CPPA-G to have a knowledge sharing platform and to have an opportunity to grow. The following paragraphs present a detail regarding the strategic partnerships developed by CPPA-G. CPPA-G has already established few important strategic partnerships with international organizations and academic institutions. So far, four Memorandums of Understanding (MoUs) has been signed with EPIAS, the Market Operator of Turkey, EPEXSPOT - the European Power Exchange, Lahore University of Management Sciences (LUMS), and National University of Science and Technology (NUST).

Similarly, 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.

12.1

Lahore University of Management Sciences.

A research, development and academic alliance was previously formed by CPPA-G with LUMS when a non-binding MoU was signed between CPPA-G and LUMS. This year, this partnership proved really helpful In developing capacity building among educational Institutes. This step had laid the foundation for the development of a centralized structure of knowledge in terms of market development for all the market entities. It had also provided an opportunity for the Professors and the faculty members of LUMS and other universities to enhance their knowledge enabling them to run the market development programs independently in future.

The year 2019-20 saw the successful completion of three modules of the EMP Program 2019 which was launched from the platform of LUMS Energy Institute with the participation of LUMS Senior Professors and other faculty members in the capacity of 'training of trainers'. However, forth module couldn't take place due to pandemic situation in the country. Hence, forth module is expected to take place in the last quarter of 2020. As a result of last EMP session, professors of LUMS actively participated in the program and delivered the sessions side by side with trainers of CPPA-G. It is expected that in the coming years, the EMP program will be offered independently by LUMS and will be delivered solely by the faculty of LUMS.

Another important initiative with the collaboration of LUMS was the development of short-term demand forecast tool and its operationalization at NPCC. This tool was to enable NPCC to generate highly accurate hourly demand forecasts. Formal contractual arrangement for operationalization of this tool under progress.

12.3

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 2019, 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. In addition, USAID has approved additional funding to CPPA-G for market development consultancy for short term.

With the USAID assistance, CPPA-G acquired a state-of-the-art tool for dispatch optimization and price simulation, long term resource optimization PLEXOS, from Energy Exemplar, USA. The PLEXOS software enabled CPPA-G to simulate the electricity market models and make informed decisions regarding the market prices. Similarly, for capacity building of the CPPA-G officials, USAID arranged five days online training on advanced competitive markets concepts through by PSR Brazil. USAID has also funded Energy Risk Professional (ERP) certification from GARP USA for fourteen officials of CPPA-G.

12.2

National University Of Science & Technology.

This year, another non-binding MOU was signed between CPPA-G and NUST for industry academia research linkages. Under this collaboration research projects have been started in NUST. One of the projects will be fruitful in analyzing the power purchase price for wholesale level. Some other includes quantum identification of net metering projects.

12.4

Training Workshop by World Bank.

CPPA-G organized a two-days training workshop during August 2019 on Capacity Markets in collaboration with the World Bank. This training was delivered by senior experts and trainings from Charles River Associates, USA at the World Bank Office. The workshop was attended by the participants from NEPRA, NTDC, NPCC DISCOs, KE, World Bank and CPPA-G. Foreign trainers from PSR Brazil were engaged by CPPA-G to deliver this training remotely using online training platform. The purpose of this training was to give general understanding of the capacity market to all stakeholders to enhance their understanding in planning the system in a more efficient manner.

13.
The Power Market.

This section has been divided into two sub-sections; (i) Market Statistics and (ii) Market Participants during FY 2019-20 compared with FY 2018-19.

13.1

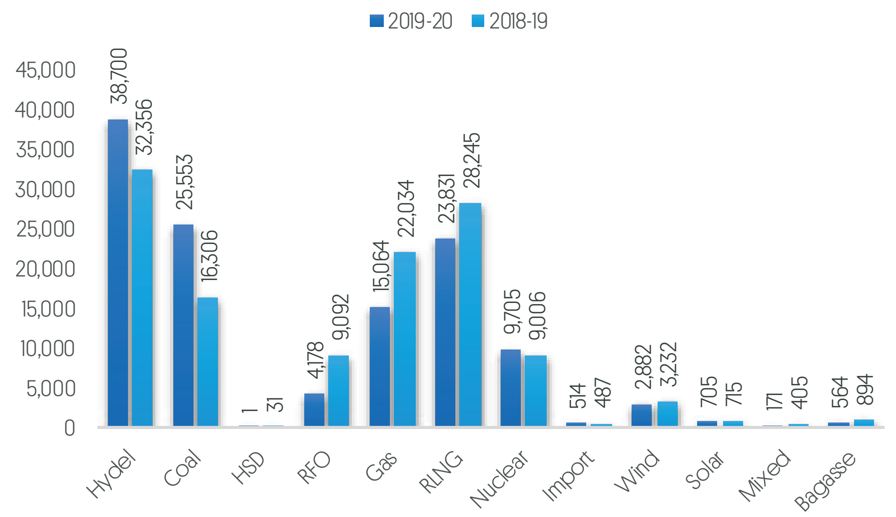
Market Statistics.

13.1.1

FY2019 & FY2020 – Wholesale Market Statistics.

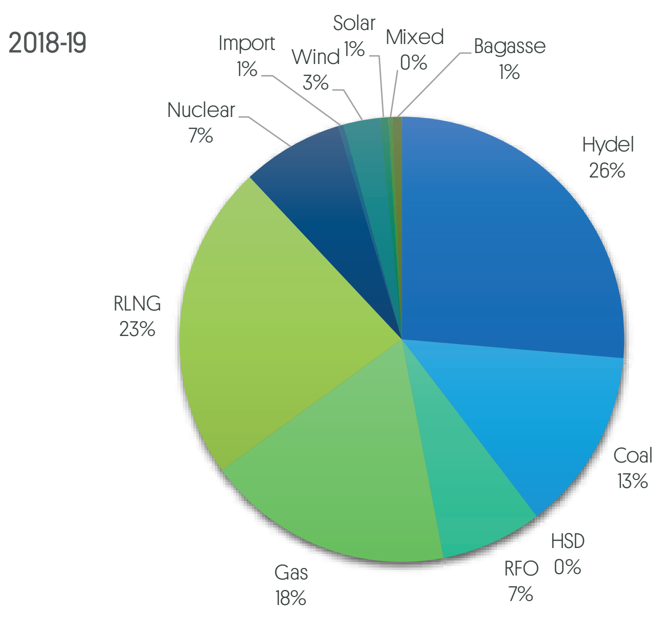
Energy Volume Mix Generated in Numbers (GWH)

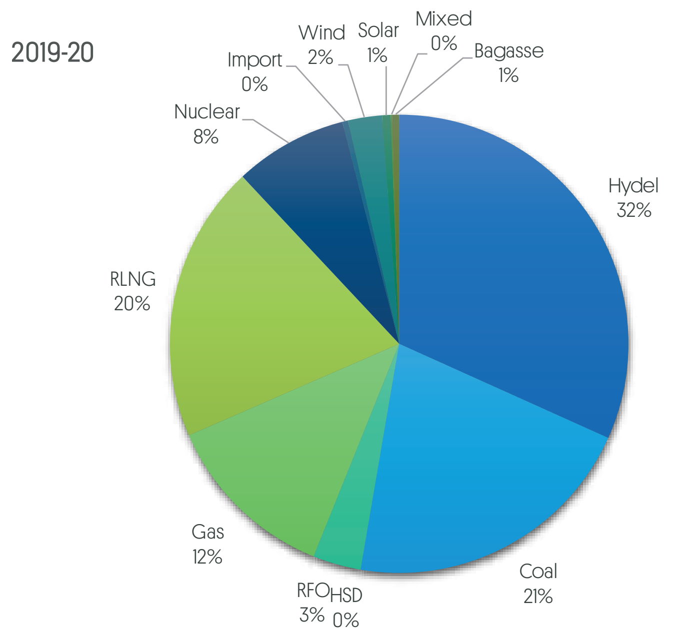
Fuel Type	2019-20	2018-19
Hydel	38,700	32,356
Coal	25,553	16,306
HSD	1	31
RFO	4,178	9,092
Gas	15,064	22,034
RLNG	23,831	28,245
Nuclear	9,705	9,006
Import	514	487
Wind	2,882	3,232
Solar	705	715
Mixed	171	405
Bagasse	564	894
Total	**121,868**	**122,803**



Energy Volume Mix Generated - In % Age

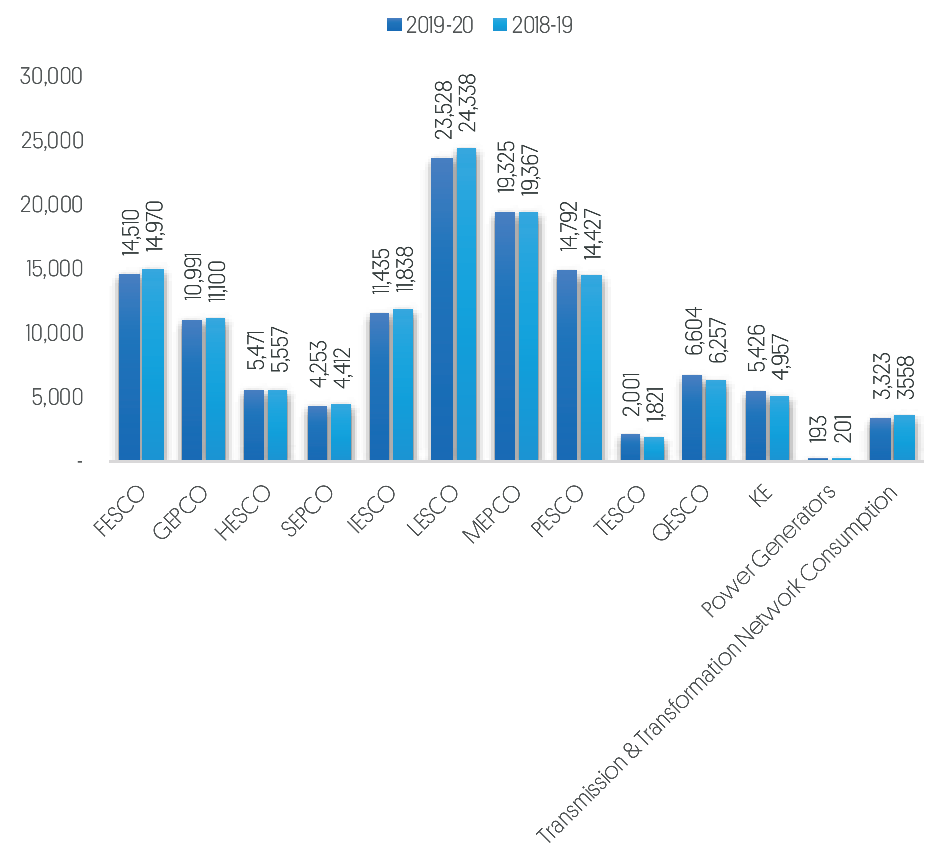
Fuel Type	2019-20	2018-19
Hydel	31.8%	26.8%
Coal	21.0%	13.5%
HSD	0%	0.0%
RFO	3.4%	7.5%
Gas	12.4%	18.3%
RLNG	19.6%	23.4%
Nuclear	8.0%	7.5%
Import	0.4%	0.4%
Wind	2.4%	2.7%
Solar	0.6%	0.6%
Mixed	0.1%	0.3%
Bagasse	0.5%	0.7%
Total	**100%**	**100.00%**





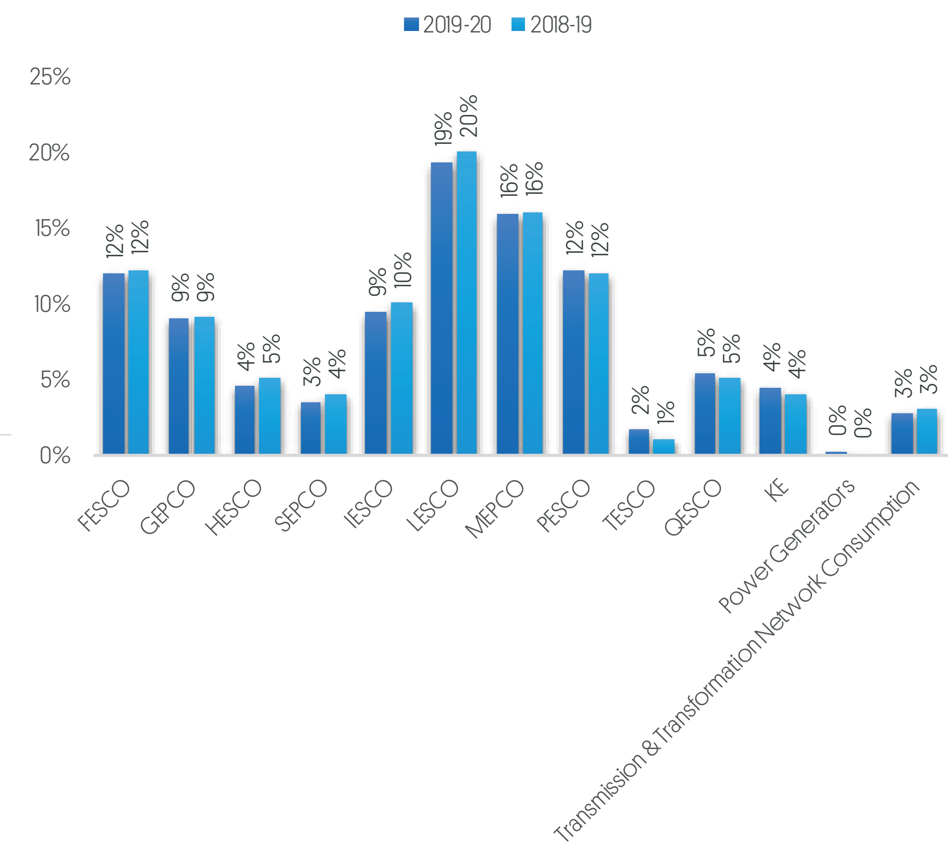
Energy Volume Consumed by Demand – In Numbers (GWH)

Demand	2019-20	2018-19
FESCO	14,510	14,970
GEPCO	10,991	11,100
HESCO	5,471	5,557
SEPCO	4,253	4,412
IESCO	11,435	11,838
LESCO	23,528	24,338
MEPCO	19,325	19,367
PESCO	14,792	14,427
TESCO	2,001	1,821
QESCO	6,604	6,257
KE	5,426	4,957
Power Generators	193	201
Transmission & Transformation Network Consumption	3,338	3558
Total	**121,867**	**122,803**



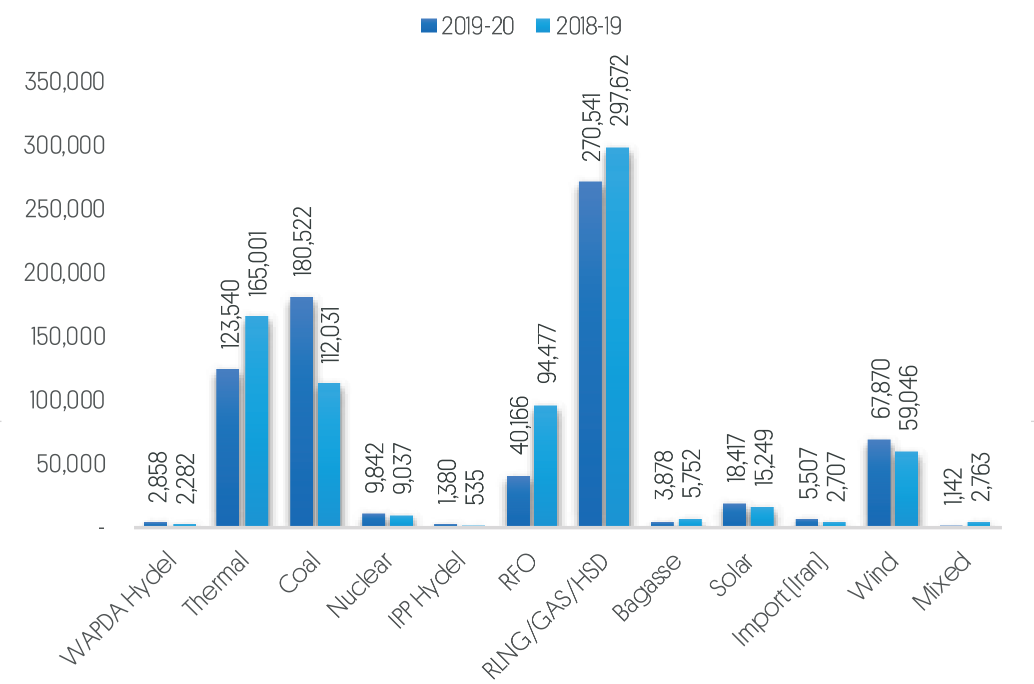
Energy Volume Consumed by Demand – In %Age

Demand	2019-20	2018-19
FESCO	12%	12%
GEPCO	9%	9%
HESCO	4%	5%
SEPCO	3%	4%
IESCO	9%	10%
LESCO	19%	20%
MEPCO	16%	16%
PESCO	12%	12%
TESCO	2%	1%
QESCO	5%	5%
KE	4%	4%
Power Generators	0%	0%
Transmission & Transformation Network Consumption	3%	3%
Total	**100%**	**100%**



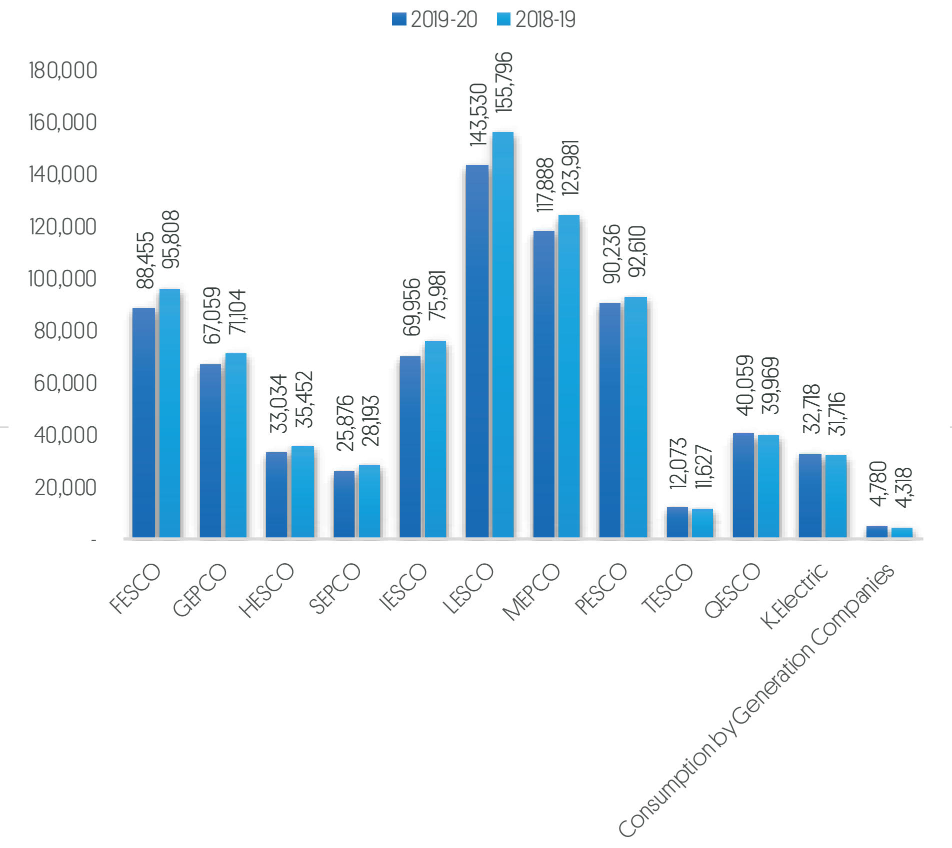
Energy Invoiced by Generators (Million PKR)

Fuel Type	2019-20	2018-19
WAPDA Hydel	2,858	2,282
Thermal	123,540	165,001
Coal	180,522	112,031
Nuclear	9,842	9,037
IPP Hydel	1,380	535
RFO	40,166	94,477
RLNG/GAS/HSD	270,541	297,672
Bagasse	3,878	5,752
Solar	18,417	15,249
Import (Iran)	5,507	2,707
Wind	67,870	59,046
Mixed	1,142	2,763
Total	**725,662**	**766,552**



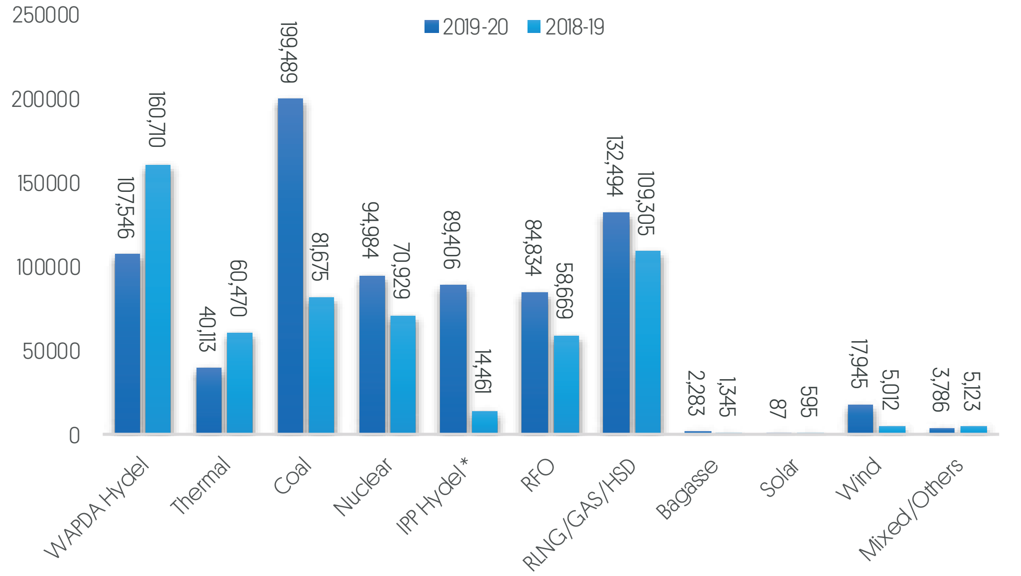
Energy Settled to Demand (Million PKR)

Demand	2019-20	2018-19
FESCO	88,455	95,808
GEPCO	67,059	71,104
HESCO	33,034	35,452
SEPCO	25,876	28,193
IESCO	69,956	75,981
LESCO	143,530	155,796
MEPCO	117,888	123,981
PESCO	90,236	92,610
TESCO	12,073	11,627
QESCO	40,059	39,969
K-Electric	32,718	31,716
Consumption by Generation Companies	4,780	4,318
Total	**725,662**	**766,552**



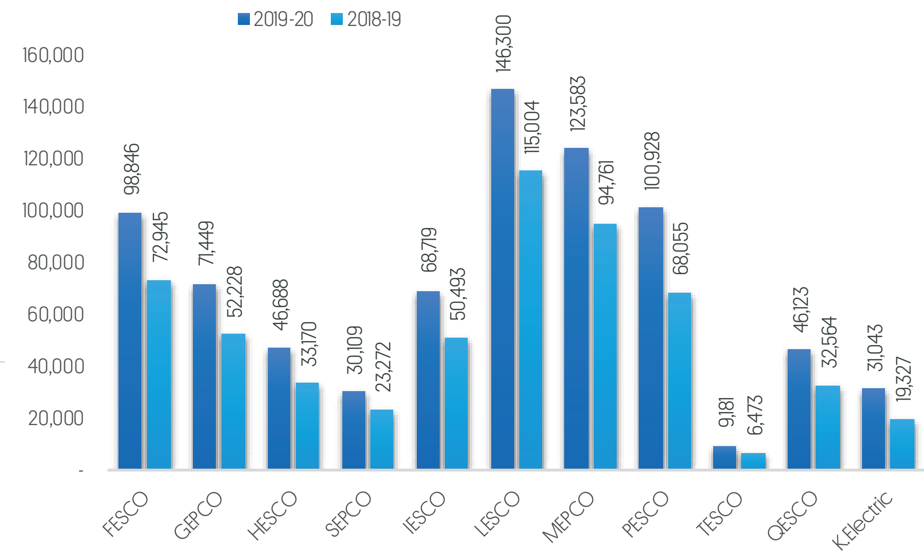
Capacity Invoiced by Generators (Million PKR)

Fuel Type	2019-20	2018-19
WAPDA Hydel	107,546	160,710
Thermal	40,113	60,470
Coal	199,489	81,675
Nuclear	94,984	70,929
IPP Hydel *	89,406	14,461
RFO	84,834	58,669
RLNG/GAS/HSD	132,494	109,305
Bagasse	2,283	1,345
Solar	87	595
Wind	17,945	5,012
Mixed/Others	3,786	5,123
Total	**772,969**	**568,293**



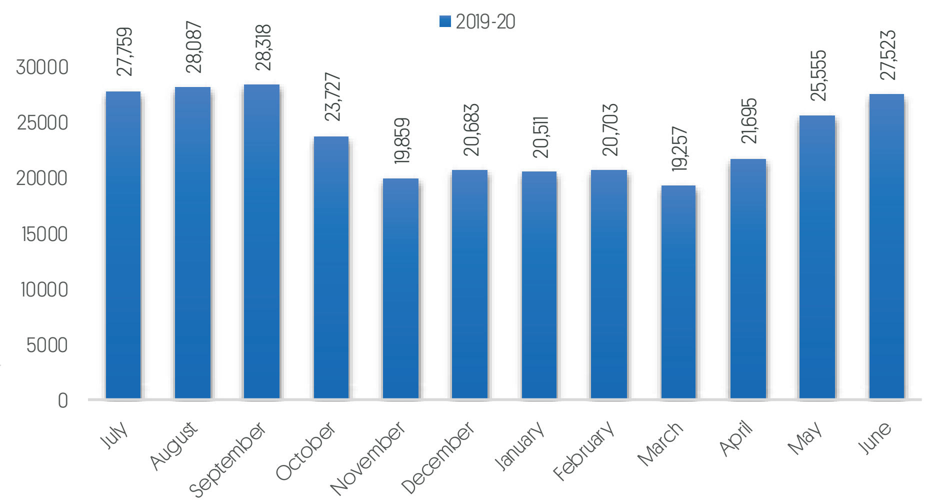
Capacity Settled to Demand (Million PKR)

Demand	2019-20	2018-19
FESCO	98,846	72,945
GEPCO	71,449	52,228
HESCO	46,688	33,170
SEPCO	30,109	23,272
IESCO	68,719	50,493
LESCO	146,300	115,004
MEPCO	123,583	94,761
PESCO	100,928	68,055
TESCO	9,181	6,473
QESCO	46,123	32,564
K.Electric	31,043	19,327
Grand Total	**772,969**	**568,293**



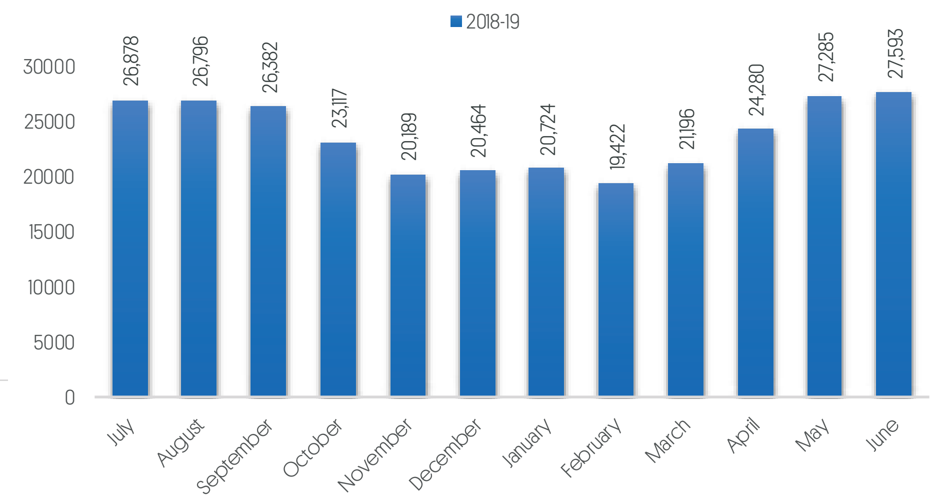
Monthly System Peak Load Profile (MW) on Non-Co-incidental Basis (2019-20)

Month	Demand (MW)
July	26,878
August	26,796
September	26,382
October	23,117
November	20,189
December	20,464
January	20,724
February	19,422
March	21,196
April	24,280
May	27,285
June	27,593



Monthly System Peak Load Profile (MW) on Non-Co-incidental Basis (2018-19)

Month	Demand (MW)
July	27,759
August	28,087
September	28,318
October	23,727
November	19,859
December	20,683
January	20,511
February	20,703
March	19,257
April	21,695
May	25,555
June	27,523



13.2

Market Participants.

Market Operator Rules define the Market Participants as under:

Market participant" means any entity, approved by the Authority as generation company, NTDC, "the Ex-WAPDA distribution companies", Transmission Company or any other entity enlisted by the market operator under the commercial code;"

The tables below provide the list of Market Participants as on 30th June 2020:

List of Generation Participants

Sr. No.	Name of the Generation Participants	Installed Capacity (MW)
Wind		
1	FFC Energy Limited	50
2	Foundation Wind Energy-I Private Limited	50
3	Foundation Wind Energy-II Private Limited	50
4	Gul Ahmed Wind Power Ltd.	50
5	Hawa Energy (Pvt.) Ltd.	50
6	Hydro China Dawood Power (Pvt.) Ltd.	50
7	Jhimpir Power (Pvt.) Ltd.	50
8	Master Wind Energy Ltd.	50
9	Metro Power Company Limited	50
10	Sachal Energy	50
11	Sapphire Wind Power Company Ltd.	53
12	Act Wind Energy (Pvt.) Ltd.	30
13	Tenaga Generasi Ltd.	50
14	Three Gorges 1st Wind Farm Pakistan Limited	50
15	UEP Wind Power (Pvt.) Ltd.	99
16	Yunus Energy Ltd.	50
17	ZORLU ENERJI PAKISTAN LIMITED	56
18	Zephyr Power Private Limited	50
19	Tricon Boston A	50
20	Tricon Boston B	50
21	Tricon Boston C	50
22	Artistic Energy	49
23	Three Gorges 2nd Wind Farm Pakistan Limited	50
24	Three Gorges 3rd Wind Farm Pakistan Limited	50
25	Master Green Energy Ltd.	50
26	Tricom Wind Power (Pvt) Ltd.	50
27	Lakeside Wind Power	50
28	Artistic Wind Power (Pvt) Ltd.	50
29	Liberty Wind Power-I (Pvt) Ltd. (Zulaikha)	50
30	Liberty Wind Power-II (Pvt) Ltd. (Zulaikha)	50
31	Indus Wind Energy Ltd.	50
32	Act 2 Wind (Pvt) Ltd.	50
33	Metro Wind Power Ltd.	60
34	NASDA Green Energy (Pvt) Ltd.	50
35	Din Energy (Pvt) Ltd.	50
36	Gul Ahmad Electric Limited	50
Solar		
1	AJ Power (Private) Limited	12
2	Harappa Solar (Pvt) Limited- revised	18
3	Appolo solar Development Pakistan – revised	100
4	Best Green Energy Pakistan Limited – revised	100
5	Crest Energy Pakistan Limited - revised	100
6	Quaid-e-Azam Solar Power (Pvt) Ltd. - revised	100
Bagasse		
1	Chiniot Power	62
2	JDW-II	26
3	JDW-III	26
4	Layyah Sugar Mills	41
5	RYKML	30
6	Almoiz Industries Limited	36
7	Etihad Power Generation Limited.	74
8	Chanar Energy Limited	22
9	Hamza Sugar Mills	15
RFO/Gas/HSD/RLNG		
1	AES LALPIR	362
2	AES PAK GEN.	365
3	ALTERN POWER	28
4	ATLAS POWER LIMITED	219
5	ATTOCK GENEERATION LIMITED	165
6	NPPMCL-Balloki RLNG	1,223
7	QATPL-Bhikki RLNG	1,180
8	DAVIS ENERGY LIMITED	10
9	Engro Power (GAS)	213
10	FAUJI KABIRWALA	151
11	FOUNDATION POWER CO DHARKI LIMITED	168
12	GENCO-I	830
13	GENCO-II	1,337
14	GENCO-III	1,410
15	GENCO-IV	425
16	HABIBULLAH COASTAL	129
17	HALMORE POWER GENERATION CO LIMITED (GAS)	207
18	NPPMCL-Havelli Bahadur Shah RLNG	1,223
19	HUBCO	1,202
20	HUBCO-Narowal	225
21	KAPCO	1,600
22	KOHINOOR ENERGY LTD	124
23	LIBERTY POWER PROJECT	213
24	LIBERTY POWER TECH LIMITED	202
25	NISHAT CHUNIAN POWER LIMITED	202
26	Nishat Power	202
27	Orient Power (GAS)	213
28	POWER GENERATION LTD	116
29	ROUSCH	395

30	SABA POWER COMPANY LTD	134
31	SAIF POWER LIMITED (GAS)	204
32	SAPPHIRE ELECTRIC COMPANY LIMITED (GAS)	205
33	UCH	549
34	UCH-II	375
35	Punjab Thermal Power	1,263
Coal		
1	China Power Hub Generation Company Ltd	1,320
2	Engro Powergen Thar (Pvt) Ltd	660
3	Lucky Electric Power Company	660
4	Port Qasim Electric Power Company	1,320
5	Sahiwal Coal Project	1,320
6	Siddiqsons Energy Ltd	330
7	ThalNova Power Thar	330
8	Thar Coal Block-1 Power Generation Power Project	1,320
9	Thar Energy Limited at Thar	330
Nuclear		
1	CHASHMA NUCLEAR 1	301
2	CHASHMA NUCLEAR 2	315
3	CHASHMA NUCLEAR 3	340
4	CHASHMA NUCLEAR 4	340
Hydel		
1	Allai Khwar	121
2	Chashma	184
3	Dubair Khwar	130
4	Ghazi Barotha	1,450
5	Golen Gol	106
6	Jagran (AJK) – I	30
7	Jinnah	96
8	Karot Power Company Pvt Ltd	720
9	Khan Khwar	72
10	Kohala (China International Water & Electric Company)	1,124
11	Laraib New Bong Esc.	84
12	Malakand-III	81
13	Mangla	1,000
14	Mira Power Ltd	102
15	Neelum Jehlum	969
16	S.K Hydro Pvt Ltd	870
17	Tarbela	3,478
18	Tarbela 4th Extension	1,410
19	Tarbela 5th Extension	1,410
20	Warsak	243
21	Patrind	147
22	Pehur	18
23	Ranolia	17
24	Daral Khwar	36
25	Rialli-II	07
Import of Power		
1	Tavanir – Iran	104

List of Demand Side Market Participants (Distribution Companies)

Sr. No.	Name	Maximum Demand Index (MW) *(on Non Co-incidental basis)*
1	Faisalabad Electric Supply Company (FESCO)	3,566
2	Gujranwala Electric Power Company (GEPCO)	2,698
3	Hyderabad Electric Supply Company (HESCO)	1,766
4	Islamabad Electric Supply Company (IESCO)	2,647
5	Lahore Electric Supply Company (LESCO)	5,616
6	Multan Electric Power Company (MEPCO)	4,891
7	Peshawar Electric Supply Company (PESCO)	3,415
8	Quetta Electric Supply Company (QESCO)	1412
9	Sukkur Electric Power Company (SEPCO)	1,123
10	Tribal Areas Electric Supply Company (TESCO)	270
11	K-Electric (KE)	913
	Total	**28,317**

14.

Implementation of Commercial Code.

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

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

Based on this given mandate, in mid of 2016, CPPA-G started market model development efforts by forming an internal team and then hiring internationally recognized market development consultants. A strategy was devised for the preparation of the future market model and later the transition plan [CTBCM Plan]. CPPA-G received the authorization as the Market Operator from NEPRA in November 2019. The Certificate of Registration was received in response to registration application filed by CPPA-G to NEPRA on April 12, 2017 to operate as the Market Operator under Rule-3 of the Market Rules. This gives a legal status to operate as the Marker Operator with the receipt of the registration from the Authority.

The Authorization also accompanied a Commercial Code which was unilaterally amended by the NEPRA during the registration process. The imperative due procedure prescribed under section 3.4 [PROCEDURE FOR PROPOSING AMENDMENTS] of the Commercial Code was not followed for the Commercial Code amendment.
In light of the fact that the Commercial Code amendment did not confirm to the requirements of the regulatory framework in general and the requirements of Commercial Code and Market Rules 2015 in particular, CPPA-G filed a review before the Authority to initiate the review process against the unilateral modification in the Commercial Code.
As a matter of principle, the changes in the existing commercial code should be routed through Commercial Code Review Panel [CCRP], following the due procedure laid down in the regulatory framework. CCRP has been requested to review the matter in detail and may pursue the matter with NEPRA from CCRP forum.

In the October 2019, an exhaustive exercise was done by CPPA-G, to incorporate the major changes proposed by different stakeholders including IPPs, K-Electric. In accordance with the procedure prescribed in the Commercial Code, CPPA-G through Commercial Code Review Panel [CCRP], proposed these amendments in the Commercial Code and submitted the same for review and approval of the Authority. Subsequently, the Authority conducted the public hearing and approved the total thirteen amendments through its determination dated February 17th 2020.
On another note, the approved competitive market model, require a set of rules, regulations and codes to enable the functioning and smooth operation of the competitive market being envisaged. The current Commercial Code aims to promote and enable the development of the competitive power market, it does not incorporate all the requirements of the operations of competitive market model. Therefore, one of the most important actions in the implementation phase of CTBCM plan cover the amendment in the existing code termed as "SPT code" and drafting and approval of a new Market Operator Commercial Code which will covers the details of the market operations.

Additionally, CPPA-G has started working on the TOCs of MO commercial code. This effort is coordinated centrally by SMD team with mutual collaboration of the relevant functional teams of Finance, Technical, IT and Legal departments. The purpose is that all the concerned sections are fully aware of the role of the Commercial Code in the overall market regulatory structure and the future functions of CPPA-G as Market Operator. Similarly, many other new procedures for transparent Settlement and Payment System have been familiarized to develop the payment discipline like by introducing the concept and mechanism of Credit Covers for new market participants having bilateral contract.

15.

Director's Report.

15.1

Summary of Statements As Per Rule 17 Of Public Sector Companies Corporate Governance Rules, 2013.

15.1.1 Compliance with The Relevant Principles of Corporate Governance.

Company has complied with the relevant principles of corporate Governance as per Public Sector Companies [Corporate Governance] Rules, 2013.

15.1.2 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 and cash flows.

15.1.3 Books of Accounts.

Proper books of accounts of the company have been maintained

15.1.4 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

15.1.5 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.

15.1.6 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.

15.1.7 Board Meetings and Attendance of Board Members.

Total meetings of the Board of Directors and Board Committees held during the Financial Year 2019-20 are as follows:

Table 1: Meetings attended by the Directors

Sr. No.	Meeting	No. of Meetings Held in 2019-20
1	Board of Directors	09
2	Procurement Committee of Board	10
3	HR Committee of Board	14
4	Risk Management Committee of Board	05
5	Audit Committee of Board	07
6	Finance Committee of Board	06
7	Special Committee on MISC	06
8	Special Committee on NJHPC Case	03
9	Special Committee on HUBCO First Fill	01
10	Special Committee on Profit Rate of	02
11	Escrow Account	05
12	Special Committee on GENCO-III	06

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

Table 2: Meetings attended by the Directors

S. No.	Name of Directors	No. of Meetings Attended
1	Mr. Irfan Ali	10
2	Mr. Zargham Eshaq Khan	35
3	Dr. Khaqan Hassan Najeeb	06
4	Mr. Zafar Abbas	35
5	Mr. Mian Muhammad Imran	30
6	Mr. Shahid Iqbal Chaudhry	20
7	Mr. Abid Latif Lodhi	43
8	Mr. Ghias ud Din Ahmad	43
9	Mr. Hamid Ali Khan	59
10	Ms. Ayla Majid	42
11	Mr. Khawaja Riffat Hassan	02
12	Mr. Muhammad Anwer Sheikh	03
13	Mr. Waseem Mukhtar	03

15.1.1 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:

Table 3: Fees paid to the Directors during FY 2019-20

Sr. No.	Name of Directors	Fees Paid *(Rs. in Millions)*
1	Mr. Irfan Ali	Nil
2	Mr. Zargham Eshaq Khan	2.25
3	Dr. Khaqan Hassan Najeeb	0.437
4	Mr. Zafar Abbas	2.156
5	Mr. Mian Muhammad Imran	1.781
6	Mr. Shahid Iqbal Chaudhry	1.218
7	Mr. Abid Latif Lodhi	Nil
8	Mr. Ghias ud Din Ahmad	2.687
9	Mr. Hamid Ali Khan	3.656
10	Ms. Ayla Majid	2.531
11	Mr. Khawaja Riffat Hassan	0.093
12	Mr. Muhammad Anwer Sheikh	0.156
13	Mr. Waseem Mukhtar	Nil

During the FY 2019-20 the Remuneration of the Chief Executive Officer of the Company is Rs. 1.45 million per month along with vehicle monetization allowance as per company policy.

15.1.9 Subsidy or Other Financial Support from the Government.

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

15.1.10 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

15.1.11 Key Operating and Financial Data.

Key operating and Financial Data for the month of June-2015 to June 2020 are as follows;

Table 4: Income and Expenditure Data

Fiscal Year	Revenue *(Rupees in Thousands)*	Expenditures *(Rupees in Thousands)*
FY 2014-15	42,070/-	42,399/-
FY 2015-16	397,230/-	368,054/-
FY 2016-17	822,235/-	548,870/-
FY 2017-18	640,504/-	658,497/-
FY 2018-19	854,989/-	709,447/-
FY 2019-20	873,108/-	807,657/-

Table 5: Balance Sheet Data

As at 30th June	Assets *(Rupees in Thousands)*	Liabilities *(Rupees in Thousands)*	General Fund *(Rupees in Thousands)*
2015	487,089,339/-	487,101,138/-	-11,799/-
2016	438,052,298/-	438,153,909/-	-101,610/-
2017	571,955,961/-	571,921,398/-	34,563/-
2018	1,412,632,025/-	1,412,607,924/-	24,101/-
2019	1,827,942,514/-	1,827,837,314/-	105,200/-
2020	2,345,755,936/-	2,345,567,781/-	188155/-

15.1.12 Statutory Payments on Account of Taxes, Duties Levies.

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

15.1.13 Significant Plans and Decisions.

With regard to restructuring with the business perspective, the CPPA-G will restructure itself into two separate business units representing the Market Operator (MO) and Special Purpose Trader (SPT). This will be done in order to ensure the smooth transition towards the new market model and to avoid the conflict of interest.

The Market Operator will have the responsibility of administering all market functions and transactions in the Competitive Trading Bilateral Contract Market (CTBCM), the SPTwill be a service provider to manage legacy contracts which cannot easily be transferred or assigned to successor entities and it may further continue to procure power for strategic national infrastructure projects including import of power from other Countries. For this bifurcation of CPPA-G into two separate entities, a restructuring project is being carried out at CPPA-G following a phased approach. Accordingly, the organizational restructuring of the CPPA-G will be carried out in five phases; (i) High Level Organization Design (ii) Detail Level Organization Design (iii) Organizational Implementation (iv) Functional Separation (v) Legal separation.

Currently, the Phase-I of the restructuring activity has been completed whereas the Phase-II is under progress. The complete restructuring of the organization followed by operational and legal segregation is planned to be carried out before the commencement of competitive wholesale market targeted in April 2022.

15.1.14 Value of Investment of Provident, and Gratuity Funds.

FY 2019-20 provident fund was of Rupees 25.6 million/- million and gratuity fund contribution was Rupees 35.0 million. (FY 2018-2019: Rupees 29.95 million and Rupees 32.92 million respectively by the Company).

Company has further transferred the provident fund and gratuity fund contributions to CPPA Employees Contributory Provident Fund and CPPA Employees Gratuity Fund as per actual liabilities as at the close of the year.

16.

Auditor's Report & Financial Statements.

This section has been divided into following sub-sections;

Riaz Ahmad & Company
Chartered Accountants

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2020

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified 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 30 June 2020, 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, except for the effects of matters described in the Basis for Qualified Opinion section of our report, 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 30 June 2020 and of the surplus, other comprehensive loss, the changes in general fund and its cash flows for the year then ended.

Basis for Qualified Opinion

(i) As explained in Note 8.1 of the accompanying financial statements, Power Purchase Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements. However, the Company has accounted for the transactions relating to K-Electric in the accompanying financial statements as an agent of K-Electric based on assessment by the management that it shall be successful in signing the Power Purchase Agency Agreement with K-Electric with effect from back date as currently the matter is being dealt by Government of Pakistan directly. If the Power Purchase Agency Agreement with K-Electric is not signed with back date effect, accounting for the transactions relating to K-Electric will not be done by the Company as its agent and will be routed through income and expenditure statement.

(ii) As explained in Note 8.2 of the accompanying financial statements, government-owned distribution companies (DISCOs) and K-Electric do not acknowledge / recognize delayed payment surcharge paid by the Company and NTDCL, in periods prior to the transfer of Market Operations Undertaking under the Business Transfer Agreement (BTA) to the Company, to

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power producers passed through to DISCOs and K-Electric, on the grounds that the same is disallowed to them by NEPRA in their tariff determination. As at 30 June 2020, DISCOs and K-Electric have not recognized delayed payment surcharge amounting to Rupees 110.630 billion in their books of account and accordingly DISCOs have not confirmed the same in their balance confirmations. The Company has requested NEPRA for reconsideration of tariff determination of DISCOs. Hence, pending the reconsideration of tariff determination, no adjustments in these financial statements have been made.

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 qualified opinion.

Emphasis of Matter

We draw attention to the matters discussed in note 11.2, note 13, note 17.1.3.2 and note 18 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no adjustments in these financial statements have been made. Our opinion is not modified in respect of these matters.

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. As described in the *Basis for Qualified Opinion* section above, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Riaz Ahmad & Company
Chartered Accountants

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

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Chartered Accountants

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.

- 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 except for the effects of matters described in basis for qualified opinion section of our report:

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 Raheel Arshad.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 04 NOV 2020

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	2020	2019
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property and equipment	3	109,491	94,785
Intangible assets	4	36,291	40,213
Right-of-use asset	5	223,726	-
Deferred income tax asset	6	-	-
Long term security deposits	7	21,264	21,264
		390,772	156,262
Current assets			
Due from principals	8	2,236,377,588	1,709,214,290
Receivable from NTDCL through loan notes	9	41,900,008	41,648,936
Taxation recoverable - net	10	45,328	-
Advances, prepayments and other receivables	11	6,733,391	6,617,352
Accrued mark-up	12	-	-
Mark-up receivable	13	46,339,044	45,785,131
Bank balances - deposit accounts	14	13,969,805	24,520,543
		2,345,365,164	1,827,786,252
Total assets		2,345,755,936	1,827,942,514
FUND AND LIABILITIES			
FUND			
General fund		188,155	105,200
LIABILITIES			
Non-current liability			
Lease liability	15	183,019	-
Current liabilities			
Energy payables swapped by Government of Pakistan	16	946,942,400	784,462,871
Energy and other payables	17	1,398,382,203	1,043,328,713
Current portion of lease liability	15	60,159	-
Provision for taxation	10	-	45,730
		2,345,384,762	1,827,837,314
Total liabilities		2,345,567,781	1,827,837,314
Contingencies and commitments	18	-	-
Total fund and liabilities		2,345,755,936	1,827,942,514

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020	2019
		(Rupees in thousand)	
INCOME			
Market operation fee	19	414,455	520,896
Profit on bank accounts		458,653	334,093
		873,108	854,989
EXPENDITURE			
Operating expenses	20	(775,237)	(708,141)
Finance cost	21	(32,420)	(1,306)
		(807,657)	(709,447)
SURPLUS BEFORE TAXATION		65,451	145,542
TAXATION	22	18,572	(61,047)
SURPLUS AFTER TAXATION		84,023	84,495

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	(Rupees in thousand)	
SURPLUS AFTER TAXATION	84,023	84,495
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to income and expenditure statement:		
Remeasurement of defined benefit obligation	(1,068)	(3,396)
Items that may be reclassified subsequently to income and expenditure statement	-	-
	(1,068)	(3,396)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	82,955	81,099

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 30 JUNE 2020

	GENERAL FUND (Rupees in thousand)
Balance as at 30 June 2018	24,101
Surplus for the year ended 30 June 2019	84,495
Other comprehensive loss for the year ended 30 June 2019	(3,396)
Total comprehensive income for the year ended 30 June 2019	81,099
Balance as at 30 June 2019	105,200
Surplus for the year ended 30 June 2020	84,023
Other comprehensive loss for the year ended 30 June 2020	(1,068)
Total comprehensive income for the year ended 30 June 2020	82,955
Balance as at 30 June 30 2020	188,155

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	65,451	145,542
Adjustments for non-cash charges and other items:		
Depreciation	44,039	25,888
Amortization	8,419	7,785
Depreciation on right-to-use asset	68,839	-
Provision for gratuity	17,732	13,059
Profit on bank deposits	(458,653)	(334,093)
Finance cost	32,420	1,306
Cash flows from operating activities before working capital changes	(221,753)	(140,513)
Working capital changes:		
(Increase) / decrease in current assets		
Due from principals	(527,163,298)	(419,888,929)
Receivable from NTDCL through loan notes	(251,072)	763,233
Advances, prepayments and other receivables	(195,651)	(133,598)
Mark-up receivable	(553,913)	12,264,229
Increase in current liabilities		
Energy payables swapped by Government of Pakistan	162,479,529	206,823,224
Energy and other payables	355,049,561	215,522,007
	(10,634,844)	15,350,166
Cash (used in) / generated from operations	(10,856,597)	15,209,653
Income tax paid	(72,486)	(30,110)
Gratuity contribution paid	(14,871)	(94)
Finance cost paid	(32,420)	(1,306)
Profit on bank deposit received	538,265	284,918
	418,488	253,408
	(10,438,109)	15,463,061
Increase in long term security deposits	-	(21,264)
Net cash (used in) / generated from operating activities	(10,438,109)	15,441,797
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(58,745)	(60,547)
Intangible asset purchased	(4,497)	(15,160)
Net cash used in investing activities	(63,242)	(75,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability	(49,387)	-
Net worth	-	(7,163,233)
Net cash used in financing activities	(49,387)	(7,163,233)
Net (decrease) / increase in cash and cash equivalents	(10,550,738)	8,202,857
Cash and cash equivalents at the beginning of the year	24,520,543	16,317,686
Cash and cash equivalents at the end of the year	13,969,805	24,520,543

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, 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 (Amendment) Act, 2017, 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.

To enable its function as market operator, the Company signed a Business Transfer Agreement (BTA) dated 03 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 CPPA and Contract Registrar and Power Exchange Administrator (CRPEA) to the Company (collectively referred to as Market Operations Undertaking). Pursuant to the commencement of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 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. On 16 November 2018, National Electric Power Regulatory Authority (NEPRA) has approved the registration of CPPA-G as market operator under Rule 3 of the Market Rules.

NEPRA also approved the Commercial Code vide SRO 542(I)/2015 dated 02 June 2015 under which the operations and responsibilities to be performed and discharged by the market operator include the following:

(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 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.

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 as provided in the Commercial Code and PPAAs as follows:

a) Under Clause 8.8.2 of the Commercial Code;

"The CPPA-G in this process, shall act as an agent of DISCOs without assuming payment responsibilities. Payment and debts remain with DISCOs. CPPA-G shall not be held liable for non-payment to market participants."

b) 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."

The Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date.

The detail of assets and liabilities transferred to the Company as per resolution passed in meeting of Board of Directors of the Company held on 13 February 2017 are as follows:

Assets transferred to the Company	**Rupees in thousand**
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 receivable	65,493,054
Cash and bank balances	6,339,070
	613,501,584
Liabilities transferred to the Company	
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	**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 02 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. 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.

Article 5 of the BTA deals with the process of secondment / transfer of employees from NTDCL to the Company. Clause 5.1 of the BTA specifies NTDCL's employees working for the Company shall be placed on secondment for a period of twelve months extendable by the Company. Further, during this period or till such time that any such employee accepts the offer to join the Company, he shall be deemed as the employee of NTDCL. Accordingly, the related retirement benefits of such employees have been retained by NTDCL as at 30 June 2015.

1.2 In financial year 2018-19, the net worth amounting to Rupees 7,163 million and receivable from GoP in lieu of K-Electric previously allocated to GENCOs amounting to Rupees 6,400 million have been transferred back to NTDCL. Accordingly, loan note receivable from NTDCL has been reduced to Rupees 41,649 million. Further, during the financial year 2019-20, overbooked revenue by NTDCL amounting Rupees 251 million has been transferred back to NTDCL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The 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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except defined benefit plan which is carried at present value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairment

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

Income Tax

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

Defined benefit plan

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

IFRS 16 'Leases' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2019) contains amendments regarding plan amendments, curtailments or settlements. The amendment is not expected to have a material impact on the Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits – this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use statement of comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

The amendments in definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

e) Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore, not detailed in these financial statements.

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: re-introduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc. are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

IFRS 16 (Amendments) "Leases" (Annual reporting periods beginning on or after June 01, 2020). The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments and improvements do not have a material impact on the financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after July 01, 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore, not detailed in these financial statements.

2.2 Provisions and contingencies

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

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

2.3 Taxation

Current

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

Deferred

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

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

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the statement of financial position date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in income and expenditure statement.

2.5 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss.

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

Depreciation is charged to income and expenditure statement on straight line method at the rates specified in Note 3. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use and continued till the month preceding the month of disposal.

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

2.6 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

The Company assesses at each 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 income and expenditure statement.

2.7 Loans and advances

These are initially recognized at cost, which is fair value of the consideration given. Subsequent to initial recognition, an assessment is made at each statement of financial position date to determine whether an indication of impairment exist or not. If such indication exist, the estimated recoverable amount of that asset or group of assets is determined and impairment loss is recognized in the income and expenditure statement.

2.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash at bank.

2.9 Revenue from contracts with customers

i) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

ii) Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on a fixed price rate determined by National Electric Power Regulatory Authority (NEPRA) from time to time.

The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the sale of electricity and the title to the energy procured always vest with DISCOs as per PPAs. In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increase in equity for the Company. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of market operator fee. One feature that indicates that the Company is acting as an agent is that the amount the Company earns is predetermined i.e. market operator fee as determined by National Electric Power Regulatory Authority (NEPRA).

Further, the Company has no responsibility for providing the goods to the customers, has no inventory risk, has no latitude in establishing prices and does not bears the customer's credit risk for the amount receivable from the customer.

iii) Interest

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.10 Due from principals and other receivables

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

Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated 02 September 2019, deferred the applicability of the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method till 30 June 2021 in respect of companies holding financial assets due from the Government of Pakistan. The aforementioned exemption is provided on the condition that such companies shall follow relevant requirements of IAS 39, in respect of above referred financial assets during the exemption period.

2.11 Energy and other payables

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

2.12 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 July 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption as at 01 July 2019 are as follows:

	Rupees in thousand
Right-of-use asset increased by	292,565
Lease liability increased by	292,565

Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is 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, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. 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 subject to impairment or adjusted for any re-measurement 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.

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.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.13 Geographical segment

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

2.14 Employee benefits

Provident fund

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

Gratuity fund

The Company operates approved funded gratuity scheme covering all of its employees who have completed the minimum qualifying period of service as defined under the scheme. The gratuity scheme is managed by trustees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation carried out annually using the "Projected Unit Credit Method".

2.15 Intangible assets

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 repair and maintenance 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 4 from the month in which the asset is available for use and continued till the month preceding the month of disposal.

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 derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the income and expenditure statement in the year the asset is derecognized.

2.16 Investments and other financial assets

a. Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i. Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

ii. Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Financial liabilities

Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3 PROPERTY AND EQUIPMENT

	NOTE	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Operating fixed assets	3.1	109,491	59,640
Capital work in progress	3.2	-	35,145
		109,491	94,785

3.1 Operating fixed assets

Reconciliations of carrying amounts of operating fixed assets at the beginning and end of the year are as follows:

	Operating fixed assets: IT and networking equipment	Furniture and fixture	Leasehold improvements	Electric installations	Vehicles	Office equipment	Total
	(Rupees in thousand)						
At 30 June 2018							
Cost	66,348	14,143	-	-	27,637	8,490	116,618
Accumulated depreciation	(23,496)	(4,645)	-	-	(26,169)	(2,182)	(56,492)
Net book value	42,852	9,498			1,468	6,308	60,126
Year ended 30 June 2019							
Opening net book value	42,852	9,498	-	-	1,468	6,308	60,126
Additions	24,266	312	-	-	-	824	25,402
Transferred to NTDCL:							-
Cost	-	-	-	-	(7,807)	-	(7,807)
Accumulated depreciation	-	-	-	-	7,807	-	7,807
	-	-	-	-	-	-	-
Depreciation	(21,069)	(2,836)	-	-	(184)	(1,799)	(25,888)
Closing net book value	46,049	6,974			1,284	5,333	59,640
At 30 June 2019							
Cost	90,614	14,455	-	-	19,830	9,314	134,213
Accumulated depreciation	(44,565)	(7,481)	-	-	(18,546)	(3,981)	(74,573)
Net book value	46,049	6,974	-	-	1,284	5,333	59,640
Year ended 30 June 30 2020							
Opening net book value	46,049	6,974	-	-	1,284	5,333	59,640
Additions	6,983	11,697	30,127	43,232	-	1,851	93,890
Depreciation (Note 20)	(24,669)	(4,540)	(5,838)	(6,817)	(184)	(1,991)	(44,039)
Closing net book value	28,363	14,131	24,289	36,415	1,100	5,193	109,491
At 30 June 2020							
Cost	97,597	26,152	30,127	43,232	19,830	11,165	228,103
Accumulated depreciation	(69,234)	(12,021)	(5,838)	(6,817)	(18,730)	(5,972)	(118,612)
Net book value	28,363	14,131	24,289	36,415	1,100	5,193	109,491
Annual rate of depreciation (%)	33%	20%	20%	20%	10%	20%	

3.1.1 As explained in Note 1.1, certain assets were transferred to the Company on 03 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 (30 June 2019: 25 vehicles) in the name of the Company is under process with the Vehicle Registration Authorities.

3.2 Capital work in progress

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	35,145	-
Additions		
- Leasehold improvements	41,844	30,249
- Advance for purchase of generator	-	4,896
Transfered to operating fixed assets	(76,989)	-
	(35,145)	35,145
Closing balance	-	35,145

4 INTANGIBLE ASSETS

	Enterprise Resource Planning System	License fee	Assets under development (Note 4.1)	Total
	(Rupees in thousand)			
At 30 June 2018				
Cost	36,143	-	-	36,143
Accumulated amortization	(3,305)	-	-	(3,305)
Net book value	32,838	-	-	32,838
Year ended 30 June 2019				
Opening net book value	32,838	-	-	32,838
Additions	1,400	4,191	9,569	15,160
Amortization	(7,136)	(649)	-	(7,785)
Closing net book value	27,102	3,542	9,569	40,213
At 30 June 2019				
Cost	37,543	4,191	9,569	51,303
Accumulated amortization	(10,441)	(649)	-	(11,090)
Net book value	27,102	3,542	9,569	40,213
Year ended 30 June 2020				
Opening net book value	27,102	3,542	9,569	40,213
Additions	131	3,080	1,286	4,497
Amortization (Note 20)	(7,539)	(880)	-	(8,419)
Closing net book value	19,694	5,742	10,855	36,291
At 30 June 2020				
Cost	37,674	7,271	10,855	55,800
Accumulated amortization	(17,980)	(1,529)	-	(19,509)
Net book value	19,694	5,742	10,855	36,291
Annual rate of amortization (%)	20%	20%		

4.1 This represents payments made in respect of implementation of Enterprise Resource Planning Solution (Phase II) and Enterprise Content Management Solution which are under development.

5 RIGHT-OF-USE ASSET

	Building (Rupees in thousand)
Net carrying amount	
01 July 2019	292,565
30 June 2020	223,726
Depreciation expense for the year ended 30 June 2020 (Note 20)	68,839
Additions during the year ended 30 June 2020	-

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 01 October 2018 to 30 September 2023.

6 DEFERRED INCOME TAX ASSET

This comprises of following:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Deferred tax liability on taxable temporary differences in respect of:		
Accelerated tax depreciation / amortization	(54,622)	-
Deferred tax asset on deductible temporary differences in respect of:		
Unused tax losses	194,047	100,471
Accelerated accounting depreciation / amortization	-	4,744
Lease liability	70,522	-
Provision for gratuity	4,756	3,787
	269,325	109,002
	214,703	109,002
Less: Unrecognized deferred tax asset	(214,703)	(109,002)
	-	-

6.1 Deferred tax asset as at 30 June 2020 to the extent of Rupees 214.703 million (2019: Rupees 109.002 million) has not been recognized as the Company is uncertain about the timing and extent of future taxable profits against which such benefits can be utilized.

7 LONG TERM SECURITY DEPOSITS

These deposits are not carried at amortized cost as the impact was considered immaterial.

8 DUE FROM PRINCIPALS

	NOTE	2020 (Rupees in thousand)	2019 (Rupees in thousand)
8 DUE FROM PRINCIPALS	8.1 & 8.2		
Lahore Electric Supply Company Limited (LESCO)		255,884,070	201,444,068
Faisalabad Electric Supply Company Limited (FESCO)		130,975,221	92,285,188
Multan Electric Power Company Limited (MEPCO)		201,344,217	148,532,072
Quetta Electric Supply Company Limited (QESCO)		436,610,513	350,931,113
Gujranwala Electric Power Company Limited (GEPCO)		59,488,095	29,258,673
Islamabad Electric Supply Company Limited (IESCO)		171,629,195	131,207,225
Peshawar Electric Supply Company Limited (PESCO)		477,250,151	393,703,961
Tribal Areas Electric Supply Company Limited (TESCO)		27,600,500	23,113,480
Hyderabad Electric Supply Company Limited (HESCO)		328,294,428	274,822,691
Sukkur Electric Power Company Limited (SEPCO)		286,270,451	236,591,677
		2,375,346,841	1,881,890,148
Government equity adjustments	8.3	(308,096,000)	(308,096,000)
		2,067,250,841	1,573,794,148
K-Electric Limited	8.4	212,526,747	135,420,142
		2,279,777,588	1,709,214,290
Tariff Differential Subsidy	8.5	(43,400,000)	-
		2,236,377,588	1,709,214,290

8.1 These represent amounts against settlement of energy to DISCOs and K-Electric. The Company has signed Power Procurement Agency Agreements 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. Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date. Currently, the matter is being dealt by Government of Pakistan directly to finalize the Power Purchase Agency Agreement with K-Electric, outcome of which is awaited.

8.2 The balances of amounts due as transferred from NTDCL under BTA, include mark-up on delayed payment amounting to Rupees 110,630 million charged to DISCOs and K-Electric which has not been acknowledged on the grounds that NEPRA disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. The Company pursued the matter with NEPRA and as per NEPRA's instruction, the Company has filed petition for regularization of supplemental charges vide letter No. CPPA-G/2018/CEO/5924-25 dated 29 June 2018 followed by the reminders dated 17 October 2018, 29 May 2019, 15 January 2020, 19 June 2020 and 21 July 2020. However, the matter is pending for settlement till the date of authorization of these financial statements.

8.3 Government equity adjustments

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Lahore Electric Supply Company Limited (LESCO)	37,155,296	37,155,296
Faisalabad Electric Supply Company Limited (FESCO)	19,415,216	19,415,216
Multan Electric Power Company Limited (MEPCO)	30,599,566	30,599,566
Quetta Electric Supply Company Limited (QESCO)	44,468,132	44,468,132
Gujranwala Electric Power Company Limited (GEPCO)	15,923,907	15,923,907
Islamabad Electric Supply Company Limited (IESCO)	19,651,788	19,651,788
Peshawar Electric Supply Company Limited (PESCO)	64,094,476	64,094,476
Hyderabad Electric Supply Company Limited (HESCO)	46,187,768	46,187,768
Sukkur Electric Power Company Limited (SEPCO)	30,599,851	30,599,851
	308,096,000	308,096,000

During the year 2012-13, President of Islamic Republic of Pakistan sanctioned payment of Rupees 341,958 million to PEPCO on account of settlement of circular debts. Under this transaction the State Bank of Pakistan was advised to credit the said amount to PEPCO for onward transmission to concerned IPPs / Entities as per mapping of the transaction through the Company. On 28 April 2016, Ministry of Finance vide its letter No. F1(4)-CF.I/2015-16/443 reduced the amount by Rupees 23,962 million with corresponding decrease in DISCOs. During financial year 2017-18, Ministry of Finance vide its letter dated 22 January 2018 further reduced the amount to Rupees 308,096 million.

8.4 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 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 02 October 2020. K-Electric is of view that this should be adjusted against its subsidy receivable from GoP.

8.5 It represents Inter-DISCOs Tariff Differential Subsidy (TDS) received from Government, as economic stimulus package of Rupees 15.4 billion and Prime Minister's Relief package for small and medium size enterprises (SMEs) of Rupees 28 billion on account of COVID-19 pandemic. It will be allocated to DISCOs as per Government's directions which are still awaited.

9 RECEIVABLE FROM NTDCL THROUGH LOAN NOTES

	NOTE	2020 (Rupees in thousand)	2019 (Rupees in thousand)
9 RECEIVABLE FROM NTDCL THROUGH LOAN NOTES	1.1 & 1.2		
Total liabilities transferred by NTDCL		649,001,592	648,750,520
Total assets transferred by NTDCL		(607,101,584)	(607,101,584)
Loan note receivable from NTDCL		41,900,008	41,648,936

10 TAXATION RECOVERABLE - NET

	NOTE	2020	2019
		(Rupees in thousand)	
Balance at the beginning of the year		(45,730)	(14,793)
Provision reversed / (made) during the year - net		18,572	(61,047)
Income tax paid / deducted at source during the year		72,486	30,110
Balance at the end of year		45,328	(45,730)

11 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - unsecured, considered good:

	NOTE	2020	2019
Advance to Lakhra Power Generation Company Limited	11.1	5,490,877	5,540,844
Advance to HUBCO	11.2	802,000	802,000
Advance to QESCO	11.3	408,633	161,444
Staff advances		1,704	3,793
Advances to suppliers		2,976	3,542
		6,706,190	6,511,623
Prepaid expenses		7,573	6,489
Accrued profit		19,628	99,240
		6,733,391	6,617,352

11.1 This represents advance given against operations and maintenance expenses and for fueling of power complex.

11.2 This represents receivable 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 01 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 01 November 2017 to settle the matter but HUBCO refused to recognize the said balance. Resultantly, the Board in a meeting held on 09 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 on 06 July 2018 which was heard on 09 July 2018, the court directed the parties to maintain status quo till next hearing dated 16 August 2018 which is pending adjudication.

11.3 This represents advance given for custom clearance for import of energy from Tavanir.

12 ACCRUED MARK-UP

	NOTE	2020	2019
	1.1	(Rupees in thousand)	
Interest on K-Electric receivables		7,559,332	7,559,332
Provision for doubtful interest receivables		(7,559,332)	(7,559,332)
		-	-

13 MARK-UP RECEIVABLE

This represents aggregate receivable from DISCOs on account of mark-up on syndicated term finance facility as explained in Note 16. These balances are being repaid to Power Holding Limited (PHL) on recovery from DISCOs. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53,937 million (2019: Rupees 53,937 million). The management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company on ultimate settlement of the matter in view of levy of Financing Cost Surcharge.

14 BANK BALANCES - DEPOSIT ACCOUNTS

14.1 The balances in deposit accounts carry return ranging from 3.45% to 6.50% (2019: 6.96% to 10.25%) per annum.

14.2 Bank balances include an amount of Rupees 4.757 million (2019: Rupees 0.032 million) and Rupees 3,906 million (2019: Rupees 7,651 million) held in escrow account for payment to WAPDA Hydel and escrow account for profit / rental payments of Pakistan Energy Sukuk-I / Sukuk-II, respectively.

15 LEASE LIABILITY

	2020	2019
	(Rupees in thousand)	
Total lease liability	243,178	-
Less: Current portion shown under current liabilities	(60,159)	-
	183,019	-

15.1 Reconciliation of lease liability

	2020	2019
Opening balance	-	-
Add: Adjustment on adoption of IFRS 16 on 01 July 2019	292,565	-
Add: Additions during the year	-	-
Add: Interest accrued on lease liability	31,535	-
Less: Payments during the year	(80,922)	-
Closing balance	243,178	-
Less: Current portion shown under current liabilities	(60,159)	-
Non-current portion	183,019	-

15.2 Maturity analysis of lease liability is as follows:

	2020	2019
Upto 6 months	41,972	-
6-12 months	42,996	-
1-2 year	89,216	-
More than 2 years	117,378	-
	291,562	-
Less: Future finance cost	(48,384)	-
Present value of finance lease liability	243,178	-

16 ENERGY PAYABLES SWAPPED BY GOVERNMENT OF PAKISTAN

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 amounts transferred to the Company are repayable on demand to PHL as per instructions of the said Ministry.

Servicing of loans amounting to Rupees 290,862 million (2019: Rupees 290,862 million) are being managed by way of Financing Cost Surcharge levied 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 October 03, 2014. Further, as per ECC decisions, servicing of loans amounting to Rupees 55,000 million (2019: Rupees 55,000 million) and Rupees 41,000 million (2019: Rupees 41,000 million) are the responsibility of GoP (Finance Division) and DISCOs respectively whereas servicing of loans amounting to Rupees 215,806 million (2019: Rupees 215,806 million) shall be managed by a surcharge yet to be levied by GoP.

During the year, PHL has raised Rupees 199,967 million (2019: Rupees 200,000 million) to swap the energy payable by issuance of shariah compliant Sukuk Certificates for a tenure of ten years.

17 ENERGY AND OTHER PAYABLES

	NOTE	2020	2019
		(Rupees in thousand)	
Energy and other payables	17.1	1,398,245,792	1,043,057,059
Payables by the Company	17.2	136,411	271,654
		1,398,382,203	1,043,328,713

	NOTE	2020	2019
		(Rupees in thousand)	
17.1 Energy and other payables			
Energy payables by principals:			
Energy creditors	17.1.1	1,316,723,854	959,861,521
Payable to WAPDA for HUBCO	11.2	802,000	802,000
Energy payables by the Company:			
Neelum Jhelum surcharge	17.1.2	65,753	46,452
Electricity duty	17.1.2	137,568	37,497
		1,317,729,175	960,747,470
Other payables by principals:			
Payable to WAPDA	17.1.3	80,469,955	82,209,683
Payable to PEPCO		45,000	90,000
Unidentified receipts		1,662	9,906
		80,516,617	82,309,589
		1,398,245,792	1,043,057,059

	NOTE	2020	2019
17.1.1 Energy creditors	17.1.1.1		
Generation companies (GENCOs)		65,542,380	50,758,125
WAPDA Hydel		219,542,182	192,282,955
Chashma Nuclear Power Plant (Chasnupp)		75,760,246	33,126,770
Independent Power Producers (IPPs)		955,879,046	683,693,671
		1,316,723,854	959,861,521

17.1.1.1 This includes an amount of Rupees 137,863 million (2019: Rupees 96,828.424 million) payable in respect of late payment interest. As on June 30, 2020, an amount of Rupees 104.513 million (2019: Rupees 69,986.461 million) is disputed in respect of liquidated damages penalties, imposed on power producers due to non-fulfilment of contractual provisions of PPAs. The actual payables are contingent to this extent subject to final outcome of the disputes.

17.1.2 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 on demand.

	NOTE	2020	2019
		(Rupees in thousand)	
17.1.3 Payable to WAPDA			
Payable balance	17.1.3.1	133,970,873	135,710,601
Less: balance receivable	17.1.3.2	(53,500,918)	(53,500,918)
		80,469,955	82,209,683

17.1.3.1 This mainly represents balances transferred by WAPDA to NTDCL in 2008-09.

17.1.3.2 This includes Rupees 47,164 million (2019: Rupees 47,164 million) on account of loan obtained by WAPDA for DISCOs. This also includes Rupees 2,318 million (2019: Rupees 2,318 million) receivable from WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 2.445 million (Rupees 2.445 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 suit has been filed against JPGL and SEPCOL for the recovery of outstanding amount before competent jurisdictions. As per the latest audited financial statements of JPGL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets. No provision has been made in these financial statements due to pending litigations and favorable outcome of the cases.

	NOTE	2020	2019
		(Rupees in thousand)	
17.2 Payables by the Company			
Advance against market operation fee		34,823	192,089
Accrued liabilities		57,838	10,625
Withholding tax payable		1,558	6,198
Payable to employees contributory provident fund		9	1,258
Payable to employees gratuity fund	17.2.1	16,399	12,470
Sales tax payable - net		8,975	9,946
Payable to suppliers		9,363	31,431
Other liabilities		7,446	7,637
		136,411	271,654

17.2.1 Payable to employees gratuity fund

The latest actuarial valuation was carried out at 30 June 2020, using the projected unit credit actuarial cost method. The amounts recognised in financial statements are determined as follows:

	NOTE	2020	2019
		(Rupees in thousand)	
17.2.1.1 Statement of financial position			
Present value of defined benefit obligations	17.2.1.2	49,819	32,913
Less: fair value of plan assets	17.2.1.3	(38,112)	(20,443)
Benefits due but not paid		4,692	-
Balance sheet liability		16,399	12,470
17.2.1.2 Changes in present value of defined benefit obligations			
Present value of defined benefit obligation at beginning		32,913	16,459
Current service cost		17,046	13,413
Interest cost on defined benefit obligation		4,690	1,425
Benefits due but not paid		(4,692)	-
Benefits paid		-	(1,244)
Remeasurement of defined benefit obligation:			
Actuarial loss from changes in demographic assumptions		-	185
Actuarial loss from changes in financial assumptions		(602)	412
Experience adjustments		464	2,263
Present value of defined benefit obligation at end		49,819	32,913
17.2.1.3 Changes in present value of plan assets			
Fair value of plan assets at beginning		20,443	20,349
Contributions		14,871	94
Interest income on plan assets		4,004	1,780
Benefits paid during the year		-	(1,244)
Benefits due but not paid			-
Return on plan assets, excluding interest income		(1,206)	(536)
Fair value of plan assets at end		38,112	20,443
17.2.1.4 Expenses to be charged to income and expenditure statement			
Current service cost		17,046	13,413
Interest cost on defined benefit obligation		4,690	1,425
Interest income on plan assets		(4,004)	(1,780)
		17,732	13,058
17.2.1.5 Remeasurements chargeable to statement of comprehensive income			
Remeasurement of plan obligation:			
Actuarial losses from changes in demographic assumptions		-	185
Actuarial losses from changes in financial assumptions		(602)	412
Experience adjustments		464	2,263
		(138)	2,860
Return on plan assets, excluding interest income		1,206	536
		1,068	3,396
17.2.1.6 Changes in net asset			
Statement of financial position liability / (asset) at beginning		12,470	(3,890)
Expenses to be charged to income and expenditure statement		17,732	13,058
Remeasurements chargeable to statement of comprehensive income		1,068	3,396
Contributions		(14,871)	(94)
Present value of net liability at end		16,399	12,470

17.2.1.7 Significant actuarial assumptions

	2020	2019
Discount rate used for interest cost	14.25%	9.00%
Discount rate used for year end obligation	8.50%	14.25%
Salary increase rate used for year end obligation:		
- Financial year 2020	7.50%	8.00%
- Financial year 2020 onward	7.50%	13.25%
Next salary is increased at	01 July 2020	01 July 2019
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates	Age based (per appendix)	Age based (per appendix)
Retirement assumption	Age 60	Age 60

17.2.1.8 Estimated expenses to be charged in income and expenditure statement in financial year 2021

	30 June 2021 (Rupees in thousand)
Current service cost	18,495
Interest cost on defined benefit obligation	3,954
Interest income on plan assets	(3,240)
	19,209

17.2.1.9 Plan assets at 30 June 2020 comprise:

	30 June 2020	30 June 2019
Bond	-	98.32%
Cash	1.55%	1.68%
Other	98.45%	-
	100.00%	100.00%

17.2.1.10 Year end sensitivity analysis on defined benefit obligation

Discount rate +100 bps	45,737
Discount rate -100 bps	54,685
Salary increase +100 bps	54,755
Salary increase -100 bps	45,604

17.2.1.11 Expected benefit payments for next 10 years and beyond

	Rupees in thousands
Financial year 2021	6,603
Financial year 2022	5,658
Financial year 2023	8,080
Financial year 2024	8,292
Financial year 2025	17,907
Financial year 2026	7,247
Financial year 2027	7,108
Financial year 2028	28,831
Financial year 2029	22,353
Financial year 2030	3,801
Financial year 2030 onwards	1,103,273

17.2.1.12 Average duration of the defined benefit obligation 9 years

17.2.1.13 Risks associated with the scheme

a) **Discount Rate risk** - The risk of changes in Discount Rate, since Discount Rate is based on corporate/government bonds, any decrease in bond yields will increase Plan liabilities.

b) **Salary Increase / Inflation risk** - The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have impact on liability.

c) **Mortality Risk** - The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.

d) **Withdrawal Risk** - The risk of actual withdrawals experience may be different from that assumed in the calculation.

18 CONTINGENCIES AND COMMITMENTS

As a result of BTA, all disputed balances and litigations pertaining to Market Operations Undertaking have been transferred to the Company from NTDCL. Charges raised due to litigation / arbitration proceedings on the Company are allowed as pass through to the power purchaser as capacity component. As the Company is acting as an agent on behalf of the Distribution Companies and accordingly the litigation / arbitration expense incurred on actual basis are being charged as pass through item as capacity transfer price.

18.1 The Company has disputed Capacity Purchase Price (CPP) of various IPPs amounting to Rupees 13,526 million on account of non-availability of power complex for electricity generation due to working capital difficulties. The concerned IPPs have taken the plea that the power complex has been technically available for electricity generation, whereas, the default is on the Company's end as it does not make timely payments to the IPPs due to which they were unable to make timely payments to fuel suppliers. On 28 June 2013, IPPs have took this matter for Expert Determination (ED) and the experts gave their recommendations in favour of IPPs along with impleading Government of Pakistan through Private Power and Infrastructure Board (PPIB). While the experts proceedings were going on, IPPs filed a premature request for arbitration in the London Court of International Arbitration (LCIA) on 08 July 2014 in contravention of PPAs, and requested the Company for arbitration, whereby an Arbitrator was appointed. Meanwhile, PPIB challenged the ED before Civil Court where injunctive orders were issued suspending the operation of ED and barring the parties to the arbitration. On continuation of proceedings by IPPs, PPIB has also filed contempt petitions against IPPs which are pending in Lahore High Court for further proceedings.

The Company requested a stay in the arbitration proceedings on 30 November 2015 citing the injunctive orders obtained by PPIB which was denied by the Arbitrator. The parties were required to file their submissions by 03 April 2017, and since injunctive orders were in field, the Company could not formally make its submissions. However, the Company filed notional submission to avoid ex-parte determination. On 08 July 2017, injunctive orders were suspended enabling the Company to participate in the arbitration, however on 04 August 2017, both injunctive orders were reinstated and ED was once again suspended. The Arbitrator, on 08 June 2017 and 29 October 2017 declared his Partial and Final Award respectively and decided the matter principally in IPPs favour in contravention of orders of Courts of Pakistan. IPPs filed an application before Lahore High Court (LHC) for implementation of Final Award that is pending adjudication. The Company challenged the Awards before the Civil Court, Lahore under the Arbitration Act, 1940, however on 04 May 2018, Commercial Court of England issued a decision, thereby preventing the Company from pursuing case in Pakistan Civil Courts against Partial / Final Award issued by the arbitrator. The Company sought the permission to appeal in Court of Appeal through its foreign counsel on 07 June 2018 which was refused and now the case shall be proceeded under the New York Convention. Further, the Company also contested the enforcement proceedings initiated by the 9 IPPs, which matter is presently pending before the Lahore High Court. As per advice of the legal counsel of the Company, the Partial and the Final Awards cannot be enforced until they are rendered into a decree by the courts of Pakistan and no right / obligation can be established till the issuance of decree. Such a decree cannot be issued until the aforementioned proceedings are not resolved in favour of the 9 IPPs. Therefore, the Company has made no adjustment in this respect in these financial statements.

18.2 The Company has disputed claims of Atlas Power Limited, Nishat Chunian Power Limited, Liberty Powertech Limited and Nishat Power Limited amounting to Rupees 2,390 million along with interest on account of compounding of late payment interest, interest on interest, interest period, implementation of FIFO method in payment of invoices, and certain technical grounds, being not covered under the PPAs. Recognition and enforcement petition filed by Atlas Power Limited and related objection filed by the Company is pending in Lahore High Court. Arbitration with Nishat Power Limited has concluded with the Arbitral Tribunal appointed by LCIA issuing its Final Award on 06 July 2020. As the Partial Final Award, upon which the Final Award is contingent has been assailed, CPPA will be filing a challenge to said Final Award as well. Pending the outcome of these cases, no adjustment has been made in these financial statements. Final award issued to Nishat Chunian Power Limited and Liberty Powertech Limited on 25 July 2019 has been challenged by the Company in the Civil Court, Lahore where the matter is pending for arguments. Pending the outcome of the case, no adjustment has been made in these financial statements.

18.3 The Company has adjusted USD 0.447 million from FFC Energy Limited and USD 2.659 million (along with interest of Rupees 283.5 million) from Orient Power Company (Private) Limited in respect of liquidated damages on account of non-commissioning of operations on the Required Commercial Operation Date (RCOD). The last hearing with FFC Energy Limited and Orient Power Company (Private) Limited was fixed at 23 May 2019 in Islamabad High Court and 14 February 2019 in Lahore High Court. Pending the outcome and next hearing dates of these cases, no adjustment has been made in these financial statements.

18.4 The Southern Electric Power Company Limited (SEPCOL) has filed a suit in the International Court of Arbitration ("ICA") against the Company claiming damages amounting to Rupees 5,000 million. However, the said suit has been kept in abeyance by the SEPCOL in an attempt to resolve the matters amicably out-of-court. Whereas, the Company has raised the liquidated damages (LDs) of Rupees 2,500 million which has been disputed by the SEPCOL. The management is confident that the matter will be resolved in Company's favour. The matter is pending before Civil Court Lahore.

The Company has booked an amount of Rupees 1,300 million as payable to SEPCOL on account of capacity purchase price which relates to the period June 2008 to May 2009. The management is of the view that it has no intention of paying the due amount as the power producer is in arbitration with the Company. Further, the Company has paid an advance of Rupees 533 million for purchase of fuel.

18.5 The Company has disputed mark up charged by WAPDA amounting to 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 with argument that in the absence of any formal PPA with WAPDA Hydro Electric, it is unable to entertain the same and accordingly no adjustment for this has been made in these financial statements.

18.6 The Company filed an appeal before Lahore High Court (LHC) against 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 under section 153(1)(b) of the Income Tax Ordinance, 2001 was upheld. The taxation authorities have recovered tax amounting to Rupees 1,751 million against the collective demand of Rupees 3,264 million vide notices dated January 11, 2017 and 15 September 2017 for tax year 2016 and 2017 through attachment of bank accounts of the Company whereas the Company recovered that tax from NTDCL and obtained stay from ATIR against remaining outstanding demand. On 07 November 2018, LHC set aside the orders of ATIR and CIR(A) and remanded back the case to the taxation officer for re-determination of tax liability. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

18.7 The Company has stopped payments to JDW-II, JDW-III, RYK Mills Limited and Chiniot Power Limited on account of fixed components of NEPRA's tariff over and above of 45% of APCF since January 2018, and recovery of already paid fixed component beyond 45% APCF is being executed, since NEPRA's upfront tariffs for bagasse-based co-generation 2013 doesn't allow compensation was performance beyond the benchmark of 45% of the Annual Plant Capacity Factor (APCF) which is inconsistent with the Framework for Power Cogeneration 2013 Bagasse and Biomass' as an addendum to the Renewable Energy Policy 2006, effective for all high-pressure cogeneration projects utilizing bagasse and biomass. JDW has filed writ petition on 04 April 2019 against the matter before Islamabad High Court where the matter is pending adjudication.

18.8 The Company has a long pending dispute with JPGL on various issues excavating from the application of PPA with JPGL. In view of the disputes, JPGL filed a request for arbitration in the International Court of Arbitration (ICA) on 12 January 2009 claiming Rupees 5,000 million from the Company against which the Company also submitted its counter claims for Rupees 2,400 million.

On 07 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.

Further, WAPDA is liable to pay to JPGL post-award interest at the base rate plus 2% compounded semi-annually on settlement agreement claim and additional capacity claim from 12 February 2014 onwards and on Rupees 100 million fuel advance refund from 09 July 2013 onwards all down to the date of actual payment of such mentioned claims. Furthermore, WAPDA is also liable to reimburse to JPGL Rupees 109 million on account of lawyer's fees, hearing costs and travel and accommodation costs.

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.

As per clause 15.3 of PPA signed and executed between the Company and JPGL, any dispute between the parties shall be finally settled through arbitration according to rules of arbitration of International Chamber of Commerce. According to PPA, the final award of ICA becomes contractual obligation of the parties. The Company has not accounted for the financial impact of the final award of ICA and has filed a petition in Civil Court Lahore pointing out certain concerns in the award, and the matter is pending adjudication.

18.9 M/s TNB Liberty Power Limited (TNB) initiated the arbitral proceedings before the International Court of Arbitration of the International Chamber of Commerce ("ICC") vide its Request for Arbitration on 24 January 2017.

TNB claims that the WAPDA has failed to pay amounts owed to TNB for energy production pursuant to PPA in the sum of circa Rupees 11.5 billion (PPA sums).

The Tribunal rendered an award dated 30 March 2020 (the Award), in which it directed, in relevant part, the Company and WAPDA to pay the costs of arbitration amounting to USD 1.559 million and the ICC's administrative expenses and the Tribunal's fee and expenses amounting to USD 435,000. The Award also directed WAPDA (but not the Comapny) to pay the PPA sums to TNB with interest.

The Award is currently pending finalization and signatures by the Tribunal following an application by TNB to make certain amendments to correct alleged clerical errors. These include, in relevant part, an application that the Tribunal should award post-Award interest on costs at the rate of 5.33% per annum from the date of the Award up to the date the costs are paid.

The management of the Company intends to challenge the Award before the court of competent jurisdiction. Moreover, the TNB is required to file enforcement proceedings in order to obtain a court order giving effect to said Award, which the Company also intends to contest. As such, until TNB obtains a court order in its favour for the enforcement of the Award, any liability arising thereunder does not lie with the Company.

18.10 Tax authorities have issued a notice on 08 May 2019 disallowing the input tax of Rupees 3,291 million claimed on invoices of GENCO-III in October 2017, which has been challenged before the Honorable Lahore High Court, being illegal, unlawful and without jurisdiction which is pending adjudication. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

18.11 Tax authorities have created a demand of Rupees 1,915 million and Rupees 5,567 million on 12 May 2016 and 20 November 2018 respectively to pay quarterly advance tax and turnover / super tax under section 113 of the Income Tax Ordinance, 2001, assuming that the settlement of power generators invoices to DISCOs are the sales of CPPA-G, against which writ petitions have been filed by the Company in Lahore High Court where the matter is pending adjudication.

18.12 Tax authorities have issued two notices amounting to Rupees 46,790 million and Rupees 62,640 million on 23 August 2016 and 07 February 2017 respectively for the year 2015-16 in respect of suppression of sales / inadmissible input, against which writ petitions have been filed in Islamabad and Lahore High Courts which are still to be decided. The revised monthly sales return supported by complete record including sales tax invoices, supply registers have been provided to FBR. The matter was resolved with FBR and a MOU was signed with FBR as a result Rupees 6,094 million was paid to FBR. MOU includes a clause that FBR would only proceed further if any discrepancy of non compliance would be observed in this regard.

18.13 Tax authorities have issued notice dated 10 December 2018 stating that input credit amounting to Rupees 466.266 million claimed prior to registration is not allowable in term of section 59 of the ITO, 2001. The Company has filed writ petition to challenge the impugned notice in Lahore High Court. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

18.14 Tax authorities have issued notice dated 23 April 2019 for amount of Rupees 5.135 million alleging the Company for making supplies to unregistered person i.e. M/s Laraib Energy, TPS Quetta and Bulk supplies (Back feed energy invoice; declared as bulk supplies in Return) hence 2% further tax shall be paid by the Company under section 3 of the Sales Tax Act, 1990. The Company has challenged the impugned notice before Commissioner Appeals and ATIR where the decision is pending. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

18.15 Tax authorities have issued notice dated 23 April 2019 for amount of Rupees 4.673 million alleging inadmissible input credits against the purchases of computers, office equipment, vehicle parts, hotel charges, furniture bedding fittings which were not used for furtherance of taxable supplies and adjusted against output tax paid on Market Operation fee. The Company has challenged the impugned notice before Commissioner Appeals. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

18.16 The ACIR imposed a penalty amounting to Rupees 221.066 million and default surcharge amounting to Rupees 646.446 million on 17 April 2017 on account of late payment of sales tax during the period from December 2015 to June 2016. The output tax charged by the Company to DISCOs should be equal to the input tax claimed by the Company, however, the Company records purchase of energy based on provisional invoices resulting in inflation of input tax and corresponding output tax charged to DISCOs. This is subsequently adjusted through issuance of credit notes to DISCOs. The Company obtained condonation from tax authorities of the time limit for issuance of credit notes to its customers which was granted by ATIR however extension for the same was rejected against which a writ petition for further stay was filed in LHC. On 13 November 2018, LHC rejected the appeal of the Company and upheld the orders of taxation authorities who recovered the above-mentioned amounts through bank attachment against which the Company has filed tax reference in LHC where the matter is pending adjudication.

No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of above cases.

		2020	2019
		(Rupees in thousand)	
18.17	Contractual commitments:		
	- in respect of intangibles	23,673	24,959
	- in respect of property and equipment	-	34,976
		23,673	59,935

19 MARKET OPERATION FEE

	2020	2019
Market operation fee	480,767	587,360
Less: sales tax	(66,312)	(66,464)
	414,455	520,896

19.1 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.

20 OPERATING EXPENSES

	NOTE	2020	2019
		(Rupees in thousand)	
Salaries and other benefits	20.1 & 20.2	535,249	508,643
Repair and maintenance		7,114	8,065
Legal and professional		22,524	12,843
Directors' meeting fee		17,125	14,350
Auditor's remuneration	20.3	804	650
Depreciation	3	44,038	25,888
Amortization	4	8,419	7,785
Depreciation on right-to-use asset	5	68,839	-
Rent		2,892	63,060
Utilities		6,920	7,172
Communication		7,254	6,280
Travelling		5,454	5,211
Vehicles' running		6,136	4,625
Training expenses		15,440	25,869
Office supplies		5,834	3,828
Printing and stationery		3,379	2,839
Fee and subscriptions		11,234	3,346
Advertisement		1,832	3,193
Security services expenses		2,356	1,770
Miscellaneous		2,394	2,724
		775,237	708,141

20.1 This includes salaries paid to employees of NTDCL transferred to the Company on deputation.

20.2 Salaries and other benefits include provident fund and gratuity fund contributions of Rupees 8.188 million and Rupees 17.732 million (2019: Rupees 6.692 million and Rupees 13.058 million) respectively by the Company.

20.3 Auditor's remuneration

	2020	2019
	(Rupees in thousand)	
Statutory audit	580	500
Employees retirement funds	166	100
Certification for regulatory purposes	58	50
	804	650

20.3.1 It includes sales tax of Rupees 104,000 (2019: Rupees NIL).

21 FINANCE COST

	2020	2019
Interest on lease liability	31,535	-
Bank charges	885	1,306
	32,420	1,306

21.1 Had the Company not adopted IFRS 16 from 01 July 2019, finance cost for the year ended 30 June 2020 would have been reduced by Rupees 31.535 million.

22 TAXATION

	2020	2019
Current tax:		
- current year	73,267	61,047
- prior year	(91,839)	-
	(18,572)	61,047

22.1 Reconciliation of tax charge for the year

	2020	2019
Profit before tax	65,451	145,542
Tax on profit @ 29% (2019: 29%)	18,981	42,207
Tax effect of minimum tax on certain income / expenses	33,156	41,672
Tax effect of prior year	(91,839)	-
Others	21,130	(22,832)
	(18,572)	61,047

23 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.

24 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2020
	Lease liability
	Rupees in thousand
Balance as at 01 July 2019	-
Lease liability recognized during the year	292,565
Repayment of lease liability	(49,387)
Balance as at 30 June 2020	243,178

	2019
	Net worth
	Rupees in thousand
Balance as at 01 July 2018	7,163,233
Net worth transferred back to NTDCL	(7,163,233)
Balance as at 30 June 2019	-

25 FINANCIAL RISK MANAGEMENT

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity 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.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument 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 instrument traded in the market. The Company is not exposed to other price risk.

(iii) 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 assets except for bank balances on deposit accounts.

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

	2020	2019
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	13,969,805	24,520,543

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, surplus / deficit before tax for the year would have been Rupees 139.698 million higher / lower (2019: Rupees 245.205 million), 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.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date was as follows:

	2020	2019
	(Rupees in thousand)	
Bank balances	13,969,805	24,520,543

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	1,148,734	2,761,600
Allied Bank Limited	A1+	AAA	PACRA	1,647,277	2,143,011
Askari Bank Limited	A1+	AA+	PACRA	1,065,039	1,083,532
Faysal Bank Limited	A1+	AA	PACRA	279,234	376,992
Habib Bank Limited	A-1+	AAA	JCR-VIS	740,348	1,706,130
The Bank of Punjab	A1+	AA	PACRA	2,112,191	2,325,555
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	29,557	110,083
United Bank Limited	A-1+	AAA	JCR-VIS	68,286	999,573
MCB Bank Limited	A1+	AAA	PACRA	1,096,371	2,691,402
Bank Alfalah Limited	A1+	AA+	PACRA	460,380	358,119
Bank Al-Habib Limited	A1+	AA+	PACRA	1,055,330	1,548,635
First Women Bank Limited	A2	A-	PACRA	1,467	65,374
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	57,936	305,073
Meezan Bank Limited	A-1+	AA+	JCR-VIS	4,207,655	8,045,464
				13,969,805	24,520,543

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Being an agent, the Company bears no liquidity risk. The obligations towards the energy suppliers are passed on to the principals and are backed by sovereign guarantee of Government of Pakistan.

25.2 **Financial instruments by categories**

Financial assets as per statement of financial position

	At amortized cost	
	2020	2019
	(Rupees in thousand)	
Receivable from NTDCL through loan notes	41,900,008	41,648,936
Long term security deposits	21,264	21,264
Due from principals	2,236,377,588	1,709,214,290
Advance to HUBCO	802,000	802,000
Accrued profit	19,628	99,240
Mark-up receivable	46,339,044	45,785,131
Bank balances - deposit accounts	13,969,805	24,520,543
	2,339,429,337	1,822,091,404

Financial liabilities as per statement of financial position	At amortized cost	
	2020	2019
	(Rupees in thousand)	
Lease liability	243,178	-
Energy payables swapped by Government of Pakistan	946,942,400	784,462,871
Energy and other payables	1,398,335,185	1,043,110,574
	2,345,520,763	1,827,573,445

25.3 **Offsetting financial assets and liabilities**

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

26 **RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**

(i) **Fair value hierarchy**

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

27 **REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES**

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

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	---------------- (Rupees in thousand) ----------------			
Managerial remuneration	8,899	8,591	160,399	153,699
Allowances:				
House rent	4,004	3,866	72,180	69,165
Utilities	890	859	16,040	15,370
Medical	890	859	16,040	15,370
Conveyance	1,304	1,375	27,454	34,548
Bonus	809	716	13,829	11,407
Leave encashment	755	716	12,816	8,879
	8,652	8,391	158,359	154,739
Contribution to provident fund	445	430	5,427	4,768
	17,996	17,412	324,185	313,206
Number of persons	1	1	68	69

The aggregate amount charged in these financial statements in respect of meeting fee paid to 10 (2019: 8) directors is Rupees 17.125 million (2019: Rupees 14.350 million).

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

28 **TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of Government of Pakistan and related entities under control of GoP including DISCOs, GENCOs, WAPDA, PAEC and NTDCL, 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:

Market operation fee:

	2020		2019	
	Invoicing	Receipts	Invoicing	Receipts
	---------------- (Rupees in thousand) ----------------			
FESCO	61,262	41,585	61,849	72,624
GEPCO	44,877	45,356	44,723	53,837
HESCO	28,677	9,977	28,228	33,734
IESCO	42,883	40,477	42,866	51,543
LESCO	92,062	90,598	97,508	114,913
MEPCO	77,761	50,218	80,450	95,298
PESCO	62,098	33,889	57,395	68,921
QESCO	27,903	3,282	27,270	32,509
SEPCO	18,919	4,577	19,927	23,390
TESCO	5,485	965	5,379	6,147
	461,927	320,924	465,595	552,916

	2020	2019
	(Rupees in thousand)	
Post employment benefit plan:		
Contribution to provident fund	13,294	11,911

29 **NUMBER OF EMPLOYEES**	2020	2019
Number of employees as on June 30	204	234
Average number of employees during the year	200	215

30 **IMPACT OF COVID-19 (CORONA VIRUS)**

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. Despite the temporary lock down announced by Government of Pakistan, the Company continued its operations virtually.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth shifted to physical operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The management has assessed the accounting implications of COVID-19 on these financial statements including but not limited to the following areas;

- The impairment of tangible and intangible assets under International Accounting Standard 36, 'Impairment of assets;

- Going concern assumption used for The preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

31 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 04 NOV 2020 by the Board of Directors of the Company.

32 **CORRESPONDING FIGURES**

No significant reclassifications / rearrangements of corresponding figures have been made in these financial statements.

33 **GENERAL**

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

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

17.

Corporate Governance Report.

Riaz Ahmad & Company
Chartered Accountants

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

30 JUNE 2020

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

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 (the Company) for the year ended 30 June 2020.

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 30 June 2020.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 04 NOV 2020

A member of Nexia International

No. CPPA/SECP(CGR-2020) Date: 03 October 2020

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 : 30 June 2020

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:

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
1.	The independent director meets the criteria of independence, as defined under the Rules.	2(d)	✓	
2.	The Board has at least one third of its total members as independent directors. At present the Board includes:	3(2)	✓	

Category	Names	Date of Appointment
Independent Directors	1. HAMID ALI KHAN	27-12-2018
	2. GHIAS UD DIN AHMAD	27-12-2018
	3. AYLA MAJID	27-12-2018
Executive Director	WASEEM MUKHTAR	10-06-2020
Non-Executive Directors	1. ALI RAZA BHUTTA*	14-09-2020
	2. MEHFOOZ AHMED BHATTI**	10-08-2020
	3. MUHAMMAD IMRAN MIAN	16-01-2015
	4. MUHAMMAD ANWER SHEIKH	02-06-2020
	5. SHAHID IQBAL CHAUDHRY	02-11-2018
	6. KHAWAJA RIFFAT HASSAN	29-04-2020

Sr. No.	Provision of the Rules	Rule No.	Y	N
3.	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.	3(5)		

Names	Declaration	Y	N
1. ALI RAZA BHUTTA*	Yes		
2. MEHFOOZ AHMED BHATTI**	Yes	✓	
3. MUHAMMAD IMRAN MIAN	Yes	✓	
4. KHAWAJA RIFFAT HASSAN	Yes	✓	
5. MUHAMMAD ANWER SHEIKH	Yes	✓	
6. SHAHID IQBAL CHAUDHRY	Yes	✓	
7. WASEEM MUKHTAR	Yes	✓	
8. HAMID ALI KHAN	Yes	✓	
9. GHIAS UD DIN AHMAD	Yes	✓	
10. AYLA MAJID	Yes	✓	

*Mr Irfan Ali resigned on 01-07-2020. Mr Umar Rasool joined the office on 02-07-2020 and resigned on 13-09-2020.
**Mr Zafar Abbas resigned on 02-07-2020

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
4.	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.	3(7)		✓
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓	
6.	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓	
7.	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)	5(2)	NA	
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 and 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)	NA	
17.	The Board has ensured the compliance with policy directions requirements received from the Government.	5(11)	✓	

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
18.	(a) The Board has met at least four times during the year.	6(1)	✓	
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)		✓
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	
19.	The Board has monitored and assess the performance of senior management on a annual / half-yearly / quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓	
20.	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.	9	✓	
21.	(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.	10	✓	
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		NA	
	(c) The Board has placed the annual financial statements on the Company's website.		✓	
22.	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.	11		✓
23.	(a) The Board has formed the requisite committees, as specified in the Rules.	12	✓	
	(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:		✓	

Committee	Number of Members	Name of Chair
Audit Committee	04	Ayla Majid
Risk Management Committee	04	Mehfooz Ahmed Bhatti**
Human Resources Committee	05	Muhammad Anwer Sheikh
Procurement Committee	05	Khawaja Riffat Hassan
Nomination Committee	03	Ali Raza Bhutta*

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
24.	The Board has approved appointment of Chief Financial Officer,	13	✓	
	Company Secretary and		✓	
	Chief Internal Auditor, by whatever name called with their remuneration and terms and conditions of employment.			✓

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓	
26.	The Company has adopted International Financial Reporting Standards notified by the Commission in term of subsection (1) of section 225 of the Act.	16	✓	
27.	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.	17	✓	
28.	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.	18	✓	
29.	i. 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.	19	✓	
	ii. The annual report of the Company contains criteria and details of remuneration of each director.		✓	
30.	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.	20	✓	
31.	The board has formed an audit committee, with defined and written terms of reference, and having the following members:	21(1) and 21(2)	✓	

Name of the member	Category	Professional Background
Ayla Majid	Independent / Non – Executive	Accounts and Finance
Hamid Ali Khan	Independent / Non – Executive	Power Sector
Muhammad Imran Mian	Non-Executive	Power Sector Finance
Khawaja Riffat Hassan	Non-Executive	Power Sector

Sr. No.	Provision of the Rules	Rule No.	Y (Tick the relevant box)	N (Tick the relevant box)
	The chief executive and chairman of the Board are not members of the audit committee.		✓	
32	(a) The Chief Financial Officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.	21(3)	✓	
	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditors 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.		✓	
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee	22	✓	
	(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.		✓	

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
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

We confirm that all other 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).

Sr. No.	Rule/Sub-rule No.	Reasons for Non-Compliance	Future Course of Action
01	3(7)	The Government of Pakistan nominates the members of the Board of Directors. However, the Company has obtained declaration for fit and proper criteria from directors.	- Not applicable - Nominations are made by the Federal Government of Pakistan.
02	5(5)(b)(vi)	The Company has made anti-corruption policy which is currently under consideration of the Board.	This policy will be considered and approved by the Board in the next financial year.
03	5(7)	The Company has made all the policies except risk policy. Whistle blower policy of the Company has been prepared and currently under consideration of the Board.	These policies will be considered and approved by the Board in the next financial year.
04	6(2)	Total 09 Board meetings were held during FY 2019-20, It was only twice that notice could not be delivered seven days before meeting due to emergent matters.	Compliance will be ensured in next financial year
05	11	The Company had arranged the orientation course however due to COVID-19 pandemic the orientation course could not be held.	Orientation course for the Board members will be arranged in next financial year.
06	13	Currently Deputy Manager Internal Audit is working as head of Internal Audit department.	Appointment of Chief Internal Auditor will be regularized by the Board in the next financial year.

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Sr. No.	Rule/Sub-rule No.	Reasons for Non-Compliance	Future Course of Action
07	22	Deputy Manager Internal Audit has requisite qualification and experience as prescribed in the Rules, however his position as Chief Internal Auditor need to be regularized from the Board.	Compliance will be ensured in next financial year.

Chief Executive Officer

Chairman

Central Power Purchasing Agency

Central Power Purchasing Agency,
Shaheen Plaza, Plot No. 73 West, Fazal-e-Haq Road,
Blue Area, Islamabad, Pakistan

www.cppa.gov.pk
info@cppa.gov.pk