



**PAKISTAN
POWER GENERATION POLICY
FOR IPPs**

Presented by

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SEQUENCE OF PRESENTATION

- PRINCIPLES OF POWER POLICY
 - FINANCING OF PROJECTS
 - STRUCTURE OF POWER PURCHASE PRICE
 - FISCAL REGIME
 - SECURITY PACKAGE
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PRINCIPLES OF PAKISTAN'S PRIVATE SECTOR POWER POLICY

OPEN ARMS WELCOME

- *Total Private Ownership*
- *Private Public Partnership*
- *Purchase of Public Sector Projects*
- *BOO, BOOT Projects (Hydel on BOOT only)*

- *Solicited (want to Bid)*
- *Unsolicited (Hydel / Coal, no feasibility)*

- *Thermal (Oil, Gas)*
- *Hydel (Small, Medium, Large)*
- *Renewables*

MAKE PROFIT

- *Adequate Returns*
- *Keep them wherever you like*
- *Make more profit by being efficient*

PRINCIPLES OF PAKISTAN'S PRIVATE SECTOR POWER POLICY (Contd.)

NON-
COMMERCIAL
RISKS? NO!

- *Coverage for Political Risks*
- *Judicious Risk Allocation*

AMBIGUITIES?
NO!

- *All Documents, Rules of Bidding, Draft Agreements, Tax Laws, Concessions, etc. provided upfront*

PROCEDURES-
DON'T WORRY

- *Simplified, well-publicized documents, level playing field*

MARKET, NO
PROBLEM

- *Purchaser - Guaranteed*
- *Transmission – Purchaser will build*

WE ARE AT
YOUR SERVICE

- *One-Window, PPIB at the click of a mouse*

STRUCTURE OF POWER PURCHASE PRICE

PRICE DETERMINATION

- *Through ICB*

- No tariff negotiations after bidding
- Levelized tariff will be the basis
- All requirements for bidding upfront

- *Through negotiations
(for unsolicited
proposals)*

- NEPRA to determine
- No multiplicity of negotiations

- *Upfront Tariffs*

- NEPRA to notify – No hassle

PPIB and Ministry of Water and Power to lead the bidding process

STRUCTURE OF POWER PURCHASE PRICE (Contd.)

PRICE DETERMINED IN PAK RUPEES

CAPACITY PURCHASE PRICE (CPP)

- *Debt service*
- *Fixed O&M*
- *Insurance*
- *Admin cost*
- *Return on Equity*

- To be paid irrespective of dispatch
- Foreign exchange indexation
- Local component of O&M indexed with inflation

ENERGY PURCHASE PRICE (EPP)

- *Cost of Fuel*
- *Variable O&M*

- To be paid on actual dispatch
- Fuel price variations over benchmark to be pass-through at specified heat rate
- Local component of variable O&M indexed with inflation

PROJECT FINANCING

CAPITAL STRUCTURE

- *Minimum equity: 20% of project capital cost*
- *At Least 20% of Equity by Lead Sponsor*
- *At Least 51% Equity by Initial Shareholders*
- *Equity to be held by Initial Shareholders upto six years after COD*
- *100% Foreign Shareholding Possible*

FINANCING SUPPORT

- *You can issue corporate bonds*
- *You can issue share at discounted price*
- *Foreign banks can underwrite securities issue*
- *Non-residents can purchase securities*
- *Free repatriation of equity and dividends*
- *Non-Muslims and non-residents exempted from zakat*

FISCAL REGIME

- *5% Custom Duty on import of plant and equipment not manufactured locally*
 - *No levy of Sales Tax*
 - *Exemption from Corporate Tax, Turnover Rate Tax and Withholding Tax on imports, except for Corporate Tax on oil fired projects*
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SECURITY PACKAGE

- *Implementation Agreement (IA)*
- *Power Purchase Agreement (PPA)*
- *Fuel Supply Agreement (FSA)*
- *Other Agreements such as Water Usage License (WUL)*

*For life of the project or
25 years*

SECURITY PACKAGE PROVIDES

- *GOP guarantee on performance obligations of public sector*
- *GOP protection against specified political risks*
- *Protection against changes in laws, taxes and duties*
- *Support in obtaining permissions and consents from various agencies*
- *Convertibility of currency*
- *Protection against Force Majeure*
- *Hydrological risk to be borne by power purchaser*
- *Governing law to be of a neutral country*

PARADIGM SHIFT

Previously, IPPs used to knock at our doors. This time GOP is soliciting investments for three projects.

*We invite you all to come forward and bid. You are all VVIPs and will be greeted by **Red Carpet** welcome.*

THANK YOU