CENTRAL POWER PURCHASING AGENCY

PAKISTAN ELECTRICITY MARKET OPERATOR

ANNUAL REPORT 2021

FUELING THE NATION WITH POWER

www.cppa.gov.pk

Central Power Purchasing Agency

Shaheen Plaza, 73 West, A.K. Fazl-ul-Haq Road,
Blue Area, Islamabad, Pakistan

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SHAHEEN PLAZA
Central Power Purchasing Agency
CPPA

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-G	Central Power Purchasing Agency (Guarantee) Limited
CTBCM	Competitive Trading Bilateral Contract Market
DISCO	Distribution Company
ECC	Economic Coordination Committee
ECM	Enterprise Content Management
EMP	Electricity Market Professional
EMT	Electricity Market Team
EPA	Energy Purchase Agreement
EPEX SPOT	European Power Exchange
EPIAS/EXIST	Energy Exchange of Turkey
ERP	Enterprise Resource Planning
FCA	Fuel Cost Adjustment
FBR	Federal Board of Revenue
FESCO	Faisalabad Electric Supply Company
FY	Financial Year
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	K-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
PPD	Policy and Planning Department
PMS	Performance Management System/Power Market Survey
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
RFO	Residual Fuel Oil
RFP	Request for Proposal
RLNG	Re-gasified Liquefied Natural Gas
RMS	Revenue Metering System
RTO	Regional Transmission Organization
SAARC	South Asian Association for Regional Cooperation
SCADA	Supervisory Control and Data Acquisition
SECP	Securities and Exchange Commission of Pakistan
SEPCO	Sukkur Electric Power Company
SFS	System for Settlement
SMD	Strategy and Market Development
SPT	Special Purpose Trader
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:

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

Mission:

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

Core Values:

Transparency

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

Excellence

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

Teamwork

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

Being Respectful

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

CHAIRMAN'S MESSAGE

Ali Raza Bhutta
Chairman Board – CPPA-G

The year 2020-21 has certainly been an unusual one due to the Covid-19 scenario. The blessings of Almighty Allah enabled our economy to sustain at a reasonable level against all odds. The power sector of Pakistan lived up to the challenge of providing uninterrupted and reliable supply of electricity to all segments of the country viz industry, commercial and domestic consumers. The policy initiatives of Government during COVID-19 with regard to power consumers went a long way in minimizing the adverse impact on domestic and industrial sector especially automotive, pharmaceutical, construction and textile industries.

CPPA-G remained instrumental in assisting the Government of Pakistan in its initiative to renegotiate the contractual arrangements with IPPs through Negotiation committee and Implementation committee, with a view to rationalize the tariffs to achieve the ultimate objective of reduction of circular debt. National Electricity Policy 2021, which shall pave the way for a prosperous power sector in Pakistan in future, also had a significant valuable input from CPPA-G. The GOP's vision of adding more and more renewable energy projects into the generation mix is also being pursued in letter and spirit by CPPA-G.

The year saw a landmark achievement of the approval of Competitive Trading Bilateral Contracts Market (CTBCM) design and plan initially by NEPRA and then by the Federal Cabinet of Pakistan to make it operational by April 2022. The National Electricity Policy approved by CCI this year also acknowledged the principles of the competitive wholesale electricity market of Pakistan.

CPPA-G has made several achievements on the people front by focusing heavily on the training and capacity building of not only its own employees but allied power sector entities. CPPA-G not only introduced several technological enhancements and upgrades to its IT infrastructure but also facilitated allied power sector entities in enhancing their performance through deployment of state-of-the-art tools, systems and applications. All such accomplishments were not possible without commitment of the CPPA-G management and support of the CPPA-G Board

Being Chairman of the Board, I stand committed to assist the Government of Pakistan in formulating and implementing policies aimed at achieving the all important objective of reduction of circular debt in Pakistan, in consultation with all stake holders. I invite all the stakeholders to join hands and actively contribute towards a brighter tomorrow for our nation.

CEO'S MESSAGE

Waseem Mukhtar
CEO CPPA-G

Despite challenges of Covid-19 pandemic, year 2020-21 is packed with accomplishments of CPPA-G which are consistent with the vision of its superintendence and facilitates to map the entire value streams of people, processes and technology towards achieving higher operational efficiency.

The core financial performance, of CPPA-G encompassed settlement functions of 105 Power Projects on behalf of DISCOs which delivered Energy worth Rs. 753,639 million during the FY 2020-21. 23 Capacity Tests were performed as per contractual requirements to ascertain the dependable capacity of the projects. New electricity generating units with a Capacity of 1,136 MWs were added to the national grid.

CPPA-G team is credited for offering unwavering support to the Federal Government initiative in successful reviewing the contracts which resulted in settlement of long outstanding disputes with IPPs, rationalization of tariff with 32 IPPs operating under 1994, 2002 and 2006 power policies eventually resulting in savings over the remaining life of the projects. CPPA-G has also been actively involved in investing in human capital development to boost organizational growth and functional capabilities

Recent decades have witnessed massive transition towards competitive power markets across the Globe. Approval of Competitive Trade Bilateral Contract Market (CTBCM) model and roadmap, by Cabinet and the Regulator, is a marked achievement of CPPA-G. This will improve wholesale market governance, institutional reforms, and efficiency through competition in generation and retail sectors.

Apart from being engaged in the regular functionalities, numerous initiatives have been taken by CPPA-G in revolutionizing the energy sector towards sustainability. The introduction of a three-year relief "Industrial Support Package" for the industrial sector, considerably reducing rate of industrial electricity on additional usage and omitting peak-hour charges to encourage manufacturing and reviving economic activities in the country is a noteworthy example.

The approval of National Electricity Policy 2021 served as a breakthrough in streamlining the power sector. This policy shall provide directions to all the entities associated with the power sector in shaping their future developments for corrective and proactive initiatives.

Circular Debt Management Plan prepared with the assistance of CPPA-G shall play a vital role in power sector sustainability. The approved Circular Debt Management Plan shall also serve to mitigate hurdles impeding growth of the power sector.

The intelligent use of technology is of immense importance to business. The ever-increasing advancement of technology towards automation, ease of mobility, compactness of information, cost efficiency, versatile working, advanced communication means, instantaneous access to information anywhere, anytime and by anyone. The vision is to transform CPPA-G, to an automated and digitalized organization using innovative technologies and business solutions to achieve long-term objectives.

The Corporate Governance of CPPA-G has improved through compliance of Public Sector Companies (Corporate Governance) Rules, 2013 and Companies Act, 2017.

It is hoped that determination, resilience, and optimism of human resource coupled with technology can achieve the assigned goals. The vision and mission of CPPA-G is strongly aligned with its core values paving the way for a robust power sector to contribute towards the economic development of Pakistan.

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COMPANY'S PROFILE

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

- In furtherance to power sector reform, the strategy envisioned the creation of a competitive wholesale power market that would benefit the power sector and the Pakistan economy in general via newly introduced profit incentives, an increase in managerial autonomy while improving the managerial accountability. There are three types of markets (current and future):
  - i. Single Buyer;
  - ii. Singe Buyer Plus; and
  - iii. Competitive Trading Bilateral Contract Market (CTBCM)

- This approach was incorporated in the National Transmission and Despatch 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.
- In 2009, the GOP decided to create an independent Company to perform the market functions. The GOP's main objectives for doing so were:

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

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

iii. The introduction of measures to improve the power supply-demand balance, while ensuring a reasonable quality of service.

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

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

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

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

COMPANY REGISTRATION

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

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 16th November 2018 to perform function as the market operator. Thus CPPA-G has attained a legal status to operate as the Market 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. Business Transfer Agreement (BTA) between NTDC and CPPA-G.
b. Administration Agreement between CPPA-G and NTDC to authorize the CPPA-G to administer and deal with PPAs executed between the existing Generation Companies (IPPs under 1994 power policy and prior thereto, IPPs under the 2002 power policy and 2006 RE Policy, GENCOs, WAPDA Hydel) and WAPDA and/or NTDC.
c. Execution of new Power Purchase Agreements / Energy Purchase Agreements between CPPA-G, GENCOs and IPPs.
d. Novation and amendment of PPA between NTDC and WAPDA for Hydel generation to include CPPA-G as a party thereto responsible for the commercial aspects thereof.
e. Back to back arrangements with NTDC to ensure that, following the transfer of business from NTDC to CPPA-G, the functions and obligations to be performed by NTDC or WAPDA under Power Purchase Agreements or Energy Purchase agreements signed by NTDC or WAPDA, will continue to be assumed and exercised by NTDC as per its transmission license or Grid Code.
f. Power Procurement Agency Agreements (PPAA) between CPPA-G and each of the DISCOs. The Company has signed PPAAs with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs.
g. In future moving towards a tripartite PPA regime in which CPPA, NTDC and the power producer will jointly enter into a PPA for properly discharging the rights and obligations.

FUNCTIONS AND 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 /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
- Mr. Manzoor Ahmad
- Mr. Muhammad Amjad Khan
- 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
- Mr. Manzoor Ahmad
- Mr. Muhammad Anwer Sheikh
- Mr. Mahfooz Ahmad Bhatti

FUNCTIONAL HEADS

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

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
- MCB Bank Limited
- Bank Alfalah Limited
- Bank Al-Habib Limited
- Habib Metropolitan Bank Limited
- Meezan Bank Limited
- First Women Bank Limited

COMPANY AS DISCO's AGENT

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

LEGAL ADVISOR

- Barrister Munawar us Salam

AUDITOR

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

05
BOARD OF DIRECTORS

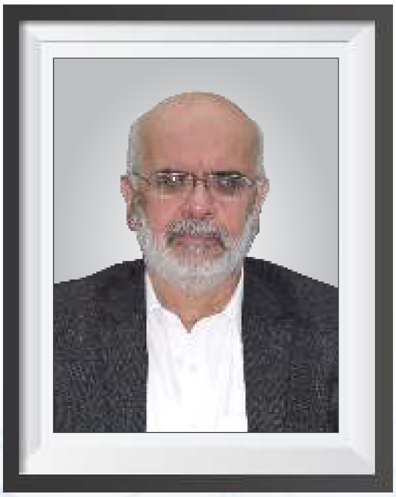
CPPA-G has a diversified Board of Directors which comprises of seasoned professionals with broad spectrum of experiences ranging from policy, finance, legal, engineering and operations. In-terms of institutions, it has members from wide range of relevant organizations including MoE (PD), Ministry of Finance (MoF), NTDC, GENCOs Holding Company and IESCO along with professional independent Directors. 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

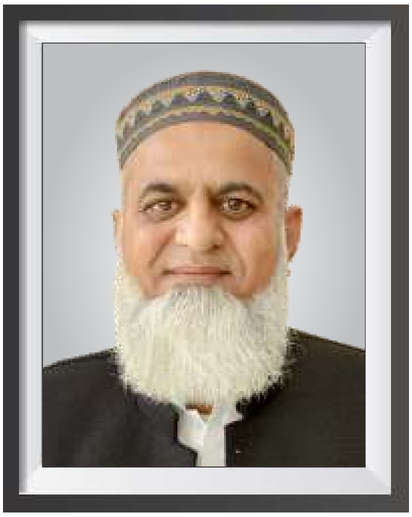
Mr. Muhammad Anwer Sheikh
Member BoD,
CPPA-G

Mr. Mahfooz Ahmad Bhatti
Member BoD,
CPPA-G



Mr. Muhammad Amjad Khan
Member BoD,
CPPA-G

Mr. Muhammad Imran Mian
Member BoD,
CPPA-G



Mr. Manzoor Ahmad
Member BoD,
CPPA-G

Mr. Ghias ud Din Ahmad
Independent Director
CPPA-G

Mr, Hamid Ali Khan
Independent Director,
CPPA-G

Ms. Ayla Majid
Independent Director,
CPPA-G

Mr. Waseem Mukhtar
Member BoD / CEO
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.

Total meetings of the Board of Directors and Board Committees held during the FY 2020-21 are as follows:

Sr. No	Meeting	No. of Meetings
1	Board of Directors	10
2	Procurement Committee of Board	07
3	HR Committee of Board	16
4	Risk Management Committee of Board	02
5	Audit Committee of Board	08
6	Nomination Committee	Nil

Special Committees of CPPA-G Board

7	Finance Committee	03
8	Market Implementation & Support Committee (MISC)	08

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

Procurement Committee

- Mr. Manzoor Ahmad (Chairman)
- Mr. Ghias ud Din Ahmad
- Mr. Hamid Ali Khan
- Mr. Muhammad Anwer Sheikh
- Mr. Mahfooz Ahmad Bhatti
- Mr. Muhammad Amjad Khan
- 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. Muhammad Imran Mian
- Mr. Ghias Ud Din Ahmad
- Mr. Waseem Mukhtar

Audit Committee

- Ms. Ayla Majid (Chairperson)
- Mr. Muhammad Imran Mian
- Mr. Hamid Ali Khan
- Mr. Manzoor Ahmad
- Mr. Muhammad Anwer Sheikh
- Mr. Mahfooz Ahmad Bhatti

Nomination Committee

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

Finance Committee

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

IT & ERP Implementation Committee

- Mr. Ali Raza Bhutta (Chairman)
- Mr. Muhammad Anwer Sheikh
- Mr. Muhammad Amjad Khan
- Ms. Ayla Majid
- Mr. Waseem Mukhtar

Market Implementation and Support Committee

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

07
MANAGEMENT

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

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:

Waseem Mukhtar
Chief Executive Officer

Rihan Akhtar
Chief Financial Officer

Abdul Majid Khan
Chief Legal Officer

Mubashar Ahmed Qureshi
Chief Technical Officer

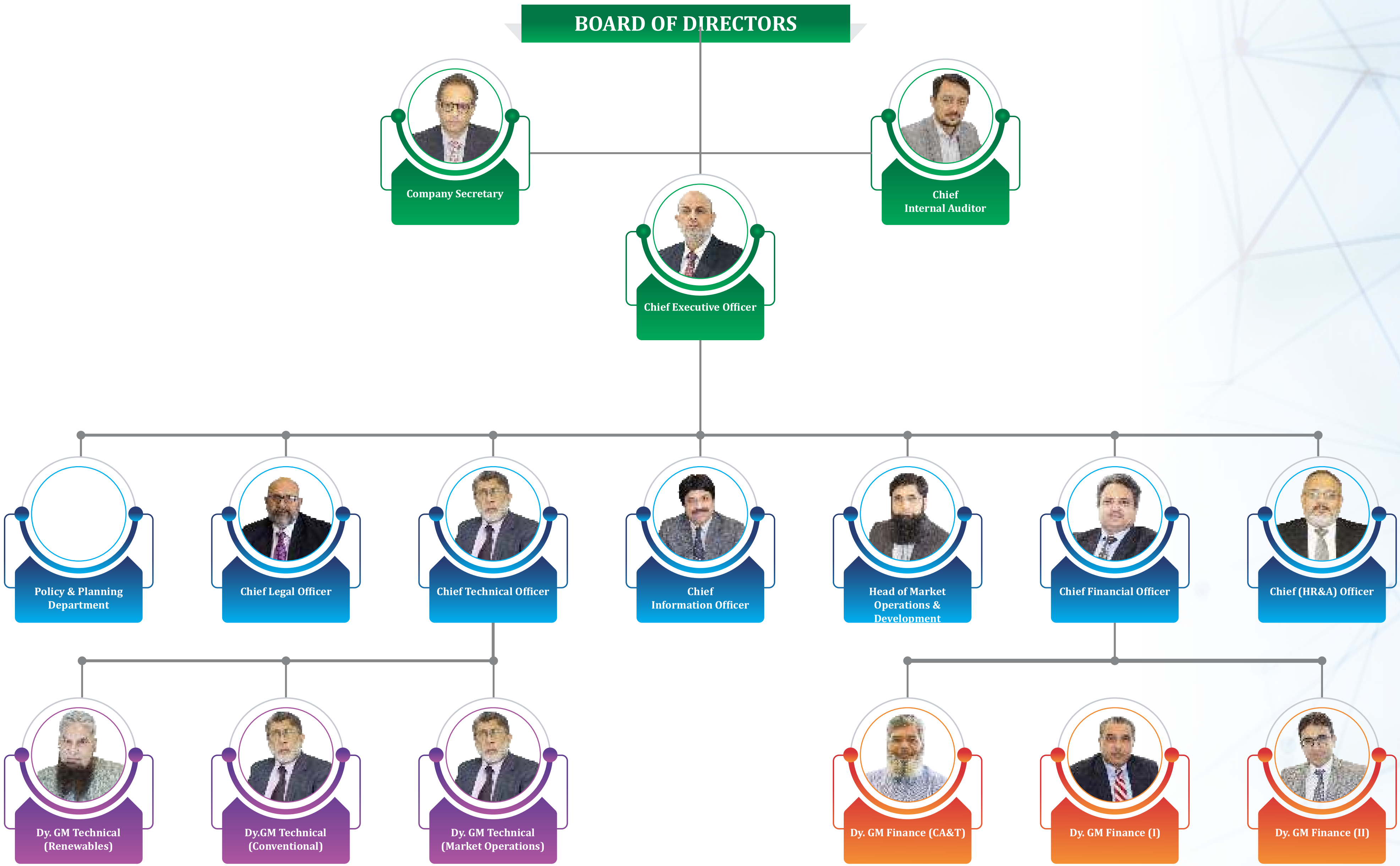
Arshad Javed Minhas
Chief Information Officer

Rehan Hameed
Chief (HR&A) Officer

Noman Rafiq
Company Secretary

Omer Haroon Malik
Head Market Operations
& Development

ORGANIZATIONAL CHART



CPPA

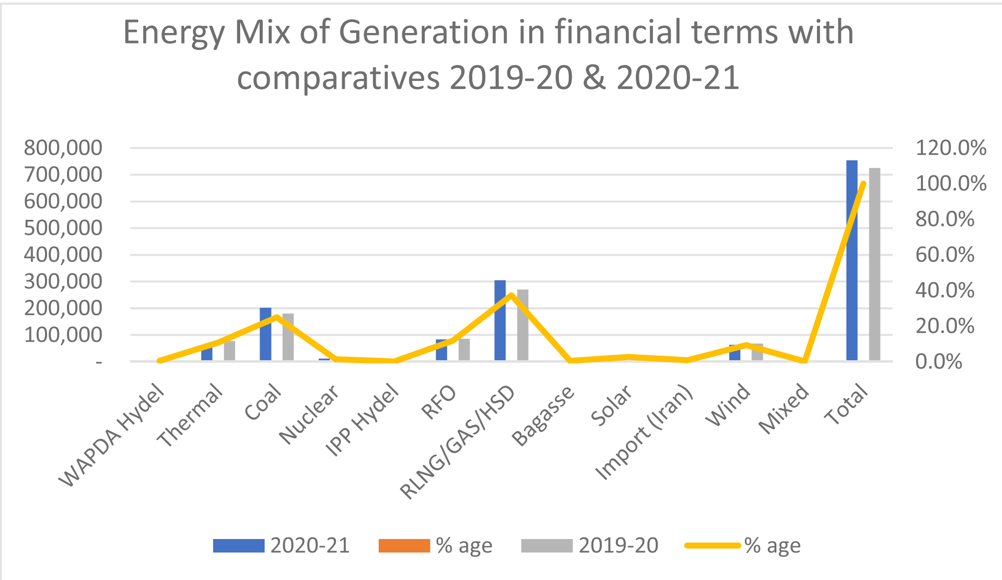
Pakistan Electricity Market Operator

08
KEY HIGHLIGHTS OF THE YEAR

During FY2021, CPPA-G while striving for excellence with passion, innovation and Integration, achieved several landmarks and made substantial progress. Few highlights of the selected key achievements of CPPA-G as the Operator of Pakistan's Electricity Market, are presented below:

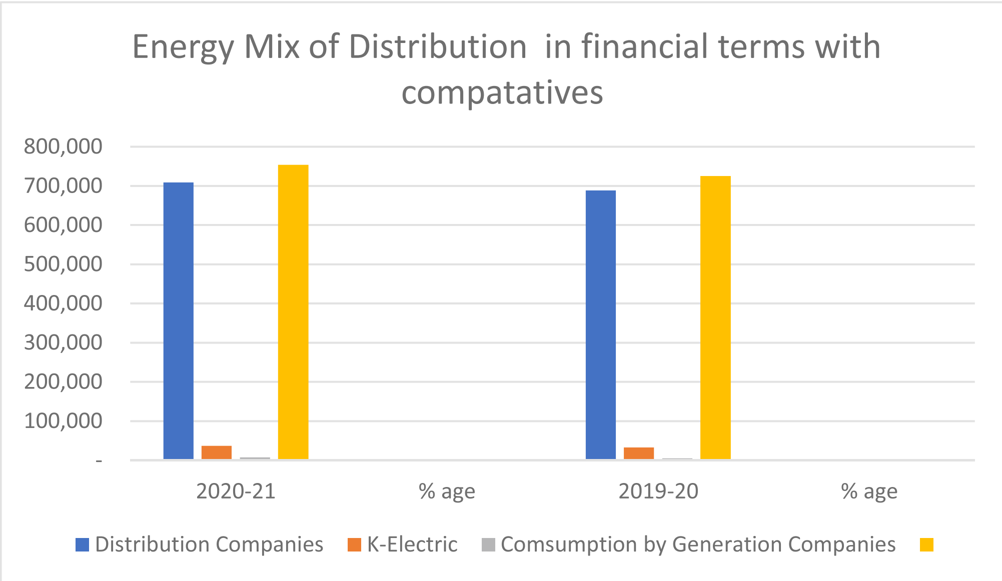
8.1
Energy Mix of Generation in financial terms with comparatives:

				Rs, in millions
Fuel Type	**2020-21**	**% age**	**2019-20**	**% age**
WAPDA Hydel	2,650	0.4%	2,858	0.4%
Thermal	58,582	7.8%	77,841	10.7%
Coal	201,925	26.8%	180,522	24.9%
Nuclear	11,264	1.5%	9,842	1.4%
IPP Hydel	721	0.1%	1,380	0.2%
RFO	83,355	11.1%	85,865	11.8%
RLNG/GAS/HSD	304,278	40.4%	270,541	37.3%
Bagasse	4,989	0.7%	3,878	0.5%
Solar	16,889	2.2%	18,417	2.5%
Import (Iran)	4,960	0.7%	5,507	0.8%
Wind	62,766	8.3%	67,870	9.4%
Mixed	1,260	0.2%	1,142	0.2%
Total	**753,639**	**100.0%**	**725,662**	**100.0%**



Energy Mix of Distribution in financial terms with compatatives:

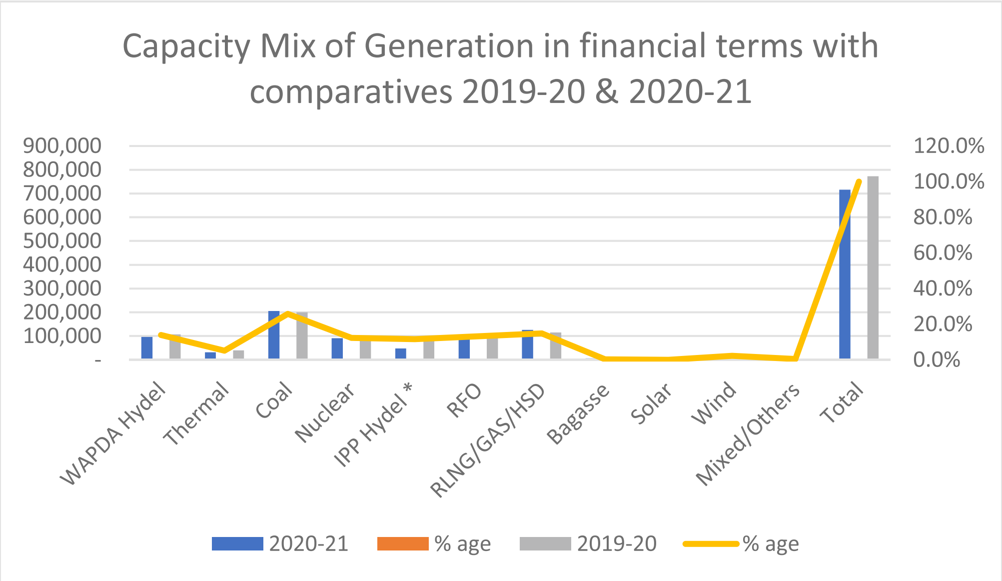
	2020-21	% age	2019-20	% age
Distribution Companies	708,998	94.1%	688,164	94.8%
K-Electric	36,970	4.9%	32,718	4.5%
Comsumption by Generation Companies	7,671	1.0%	4,780	0.7%
	753,639	100.0%	725,662	100.0%



8.2

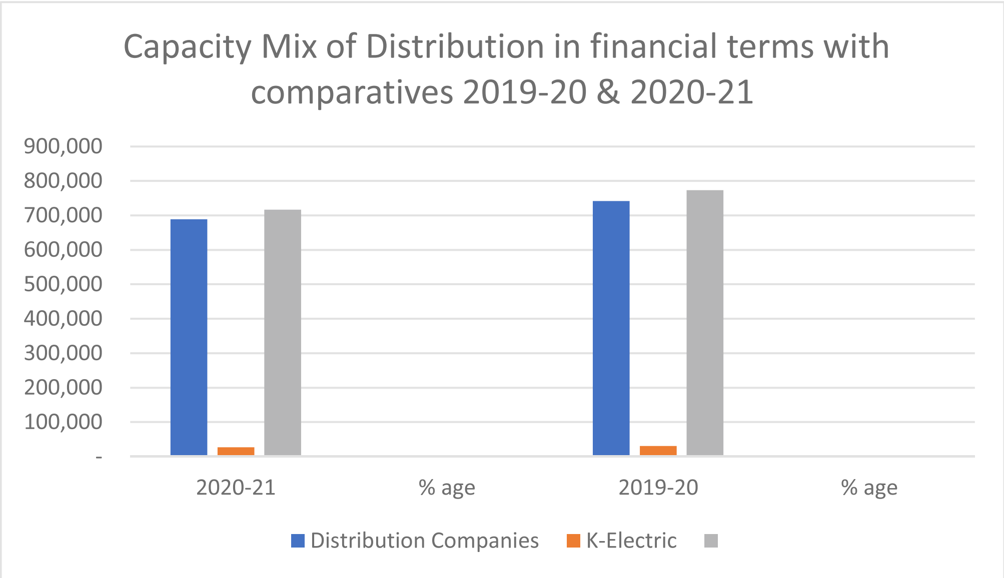
Capacity Mix of Generation in financial terms with comparatives

				Rs, in millions
Fuel Type	2020-21	% age	2019-20	% age
WAPDA Hydel	95,826	13.4%	107,546	13.9%
Thermal	31,661	4.4%	40,113	5.2%
Coal	205,636	28.7%	199,489	25.8%
Nuclear	91,329	12.8%	94,984	12.3%
IPP Hydel	47,814	6.7%	89,406	11.6%
RFO	93,977	13.1%	102,492	13.3%
RLNG/GAS/HSD	126,091	17.6%	114,836	14.9%
Bagasse	5,718	0.8%	2,283	0.3%
Solar	904	0.1%	87	0.0%
Wind	13,566	1.9%	17,945	2.3%
Mixed / Others	3,727	0.5%	3,786	0.5%
Total	**716,249**	**100.0%**	**772,969**	**100.0%**



Capacity Mix of Distribution in financial terms with comparatives

	Rs. In Million			
	2020-21	% age	2019-20	% age
Distribution Companies	688,868	96.2%	741,926	96.0%
K-Electric	27,382	3.8%	31,043	4.0%
	716,249	100.0%	772,969	100.0%

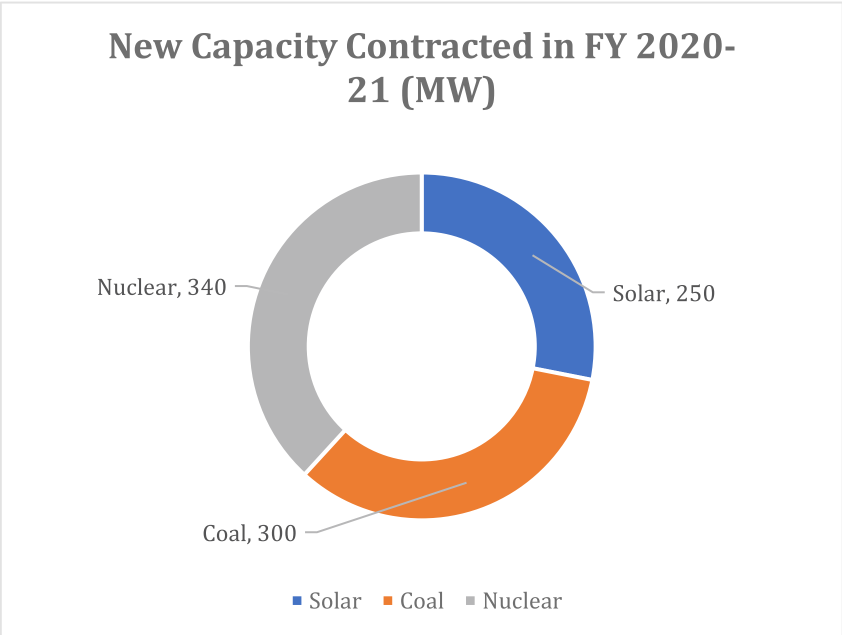


8.3
NEW CAPACITY CONTRACTED

CPPA-G in FY 2020-21 signed fifteen PPAs/EPAs on behalf of DISCOs, with a total 890 MW of contracted capacity. Four EPAs were signed with wind plants, one PPA was signed with Coal Plant and One with Nuclear power plant,. The following agreements on behalf of DISCOs were executed:

New Capacity Contracted (MW)

Sr#	Technology	2018-19	2019-20	2020-21
1	Wind			
2	Bagasse			
3	Solar			250
4	Nuclear			340
5	Hydel	102	976	
6	Coal	1,320	1,320	300
7	RLNG	1,263		
	Total	**2,685**	**2,906**	**890**



9

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

9.1
FINANCE DEPARTMENT

PURCHASE OF POWER FUNCTIONS:

This department perform core agency functions of Procurement of Power on behalf of DISCOs, settlement to DISCOs, Treasury Management and Corporate Accounting.

- Procurement of Power/Energy from generation units across Pakistan and AJK, on behalf of DISCOs, under the already executed - 89 PPAs/EPAs through Billing and Settlement mechanism under the contractual framework.

- Import of 498,373.200 MWh Energy from Iran for Makran Region.
- Negotiations with IPPs for finalizing the Power Purchase Agreements (PPAs)/ Energy Purchase Agreements (EPAs) and Direct Agreements, for upcoming projects, in line with the standard documents approved by ECC of the Cabinet.

- Providing inputs as a stakeholder on various tariff petitions, thereby assisting NEPRA in determination of generation, transmission and distribution tariffs.

- All the above functions are subjected to audit by the office of Auditor General of Pakistan, Commercial Audit under the Companies Ordinance 1984. The Finance Team provides requisite record, clarifications/ explanations as required by the Audit Team. Assists the Principal Accounting Officer in providing justifications/clarifications to Audit observations before the Public Accounts Committee.

CORPORATE ACCOUNTS & TREASURY FUNCTIONS

1. Settlement of Electricity Transfer Charges to DISCOs and K-Electric under the stipulations of Commercial Code.
2. Funds Disbursement on behalf of DISCOs includes reporting of funds remittances from DISCOs & K-Electric and disbursement to IPPs &NTDC, settlement of central disbursement of subsidy to DISCOs and non-cash adjustments as approved by GOP.
3. Compliance of Tax Laws and Interaction with FBR on the matters pertaining to Income Tax Ordinance 2001, Sales Tax Act 1990 and Other Taxation matters.
4. Financial Reporting of the Company.

9.1.1 ACHIEVEMENTS

Qualified and experienced professionals of finance team, equipped with advanced automated applications, remained committed to work with high degree of professionalism, ensuring transparency and excellence. The hallmark of the team was its performance during lock-down periods owing to COVID-19. The abrupt transformation to online methodology was smooth and swift, yielding desired results.

Implementation of MOUs signed with IPPs

- CPPA-G assisted Federal Government's initiative in successful conversion of Memorandum of Understandings (MOUs), entered by the Committee for Negotiation with IPPs set up by the Federal Government on 3rd June 2020. Consequently, agreements were signed on the authorization of GOP with 32 IPPs operating under 1994, 2002 and 2006 power policies. These agreements were aimed for the realization of Rs. 836 billion savings over the remaining life of the projects in terms of tariff reduction.

- **Settlement of Disputes with various IPPs**

Recovery of LD matter remained disputed with KAPCO since 2008-09. The matter has been amicably resolved whereby KAPCO agreed, amongst other terms, to withdraw its case from International Chamber of Commerce (ICC) and waived off its claim of Late Payment Interest (LPI) on LPI.

The 9 IPPs obtained an award in their favour, from the London Court of International Arbitration (the "LCIA Award") relating to a Dispute in respect of withheld Capacity Payments. The LCIA

Award is currently pending before the Lahore High Court for enforcement; however, the Parties have decided to amicably settle the matter in accordance with the terms and conditions of the Settlement Agreement. Through this settlement with the relevant IPPs, net saving of Rs. 8.44 billion has been ensured.

CPPA had deducted 100% of the fixed costs for bagasse IPPs above the plant factor of 45%. The IPPs have claimed 100% of the fixed cost above plant factor of 45% and have filed cases at various forums. The IPPs have now agreed to forfeit 70% of the claim of fixed costs above the plant factor in favor of the Purchaser and will be entitled to 30% of the fixed cost beyond annual plant factor against the claim of 100%.

Long outstanding Dispute with Rousch Power on account of failure to deliver Net Electrical Output by Rousch Power due to non-availability of Gas/RLNG, is settled by treating the non-supply period as Other Forced Majeure Event (OFME).

- **Transparency in Billing and Settlement functions**

The transparency has been ensured by developing system based stringent control to minimize the risk of fraud & error and implementing technology bases solution including:-

1. Web based CDXP program
2. Oracle ERP integration with CDXP.
3. Publishing the IPPs invoices approval tracking process through IPPs logins.
4. Publishing the daily disbursement reports through IPPS logins.

- **Automation leading toward paperless environment**

CPPA-G finance team brought following improvements in the Purchase of Power (POP) and Account Payable (AP) modules of ERP:

a. System generated Invoices verification and approval workflow
b. System generated Invoice approval / Dispute Notices intimation to Power Generation Units
c. Improvement in Management Reporting System
d. Improvements in internal / system controls
e. Implementation of Foreign Exchange Payments, Fuel Cost Adjustment and Letter of Credit Modules

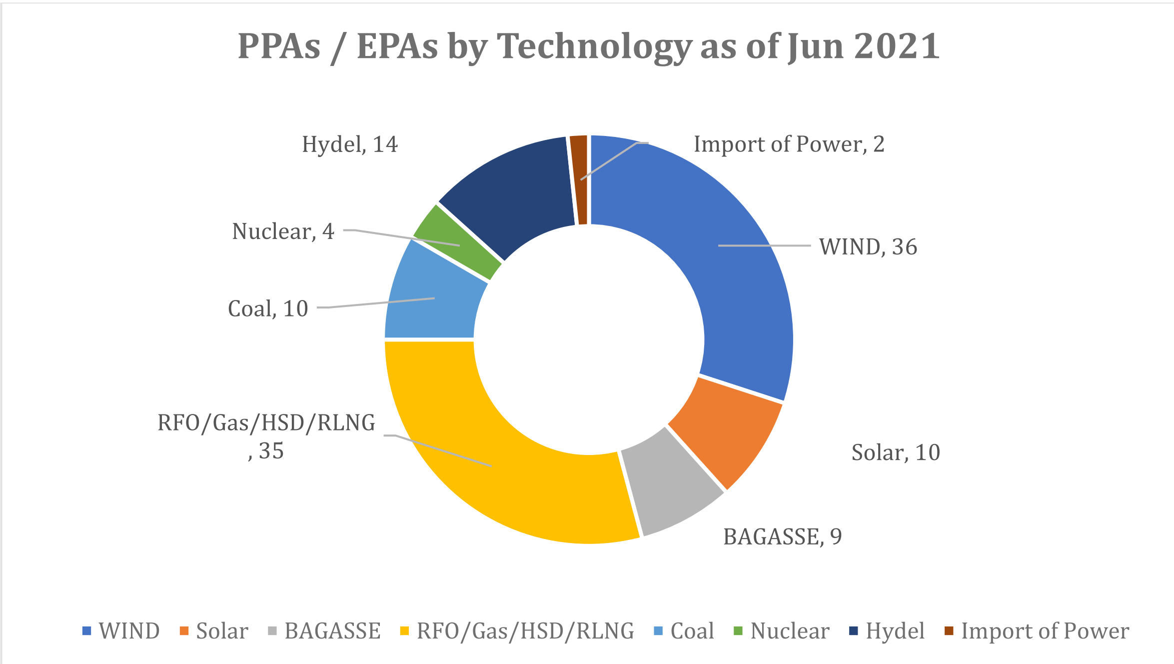
9.2
TECHNICAL DEPARTMENT

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

- Procurement of power on behalf of DISCOs
- Establishing contracts for supply
- Contract Management
- Coordination with PPIB, AEDB, Ministry of Energy (MOE) Power Division, Ministry of Finance, Ministry of Law and other governmental agencies
- Meter Readings Management
- IPPs and NTDC Invoice Verification
- 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:

Total No. of PPAs / EPAs as of 30-06-2021	
Technology	**No. of PPAs/EPAs**
WIND	36
Solar	10
BAGASSE	09
RFO/Gas/HSD/RLNG	35
Coal	10
Nuclear	04
Hydel	14
Import of Power	02
Total PPAs / EPAs	120

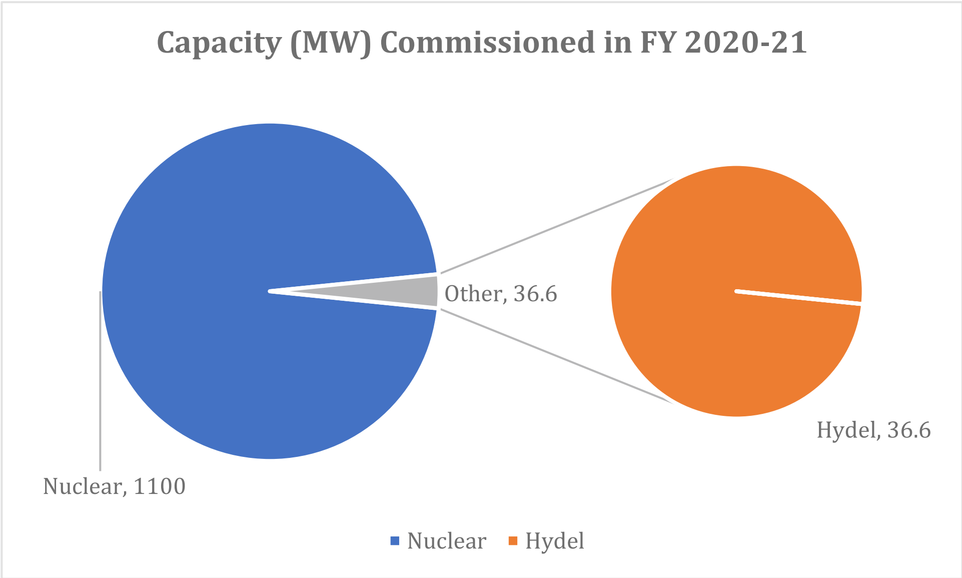


YEARLY ACHIEVEMENTS

Following are some key achievements accomplished by this department during FY2021:

- Contracting a total capacity 550 MW through signing five (05) Energy/Power Purchase Agreements with Solar, Nuclear and Coal Based Power Plants.
- Successful integration of 1136.6 MW into National Grid after incurring substantial man hours of CPPA under the ambit of rights and obligations of the power purchaser in the framework of purchase agreements.

Projects Commissioned in FY 2020-21				
Sr. No.	**Technology**	**No of Projects**	**Commissioned (MW)**	**Remarks**
1	WIND	-		
2	Solar	-		
3	BAGASSE	-		
4	RFO/Gas/HSD/RLNG	-		
5	Coal	-		
6	Nuclear	01	1100	NPP K-2 Karachi Commissioned on 21-05-2021
7	Hydel	01	36.6	Daral Khwar Swat KPK Commissioned on 26-05-2021
8	Import of Power			
	Total	**02**	**1136.6**	



9.3
STRATEGY AND MARKET DEVELOPMENT DEPARTMENT

9.3.1 CTBCM DETAILED DESIGN APPROVAL BY NEPRA & RATIFICATION BY FEDERAL CABINET

CPPA-G initiated extensive stakeholder consultations and submitted rejoinder of more than 500 comments from Stakeholders and submitted updated detail design and implementation roadmap report on 5th February 2020, with another revision in July 2020. Consequently, after stringent scrutiny and rigorous regulatory process, NEPRA approved the Competitive Trading Bilateral Contract Market (CTBCM) Model Detail Design and its Implementation Roadmap Report on November 12, 2020.

CPPA-G as a central facilitator prepared the CTBCM detail design and implementation roadmap report in consultation with the relevant stakeholders, pursuant to the ECC decision dated April 2015. The approval of CTBCM has paved the foundation for the establishment of a competitive wholesale electricity market in Pakistan.

9.3.2 CTBCM DESIGN, PRINCIPLES AND PLAN: APPROVAL AND RATIFICATION BY CCOE AND FEDERAL CABINET

To fast-track the implementation of CTBCM as per directive of PM office, approval of CTBCM principles, essential design features and plan from CCoE was besought by MoE (PD) vide a summary. CCoE approved the said summary on January 14, 2021 which was further ratified by Cabinet on January 19, 2021.

9.3.3 SUPPORT TO IMPLEMENTATION ENTITIES IN PREPARING THEIR DETAIL IMPLEMENTATION PLAN

The Determination on CTBCM Approval by NEPRA encapsulated several directions for CPPA-G and other implementation entities including NTDC, NPCC, DISCOs, PPIB/AEDB to perform certain time-bound actions. These included (i) preparation of the detail implementation reports by NTDC, NPCC and DISCOs (ii) preparation of the scheme of arrangement and comprehensive plan covering all financial, technical, legal, and market-related aspects with recommendations by K-Electric for participation in the market, and (iii) preparation of information dissemination plan for developing understanding / sharing of information with all the stakeholders by CPPA-G. CPPA-G has not only complied with direction of preparing an information dissemination and training plan with all the stakeholders but also assisted other implementation entities in preparing their detailed implementation reports. Additionally, CPPA-G has provided full support to K-Electric in preparing their scheme of arrangement and plan for integration into the Market.

Consultative Session on CTBCM Detailed Implementation Plans in progress

9.3.4 OPERATIONALIZATION OF MARKET IMPLEMENTATION MONITORING GROUP (MIMG)

Ministry of Energy (Power Division) notified formation of the Market Implementation Monitoring Group (MIMG) which constitutes Secretary Power Division, SAPM Power, Chairman NEPRA, CEO CPPA, Member Power Planning Commission, MD NTDC, MD PPIB and other senior officials of the power sector. The prime objective of MIMG is to monitor the implementation of the Competitive Trading Bilateral Contracts Market (CTBCM) Plan and providing guidance and strategic support to the power sector entities responsible to implement their relevant actions.

To review the implementation of the CTBCM actions, four MIMG Meetings were held in this fiscal year. During these meetings, relevant implementing agencies including DISCOs, K-Electric, NTDC, NPCC of NTDC, PPIB, AEDB and CPPA-G presented progress updates regarding their respective CTBCM actions.

Pursuant to directions of MIMG, subcommittee of MIMG, comprising Joint Secretary-Power Finance (MoE) PD, DG Licensing (NEPRA) and Secretary MIMG, was also constituted with the objective of carrying out detailed progress evaluation of the CTBCM actions with respective implementing agencies before MIMG meetings.

9.3.5 MARKET SIMULATION AND MODELING

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

During the FY2021, a simulation tool was developed by CPPA-G for calculating share of each participant in the market for legacy contracts based on historic and forecasted patterns as well as capacity and energy needs i.e. temporal and quantitative basis. Further, this tool also calculates imbalances of each participant form contracted quantities.

9.3.5 MARKET TRAININGS AND WORKSHOPS

For CPPA-G, the training, capacity building & continuous professional development of its human resources 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 2020-2021 which were attended by representatives from MoE(PD), NEPRA, DISCOs, KE, NTDC, NPCC side-by-side with CPPA-G. Few glimpse of market sessions and workshops of 2020-2021 are given below:

Electricity Market Professional (EMP) Program 2021

Chairman NEPRA Addressing in EMP (2019-21)

Glimpse of the Lecture Hall in EMP (2019-21)

Chairman NEPRA as Guest of Honor in the Certificate Distribution Ceremony of EMP (2019-21)

Joint Secretary (Power/Finance) addressing at FHA workshop

CEO CPPA presenting his remarks in the FHA workshop

Workshop on PLEXOs (Advance Module) by Energy Exemplar

CPPA-G arranged a five-days online training workshop in November 2021 for getting 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.

Certificate Distribution Ceremony co-hosted by CPPA and USAID

Workshop on Renewable Generation Forecasting by Metrological

CPPA-G arranged an online training workshop in October 2021 for getting expertise on tool developed by Meteologica for wind forecasting. This is a state-of-art tool which is being used in more than 70 countries around the world. The workshop was attended by the participants from relevant departments of CPPA-G and NPCC. Foreign expert trainers from Meteologica were engaged by CPPA-G to deliver this training remotely using online training platform.

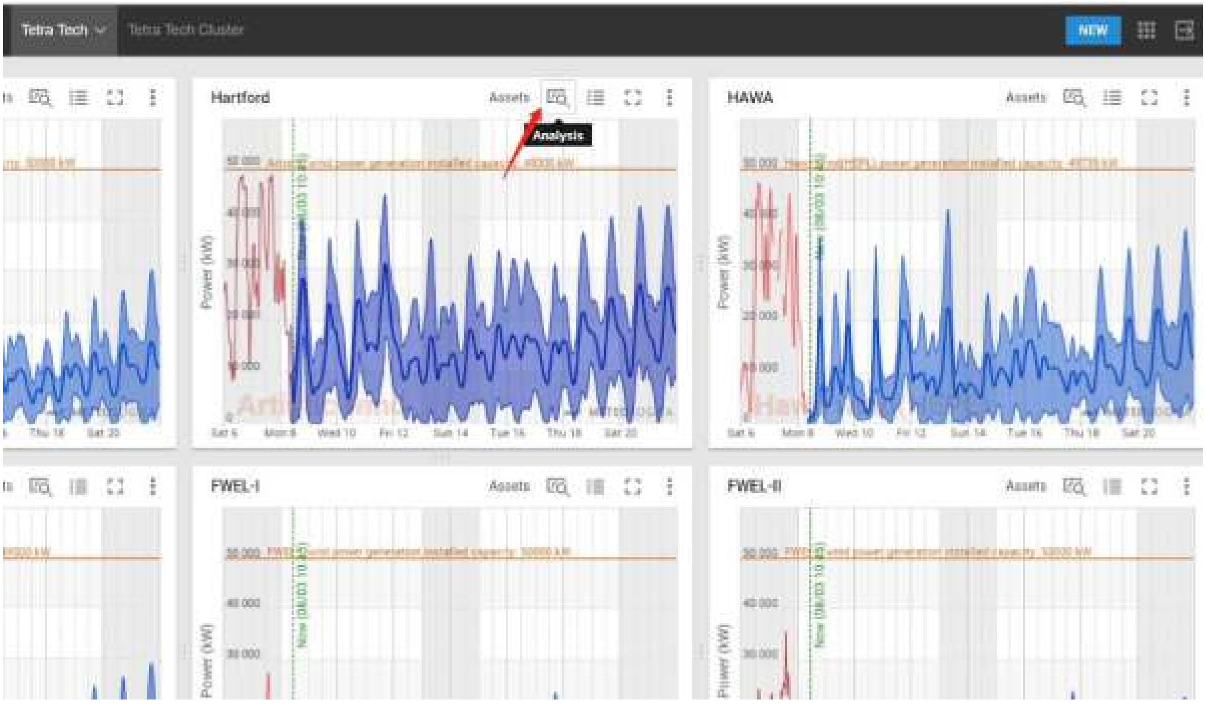


Figure : Graph of output of Wind Forecasting Tool

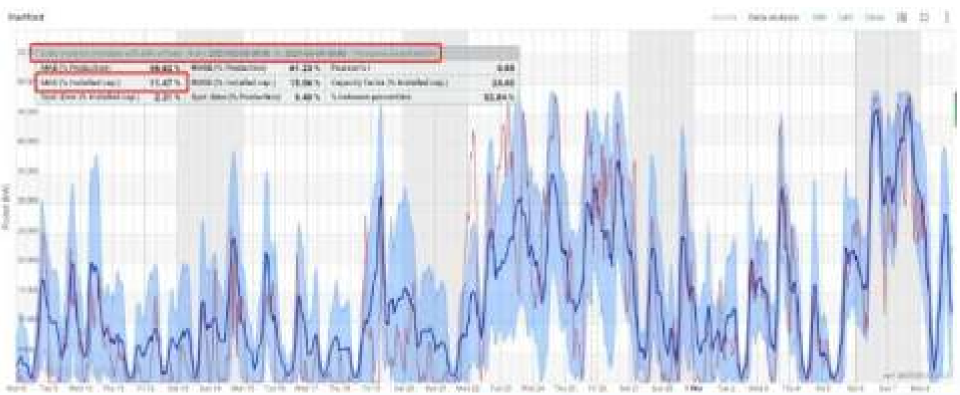


Figure : View of Daily Forecast by Forecasting Tool

CTBCM Orientation Sessions for DISCOs BoD

Figure : Chairmen DISCOs BoDs in a Panel Discussion during the Workshop on CTBCM

Participants of the Business Planning & Target Setting of DISCOs Workshop

Figure : Board of Directors of DISCOs attending the Workshop on CTBCM

Brochure of First Webinar on CTBCM

9.4
CPPA-G'S CONTRIBUTION TO THE POWER SECTOR

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

- In an effort towards the development of green energy production and government's target of achieving 30 % share of renewable energy in total electricity mix of the country by 2030, 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.
- CPPA-G provided technical assistance and facilitation to CTBCM implementing entities including DISCOs, NTDC, NPCC, PPIB, AEDB and K-Electric in execution of their respective actions under CTBCM plan.
- Keeping in view the important aspect of the readily access to the reliable and accurate information in the competitive market, CPPA-G initiated the Data Institutionalization Project in support of NTDC and NPCC.
- Prepared and presented an analysis of plants exit under different policy regimes to the power sector leadership.
- Assisted in developing CTBCM implementation plans of DISCOs, NTDC, NPCC, PPIB, AEDB etc. for collaborative and synergized efforts toward implementation of competitive market.
- Completed development of a short-term load forecasting tool in collaboration with NPCC and LUMS.
- Engaged a foreign consulting firm to provide wind generation forecast from all WPPs to NPCC. The consulting firm is on-board and providing wind forecasting by its model customized for Pakistan.
- Conducted DISCOs' BoD Orientation Sessions related to CTBCM and Business Planning sessions for BoD's members as well as senior management of DISCOs.
- Facilitated K-Electric in joint study on central dispatch and also in the preparation of the CTBCM Integration Plan.
- Deployed international and local consultants at DISCOs, NTDC and PPIB with the cooperation of donor agencies.
- Assisted DISCOs in operationalization of Market Implementation and Regulatory Affairs Department within all DISCOs.Moreover, under its facilitation role for market development, CPPA-G assisted the DISCOs, NTDC and NPCC on various fronts:

9.4.1 ASSISTANCE TO DISCOS

DISCOs are one of the most important stakeholders of the future electricity market. Therefore, CPPA-G believes that DISCOs must be equipped with adequate capacity to participate in the competitive market. Assistance is being extended by CPPA-G to the DISCOs pertaining to the following important areas:

Pakistan Electric Market

Demand Forecasting

CPPA-G has been facilitating all DISCOs in preparation of their medium-term forecast report 2019-20 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.

CTBCM Implementation Assistance to DISCOs

CPPA-G assisted the DISCOs in developing detailed implementation plan for actions envisaged under CTBCM for DISCOs. Consequently, DISCOs submitted their detailed Implementation plans to NEPRA within due dates.

Further, CPPA-G provided assistance to DISCOs in approval and operationalization of MIRAD. Additionally, the USAID consultants were engaged by CPPA-G for providing assistance to DISCOs in their Financial Health Assessment (FHA).

Similarly, CPPA-G hired a consultancy firm to support DISCOs in formation of Association of DISCOs. The consultants prepared a detailed Concept Paper to guide DISCOs in this activity and now are assisting DISCOs in getting license/registration from the competent bodies for legal incorporation of the Association of DISCOs. Two workshops were also held by the consultants in which DISCOs were apprised about the step-by-step strategy for creating the Association of DISCOs.

With the efforts of CPPA-G, the World Bank has hired a consultant to help DISCOs in preparation of the Connection Agreements. Moreover, hiring of another international consultant by the World Bank is in progress with the pursuance of CPPA-G for undertaking the task of Distribution Code amendments.

Figure : Workshop on Association of DISCOs

9.4.2 ASSISTANCE TO NTDC

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

Indicative Generation Capacity Expansion Plan Revision

This year, CPPA-G has provided support to NTDC through consultant in revising Indicative Generation Capacity Expansion Plan. NTDC collected and prepared revised input data for the updated iteration of the IGCEP using PLEXOs tool. Consultant hired by CPPA-G assisted NTDC in revised IGCEP model formulation, devising different scenarios, reviewing the revised plan and end to end completion of the project. Consultant also assisted NTDC planning team to get hands on expertise on generation expansion planning tool

Coordination Support in CTBCM Implementation

CPPA-G assisted NTDC in developing detailed implementation plan for actions envisaged under CTBCM plan for NTDC. Further CPPA-G is extending its full support in implementation of NTDC's Plan for completion of respective CTBCM actions. Moreover, CPPA-G has conducted session for NTDC Board explaining various features of CTBCM and answering queries of NTDC Board members on CTBCM design and implementation roadmap.
CPPA-G is also providing contribution to the NTDC in the revision of the Grid Code. Similarly, for the SMS Metering Project, CPPA-G team provided assistance to NTDC in developing SOPs of SMS metering operations.

9.4.3 ASSISTANCE TO NPCC

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

9.4.4 WIND GENERATION CENTRAL FORECAST

In order to support NPCC in the unit commitment and economic dispatch, one of the critical inputs i.e. VRE generation forecast was unavailable. CPPA-G has engaged a service provider to provide generation forecast from all WPPs to NPCC. The service provider is on-board and has created a customized model for Pakistan. Now, this service is available to NPCC and providing Wind Forecasting. This year, CPPA-G also successfully integrated VRE generation forecasting with Central Data Exchange Portal (CDXP) of CPPA. Additionally, model improvement is under process to achieve the desired accuracy level.

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 is capable to forecast system and DISCO level demand on hourly resolution for next week. This tool has been developed and NPCC team has started receiving its output in this year. Moving forward, enhancement of Short-Term Demand Forecasting Model for additional parameters is underway.

Coordination Support in CTBCM Implementation

Moving CPPA-G assisted NPCC in developing detailed implementation plan for actions envisaged under CTBCM Plan for NPCC. Further CPPA-G is extending its full support in implementation of NPCC's Plan for CTBCM. In this regard, CPPA-G through ADB has hired an international consultant to assist NPCC in carrying out its limited restructuring required to efficiently perform the SO functions in the competitive market. CPPA-G is also assisting NPCC in the institutionalization of dispatch data.

9.4.5 ASSISTANCE TO PPIB/AEDB

Coordination Support in CTBCM Implementation

PPIB/AEDB in the envisaged role of Independent Auction Administrator (IAA) has a very major roe to play in the competitive wholesale market. In order to prepare for the IAA and play this role effectively, PPIB/AEDB is required to get registration from NEPRA and strengthening its auctioneer function. In this connection, CPPA-G is extending full support to PPIB/AEDB in the CTBCM actions envisaged in the CTBCM Plan. Through the support of World Bank, international consultant was deployed by CPPA to work on the new market contracts. Additionally, another international consultant through ADB has been deputed which is helping PPIB in the registration process and strengthening of the auctioneer. Moreover, CPPA is also facilitating PPIB in getting consultant from the World Bank to work on the revision of Security Package and new market contracts.

9.4.6 YEARLY ACHIEVEMENTS

Following is a list of key achievements earned by this department during FY2021:

- Obtained approval of CTBCM Detailed Design and Plan from:
- NEPRA
- CCoE
- Cabinet
- CTBCM implementation monitoring & reporting
- Facilitated MIMG in monitoring of CTBCM implementation by organizing regular MIMG meetings
- Facilitated MISC in supervision of the CTBCM implementation
- Provided facilitation to the Boards of power sector entities to monitor implementation of respective CTBCM actions
- Prepared status update reports for information dissemination including MIMG Status Update Reports, Compliance Reports, CCoE Monthly Reports, NEPRA Quarterly Reports and fulfilled various ad-hoc reporting requirements
- CPPA-G restructuring for the creation of ISMO as separate legal entity
- Completed Phase-I (high-level MO Design) and Phase-II (Detailed MO Design) of the Restructuring Project and got approval from Steering Committee, MISC and the Board
- Prepared first drafts of Business Transfer Agreement, MoA and AoA of the MO etc.
- Prepared summary for the specific approval of ISMO and responded to comments of stakeholders
- Preparation of requisite documentation under CTBCM
- Prepared draft Market Commercial Code, 5 CCoPs and 18 Process Manuals for market governance
- Prepared 7 Eligibility Criteria Rules for new market entrants
- Prepared commercial part of market PPAs
- Prepared NEPRA Act amendments related to Tariff and obtained approval
- Contributed in formulation and approval of National Electricity Policy w.r.t electricity market
- Prepared 6 concept papers on Detailed Design and submitted to NEPRA
- Provide assistance to NEPRA in preparation of market related regulations
- Prepared commercial allocation methodology of legacy PPAs
- Technical assistance to Power Sector Entities
- Supported DISCOs in approval and creation of MIRAD, Financial Health Assessment, Association of DISCOs, Connection Agreements etc.
- Supported NTDC in Grid Code revision, SMS project etc.
- Supported NPCC in demand forecasting, VRE forecasting, dispatch optimization, data institutionalization etc.
- Conducted study on central dispatch for K-Electric and facilitated KE in CTBCM Integration Plan
- Supporting PPIB/AEDB in preparation of licensing application and IAA strengthening etc.
- Training and Capacity Building of Power Sector Entities
- Completed Batch-II of Electricity Market Professional Program in collaboration with LUMS
- Conducted numerous workshops and session for power sector entities including FHA workshop, association workshop, all DISCOs BoD orientation sessions, business planning workshop etc.
- Finalized proposal of Power Sector Center of Excellence at LUMS
- Strategic Partnerships and Donor Coordination
- Obtained representation on the Board of Association of International Power Exchanges (APEX)
- Acquired funding from international donors including USAID, ADB, World Bank for CTBCM design and implementation and support to other entities

9.5
LEGAL AFFAIRS DEPARTMENT

The work of Legal Department spans the breadth of the Company and is hallmarked by its 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 and risk mitigation.

Furthermore, the Legal Department maintained its physical presence throughout the unprecedented challenges posed due to the Covid-19 pandemic and the subsequent waves that have subsisted including the Delta variant. 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.

Furthermore, the initiative taken by the Government of Pakistan, whereby a Committee for Negotiations with IPPs was notified to negotiate memoranda of understanding to alter existing contractual arrangements & realise savings. The Implementation Committee was subsequently formed to implement the MOUs into binding agreements in the form of Master Agreements, Power Purchase Agreement amendments, and settlement agreements. Legal Department attended to the issues of the Implementation Committee facilitated the GOP's initiative, resulting in the conclusion of disputes before various international arbitral fora such as the LCIA/ICC, thus preserving the sanctity of the long-term Agreements and realizing a significant reduction in legal costs.

CPPA was also successful in implementing the stalled novation plan, executing a record 22 novation agreements with existing IPPs.

The Legal Department has excelled in its 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.

The Legal Department single-handedly drafted and finalized the standard template EPA for small hydel projects, balancing the risks and benefits to all parties concerned, and submitted the same through the proper channels for the approval of the ECC; going further, the Department negotiated and executed two such agreements with upcoming projects. The Legal Department eschewed engaging external legal counsel – thus minimizing the legal costs pertaining thereto – and defended the organization's position before NEPRA's complaint redressal tribunal, securing the organization's interests before the national power regulator. Similarly, the Legal Department defended the organization's position before the Federal Ombudsman in a number of cases, successfully achieving the desired outcomes. In addition to these – as well as its routine tasks – the Department also represented the organization in contract negotiations with a broad array of upcoming power projects, developing the finalized template agreement for solar power projects which exercise culminated in ensuring the induction of approximately 200 MW of clean, affordable, and renewable energy. Looking forwards toward the horizon, and keeping in view upcoming paradigm shifts in the national power sector, as a pilot project the Legal Department prepared the standard EPA forming the template for market contracts in the upcoming Competitive Trading Bilateral Contracts Market ("CTBCM"), submitting the same to the Ministry of Energy for its review. To further give effect to the GOP's ambitious plans for the sector, the Legal Department drafted a comprehensive set of secondary legislation in the form of rules under the NEPRA Act geared towards operationalizing the upcoming CTBCM, submitting the same for adoption and promulgation by the Ministry of Energy under the Act.

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.

The Legal Department is cautiously looking forward to reducing the costs to be incurred on litigation/legal fee. In this regard, the Legal Department has handled representation before different forums with complete success.

We feel the sensitivity of our working only allows to report highlights, but our collective working and internal introspection of performance measures reveals continued commitment to high professional standards.

One of the endeavor is making the department a brilliant place to work in with formulating measures which shall incrementally improve the effective working. Consequent upon the environmental concerns, the legal team has made strict compliance to reduce paper which has also been a success.

9.6 HUMAN RESOURCES AND ADMINISTRATION

HR & Admin 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 09 drivers round the clock to provide transport services along with the fleet management.

HR&A 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.

HR&A Dept.

HR&A Transport Section

9.6.2 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

9.6.3 Achievements

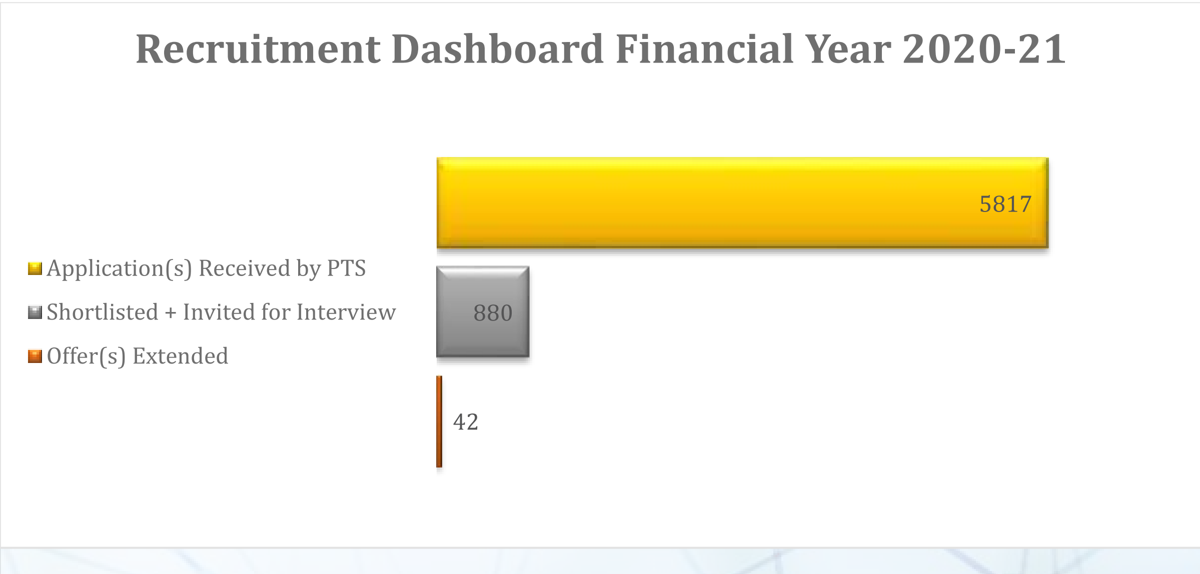
During the fiscal year 2020-21, HR&A Department has made significant contributions by achieving its yearly targets on time and as per the criterion set by the competent authority.

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 financial year 2019-20, the ratio of professional staff rose was at 70% and this ratio is being maintained by end of 2020-21 as well. Thus, reinforcing CPPA-G's commitment to become a knowledge-based organization.

RECRUITMENT & ONBOARDING OF FRESH HUMAN CAPITAL:

CPPA-G has undertaken several recruitment projects in the financial year 2020-21 considering the manpower needs of CPPA-G and the prospective manpower requirement of the Market Operator. The services of third-party recruitment services were being utilized for initial shortlisting. It is pertinent to mention here that the services hired only provided shortlisted candidates based on the basic information provided by the candidates. The Recruitment Team of CPPA-G is, however, responsible for advertisement creation and its publication, collecting CVs from all the candidates, performing extensive scrutiny of the CVs, communicating ineligibility of the candidates, conducting interviews, and communicating results. The recruitment numbers for the completed recruitment projects are mentioned below:

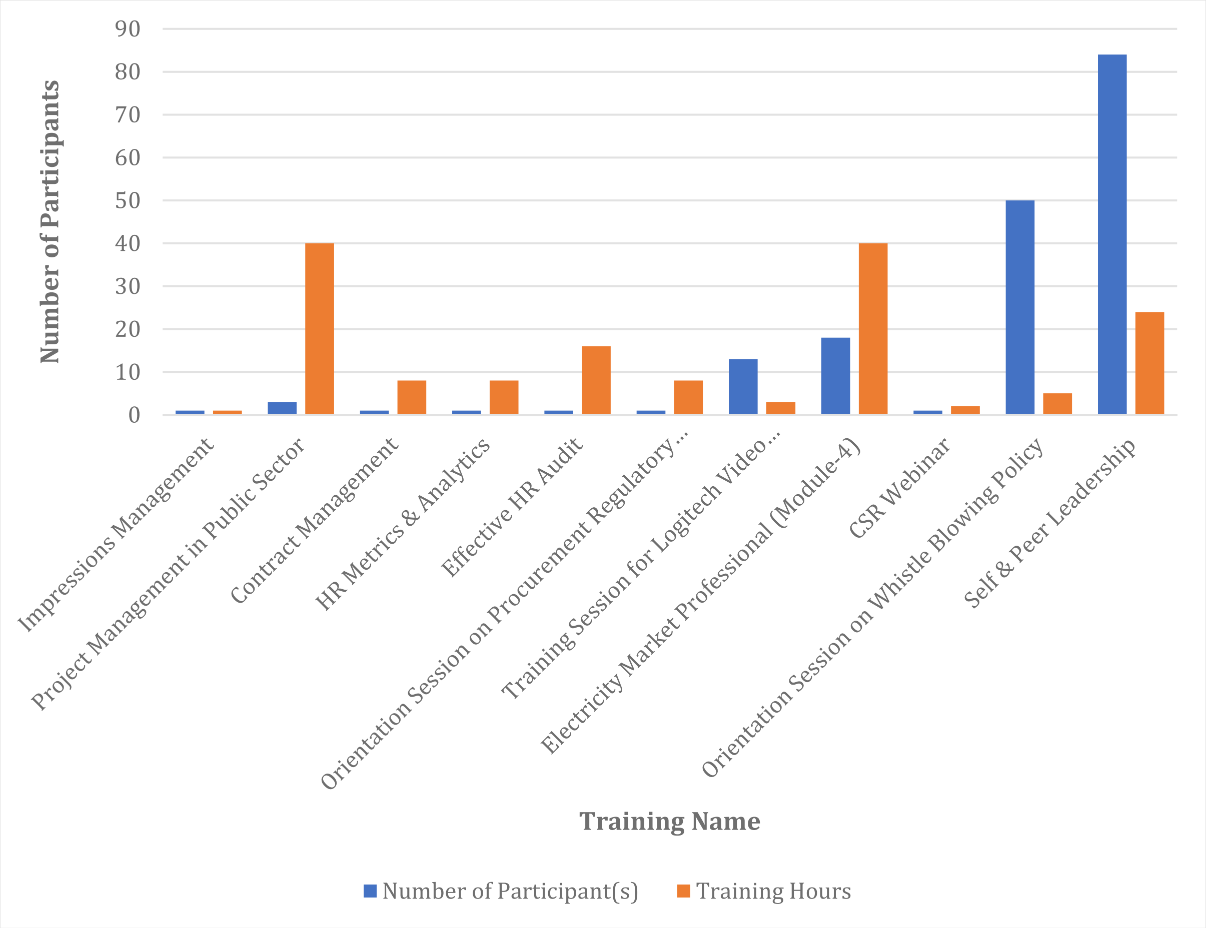


TRAINING & DEVELOPMENT:

The training initiatives were badly impacted by the Covid-19. However, CPPA-G Human Development Needs were taken into consideration and employees were sent to attend relevant workshops related to strategic domains.

Along with the off-site training, the HR&A Department organized an in-house session on “Self & Peer Leadership” by Schuitema Human Excellence Group for all the Deputy Managers, Assistant Managers and Account/Admin Officers. The one-day inhouse workshop was focussed on a unique intervention which enables growth and self-accountability as well as identifying and foster the thought process to grow as a Leader in an authentic manner. Furthermore, an orientation session in five phases were carried out for all the employees of CPPA-G on the Whistleblowing Policy as approved by the Board of Directors CPPA-G.

An overall Training Dashboard managed and facilitated by HR&A Department is listed below:



HR&A POLICIES & PROCEDURES:

HR&A department has been actively involved in introspecting the policies in practice and takes keen interest in developing and creating policies for the betterment of employees and to uplift the overall working environment. In this regard, three polices were formulated after extensive study and review. The newly formulated policies are:

- The Whistleblowing Policy
- The Anti-Corruption Policy
- The Risk Assessment Policy

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 with the guidelines issued by the Government of Pakistan. The HR&A Department provided additional support during emotionally exhausting times by bearing all Covid-19 related expenses of the CPPA-G employees. The CPPA-G employees were also enabled to remain connected via Microsoft Teams to continue the office operations uninterruptedly.

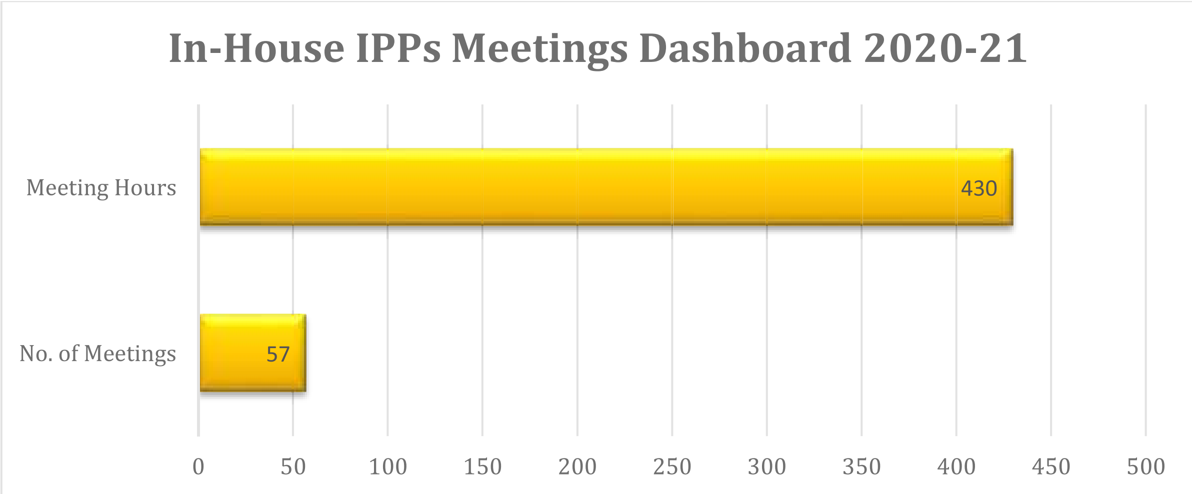
HR&A ADMIN WORK PROGRESS W.R.T MARKET OPERATOR (MO) FUNCTION:

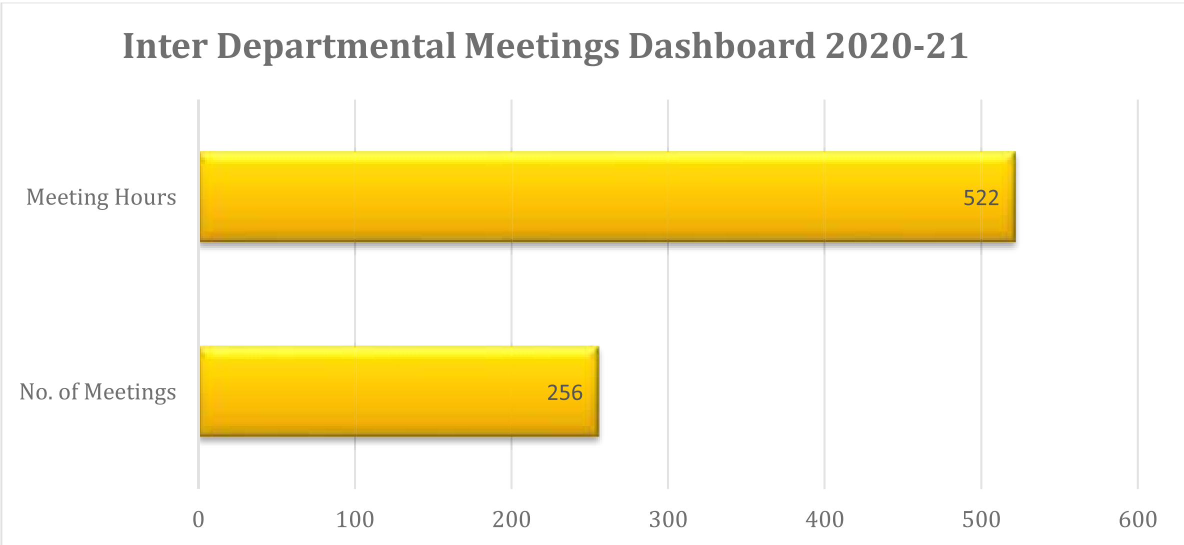
Economic Coordination Committee (ECC) has given the mandate to CPPA-G to segregate its two basic functions i.e., Agency Function and Market Operator. As NEPRA has already approved the CTBCM Model, therefore, keeping in view the timelines and prospective internal restructuring requirements, CPPA-G must establish a separate Market Operator Function. Pursuant to this mandate, HR&A Department of CPPA-G has been tasked to formulate a comprehensive HR Manual for the Market Operator. The first draft has been prepared after reviewing and extensive examination of best corporate practices that includes but not limited to NEPRA & SECP. The review of first draft is currently underway by the Competent Authority.

ADMIN SUPPORT:

CPPA-G was the center of attention as it hosted the meetings between Independent Power Producers (IPPs), Prime Minister of Pakistan's Team to negotiate with IPPs and the CPPA-G Team. The CPPA-G Team played its part and left no stone unturned that resulted in the signing of the renegotiated memorandums between IPPs and the Government of Pakistan.

HR&A Department hosted the meetings related to IPPs from 24th December 2020 till 25th February 2021. During all this time, the HR&A Department provided exceptional logistics, refreshment, on-demand availability of meeting rooms along with up-to-date services alongwith providing routine support for all the meetings & workshops. A brief snapshot of Admin Services with regards to meetings is provided below:


In-House IPPs Meetings Dashboard 2020-21
Meeting Hours
No. of Meetings
430
57
0
50
100
150
200
250
300
350
400
450
500


Inter Departmental Meetings Dashboard 2020-21
Meeting Hours
No. of Meetings
522
256
0
100
200
300
400
500
600

TAX ADJUSTMENT ON ERP:

To systemize the routine operations, mitigate human error and avoid repetition of tax claims, the Compensation & Benefits Section of HR&A Department in collaboration with IT Department CPPA-G, took the initiative to bring the on-paper claiming of tax adjustment on the ERP and now employees can file their tax adjustment on ERP Self-service portal.

OTHER ACHIEVEMENTS:

- HR&A department played a vital part in the operationalization of Policy & Planning Department and assisted them in a timely manner to cater their manpower needs along with providing additional office space within the occupied premises.
- The internal office branding was initiated, and numerous wall-hangings, motivational quotes and important guidelines were placed within CPPA-G.
- HR&A Department left no stone unturned and provided round the clock assistance to Ministry and CPPA-G Departments for smooth execution of their meetings and workshops even after office hours and on the weekends as well.

PICTORIALS:

Inhouse Workshop on Self & Peer Leadership

9.7 INFORMATION TECHNOLOGY

Information Technology is crucial to the success of the 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.

9.7.1 YEARLY ACHIEVEMENTS

- Wholesale Electricity price Model (WEM) application is the electricity price forecast model, developed by CPPA having the projections capability of more than 10 years. It offers its users, a customized set of options for generation portfolio, demands, fuel prices, economic variables, etc. This model has state of art customized application interface and is being utilized for the operation of complex algorithm sets required for computation, integration, and visualization of electricity prices against different dimensions. The application also includes the standardization and visualization of data, computation of wholesale price components forecast i.e., energy purchase price, capacity purchase price, power purchase price, and its allocation to distribution companies.
- The implementation of NPCC application is the most vital part of CPPA Data Exchange Portal (CDXP), the NPCC application provide real-time processing of system operator's (NPCC) core business processes and allows NPCC to communicate with IPPs and CPPA-G and share critical information without any hassle through CDXP. The application covers following core business processes of NPCC:
    - Submission of Declaration of Available Capacity
    - Submission of Day Ahead Demand
    - Issuance of Despatch Instructions to IPPs
    - Recording of IPPs Plant Events
    - Recording of Load Curtailment
    - Sharing data with CPPA for Invoice Verification

- Implementation of Oracle APEX based BI application with complete life cycle and integration with ERP system will revolutionize the reporting to users and CPPA-G management. This BI tool helps the users to develop the report / graph they want and enable them 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.
- Wind Forecast Portal is 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.
- The Enterprise content management (ECM) solution has been implemented at CPPA which is a Cloud Based platform to manage the Data, it includes the document sharing, uploading of documents with metadata that help to find the required document quickly. The piolet project for documentation of finance department has been digitized, available in ECM and the hard copy of documents is recorded with proper labeling, tracking and racking in storeroom. The historical data of chief executive office, company secretary office and HR department has also been digitized whereas the technical and finance department's data is in progress. Almost 400,000 pages have been digitized and uploaded in ECM cumulatively.
- 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.
- Online Metering Data submission was one of the modules of CPPA Data Exchange Portal (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 process. Not only this automation resolves billing disputes with DISCOs but also help in settlements with NTDC.
- The Database Vault solution has been implemented 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 pprotecting against insider threats, meeting regulatory compliance requirements and eenforcing separation of duty. It enables users to apply fine-grained access control to sensitive data in a variety of ways.
- Marginal Price Discovery application has been developed and launched for Market Operator. This application will be used for determining price of each unit produced by the IPP under the umbrella of Market Operator. This application will help in forecasting the cost of production and selling price of electricity.
- 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.
- · The LC process has enabled users by providing them a form for incorporating LC information in ERP and binding it with controls and alerts as per business requirements. For convenience of users and to ensure timely actions to be taken in the favor of the project, system will provide on time adequate information to users.
- · The Dark Trace solution has been implemented at CPPA which is the world's leading Autonomous Response technology for the enterprise. It is powered by self-learning cyber AI, instantly interrupts attacks across cloud services, IoT and the

corporate network with surgical precision, even if the threat is novel or highly targeted.

- Following Information Security Policies have been implemented at CPPA:
  - Workstation Security Policy
  - Wireless Communication Policy
  - Server Security Policy
  - Microsoft Teams Policy
  - Approved Application Policy
  - Password Security Policy
- The Infoblox BloxOne DDI Threat Defense Advanced Recursive DNS Security Solution has ben implemented at CPPA for Protection against DNS attacks, malicious domains and enforcement of CPPA-G Security Policies Off-Net on Roaming Users.
- The project of Integrated Management System compromised of Information Security Management System and Information Technology Service Management System has been launched to meet with the ISO standards for information security and IT services management.
- Purchased and implemented the BoardPAC software. It offers a Board Portal with the highest standards of confidentiality and security combined with a comprehensive set of user-friendly functionalities and is being used to conduct meetings among board members and company secretary department of CPPA-G.
- The Monitoring Android app provides detailed reporting for Daily DISCO's Receipts, Payment Summary to Generators, Liability Payment Plan. The app facilitates the members of ministry and IPPs to review the payment values on smart phones.
- 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 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.
- To provide an ease to employees in day to day communication, the web-based Phonebook application has been developed. This application provides phone number directory and blood group information of all employees of CPPA.
- The solution of Visitor Management portal has been launched which will help the visitors and CPPA employees to schedule the meetings and booking of meeting rooms.
- Developed and launched Digital Resource library for HR department to manage documents for generic purpose.
- Configured the progress monitoring sheet for CTBCM program to track the activities, status, and deadlines of different CTBCM tasks.

9.8 POLICY AND 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 & 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

9.8.1 YEARLY ACHIEVEMENTS

- Evaluation and packaging of industrial economic growth proposal (Industrial Support Package) and subsequent establishment of monitoring platform for reporting
- Evaluation and packaging for reduced gas consumption in winter season (Winter Incentive Package for Electricity consumers)
- Sensitivity analyses for various scenarios on wholesale and retail levels for power business on PLEXOS, excel based analytic models and other platforms
- End consumer tariff analysis of IGCEP 2021 and respective monthly fuel price projections and duly submitted to NEPRA-Power Purchase Price Report (FY-2022)
- Development of Wholesale Electricity Model with IT team
- Assistance in development of National Electricity Policy 2021 and National Electricity Plan 2021

9.9 OFFICE OF COMPANY SECRETARY

The Office of the Company Secretary maintains compliance of SECP Companies 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 meetings for CPPA-G including Annual General Meetings / Extra Ordinary General Meetings (EoGMs) Board meetings, Board Committee meetings, and Commercial Code Review Panel (CCRP) meetings
- Maintaining documentation of above-mentioned meetings
- Provide Secretarial support to the General body, Board of Directors, Board Committees and CCRP and management of the Company
- Follow-up implementation on the General body, Board of Directors, Board Committees and CCRP decisions
- Maintaining the Record and Books of Accounts, preparation of financial statements and filing of tax returns of CPPA Employees Gratuity Fund & CPPA Employees Provident Fund.
- Investment of Funds of CPPA Employees Gratuity and Provident Fund

9.9.1 YEARLY ACHIEVEMENTS

- Maintained compliance of CPPA-G with the relevant principles of corporate Governance as per Public Sector Companies (Corporate Governance) Rules, 2013 and the Companies Act 2017.
- Organized 10 Board of Director's Meetings
- Organized 44 meetings of different Board Committees
- Implementation of BoardPac software for Board & Committee meetings
- Coordinate with the External Auditors for the completion of Statutory Audit of the Company and Compliance Audit Public Sector Companies Corporate Governance Rules, 2013 for the F.Y 2020-21
- Prepared Director's Report and Annual Report of the Company

9.10 Internal Audit

Internal Auditing has grown as a profession because of the general expectation for Public Companies to have Audit Committee, generally composed of non-executive directors, and Internal Audit Function. The purpose of internal audit is to provide insight into an organization's policies, procedures, and aids board and management oversight by verifying internal controls such as operating effectiveness, risk mitigation controls, and compliance with any relevant laws and regulations.

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

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

In compliance with the above provision, Internal Audit department has been established in CPPA-G and perform the following major functions:

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

Achievements

- Audit of Billing to DISCOs and K-Electric.
- Audit of administrative expenditures

incurred by CPPA-G.

- Audit of Cash Management function of CPPA-G.
- Review of Human Resource policies and HR and Payroll Management function.
- Review of the Invoice Verification Process carried out by the Technical and Finance Department for verification of energy and capacity claims submitted by Power Producers.
- Follow up audits.
- Internal Audit has performed a comprehensive Risk Assessment exercise to review/ update the overall Audit Universe, by aligning it with organizational structure, key business processes and all major financial heads. Based on this exercise a comprehensive Audit Plan for 2021-22 and 22-23 has been prepared, presented to the Audit Committee.
- In addition to the above planned activities, following special audit assignments/ audits were carried out and completed during the period:
- On directives of Audit Committee of CPPA-G , Internal Audit has performed a special Assignment for Review of Revised Contractual Arrangements entered with the IPP's and Compliance as Per MoU's with Power Producers and presented its findings/conclusion to the Audit Committee.
- Internal Audit has prepared the Risk Management Policy of CPPA-G for the establishment of Risk Management function in CPPA-G. The purpose of this function is identifying, quantifying, and managing all risks and opportunities which may adversely the affect achievement of CPPA-G business objectives, strategic and financial goals. The Policy was presented to the Audit Committee/ Risk Management Committee and CPPA-G Board and has been approved.

10

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, five 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), National University of Science and Technology (NUST) and Pakistan Institute of Development Economics (PIDE). Moreover, CPPA-G has also acquired representation on the board of Association of Power Exchanges (APeX).

Likewise, CPPA-G remains in active coordination with the international donor agencies including USAID, ADB and the World Bank for technical assistance and collaboration in the areas of mutual interest

CPPA
Pakistan Electricity Market Operator

THE WORLD BANK

ADB

UNITED STATES AGENCY
USAID
INTERNATIONAL DEVELOPMENT

LUMS

Pakistan Institute of Development Economics
Islamabad

EPİAŞ

APEx
Association of Power Exchanges

epexspot

10.1 LAHORE UNIVERSITY OF MANAGEMENT SCIENCES - LUMS

CPPA-G has a non-binding MoU with LUMS in previous years. 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 2020-21 saw the successful completion of second batch of EMP Batch-II. Professors of LUMS actively participated in the program and delivered the sessions side by side with trainers of CPPA-G. It is planned that moving forward, the EMP program will be offered independently by LUMS under Power Sector Center of Excellence (PSCE) along with other courses.

Another important initiative with the collaboration of LUMS was the development of short-term demand forecast tool. This year, this tool has been improvised and generating accurate hourly demand forecasts.

Under this MoU with LUMS, CPPA-G has also established a Power Sector School of Excellence which will serve as the central hub for fulfilment of the market related training needs of the power sector entities

10.2 PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS– PIDE

This year, another non-binding MOU was signed between CPPA-G and PIDE for industry academia research linkages. Under this collaboration research projects have been started in PIDE.

10.3
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 2020, CPPA-G secured technical assistance (TA) from USAID in short term consulting support to facilitate key activities and regulatory requirements for transition to a competitive power market. With the help of USAID consultant, CPPA prepared the drafts of the Commercial Code for MO and SPT.

Moreover, 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, USAID has arranged trainings on Risk analysis tool and wind forecasting tool by foreign trainers. USAID has also funded Energy Risk Professional (ERP) certification from GARP USA for fourteen officials of CPPA-G. USAID has also gifted CPPA-G state-of-the-art multipurpose interactive screens.

10.4 TECHNICAL ASSISTANCE BY WORLD BANK

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

The international consultant deployed by the World Bank assisted CPPA-G and PPIB in the preparation of the new market contracts. Additionally, another team of consultants were hired by the World Bank to support DISCOs in Financial Health Assessment exercise. World Bank is also extending support to DISCOs in Connection Agreements, Distribution Code amendment and other CTBCM related actions through local and international consultants. Similarly, international consultants is assisting PPIB in the revision of Security Package and prepared for the new market contracts.

10.5 SUPPORT BY ASIAN DEVELOPMENT BANK

The Asian Development Bank has been providing generous support to the market reforms in Pakistan since many years. The international consulting firm, MRC Consultants and Transaction Advisors, has been onboard with CPPA-G since 2015 and providing technical assistance in all aspects of market development and implementation. This year, MRC helped CPPA-G in preparation of the CTBCM Detailed Design and Roadmap and getting the regulatory approval from NEPRA. During the process, ADB's consultants also contributed in answering to the comments of the stakeholders received during the stakeholder consultation process. Additionally, the team of ADB's consultant provided assistance in the CPPA-G Restructuring Project, preparation of the CCOPs and Manuals, drafting of Concept Paper on CTBCM detailed design and many other such activities related to market development

11

Market Participants

Market Participants in Pakistan can be categorized into two types i.e. Distribution Companies and Generation Companies. The tables below provide the list of Generation Companies which have made contracts with CPPA by June 2021, and their installed capacity:

List of Generation Participants

Sr. No.	Name of Generation Participant	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	18
3	Appolo Solar Development Pakistan	100
4	Best Green Energy Pakistan Limited	100
5	Crest Energy Pakistan Limited	100
6	Quaid-e-Azam Solar Power (Pvt) Ltd	100
7	Zhenfa Solar	100
8	Meridian Energy Pvt Ltd	50
9	HNDS Energy Pvt Ltd	50
10	Helios Power Pvt Ltd	50
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
10	Gwadar Coal Fired Power Project by CIHC Pak Power Company Limited		300
Nuclear			
1	CHASHMA NUCLEAR 1		301
2	CHASHMA NUCLEAR 2		315
3	CHASHMA NUCLEAR 3		340
4	CHASHMA NUCLEAR 4		340
Hydel			
1	WAPDA Hydel Power Plants		8419.96
	a) Mangla	1,000.00	
	b) Gomal Zam	17.4	
	c) Tarbela	3,478.00	
	d) Tarbela 4th Extension	1,410.00	
	e) Warsak	242.96	
	f) Duber Khawar	130	
	g) Allai Khawar	121	
	h) Khan Khwar	72	
	i) Golen Gol	108	
	j) Jabban	22	
	k) Dargai	20	
	l) Kuram Garhi	4	
	m) Chitral	1	
	n) Ghazi Brotha	1,450.00	
	o) Chashma	184	

	p) Jinnah	96	
	q) Rasul	22	
	r) Nandipur	13.8	
	s) Shadiwal	13.5	
	t) Chichoki	13.2	
	u) Renala Khurd	1.1	
2	Jagran (AJK) – I		30.04
3	Karot Power Company Pvt Ltd		720
4	Kohala (China International Water & Electric Company)		1,124
5	Laraib New Bong Esc.		84
6	Malakand-III		81.48
7	Mira Power Ltd		102
8	Neelum Jehlum		969
9	S.K Hydro Pvt Ltd		884
10	Patrind		150
11	Ranolia		17
12	Daral Khwar		36.6
13	Rialli-II		7.08
14	Azad Pattan HPP		700.7
Import of Power			
1	Tavanir – Iran		104
2	CASA-1000		1000

LIST OF DEMAND SIDE MARKET PARTICIPANTS (DISTRIBUTION COMPANIES)

Sr. No.	Name
1	Faisalabad Electric Supply Company (FESCO)
2	Gujranwala Electric Power Company (GEPCO)
3	Hyderabad Electric Supply Company (HESCO)
4	Islamabad Electric Supply Company (IESCO)
5	Lahore Electric Supply Company (LESCO)
6	Multan Electric Power Company (MEPCO)
7	Peshawar Electric Supply Company (PESCO)
8	Quetta Electric Supply Company (QESCO)
9	Sukkur Electric Power Company (SEPCO)
10	Tribal Areas Electric Supply Company (TESCO)
11	K-Electric (KE)
Total	

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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 amended by the NEPRA during the registration process.

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 17, 2020.

After that, in FY2020-21 no such amendments have been taken place. However, with COD of competitive market in 2022, this code will be revised in light of approved CTBCM model and work on the same is under process by CPPA-G.

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DIRECTOR'S REPORT

Background

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 had been allocated to the NTDC as a stopgap measure, in addition to its core transmission and system operation business. CPPA was contemplated as a standalone entity but, due to practical considerations at the time of grant of licence 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 the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) and NTDC were bifurcated, with the former becoming a separate legal entity with distinct role, function and mandate.

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

(i) Single Buyer;
(ii) Single Buyer Plus; and
(iii) Competitive Trading Bilateral Contract Market (CTBCM)

This approach was incorporated in the 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

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

i. The introduction of a new cash flow management system consistent with envisaged sector restructuring.
ii. Improved fiscal discipline, i.e., DISCOs' ability to honor debts, especially those arising from new investments, and to attract further investments for the sector that will result in credibility of sector operations.
iii. The introduction of measures to improve the power supply-demand balance, while ensuring a reasonable quality of service.
iv. Paving the way toward the next phase of market reform, i.e., CTBCM.
v. Accordingly, CPPA-G was incorporated in 2009 in order to become the successor of the CPPA of NTDC and take over the existing market operations being performed by NTDC through its departments i.e. WPPO, CPPA & Manager Finance Treasury.
vi. The National Energy (Power) Policy 2013, approved by the Council of Common Interests (the "CCI") on July 27, 2013, reiterated the need to

reform CPPA of NTDC.

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

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

1.1 Company License

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

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.

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

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

g. Execution of the Power Procurement Agency Agreements (PPAA) between CPPA-G and each of the DISCOs. The Company has signed Power Procurement Agency Agreements (PPAAs) with government-owned distribution companies (DISCOs).

Hence, the DISCOs have appointed the Company as their agent to perform the designated purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs.

h. 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.

1.3 Functions and responsibilities of CPPA-G

The functions and responsibilities of CPPA-G being Market Operator and the Power Purchaser on behalf of the DISCOs are:

i. 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;

ii. 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;

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

2.1 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.

2.2 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.

2.3 Books of Accounts

Proper books of accounts of the company have been maintained

2.4 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

2.5 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.

2.6 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.

2.7 Board meetings and attendance of Board Members

Total meetings of the Board of Directors and Board Committees held during the Financial Year 2018-19 are as follows:

Sr. No.	Meeting	No. of Meetings Held in 2020-21
1	Board of Directors	10
2	Procurement Committee of Board	07
3	HR Committee of Board	16
4	Risk Management Committee of Board	02
5	Audit Committee of Board	08
6	Finance Committee of Board	03
7	Special Committee on MISC	08

Table 1: Meetings attended by the Directors

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

Sr. No.	Name of Directors	No. of Meetings attended
1	Mr. Omer Rasul	01
2	Ali Raza Bhutta	09
3	Mr. Mahfooz Ahmed Bhatti	46
4	Mr. Mian Muhammad Imran	20
5	Mr. Shahid Iqbal Chaudhry	02
6	Mr. Abdul Razzaq	12
7	Mr. Waseem Mukhtar	19
8	Mr. Ghias ud Din Ahmad	43
9	Mr. Hamid Ali Khan	52
10	Ms. Ayla Majid	43
11	Mr. Khawaja Riffat Hassan	26
12	Mr. Muhammad Ayub	04
13	Mr. Muhammad Anwar Sheikh	42

Table 2: Meetings attended by the Directors

2.8 Remuneration of Board Members

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

Sr. No.	Name of Directors	Fees Paid (Rs. in Millions)
1	Mr. Omer Rasul	0.06
2	Ali Raza Bhutta	0.56
3	Mr. Mahfooz Ahmed Bhatti	2.87
4	Mr. Mian Muhammad Imran	1.25
5	Mr. Shahid Iqbal Chaudhry	0.13
6	Mr. Abdul Razzaq	0.75
7	Mr. Waseem Mukhtar	Nill
8	Mr. Ghias ud Din Ahmad	2.69
9	Mr. Hamid Ali Khan	3.25
10	Ms. Ayla Majid	2.69
11	Mr. Khawaja Riffat Hassan	1.62
12	Mr. Muhammad Ayub	0.25
13	Mr. Muhammad Anwar Sheikh	2.63

Table 3: Fees paid to the Directors during FY 2020-21

During the FY 2020-21 No Remuneration was paid to the Chief Executive Officer

2.9 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.

2.10 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

2.11 Key Operating and Financial Data

Key operating and Financial Data for the F.Y 2016-17 to F.Y 2020-21 is as follows;

Financial Year	Revenue (Rupees)	Expenditures (Rupees)
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/-
FY 2020-21	743,696/-	952,357/-

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

As at 30th June	Assets (Rupees)	Liabilities (Rupees)	General Fund (Rupees)
2017 (Restated)	15,363,370/-	15,328,807/-	34,563,144/-
2018 (Restated)	16,424,728/-	16,400,627/-	24,101/-
2019 (Restated)	25,235,147/-	25,129,947/-	105,200/-
2020 (Restated)	14,537,504/-	14,349,349/-	188,155/-
2021	22,598,125/-	22,654,188/-	(56,063)

Table 5: Balance Sheet Data (Rupees in Thousand)

2.12 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.

2.13 Significant plans and decisions

i) Organizational restructuring

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.

ii) Future Organizational role

The Market Operator will have the responsibility of administering all market functions and transactions in the Competitive Trading Bilateral Contract Market (CTBCM), the SPT will 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.

iii) Target Commercial Operation Date

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. With the regulatory approval of the detail design and implementation roadmap of CTBCM, the quantum of market development activities has increased manifolds with full commitment to achieve the Commercial Operation Date (CoD) in April 2022.

The CTBCM entails legal, policy, regulatory and people, process & technology related actions for 15 implementation entities (DISCOs, KE, CPPA-G, PPIB, AEDB & NTDC). CPPA is in advance position to complete its part of deliverables to start the market by end of April 2022. However, the market commercial operation date of CTBCM can be affected by the implementation pace of actions related to other implementation entities.

iv) Market Development Phases

The market development strategy consists of following three phases: The Phase-I included (a) research and study of global competitive markets, (b) capacity building of market entities, (c) proposing the market model and CTBCM Plan for Pakistan through a consultative process, (d) building strategic partnerships with Market Operators globally and (e) submission of the CTBCM model and plan for approval. This phase has been completed and NEPRA approved the high-level design. The Phase-II is the detailed market design phase which comprises (i) preparation of the updated CTBCM Roadmap in consultation with the relevant stakeholders, and (ii) preparation of the updated Detailed Design of the CTBCM in consultation with the stakeholders and this phase has been completed. During Phase-III, the implementation phase, all entities are implementing the initiatives as per the approved timelines in the CTBCM Plan. This phase is in full swing and all power sector entities responsible for the implementation of their respective CTBCM actions are aggressively aiming to complete the requisite actions.

v) Market Development Strategy

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

For the 'processes' part, CPPA-G is 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. Moreover, CPPA-G is in the process of completing Commercial Code Operating Processes and Manuals to aid the automation of market functions and processes. 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. DISCOs are being made enabled through the operationalization of Market Implementation & Regulatory Affairs Department (MIRAD) to independently undertake the operations in the competitive market.

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 its allied IT infrastructure. CPPA-G is also engaging 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, short-term forecasting, medium-term forecasting, and market price simulation tools. CPPA-G has planned to design and develop Market Management System (MMS) internally through its on Human Resource.

vi) Market Monitoring through MIMG

The assistance to market participants and supervision of the CTBCM actions has been accelerated through Market Implementation Monitoring Group (MIMG). To commence the wholesale competitive market by planned 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.

2.14 Value of investment of provident, and gratuity funds

Based on the latest audited accounts as on 30th June 2020, provident fund investment was of Rupees 48.71 million and gratuity fund investment was Rupees 38.11 million respectively.

3. Auditor's Report & Appointment for next year

The Auditors' report to the members will be provided for consideration and adoption in the AGM. The retiring Auditors being eligible for appointment have submitted their consent to be appointed for the FY 2021-22.

4. Acknowledgement

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

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AUDITOR'S REPORT & FINANCIAL STATEMENTS

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Central Power Purchasing Agency (Guarantee) Limited (the Company), which comprise the statement of financial position as at June 30, 2021, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the deficit, and other comprehensive loss, the changes in general fund and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended June 30, 2020 were audited by another auditor, M/s Riaz Ahmad & Company Chartered Accountants, whose report dated 04 November 2020 expressed a qualified opinion relating to agency accounting for K-Electric and recognition of Delayed Payment Interest (DPI) due from Principals and K-Electric. Further, their aforementioned report included emphasis of matter paragraph relating to advance to Lakhra Power Generation Company Limited, markup receivable not acknowledged by DISCOs, payable to Water and Power Development Authority (WAPDA) and contingencies.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

Chartered Accountants
Islamabad
Date: December 13, 2021

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTE	30 June 2021	30 June 2020 Restated	1 July 2019 Restated
		(Rupees in thousand)		
ASSETS				
Non-current assets				
Property and equipment	6	89,292	109,491	94,785
Intangible assets	7	60,584	36,291	40,213
Right-of-use asset	8	154,887	223,726	292,565
Deferred income tax asset	9	-	-	-
Long term security deposits	10	21,264	21,264	21,264
		326,027	390,772	448,827
Current assets				
Taxation recoverable - net	11	59,500	45,328	-
Advances, prepayments and other receivables	12	142,120	131,599	265,777
Bank balances - deposit accounts	13	22,070,478	13,969,805	24,520,543
		22,272,098	14,146,732	24,786,320
Total assets		22,598,125	14,537,504	25,235,147
FUND AND LIABILITIES				
FUND				
General fund		(56,063)	188,155	105,200
LIABILITIES				
Non-current liability				
Lease liability	14	110,472	183,019	243,178
Current liabilities				
Accrued and other liabilities	15	22,471,169	14,106,171	24,791,652
Current portion of lease liability	14	72,547	60,159	49,387
Provision for taxation		-	-	45,730
		22,543,716	14,166,330	24,886,769
Total liabilities		22,654,188	14,349,349	25,129,947
Contingencies and commitments	16	-	-	-
Total fund and liabilities		22,598,125	14,537,504	25,235,147

The annexed notes 1 to 30 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 2021

	NOTE	2021	2020
		(Rupees in thousand)	
INCOME			
Market operation fee	17	447,413	414,455
Profit on bank accounts		296,283	458,653
		743,696	873,108
EXPENDITURE			
Operating expenses	18	(927,237)	(775,237)
Finance cost	19	(25,120)	(32,420)
		(952,357)	(807,657)
(DEFICIT) / SURPLUS BEFORE TAXATION		(208,661)	65,451
TAXATION (CHARGE)/CREDIT	20	(32,434)	18,572
(DEFICIT) / SURPLUS AFTER TAXATION		(241,095)	84,023

The annexed notes 1 to 30 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 2021

	2021	2020
	(Rupees in thousand)	
(DEFICIT) / SURPLUS AFTER TAXATION	(241,095)	84,023
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to income and expenditure statement:		
Remeasurement loss on defined benefit obligation	(3,123)	(1,068)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(244,218)	82,955

The annexed notes 1 to 30 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 2021

	GENERAL FUND (Rupees in thousand)
Balance as at 30 June 2019	105,200
Surplus for the year	84,023
Other comprehensive (loss) for the year	(1,068)
Total comprehensive income for the year	82,955
Balance as at 30 June 2020	188,155
(Deficit) for the year	(241,095)
Other comprehensive (loss) for the year	(3,123)
Total comprehensive (loss) for the year	(244,218)
Balance as at 30 June 30 2021	(56,063)

The annexed notes 1 to 30 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 2021

	2021	2020 Restated
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) / Surplus before taxation	(208,661)	65,451
Adjustments for non-cash charges and other items:		
Depreciation	45,084	44,039
Amortization	12,033	8,419
Depreciation on right-to-use asset	68,839	68,839
Provision for gratuity	51,544	17,732
Profit on bank deposits	(296,283)	(458,653)
Finance cost	24,809	31,535
Cash flows from operating activities before working capital changes	(302,635)	(222,638)
Working capital changes:		
(Increase) / decrease in current assets		
Advances, prepayments and other receivables	(9,978)	54,566
Increase / (decrease) in current liabilities		
Accrued and other liabilities	8,331,760	(10,689,410)
	8,321,782	(10,634,844)
Cash generated from / (used in) operations	8,019,147	(10,857,482)
Income tax paid	(46,606)	(72,486)
Gratuity contribution paid	(21,429)	(14,871)
Profit on bank deposit received	295,740	538,265
	227,705	450,908
	8,246,852	(10,406,574)
Increase in long term security deposits	-	-
Net cash generated from / (used in) operating activities	8,246,852	(10,406,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(24,885)	(58,745)
Intangible asset purchased	(36,326)	(4,497)
Net cash used in investing activities	(61,211)	(63,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability	(84,968)	(80,922)
Net cash used in financing activities	(84,968)	(80,922)
Net increase / (decrease) in cash and cash equivalents	8,100,673	(10,550,738)
Cash and cash equivalents at the beginning of the year	13,969,805	24,520,543
Cash and cash equivalents at the end of the year (Note 13)	22,070,478	13,969,805

The annexed notes 1 to 30 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 2021

1. THE COMPANY AND ITS OPERATIONS

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

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

On 16 November 2018, National Electric Power Regulatory Authority (NEPRA) approved the registration of the Company as market operator under Rule 3 of the Market Rules. The Commercial Code of the Company, required to be prepared under the Market Rules was also approved by NEPRA under Rule 5 of the Market Rules vide SRO 542(I)/2015 dated 02 June 2015 amended vide SRO 912 (I)/2015 and SRO 538 (I)/2016 dated 07 September 2015, 08 June 2016 and 17 February 2020 respectively.

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

a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from NTDCL and to carry on these functions and business;

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

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

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

e) Collection from the DISCOs and settlement to the market participants as per the Commercial Code; and

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

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

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

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

Under Article 3.1.7 of the PPAAs;

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

And under article 5.6.1 of the PPAAs:

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

Accordingly, the liabilities arisen out of power procurement on behalf of DISCOs shall always remain with DISCOs as provided in the Market Rules, Commercial Code and PPAAs.

1.2.1 The Power Procurement Agency Agreement (PPAA) with K-Electric has not been signed till the date of authorization for issue of these financial statements as disclosed in note 22.1.1.1. However, the management is confident that the PPAA with K-Electric will be signed retrospectively. Further, K-Electric has also confirmed that PPAA has been duly initialled by both the parties, and expected to be executed after requisite Government / regulatory approvals, which entails the scope, powers, rights and obligations of the Company as K-Electric's agent including regularisation of pre-existing agency arrangement.

1.3 As per the Market Rules, the Company's responsibilities include development of competitive market in Pakistan. In pursuance of its responsibilities, the Company submitted detailed design for the Competitive Trading Bilateral Contract Market (CTBCM) which are approved by NEPRA. The Company is currently in discussion with all the relevant stakeholders for the implementation of the CTBCM plan as approved by NEPRA and other relevant authorities.

2. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The Company is registered as a Market Operator and its functions include procurement of electric power on behalf of the distribution companies. Accordingly, the Company has signed power procurement agency agreements with DISCOs whereby the Company has been appointed as an agent of DISCOs for the designated purposes and the DISCOs shall be the primary obligor in respect thereof. Further, title to the purchased electrical energy and generation capacity procured by the Company for and on behalf of DISCO as well as obligation of DISCOs to make payment of transmission charge or use of system charge always vest in DISCOs and shall not pass to the Company at any time. The Company's rights, obligations and functions are also defined in the Market Rules and Commercial Code which are applicable to all the market participants (market participants include market participants representing demand, market participants representing offer and NTDCL).

In pursuance of the same the Company has entered into power purchase agreements (PPAs) with Government Owned Generation Companies (GENCOs) and other power generation companies including Independent Power Producers (IPPs) and these agreements have been entered into by the Company on behalf of the distribution companies and accordingly, the Company acts as an agent of the Distribution Companies.

Further as per the PPAs signed with GENCOs, the Commercial Code provides for the levy, settlement and recovery of all commercial matters. As per the Commercial Code approved by NEPRA the Company shall act as an agent of DISCOs without assuming payment responsibilities. Payment and debts responsibilities remain with DISCOs and the Company shall not be held liable for non-payment to market participants.

In light of the above laws, regulations and underlying agreements, during the year, the Company has obtained a legal opinion on its rights and obligations as a market operator and management has assessed that the Company being a market operator is acting as an agent on behalf of DISCOs and K-Electric to procure electricity from power generation companies and collection from the DISCOs and K-Electric for settlement to market participants as per the Commercial Code. The Company is responsible to issue settlement advices to DISCOs and K-Electric as per the charges billed by power generation companies after verification and NTDCL's Use of System Charges. The Company's obligation to pay to the market participants and Power Holding Limited (PHL) only arise at the time of receipt of cash from DISCOs and K-Electric. Further, as disclosed in note 1.1 the Company signed BTA with NTDCL and as per the legal opinion obtained by the management, the Company is acting as an agent of distribution companies in respect of the assets and liabilities transferred to the Company under BTA with NTDCL.

Accordingly, from the current year, the Company has recorded liability for payments to be made to market participants and PHL in respect of designated purposes on behalf of DISCOs and K-Electric (together 'the Principals') to the extent of amount received from the Principals but not yet paid by the Company.

Previously, the Company had recognised due from Principals, receivable from NTDCL through loan notes, markup receivable from DISCOs, advances in its role as a Market Operator, energy and other payables and energy payable swapped by Government of Pakistan - (Payable to PHL) on gross basis in the statement of financial position. From the current year as explained above, the aforementioned balances have been excluded from the statement of financial position and recorded only to the extent of amount received from DISCOs and not yet paid to market participants. The adjustments in this respect have been retrospectively accounted for in these financial statements and comparative information has been restated; which has not affected prior years' income, surplus/deficit for the year and general fund. In accordance with the requirements of IAS-1 "Presentation of Financial Statements", a third statement of financial position as of 1 July 2019 has also been presented. The effects of the restatement are summarised below:

	As presented	Impact of restatement	Restated
		(Rupees in thousand)	
Statement of financial position			
As at 30 June 2020			
Current assets			
Due from principals	2,236,377,588	(2,236,377,588)	-
Receivable from NTDCL through loan notes	41,900,008	(41,900,008)	-
Advances, prepayments and other receivables	6,733,391	(6,601,792)	131,599
Mark-up receivable	46,339,044	(46,339,044)	-
Current liabilities			
Energy payables swapped by Government of Pakistan	946,942,400	(946,942,400)	-
Energy and other payables	1,398,382,203	(1,398,382,203)	-
Accrued and other liabilities	-	14,106,171	14,106,171
As at 30 June 2019			
Current assets			
Due from principals	1,709,214,290	(1,709,214,290)	-
Receivable from NTDCL through loan notes	41,648,936	(41,648,936)	-
Advances, prepayments and other receivables	6,617,352	(6,351,575)	265,777
Mark-up receivable	45,785,131	(45,785,131)	-
Current liabilities			
Energy payables swapped by Government of Pakistan	784,462,871	(784,462,871)	-
Energy and other payables	1,043,328,713	(1,043,328,713)	-
Accrued and other liabilities	-	24,791,652	24,791,652
Statement of cash flows			
For the year ended 30 June 2020			
Cash flows from operating activities			
(Increase) / decrease in current assets			
Due from principals	(527,163,298)	527,163,298	-
Receivable from NTDCL through loan notes	(251,072)	251,072	-
Advances, prepayments and other receivables	(195,651)	250,217	54,566
Mark-up receivable from principals	(553,913)	553,913	-
Increase / (decrease) in current liabilities			
Energy payables swapped by Government of Pakistan	162,479,529	(162,479,529)	-
Energy and other payables	355,049,561	(355,049,561)	-
Accrued and other liabilities	-	(10,689,410)	(10,689,410)

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Significant accounting estimates and areas of judgements

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

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

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

a) Property and equipment and intangible assets

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

b) **Income tax**

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

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

c) **Defined benefit plan**

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

d) **Leases**

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

e) **Provision for impairment on financial assets**

For the financial assets covered under IFRS 9 "Financial Instruments", the assessment of Expected Credit Loss for financial assets require the use of assumption to determine the credit losses, if any, at each reporting date.

f) **Agency arrangements**

The Company assesses whether it acts as a principal or agent (i.e. the Company is acting on behalf of another entity) in its arrangements/ contracts in the role of a Market Operator. In making this assessment, management considers whether it controls the present economic resource and has a present obligation to transfer the economic resource as a result of past events or the liabilities and assets rest with Principals and other entities and the Company only acts as an agent. Management has assessed that liabilities and assets rests with Principal and other parties where the Company only acts as an agent.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 16	Property, plant and equipment (Amendments)	January 1, 2022
IAS 12	Income Taxes (Amendments)	January 1, 2023

		Effective date (annual reporting periods beginning on or after)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IFRS 4	Insurance Contracts (Amendments)	January 1, 2023
Annual improvements to IFRS standards 2018 - 2020; Amendments to IFRS 9 "Financial Instruments", IFRS 16 " Leases", IAS 41 "Agriculture"		January 1, 2022
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 " Insurance Contracts" and IFRS 16 "Leases" for interest rate benchmark reform - Phase 2		January 1, 2021

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

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

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

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

IFRIC 12 Service concession arrangements.

5. Summary of Significant Accounting Policies

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

5.1 Property and equipment

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

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

Depreciation is charged to the income and expenditure statement on straight line method at the rates specified in Note 6. Depreciation on additions to the fixed assets is charged from the month in which the asset is available for use and no depreciation is charged for the month in which the property and equipment is disposed off.

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

5.2 Intangible assets

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

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

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

Amortization is charged to income and expenditure statement on straight line method at the rates specified in Note 7 from the month in which the asset is available for use and no amortization is charged for the month in which intangible asset is disposed off.

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

5.3 Leases

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

i) Right of use assets

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

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

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

ii) Lease liabilities

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

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

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

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

Further, requirements of IFRS 16 "Leases" have been waived off by SECP in respect of power purchase agreements entered by companies up to 01 January 2019. As explained in note 2 to the financial statements, the Company has assessed that it acts as an agent on behalf of DISCOs and accordingly, there is no impact of the same on these financial statements.

5.4 Impairment of non-financial assets

The Company assesses at each statement of financial position date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the income and expenditure statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income and expenditure statement.

5.5 Taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

5.6 Provisions and contingencies

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

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

5.7 Foreign currencies

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

5.8 Cash and cash equivalents

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

5.9 Income recognition

i) Revenue from contracts with customers

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

ii) Interest income on bank deposits

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

5.10 Accrued and other payables and liabilities

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

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

5.11 Employee benefits

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

Provident fund

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

Gratuity fund

The Company operates an approved funded gratuity scheme under an independent trust for its regular employees who have completed the minimum qualifying period of service as a defined benefit plan. The gratuity scheme is managed by trustees. The Company's obligation in respect of the defined benefit plan is calculated by estimating the present value of future benefit that employees have earned in return of this service in the current and prior periods; that benefit is discounted to determine its present value. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The latest valuation was carried out as at 30 June 2021 details of which are disclosed in note 15.2.1 to the financial statements.

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

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

Remeasurement gain/losses are recognized in other comprehensive income.

5.12 Financial Instruments

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

a. Classification of financial assets

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

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

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

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

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

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

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

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

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

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

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

Initial recognition

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

Subsequent measurement

Financial assets and liabilities

at amortized cost

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

at FVTPL

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

Financial assets (other than equity instruments) at FVTOCI

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

Impairment of financial assets

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

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

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

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

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

Derecognition

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

i) Financial assets

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

ii) Financial liabilities

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

iii) Offsetting of financial assets and financial liabilities

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

6 PROPERTY AND EQUIPMENT

	Operating fixed assets							
	IT and networking equipment	Furniture and fixture	Leasehold improvements	Electric installations	Vehicles	Office equipment	Capital work in progress	Total
	(Rupees in thousand)							
At 30 June 2019								
Cost	90,614	14,455	-	-	19,830	9,314	35,145	169,358
Accumulated depreciation	(44,565)	(7,481)	-	-	(18,546)	(3,981)	-	(74,573)
Net book value	46,049	6,974			1,284	5,333	35,145	94,785
Year ended 30 June 2020								
Opening net book value	46,049	6,974	-	-	1,284	5,333	35,145	94,785
Additions / transfers	6,983	11,697	30,127	43,232	-	1,851	(35,145)	58,745
Depreciation (note 18)	(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
Year ended 30 June 30 2021								
Opening net book value	28,363	14,131	24,289	36,415	1,100	5,193	-	109,491
Additions	16,061	3,307	3,884	1,139	-	494	-	24,885
Depreciation (note 18)	(21,972)	(5,509)	(6,238)	(8,855)	(183)	(2,327)	-	(45,084)
Closing net book value	22,452	11,929	21,935	28,699	917	3,360	-	89,292
At 30 June 2021								
Cost	113,658	29,459	34,011	44,371	19,830	11,659	-	252,988
Accumulated depreciation	(91,206)	(17,530)	(12,076)	(15,672)	(18,913)	(8,299)	-	(163,696)
Net book value	22,452	11,929	21,935	28,699	917	3,360	-	89,292
Annual rate of depreciation (%)	33%	20%	20%	20%	10%	20%		

6.1 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 (2020: 4 vehicles) in the name of the Company is under process with the Vehicle Registration Authorities.

7 INTANGIBLE ASSETS

	Enterprise Resource Planning System	Computer Softwares and License fees	Assets under development (Note 7.1)	Total
	------------------ (Rupees in thousand) ------------------			
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 during the year	131	3,080	1,286	4,497
Amortization charge (note 18)	(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
Year ended 30 June 2021				
Opening net book value	19,694	5,742	10,855	36,291
Additions during the year	-	33,348	2,978	36,326
Transferred to operating intangible assets	-	4,750	(4,750)	-
Amortization charge (note 18)	(7,534)	(4,499)	-	(12,033)
Closing net book value	12,160	39,341	9,083	60,584
At 30 June 2021				
Cost	37,674	45,369	9,083	92,126
Accumulated amortization	(25,514)	(6,028)	-	(31,542)
Net book value	12,160	39,341	9,083	60,584
Annual rate of amortization (%)	20%	20%		

7.1 As at 30 June 2021,the assets under development represents payment made in respect of implementation of Enterprise Resource Planning Solution (Phase II) and Electricity Load Forecast Tool which are under development.

8 RIGHT-OF-USE ASSET

	2021	2020
	Rupees in thousand	
Opening net book value	223,726	-
Right of use asset recognized on adoption of IFRS 16 as at July 1, 2019	-	292,565
Depreciation charge for the year (note 18)	(68,839)	(68,839)
Closing net book value	154,887	223,726
Cost	292,565	292,565
Accumulated depreciation	(137,678)	(68,839)
Net book value	154,887	223,726
Annual rate of amortization (%)	20%	20%

8.1 The Company obtained building on lease for office use. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease period is from 01 October 2018 to 30 September 2023 (5 years).

9 DEFERRED INCOME TAX ASSET

Deferred tax asset as at 30 June 2021 to the extent of Rupees 79.166 million (2020: Rupees 17.751 million) has not been recognized as the Company is uncertain about the timing and extent of future taxable income against which such benefits can be utilized.

	2021	2020
	Rupees in thousand	
This comprises of following:		
Deferred tax asset on deductible temporary differences in respect of:		
Unused tax losses	32,697	-
Unused tax depreciation and amortisation	10,465	-
Accelerated accounting depreciation / amortization	13,452	7,354
Leases	8,158	5,641
Provision for staff benefits	14,394	4,756
	79,166	17,751
Less: Unrecognized deferred tax asset	(79,166)	(17,751)
	-	-

Unused tax business losses of Rs 112.749 million will expire in the tax year 2027.

10 LONG TERM SECURITY DEPOSIT

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

11 TAXATION RECOVERABLE - NET

	2021	2020
	Rupees in thousand	
Balance at the beginning of the year	45,328	(45,730)
Provision (made) / reversed during the year - net	(32,434)	18,572
Income tax paid / deducted at source during the year	46,606	72,486
Balance at the end of year	59,500	45,328

12 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021	2020
		Rupees in thousand	
Advances - unsecured, considered good:			
Staff advances		1,662	1,704
Advances to suppliers		31,627	2,976
		33,289	4,680
Prepaid expenses		22,009	7,573
Other receivables from NTDCL - a related party	12.1	66,651	99,718
Accrued profit on bank accounts		20,171	19,628
		142,120	131,599

12.1 This includes amount of Rupees 44.257 million (2020: Rupees 99,718 million) on account of advance given for custom clearance for import of energy from Tavanir which is recoverable from NTDCL and Rupees 22.394 million (2020: Rupees nil) on account of receivable from NTDCL against pension contribution of NTDCL employees permanently absorbed in the Company during the year who were previously serving on deputation in the Company from NTDCL and the same shall be placed in the gratuity fund of the Company upon realisation. The aggregate maximum amount due from NTDCL at the end of any month during the year was Rupees 66.651 million (2020 : Rupees 99.718 million).

13 BANK BALANCES - DEPOSIT ACCOUNTS

	Note	2021	2020
		(Rupees in thousand)	
Balance in escrow account	13.1	10,794,357	3,910,985
Cash at bank	13.2	11,276,121	10,058,820
	13.3	22,070,478	13,969,805

13.1 This represents restricted cash amounting to Rupees 1.140 million (2020: Rupees 4.757 million) and Rupees 10,793 million (2020: Rupees 3,906 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.

13.2 This includes cash at bank amounting to Rupees 11,275.152 million (2020: Rupees 10,058.775 million) collected from the Principals as at the reporting date pending settlement among the market participants by the Company as per the Commercial Code. Cash at bank amounting to Rupees 0.969 million (2020: Rupees .045 million) is held by the Company for running its operations.

13.3 The balances in deposit accounts carry mark up which ranges from 3.45 % to 6.10% (2020: 3.45% to 6.50%) per annum.

14 LEASE LIABILITY

	Note	2021	2020
		Rupees in thousand	
Total lease liability		183,019	243,178
Less: Current portion shown under current liabilities		(72,547)	(60,159)
		110,472	183,019

	2021	2020
	Rupees in thousand	

14.1 Reconciliation of lease liability

	2021	2020
Opening balance	243,178	-
Lease liability recognised on adoption of IFRS 16 on 01 July 2019	-	292,565
Unwinding of interest on lease liability	24,809	31,535
Payments during the year	(84,968)	(80,922)
Closing balance	183,019	243,178
Less: Current portion shown under current liabilities	(72,547)	(60,159)
Non-current portion	110,472	183,019

15 ACCRUED AND OTHER LIABILITIES

	Note	2021	2020 Restated
		Rupees in thousand	
Payable by the Company to the market participants representing offer*		11,018,622	9,908,632
Payable to Power Holdings Limited (PHL) in respect of energy payables swapped by GoP	13.1	10,793,217	3,906,228
Neelum Jhelum surcharge	15.1	61,247	44,326
Electricity duty	15.1	196,423	110,574
Accrued and other payables by the Company	15.2	401,660	136,411
		22,471,169	14,106,171

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

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

15.2 Accrued and other payables by the Company

	Note	2021	2020
		Rupees in thousand	
Advance from DISCOs and K-Electric (related parties) against market operation fee - unsecured		250,736	34,823
Withholding tax payable		1,371	1,558
Payable to employees contributory provident fund		1,676	9
Payable to employees gratuity fund	15.2.1	72,031	16,399
General sales tax payable - net		6,488	8,975
Payable to suppliers		9,136	9,363
Accrued and other liabilities		60,222	65,284
		401,660	136,411

15.2.1 Payable to employees gratuity fund

The latest actuarial valuation was carried out at 30 June 2021, using the projected unit credit actuarial cost method. The amounts recognised in financial statements are determined as follows:

		2021	2020
		(Rupees in thousand)	
Statement of financial position			
Present value of defined benefit obligation		123,612	49,819
Less: Fair value of plan assets		(51,581)	(38,112)
Benefits due but not paid		-	4,692
Balance sheet liability		72,031	16,399
Movement in present value of defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		49,819	32,913
Current service cost		20,664	17,046
Past service cost		53,190	-
Interest cost on defined benefit obligation		3,968	4,690
Benefits due but not paid		-	(4,692)
Benefits paid		(6,273)	-
Remeasurement loss recognised in other comprehensive income		2,244	(138)
Present value of defined benefit obligation at end		123,612	49,819
Movement in present value of plan assets			
Fair value of plan assets at the beginning of the year		38,112	20,443
Contributions		21,429	14,871
Interest income on plan assets		3,884	4,004
Benefits paid during the year		(10,965)	-
Remeasurement loss recognised in other comprehensive income		(879)	(1,206)
Fair value of plan assets at end		51,581	38,112
Expenses recognised in the income and expenditure statement			
Current service cost		20,664	17,046
Past service cost		53,190	-
Interest cost on defined benefit obligation		3,968	4,690
Interest income on plan assets		(3,884)	(4,004)
		73,938	17,732
Less: Past service cost to be paid by NTDCL	12.1	(22,394)	-
		51,544	17,732
Remeasurement loss recognised in other comprehensive income			
Remeasurement loss on defined benefit obligation		2,244	(138)
Remeasurement loss on planned assets		879	1,206
Remeasurement loss recognised in other comprehensive income		3,123	1,068
Movement in net liability recognised in statement of financial position			
Opening liability		16,399	12,470
Expenses for the year recognised in income and expenditure statement		51,544	17,732
Past service cost reimbursable by NTDCL		22,394	-
Remeasurement loss recognised in other comprehensive income		3,123	1,068
Contributions		(21,429)	(14,871)
Closing liability		72,031	16,399

Significant actuarial assumptions

	2021	2020
	(Rupees in thousand)	
Discount rate used for year end obligation	10.25%	8.50%
Salary increase rate used for year end obligation	9.25%	7.5%
Next salary is increased at	01 July 2021	01 July 2020
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates	Moderate	Moderate
Duration of obligation	11	9

The Company expects to make a contribution of Rs 102.196 million to the employee gratuity fund trust during the next financial year which includes Rs 22.394 million receivable from NTDCL. Further, the expected expense for the next year amounts to Rs 30.165 million.

Plan assets comprise:

	30 June 2021	30 June 2020
Government Bonds	98.78%	-
Others	-	98.45%
Cash at bank	1.22%	1.55%
	100.00%	100.00%

Year end sensitivity analysis on defined benefit obligation

	Rupees in thousands
Discount rate +100 bps	111,603
Discount rate -100 bps	137,810
Salary increase +100 bps	137,963
Salary increase -100 bps	111,263

Expected benefit payments for next 10 years and beyond

	Rupees in thousands
Financial year 2022	5,761
Financial year 2023	9,568
Financial year 2024	10,299
Financial year 2025	22,013
Financial year 2026	10,354
Financial year 2027	10,653
Financial year 2028	51,648
Financial year 2029	29,754
Financial year 2030	7,721
Financial year 2031	30,813
Financial year 2031 onwards	3,048,888

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

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 which can impose a risk to the benefit obligation. The amount of liability can go either way.

16 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

16.1 The Company filed a tax reference on 13 June 2018 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 vide notices dated 11 January 2017 and 10 August 2017 under section 153(1)(b) of the Income Tax Ordinance, 2001, as final settlement for withholding of tax from use of system charges was upheld. The taxation authorities have recovered tax amounting to Rupees 1,751 million against the collective demand of Rupees 3,264 million through attachment of bank accounts of the Company whereas the Company recovered/adjusted that tax from NTDCL as required under section 161 (2) of ITO, 2001 and obtained stay from LHC 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. NTDCL has not yet acknowledged the recovery made by the Company in respect of this matter.

16.2 Tax authorities have issued a show cause notice on 08 May 2019 disallowing the input tax of Rupees 3,291 million (2020: Rupees 3,291 million) claimed on invoices of GENCO-III in October 2017, which has been challenged before the Honourable Lahore High Court on 30 August 2019, being illegal, unlawful and without jurisdiction and having no legal effect which matter is pending adjudication. Lahore High Court had granted interim relief to the Company till the next date of hearing. Further, subsequent to year end, Lahore Court has disposed off the petition filed by the Company on 25 October 2021 as the show cause notice was withdrawn by tax authorities.

16.3 Tax authorities issued show cause notice for tax liability of Rupees 5,567 million on 20 November 2018 on account of turnover tax and super tax under the Income Tax Ordinance, 2001, assuming that the settlement of power generators invoices to DISCOs are the sales of the Company. The Company has filed writ petition against the show cause in Lahore High Court on 20 December 2018 where the matter is pending adjudication. Lahore High Court has suspended the show cause notice till the next date of hearing.

16.4 Tax authorities have issued two show cause 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 sales tax on account of suppression of sales / inadmissible input, the claim against which writ petitions have been filed in Islamabad and Lahore High Courts on 14 October 2016 and 28 March 2017 respectively which are still to be decided. The Company has obtained stay till the next date of hearing for the writ petitions filed in Islamabad and Lahore High Courts. The revised monthly sales tax 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 on 24 June 2017 and as a result commissioner IR condoned/allowed issuance of credit notes for Rupees 6,094 million to DISCOs. MOU includes a clause that FBR would only proceed further if any discrepancy of non compliance would be observed in this regard and no notice has been received from FBR subsequent to the signing of MOU. Further, subsequent to year end, Lahore High Court has disposed off the petition filed by the Company to on 25 October 2021 along with suspension of the show cause notice issued by tax authorities.

16.5 Tax authorities have issued notice dated 7 January 2019 stating that input sales tax credit for the tax period December 2015 and March 2016 amounting to Rupees 466.266 million claimed prior to registration is not allowable in term of section 59 of the Sales Tax Act 1990. The Company has filed writ petition to challenge the impugned notice in Lahore High Court on 12 February 2019 and show cause notice is suspended by the Lahore High Court till next hearing. The Company considers that the impugned notice is liable to be declared as illegal and without jurisdiction.

COMMITMENTS

		2021	2020
		(Rupees in thousand)	
16.6	Contractual commitments of the Company:		
	- in respect of intangibles	18,341	23,673
	- in respect of property and equipment	9,293	-
		27,634	23,673

17 MARKET OPERATION FEE

	2021	2020
Market operation fee	518,999	480,767
Less: sales tax	(71,586)	(66,312)
	447,413	414,455

17.1 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.

18 OPERATING EXPENSES

	Note	2021	2020
		(Rupees in thousand)	
Salaries and other benefits	18.1 & 18.2	643,116	535,249
Repair and maintenance		5,325	7,114
Legal and professional		27,474	22,524
Directors' meeting fee		18,750	17,125
Auditor's remuneration	18.3	2,830	804
Depreciation	6	45,084	44,038
Amortization	7	12,033	8,419
Depreciation on right-to-use asset	8	68,839	68,839
Rent		4,550	2,892
Utilities		9,764	6,920
Communication		9,094	7,254
Travelling		5,024	5,454
Vehicles' running		8,577	6,136
Training expenses		4,254	15,440
Office supplies		7,024	5,834
Printing and stationery		2,925	3,379
Fee and subscriptions		33,222	11,234
Advertisement		10,649	1,832
Security services expenses		2,373	2,356
Miscellaneous		6,330	2,394
		927,237	775,237

18.1 This includes salaries paid to employees of NTDCL transferred to the Company on deputation amounting to Rupees 71.16 million (2020: Rupees 77.34 million).

18.2 Salaries and other benefits include provident fund and gratuity fund charge of Rupees 9.535 million and Rupees 51.54 million (2020: Rupees 8.19 million and Rupees 17.73 million) respectively by the Company.

18.3 Auditor's remuneration

	2021	2020
	(Rupees in thousand)	
Audit fee	2,315	638
Audit fee - Employees retirement funds	290	166
Out of pocket expenses	225	-
	2,830	804

18.3.1 Audit fee includes sales tax of Rupees 359,310 (2020: Rupees 104,000).

19 FINANCE COST

	2021	2020
	(Rupees in thousand)	
Imputed interest on lease liability	24,809	31,535
Bank charges	311	885
	25,120	32,420

20 TAXATION

Current tax:		
- current year	35,793	73,267
- prior year	(3,359)	(91,839)
	32,434	(18,572)

20.1 Reconciliation of tax charge for the year

(Deficit)/income before tax	(208,661)	65,451
Tax at applicable rate of 29%	(60,512)	18,981
Tax effect of minimum tax on certain income / expenses	35,793	33,156
Tax effect of prior year	(3,359)	(91,839)
Deferred tax asset not recognized	61,417	17,725
Others	(905)	3,405
	32,434	(18,572)

21 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.

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

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

22.1 Details of payables / receivables between the market participants as on June 30, 2021 has been provided as under;

	Note	2021	2020
		(Rupees in thousand)	
Payable by market participants representing demand *	22.1.1	2,478,188,894	2,282,716,632
Payable by NTDCL through loan notes, a Government owned entity	22.1.2	26,769,851	41,900,008
Advance paid to Lakhra Power Generation on demand on behalf of market participants	22.1.3	5,490,877	5,490,877
Advance payment to Collector of Customs		-	308,915
		2,510,449,622	2,330,416,432
Receivable by market participants representing offer	22.1.4	1,678,316,064	1,398,090,892
Payable by HUBCO	22.1.5	(802,000)	(802,000)
Energy payables swapped by Government of Pakistan	22.1.6	854,747,397	946,942,400
		2,532,261,461	2,344,231,292
Less: Payable by the Company to market participants and in respect of energy payables swapped by GoP and recorded in financial statements	15	(21,811,839)	(13,814,860)
		2,510,449,622	2,330,416,432

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

		Note	2021	2020
			(Rupees in thousand)	
22.1.1	**Payable by market participants representing demand ***	22.1.1.1 & 22.1.1.1.2		
	Government owned distribution companies			
	Lahore Electric Supply Company Limited (LESCO)		246,094,143	218,728,774
	Faisalabad Electric Supply Company Limited (FESCO)		98,880,996	111,560,005
	Multan Electric Power Company Limited (MEPCO)		160,617,659	170,744,651
	Quetta Electric Supply Company Limited (QESCO)		467,655,664	392,142,381
	Gujranwala Electric Power Company Limited (GEPCO)		23,853,376	43,564,188
	Islamabad Electric Supply Company Limited (IESCO)		99,991,836	151,977,407
	Peshawar Electric Supply Company Limited (PESCO)		450,035,096	413,155,675
	Tribal Areas Electric Supply Company Limited (TESCO)		30,684,119	27,600,500
	Hyderabad Electric Supply Company Limited (HESCO)		333,127,693	282,106,660
	Sukkur Electric Power Company Limited (SEPCO)		303,720,784	255,670,600
			2,214,661,366	2,067,250,841
	K-Electric Limited	22.1.1.3	292,114,721	212,526,747
	Tariff Differential Subsidy - unallocated	22.1.1.4	(53,826,046)	(43,400,000)
	Markup on energy payables swapped by GoP	22.1.1.5	25,238,853	46,339,044
			2,478,188,894	2,282,716,632

22.1.1.1 These represent amounts due against settlement of energy to DISCOs and K-Electric. The Company has signed Power Procurement Agency Agreements (PPAAs) with all DISCOs to perform the designated purposes on the terms and conditions set forth in the agreements subject to the stipulations prescribed by NEPRA and / or Commercial code. Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization of these financial statements. The GoP has approved the withdrawal of electricity by K-Electric from the previous limit of 650 MW to 1100 MW as temporary arrangement. The capacity limit may be enhanced to 2050 MW by the year 2023. The PPAA between CPPA-G and K-Electric has been agreed for withdrawal of electricity by K-Electric upto 2050 MW. The agreed PPAA would be signed by the parties after approval of GoP and NEPRA. There will be two effective dates for the PPAA, one for the electricity withdrawn by K-Electric from 2015 for 650 MW to 1100 MW and the second one will be prospectively from the actual enhancement.

22.1.1.2 DISCOs and K-Electric have not yet acknowledged delay payment interest (DPI) amounting to Rupees 223,920 million (2020: 196,890 million) and Rupees 84,242 million (2020: 58,103 million) respectively from the period 2009 to 2021. This includes DPI charged to DISCOs and K-Electric amounting to Rupees 110,630 million transferred from NTDCL under BTA for the period 2009 to 2015 which has not been acknowledged on the grounds that NEPRA has disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. Further, NEPRA has allowed the DISCOs to offset DPI after 2015 to the extent of late payment charges recovered from consumers by the DISCOs.

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

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

22.1.1.3 NTDCL entered into Energy Supply Agreement (ESA) with K-Electric on 26 January 2010 which expired in January 2015. According to expired ESA, the invoice for every month is to be cleared by K-electric within 15 days while the remaining amount payable along with next month invoice. Mark-up @ KIBOR plus 3% is chargeable on any delayed payment of invoices. The Company has filed a suit for recovery of Rupees 83,990 million not acknowledged by K-Electric along with interest from the date of default against K-Electric in Civil Court, Islamabad where the matter is pending adjudication and next hearing is fixed on 12 October 2021 for announcement of the orders on the said application. K-Electric is of view that this should be adjusted against its subsidy receivable from GoP.

The ECC has accorded approval in principle for agreed draft of arbitration agreement for the settlement of receivables / payables, including subsidy payable by GOP, between K-Electric and Government departments including the Company/NTDCL and has empowered the arbitrator to take final decision thereof. The Federal Government Cabinet has ratified the ECC decisions as on 08 June 2021. The proceedings of civil suit by the Company shall be subject to the resolution under the said arbitration agreement. The Privatization Commission will provide the secretarial support for coordination among the different Government Divisions or Entities.

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

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

22.1.1.4 This represents unallocated balance of economic stimulus package of Rupees 46,200 million, Prime Minister's Relief package of Rupees 3,980 Million for small and medium size enterprises (SMEs) on account of COVID-19 pandemic, subsidy received for small and medium size enterprises (SMEs) AJK & Gilgit Baltistan of Rupees 2,500 million, Zero rated industrial rebate of Rupees 1,146 million. This balance will be allocated to DISCOs in accordance with Government's directions which are still awaited.

22.1.1.5 This represents aggregate net receivable from DISCOs on account of mark-up on energy payable swapped by Government of Pakistan amounting to Rs 290,682 million as explained in Note 22.1.6. These balances are paid to Power Holding Limited (PHL) on account of markup and recovered by DISCOs through levy of Finance Cost Surcharge (FCS) from final consumer as determined by NEPRA and repaid to the Company by DISCOs. The markup was initially charged to DISCOs in prior years and certain DISCOs did not acknowledge the transfer of this mark-up amounting to Rupees 53,937 million (2020: Rupees 53,937 million). However after levy of FCS, DISCOs pay the FCS to the Company, after collection from the consumers. Accordingly, the markup receivable from DISCOs as at June 30, 2021 amounts to Rs 25,238 million (2020: Rs 46,339 million). The amount is to be paid by DISCOs through levy of FCS from consumers.

	Note	2021	2020
		(Rupees in thousand)	
22.1.2 Payable by NTDCL through loan notes	22.1.2.1		
Loan note payable by NTDCL		42,412,169	42,412,169
Net worth transferred back to NTDCL in FY 2018-19		(7,163,223)	(7,163,222)
Overbooked revenue by NTDCL transferred back to NTDCL in FY 2018-19		251,061	251,061
Settlement made during the FY 2020-21			
- Through adjustment of DISCOs payables to NTDCL		(11,416,430)	-
- Through adjustment of use of system charges payables by DISCOs		(3,713,726)	-
Receivable from GoP in lieu of K-Electric previously allocated to GENCOs		6,400,000	6,400,000
		26,769,851	41,900,008

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

	Rupees in thousand
Assets transferred to the Company	
Property and equipment, net of accumulated depreciation	4,137
Trade receivables	316,074,535
Advances, deposits and prepayments	2,926,482
Advances to suppliers and contractors	2,445
Accrued interest	7,570,720
Other receivable from associated companies	802,000
Current account IOT (net receivable)	128,046,147
Government loan mark-ups receivable adjustments in DISCOs	68,551,593
K-Electric differential of marginal cost (payable by GoP)	6,400,000
Events after the statement of financial position date	11,291,401
Other 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 as at 30 June 2015	**42,412,169**

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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 as per the requirements of BTA. The parties agree and acknowledge that the purchase price of Rupees 42,412 million has been calculated on the basis of the actual book value of the Market Operations Undertaking (excluding the transferred employees). If, at any time, it is determined by both parties that the purchase price of Rupees 42,412 million is required to be revised on account of change in book value, or due to prior miscalculation of the book value, of the Market Operations Undertaking (excluding the transferred employees), then the parties shall in good faith re-calculate the purchase price. The loan note amount payable as at 30 June 2021 is Rupees 26,770 million (2020: Rupees 41,900 million) of which Rupees 6,400 million is yet to be acknowledged by NTDCL.

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

		Note	2021	2020
			(Rupees in thousand)	
22.1.4	**Receivable by market participants representing offer**	22.1.4.1 & 22.1.4.2		
	Government owned generation companies (GENCOs)		82,148,159	65,542,380
	WAPDA Hydel Company		247,519,527	219,542,182
	Nuclear Power Plants		117,821,563	75,760,246
	Independent Power Producers (IPPs)		1,149,529,034	955,927,467
			1,597,018,283	1,316,772,275
	Payable balance to WAPDA		133,970,873	133,970,873
	Less: balance receivable from WAPDA		(53,500,918)	(53,500,918)
	Amounts due to WAPDA	22.1.4.3	80,469,955	80,469,955
	Amounts due to WAPDA for HUBCO	22.1.5	802,000	802,000
	Others		25,826	46,662
			1,678,316,064	1,398,090,892

22.1.4.1 This includes an amount of Rupees 135,737 million (2020: Rupees 137,863 million) due by market participants in respect of late payment interest. As on June 30, 2021, an amount of Rupees 100,754 million (2020: Rupees 104,513 million) is disputed in respect of liquidated damages penalties, imposed on power producers due to non-fulfilment of contractual provisions of PPAs. On resolution of dispute, the recovery of this amount shall be passed to the market participants representing demand and is not reflected in these due balances.

22.1.4.2 Invoices by IPPs amounting to Rupees 61,933 million (2020: Rupees 58,766 million) were submitted to the Company however included in the transfer pricing to DISCOs subsequent to the close of the financial year. Under the respective PPAs, the invoices are payable after 25/30 days of submission of invoices by the IPPs. Therefore, the settlement to DISCOs is being done on the basis of invoice receipt and trued-up as per verification of the Company as per Commercial Code. Had the invoices been received / verified by the Company as at the reporting date, the same would have been added in the transfer pricing to DISCOs and the payable by the market participants representing demand and receivable by the market participants representing offer would have been increased by the same amount.

As per agreements signed with IPPs by the Company, the invoices for the delayed payment interest is submitted by IPPs when a payment against the original invoice is paid in full. The Company transfers the amount of delayed payment interest to the DISCOs that is verified and acknowledged as payable to the IPPs. As at 30 June 2021 if all the amount due and payable to IPPs is paid, the IPPs would have been entitled for a delayed payment interest amounting to Rupees 57,639 million (2020: Rupees 51,560 million) and the same would have been transferred to DISCOs as payable by market participants representing demand. The allocation among the DISCOs would have been in the ratio amount due from each DISCO (Principal) as appearing in this note. Further, the Company has not recognised net amount of Rupees 7,546 million (2020: 6,143 million) on account of balance reconciled with a power generation company and invoices pending final determination of tariffs from the regulatory authorities.

22.1.4.3 This mainly represents balances transferred by WAPDA to NTDCL in 2008-09 which were later transferred to the Company as a result of BTA in 2015. Further, this also includes Rupees 2,318 million (2020: Rupees 2,318 million) payable by WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 533.93 million (2020: Rupees 533.93 million) on behalf of SEPCOL. The amount receivable from JPGL represents advance given for fueling of power complex. This advance was given with the objective to provide continuous electricity supply to the general public during the times of heavy loadsheddings as JPGL did not have funds for fuel purchasing. Recovery suit has been filed against JPGL and SEPCOL on 19 October 2015 and 10 October 2016 respectively for the recovery of outstanding amount before competent jurisdictions. As per the latest audited financial statements of JPGL and SEPCOL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets and the honourable Islamabad High Court has ordered for winding up proceedings of SEPCOL through an order dated 11 January 2019. WAPDA has not acknowledged the aforementioned advances aggregating to Rupees 2,926 million (2020: Rupees 2,926 million). Further, amount receivable from WAPDA includes Rupees 3,396 million (2020: Rupees 3,396 million) on account of credit issued for a DISCO and adjusted against WAPDA which has also not yet been acknowledged by WAPDA.

22.1.5 This represents amount due from HUBCO on account of HUBCO first fuel fill, sanctioned by GOP through Pakistan State Oil (PSO). Ministry of Finance made the subject payment to PSO and instructed HUBCO to book a payable towards WAPDA. HUBCO has denied the payment of this amount and has disputed with WAPDA, and it was agreed between both the parties on 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. Pursuant to the initiative of Government of Pakistan, through master agreement dated 11 February 2021 signed between the parties, it was agreed that HUBCO shall withdraw the suit before Sindh High Court and proceed under the dispute resolution mechanism of the PPA and accordingly HUBCO has withdrawn the suit and the Company and HUBCO are finalizing the nomination of arbitrator for settlement of the matter.

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

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

Servicing of loans amounting to Rupees 290,862 million (2020: Rupees 290,862 million) are being managed by way of Financing Cost Surcharge levied on end consumers under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated October 03, 2014. Further, as per ECC decisions, servicing of loans amounting to Rupees 55,000 million (2020: Rupees 55,000 million) and Rupees 41,000 million (2020: Rupees 41,000 million) are the responsibility of GoP (Finance Division) and DISCOs respectively whereas servicing of loans amounting to Rupees 143,176 million (2020: Rupees 215,806 million) shall be managed by a surcharge yet to be levied by GoP.

Further Power Holding Limited (PHL) has raised Rupees 199,967 million and Rupees 200,000 million in financial year 2019-20 and 2018-19 respectively to swap the energy payable by issuance of shariah compliant Sukuk Certificates for a tenure of ten years and payment of rental markup is the responsibility of DISCOs. Sukuk rentals payable to PHL by DISCOs as at 30 June 2021 amounts to Rupees 7,380 million (2020: Rupees 9,578 million).

As at 30 June 2021, Rupees 82,633 million (2020: 65,270 million) have been paid by the Company to PHL on account of servicing of loan, as per the instructions of Ministry of Energy (Power Division) GoP, relating to loans where notification of surcharge for servicing of loan is yet to be levied by GoP and where servicing of loan is responsibility of GoP (Finance Division). The balance so paid to PHL is netted off from energy payable swapped by Government of Pakistan.

22.2 As at June 30, 2021, Use of system charges payable by DISCOs to NTDCL is Rupees 38,181 million (2020: Rupees 28,372 million).

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

As disclosed in note 1.1, 1.2 and 22.1.2.1, as a result of BTA, all disputed balances and litigations pertaining to the Principals on account of purchase of energy was transferred to the Company from NTDCL in 2015. The below notes summarizes the pending litigations in respect of matters where Company is acting in the capacity of agent on behalf of the Principals under the applicable laws, regulations and underlying agreements with Principals. Management expects a favorable outcome of these cases however, impact if any, in respect of these contingencies will be borne by the Principals. Litigation / arbitration expense incurred on actual basis are being charged to the Principals as pass through item as capacity transfer price.

22.3.1 On 08 June 2017 and 29 October 2017, through partial and final awards respectively, London Court of International Arbitration (LCIA) awarded an amount of Rupees 20,269 million (2020 : Rupees 20,269 million) in favor of 9 IPPs i.e. Atlas Power Limited, Nishat Chunian Power Limited, Nishat Power Limited, Liberty Power Tech Limited, Narowal Energy Limited, Saif Power Limited, Sapphire Electric Company Limited, Halmore Power Generation Company Limited and Orient Power Company (Private) Limited for their claims on account of dispute relating to withheld capacity payments. IPPs filed an application before Lahore High Court on 29 November 2017 for enforcement of Final Award that is pending adjudication. Further, the Company is contesting the enforcement proceedings initiated by the IPPs, which matter is also presently pending before the Lahore High Court.

Pursuant to the initiative of GoP to rationalize the tariff during the year, the parties have entered into a Master Agreements and Power Purchase Agreements (PPAs) Amendment dated February 11, 2021. As per the PPA Amendments the parties have agreed to resolve the outstanding LCIA Award amicably in good faith by extending the current agreement years for the disputed periods and the Company has agreed to make disputed period payments amounting to Rupees 3,273 million to the IPPs. In consideration of this, the IPPs have agreed to forego the amount awarded under LCIA. Further, IPPs and the Company have agreed that upon later of the date of disputed period payments and the first installment to be made by the Company under payment mechanism agreed in Master Agreement for the payment of outstanding receivable balances to IPPs, the parties will file a joint application before the Lahore High Court stating that on account of this agreement the enforcement proceedings between the parties are withdrawn. Payable balance to the power generation companies by the Principals includes Rupees 3,273 million as at 30 June 2021. However, the payments have not yet been made by the Company on behalf of the Principals pending compliance of codal/regulatory formalities. Further, the payment to Nishat Chunian Power Limited will be made after getting approval of GoP. Management believes that the payment will be made in due course to all IPPs except for Nishat Chunian Power Limited as per the approval of GoP and the LCIA award proceedings will be withdrawn by the IPPs in the ensuing period.

22.3.2 The London Court of International Arbitration decided the awards in favor of Atlas Power Limited (APL), Nishat Chunian Power Limited (NCPL), Liberty Powertech Limited (LPL) and Nishat Power Limited (NPL) for payment of delay payment on delay payment invoices. As per the awards, amount of Rupees 387 million, Rupees 2,319 million and Rs 1,886 million were awarded to APL, LPL and NCPL respectively with interest at KIBOR plus 4.5% per annum compounded semi-annually from the date of final award until payment of these amounts by the Company. Whereas for NPL the Arbitrator directed the Company to pay the claims of NPL in respect of interest on interest payments, the amount of which is yet to be estimated by the Company.

Atlas Power Limited and Nishat Power Limited filed enforcement petitions for the awards in Lahore High Court on 17 June 2017 and 18 December 2018 respectively and Nishat Chunian Power Limited and Liberty PowerTech Limited has filed their enforcement petitions on 10 December 2020 in Islamabad High Court. The Final Awards by LCIA for LPL, NPL and NCPL have also been challenged by the Company in Civil Court Lahore and award for APL was challenged in Lahore High Court where the matters are pending for arguments. During the year the Company has entered into Master agreements with these IPPs as per which the Company has agreed to follow the PPA mandated FIFO payment principle in relation to past and future payments and the IPPs in consideration of the same have agreed to forego all of its claims of late payment interest on late payment interest invoice and to withdraw all such claims for awards decided by LCIA. Management believes that APL, LPL and NPL will withdraw their claims in accordance with Master agreements in due course. Whereas for NCPL, approval of Government of Pakistan for release of overdue payments under Master Agreement is pending and over due payment will be made after approval of GoP subsequent to which NCPL will withdraw the claim. Management is confident that the claims under the awards will be withdrawn by the IPPs as per the signed Master Agreement.

22.3.3 The Company has adjusted USD 0.447 million (equivalent to Rupees 70.447 million) from FFC Energy Limited and USD 2.659 million (equivalent to Rupees 419.058 million) (along with interest of Rupees 283.5 million) from Orient Power Company (Private) Limited (Orient) in respect of liquidated damages on account of non-commissioning of plant operations on the Required Commercial Operation Date (RCOD). Orient has filed a petition in Lahore High Court on 10 March 2015 against the imposition of liquidated damages. The Company has filed a reference against FFC Energy Limited on 9 April 2017 against the decision of NEPRA to reimburse the liquidated damages to FFC energy Limited. Both cases are pending for arguments. Management believes that it has reasonable grounds to impose liquidated damages.

22.3.4 The Southern Electric Power Company Limited (SEPCOL) filed a suit in the International Court of Arbitration ("ICA") against the Company claiming damages amounting to Rupees 5,027 million with the Company on account of non fulfillment of provisions of the Power Purchase Agreement (PPA). However the suit has been kept in abeyance by SEPCOL in an attempt to resolve the matters amicably out of court in May 2008. Where as, the Company has also raised liquidated damages amounting to Rupees 8,343 million on SEPCOL for the period from February 2008 to June 2015 during which plant remained non-operational.

Further as disclosed in note 22.1.4.3, the Company has also filed recovery suit against SEPCOL, for recovery of outstanding fuel advance.

22.3.5 The Company has disputed mark up charged by WAPDA amounting to Rupees 4,900 million (2020: 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.

22.3.6 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.

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. To date, JPGL has not submitted the ICA award for enforcement before any Court of competent jurisdiction in Pakistan. As per the relevant laws, JPGL was required to submit the award for enforcement within six years from the date of the award which period has been expired as of 30 June 2021. Management believes that enforcement proceedings are not expected to be filed by either party and confident that no liability will be payable by the Principals on account of this matter.

22.3.7 M/s TNB Liberty Power Limited (TNB Liberty) initiated arbitral proceedings in respect of dispute on capacity, energy and late payment interest charges on account of non supply of electricity by TNB Liberty due to gas disconnection by gas supplier, Sui Northern Gas Pipelines Limited (SNGPL) before the International Court of Arbitration of the International Chamber of Commerce ("ICC") vide its Request for Arbitration on 24 January 2017.

The Tribunal rendered an award dated 30 March 2020 as amended on 12 August 2020, in favor of TNB Liberty under which the Company was prohibited to offset liquidated damages imposed against TNB Liberty by the Company against the unpaid and undisputed capacity, energy and late payment interest payments amounting to Rupees 11,448.50 million as at 30 June 2019. Further the Company was directed to pay the costs of arbitration amounting to USD 1.559 million (equivalent Rs 245,741 thousand), pre-award and post-award interest on the undisputed late payment interest invoices at 8.25% per annum and at 5.33% per annum respectively, and the ICC's administrative expenses and the Tribunal's fee and expenses amounting to USD 435,000 (equivalent Rs 68,556 thousand).

Further, an amount of Rupees 1,683 million has been claimed by TNB Liberty as at June 30, 2021 on account of disputed capacity purchase price payments. TNB Liberty, on the request of Government of Pakistan, has agreed to withdraw the Award and the disputed capacity payments. The settlement terms have also been agreed between the parties. The parties will execute the formal Agreement on completion of codal formalities and after seeking approvals from competent authorities for giving final affect to the settlement terms. TNB Liberty will accordingly withdraw the Award amount and dispute thereafter.

22.3.8 The Company had a dispute with IPPs - 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 Annual Plant Capacity Factor (APCF). IPPs had filed writ petition on 04 April 2019 against the matter before Islamabad High Court where the matter is pending adjudication. During the year, in accordance with the master agreements signed by the Company with JDW-II, JDW-III and RYK Mills Limited, the Company has settled an amount of Rupees 1,743 million to the IPPs in respect of this matter as final settlement. As per the Master Agreement signed between the aforementioned parties, the parties shall jointly proceed to file applications for disposal of pending litigations before the Courts in relation to the matters in respect of the Master Agreement which are yet to be withdrawn by the parties. The Company is confident that since final settlement payment has been made, the pending litigations will be withdrawn by the IPPs in the ensuing period and there is no exposure in this regard. In respect of Chiniot Power Limited, the Company is confident that no liability will be payable by the Principals on account of this matter.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

23.1 Financial instruments by category

	2021	2020 Restated
Financial assets at amortised cost	(Rupees in thousand)	
Maturity up to one year		
Other receivables	86,822	119,346
Bank balances - deposit accounts	22,070,478	13,969,805
Maturity after one year		
Long term security deposits	21,264	21,264
Financial liabilities at amortised cost		
Maturity up to one year		
Accrued and other liabilities	21,954,904	13,905,915
Current portion of lease liability	72,547	60,159
Maturity after one year		
Lease liability	110,472	183,019

23.2 Credit Quality of Financial Assets

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

Bank balances

	Rating			2021	2020
	Short term	Long term	Agency	(Rupees in thousand)	
National Bank of Pakistan	A1+	AAA	PACRA	2,221,575	1,148,734
Allied Bank Limited	A1+	AAA	PACRA	1,183,790	1,647,277
Askari Bank Limited	A1+	AA+	PACRA	849,729	1,065,039
Faysal Bank Limited	A1+	AA	PACRA	339,065	279,234
Habib Bank Limited	A-1+	AAA	VIS	1,176,983	740,348
The Bank of Punjab	A1+	AA+	PACRA	1,857,431	2,112,191
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	23,628	29,557
United Bank Limited	A-1+	AAA	JCR-VIS	840,413	68,286
MCB Bank Limited	A1+	AAA	PACRA	1,317,549	1,096,371
Bank Alfalah Limited	A1+	AA+	PACRA	73,864	460,380
Bank Al-Habib Limited	A1+	AAA	PACRA	1,191,969	1,055,330
First Women Bank Limited	A2	A-	PACRA	1,947	1,467
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	34,713	57,936
Meezan Bank Limited	A-1+	AAA	VIS	10,957,822	4,207,655
				22,070,478	13,969,805

Counterparties with external credit ratings

	Short term	Long term	Agency	2021	2020
Other receivables from NTDCL - a related party	A1+	AA+	PACRA	66,651	99,718
Accrued profit on bank accounts					
National Bank of Pakistan	A1+	AAA	PACRA	16,811	18,301
Faysal Bank Limited	A1+	AA	PACRA	1,806	-
First Women Bank Limited	A2	A-	PACRA	254	401
Meezan Bank Limited	A-1+	AAA	VIS	1,070	642
Habib Metropolitan Bank Limited	A-1+	AAA	VIS	230	283
				20,171	19,628
				86,822	119,346

Counterparties without external credit ratings

	2021	2020
Long term security deposits	21,264	21,264

23.3 Financial Risk Management

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

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

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

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

(i) Credit risk

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

Bank balances and profit accrued on bank deposits represented by other receivables in note 23.1 are subject to the requirements of IFRS 9 and the identified impairment loss was immaterial as the Company limits its exposure to credit risk by maintaining accounts with banks that have reasonably high credit ratings. Credit ratings and exposure of bank balances is disclosed in note 23.2.

In addition to above, financial assets include other receivables from NTDCL and long term security deposits. Credit ratings and exposure are disclosed in note 23.2. In respect of receivable from NTDCL, the Company is government owned and given a good credit rating and the balance is neither past due nor impaired. Management has assessed that there is no impairment loss in respect of financial assets of the Company and these are recoverable in full.

(ii) Liquidity risk

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

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

	Carrying amount	Contractual cashflows		
		Less than one year	Between 1 to 5 years	Over 5 years
	(Rupees in thousand)			
As at June 30, 2021				
Accrued and other liabilities	21,954,904	21,954,904	-	-
Lease liabilities	183,019	89,216	117,379	-
As at June 30, 2020 (Restated)				
Accrued and other liabilities	13,905,915	13,905,915	-	-
Lease liabilities	243,178	84,968	206,595	-

(iii) Market risk

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

(a) Currency risk

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

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

(b) Interest rate risk

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

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

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

	2021	2020
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	11,276,121	10,058,820

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 112.761 million higher / lower (2020: Rupees 100.588 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.

(c) Price risk

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

23.4 Fair value of financial asset and financial liabilities

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

23.5 Determination of fair values

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

Non-derivative financial assets

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

Non-derivative financial liabilities

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

23.6 Offsetting financial assets and liabilities

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

24 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

24.1 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	
	2021	2020	2021	2020
	---------------- (Rupees in thousand)	----------------		
Managerial remuneration	-	8,899	169,551	160,399
Allowances:				
House rent	-	4,004	76,298	72,180
Utilities	-	890	16,955	16,040
Medical	-	890	16,955	16,040
Conveyance	-	1,304	35,195	27,454
Bonus	-	809	62,277	13,829
Leave encashment	-	755	14,065	12,816
	-	8,652	221,745	158,359
Contribution to provident fund	-	445	6,572	5,427
	-	17,996	397,868	324,185
Number of persons	1*	1	70	69

*Pursuant to the approval of Federal Cabinet, Government of Pakistan vide notification dated 10 June 2020, additional charge was assigned to Additional Secretary-II Power Division, Ministry of Energy for the post of Chief Executive Officer of the Company. No remuneration has been paid to CEO by the Company during the year.

24.2 The aggregate amount charged in these financial statements in respect of meeting fee paid to 12 (2020: 10) directors is Rupees 18.750 million (2020: Rupees 17.125 million).

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

25 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Government of Pakistan and related entities under control of GoP including DISCOs and K-Electric, 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:

25.1 Government related entities

25.1.1 Market operation fee:

	2021		2020	
	Invoicing	Receipts	Invoicing	Receipts
	(Rupees in thousand)			
FESCO	65,104	115,981	61,262	41,585
GEPCO	48,715	89,045	44,877	45,356
HESCO	28,367	20,524	28,677	9,977
IESCO	46,129	84,700	42,883	40,477
LESCO	105,135	197,369	92,062	90,598
MEPCO	86,072	128,683	77,761	50,218
PESCO	66,005	73,547	62,098	33,889
QESCO	27,853	7,470	27,903	3,282
SEPCO	19,507	11,408	18,919	4,577
TESCO	5,964	3,035	5,485	965
K-Electric	20,148	3,150	18,840	2,576
	518,999	734,912	480,767	323,500

25.1.2 During the year the Company has received Rupees 1,538,931 million (2020: Rupees 1,432,958 million) from or on the behalf of DISCOs in accordance with its mandate as market operator.

25.1.3 During the year the Company paid to the Government owned market participants representing offer and PHL amounts to Rupees 585,387 million (2020: Rupees 642,347 million) in accordance with its mandate as market operator.

25.2 Post employment benefit plan:

	2021	2020
	(Rupees in thousand)	
Contribution to provident fund	18,795	13,294
Contribution to gratuity fund	21,429	14,871

26 NUMBER OF EMPLOYEES

	2021	2020
Number of employees as on June 30	214	204
Average number of employees during the year	209	200

27 CORRESPONDING FIGURES

Comparative figures have been restated as a result of restatement of prior year's financial statements as referred in note 2 to these financial statements.

28 IMPACT OF COVID-19 (CORONA VIRUS) ON THESE FINANCIAL STATEMENTS

The spread of Covid - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. From the very outset of Covid-19, the management has adopted various policies and practices to minimize adverse impact of Covid-19 on the operations of the Company. Based on management's assessment, there is no material impact on the carrying values of assets and liabilities as of 30 June 2021 and the results of its operations. The Company is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19.

29 GENERAL

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

30 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 NOV 2021 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

15
CORPORATE GOVERNANCE REPORT

pwc

A·F·FERGUSON&Co.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Central Power Purchasing Agency (Guarantee) Limited for the year ended June 30, 2021.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2021.

A.F.Ferguson & Co.

Chartered Accountants

Islamabad
Date: December 13, 2021

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

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

Name of Company	:	**Central Power Purchasing Agency (Guarantee) Limited**
Name of the line Ministry	:	**Ministry of Energy (Power Division)**
For the year ended	:	**30 June 2021**

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

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

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th>Remarks</th></tr>
<tr><th colspan="3">Tick the relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td><td></td></tr>
<tr><td>2.</td><td>The Board has at least one-third of its total members as independent
directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Hamid Ali Khan
2. Ghias uddin Ahmad
3. Ayla Majid</td><td>27-12-2018
27-12-2018
27-12-2018</td></tr>
<tr><td>Executive Director</td><td>Waseem Mukhtar</td><td>10-06-2020</td></tr>
<tr><td>Non-Executive Directors</td><td>1. Ali Raza Bhutta
2. Mahfooz Ahmad Bhatti
3. Muhammad Imran Mian
4. Muhammad Anwer Sheikh
5. Abdul Razzaq
6. Muhammad Ayub</td><td>14-09-2020
13-08-2020
16-01-2015
02-06-2020
18-12-2020
20-05-2021</td></tr>
</table></td><td>3(2)</td><td>✓</td><td></td><td></td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector Companies and listed Companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td><td></td></tr>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the rules in making nominations of the persons for election as Board members under the provisions of the Act.</td><td>3(7)</td><td></td><td></td><td>All the nominations on the Board of Directors are made by the Government of Pakistan (GoP).</td></tr>
<tr><td>5.</td><td>The chairman of the Board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✓</td><td></td><td></td></tr>
<tr><td>6.</td><td>The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.</td><td>4(4)</td><td>✓</td><td></td><td></td></tr>
</table>

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

19.	The Board has monitored and assess the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓		
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. **(b)** In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. **(c)** The Board has placed the annual financial statements on the Company's website.	10	✓ NA ✓		
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. (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:	12	✓ ✓ ✓ ✓		

Committee	Number of Members	Name of Chair
Audit Committee	06	Ayla Majid
Risk Management Committee	04	Mahfooz Ahmad Bhatti
Human Resources Committee	06	Muhammad Anwer Sheikh
Procurement Committee	07	Muhammad Ayub
Nomination Committee	03	Ali Raza Bhutta

24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called with their remuneration and terms and conditions of employment.	13	✓		
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 terms of subsection	16	✓		

<table>
<tr><td></td><td>(1) of section 225 of the Act.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td>29.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.
(b)The annual report of the Company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓
✓</td><td></td><td></td></tr>
<tr><td>30.</td><td>The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the Audit Committee and the Board.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td>31.</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of the member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Ayla Majid</td><td>Independent / Non – Executive</td><td>Accounts and Finance</td></tr>
<tr><td>Hamid Ali Khan</td><td>Independent / Non – Executive</td><td>Power Sector</td></tr>
<tr><td>Muhammad Imran Mian</td><td>Non-Executive</td><td>Power Sector Finance</td></tr>
<tr><td>Muhammad Anwer Sheikh</td><td>Non-Executive</td><td>Accounts and Finance</td></tr>
<tr><td>Muhammad Ayub</td><td>Non-Executive</td><td>Power Sector</td></tr>
<tr><td>Mahfooz Ahmad Bhatti</td><td>Non-Executive</td><td>Power Sector Finance</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21(1) and 21(2)</td><td>✓</td><td></td><td></td></tr>
<tr><td>32</td><td>(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.
(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.
(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.</td><td>21(3)</td><td>✓
✓
✓</td><td></td><td></td></tr>
<tr><td>33.</td><td>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee</td><td>22</td><td>✓
✓</td><td></td><td></td></tr>
</table>

	(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.		✓		
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

Central Power Purchasing Agency

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