



**PAKISTAN ELECTRICITY
MARKET OPERATOR**



ANNUAL REPORT 2024

**ON THE PATH OF EXCELLENCE
TOWARDS SUSTAINABLE
ELECTRICITY**

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Central Power Purchasing Agency

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**CENTRAL POWER PURCHASING AGENCY
PAKISTAN ELECTRICITY MARKET OPERATOR**

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LIST OF ACRONYMS

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



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



VISION, MISSION & CORE VALUES OF CPPA-G

01

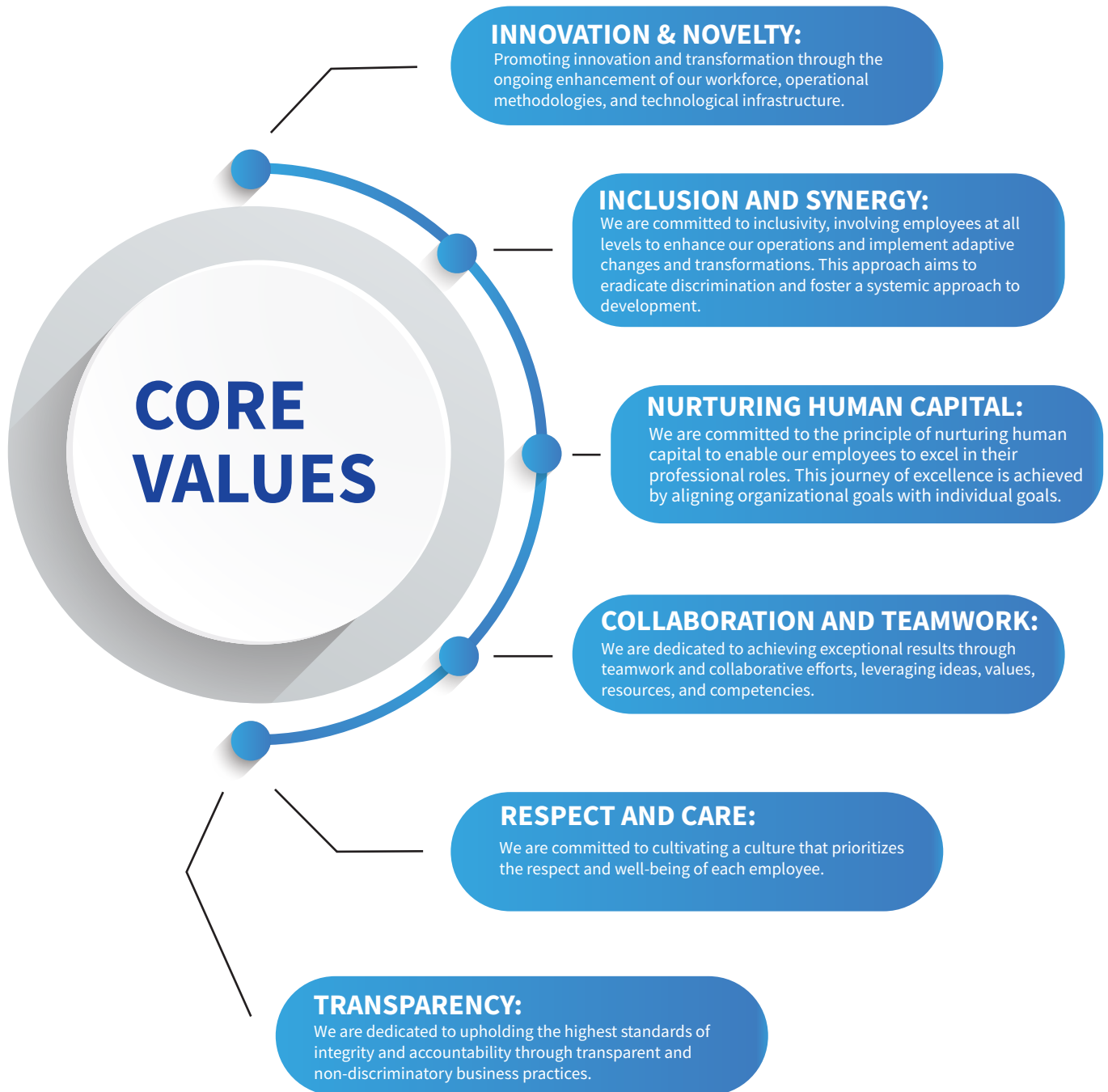
VISION

To facilitate a seamless electricity market for sustainable energy eco system

MISSION

To become the best organization in performance of its functions as Special Purpose Agent, Electricity Market Operator and plan implementation unit, banking on the culture derived from our core values, digital transformation, continuous improvement of processes and by nurturing capable human capital with special consideration to Environment, Social and Governance (ESG) portfolio.





CHAIRMAN'S MESSAGE

02



MR. IRFAN ALI

CHAIRMAN BOD – CPPA-G

These are challenging times for the power sector of this country. The rising cost of electricity has made its affordability for the common man a major question for the country's policy maker. The CPPA-G plays a pivotal role in the operation of the Power market as a major purchaser of electricity from the Power Producers. We also act as the technical wing and support of the Ministry of Energy (Power Division). While there is sufficient electricity available to the sector, the rising cost of electricity has made the role of CPPA-G extremely important in trying to create a balance between availability and affordability of electricity.

It is in the above backdrop that the market structure of the sector is heading towards a major shift, towards a competitive market instead of a single buyer module which has been in place from the beginning. The transition towards a competitive market is not easy but is essential, keeping in mind the international best

practices as well as the ground realities of our economy, in order to make this possible the government is taking various measures with CPPA-G is playing its part in making the transition smooth, realistic and fruitful.

The CPPA-G Board has been reconstituted in compliance with the SOE Act 2023. The board is constituted with the independent private sector professionals as well as senior government officials. The Board has been empowered to take independent decisions. This is an extremely challenging task for the newly constituted Board. Its major functions would be to ensure proper technical support to the government in policy making and an efficient execution of those policies. It is also and may the most important that the welfare and interest of the common citizen is kept foremost and integrity of thought, discourse and decisions making be maintained with complete transparency.



03

CEO'S MESSAGE

RIHAN AKHTAR

CEO CPPA-G



As we cross the fiscal year 2023-2024 I am pleased to present an update reflecting our collective endeavors to navigate the complexities of Pakistan's power sector under rapidly-evolving economic conditions. In this financial year, our actions have been guided by the steadfast commitment of our national leadership, shaping our national goals of energy security, affordability, sustainability, and efficiency.

Amidst challenging economic headwinds, our journey towards a more liberalized market has gained substantial momentum. The Cabinet's approval of the National Electricity Plan (2023-27) has laid down a robust framework for us to enhance the sector's governance, integrate regional energy markets, and accelerate our progress towards environmental sustainability. The plan's 20 priority areas are crucial as we strive to transform our energy landscape to better serve our nation's economic and social objectives.

Moreover, the Cabinet Committee on Energy's recent endorsement of the Competitive Trading Bilateral Contract Market's Final Test Run Report marks a significant step towards the operationalization of a competitive wholesale electricity market. This initiative is expected to foster a more dynamic and efficient energy market, propelling us towards our goal of a deregulated and competitive environment.

Our engagement with K-Electric to finalize the Power Purchase Agreement for 1400 megawatts stands as a testament to our commitment to resolving longstanding issues and ensuring a stable electricity supply. This strategic move is expected to bring significant relief and stability to our consumers and stakeholders alike, particularly for those in or serving the nation's largest commercial center.

Financially, we have been vigilant in managing the flow of circular debt, pivotal for the financial health of the

sector. Through proactive interventions and strategic financial management of the release process of PKR 975 billion, we have managed to maintain stability across the board. This effort is complemented by our continuous work on the Circular Debt Management Plan, adapting to the shifting economic landscape to mitigate impacts on our operations.

In parallel to our previous endeavors, we continue our negotiations with the Wind and Bagasse-based IPPs that were unable to execute binding agreements during the prior round of negotiations in the financial year 2020-21. We envision the outcome of these negotiations will yield significant reductions in the projects' tariffs, providing relief to electricity consumers across Pakistan.

As we look to the horizon, the anticipated commencement of the wholesale electricity market – following NEPRA's approval – is set to redefine the contours of power distribution and consumption across the nation. We expect this, and other developments, will enhance our operational efficiencies while ensuring that our energy systems are robust enough to meet future demands.

I want to extend my heartfelt appreciation to every member of our team for their dedication and hard work. It is their perseverance and commitment that drives our collective success and enables us to meet the challenges of the sector head-on. Together, we aim not only to make incremental changes, but instead to make meaningful and historical progress on the path towards tangible energy-sector reforms that will benefit our nation for generations to come under the leadership of our Board of Directors.

Thank you for your continued support and commitment to our shared national vision.

COMPANY'S PROFILE

04



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. **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-G was to procure electric power on behalf of the DISCOs and to prepare the organizations and the sector for transition towards a competitive wholesale/bilateral market.

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

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





COMPANY REGISTRATION

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

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

to come into force within five (05) years of promulgation of the Amendment Act or on such earlier date as the Federal Government may notify. Accordingly, the subject sections of the Act were activated on 02nd May 2023 after the completion of stipulated timeframe of five years.

Pursuant to section 23A & 23B of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, NEPRA granted a Market Operator License No. MOL/01/2022 to CPPA-G on 31st May 2022, to perform the functions of the Market Operator subject to fulfilment of certain conditions and Commercial Market Operation Date (CMOD) approval by NEPRA

CPPA-G has also filed an application before NEPRA on 07th November 2022 for seeking registration as SPA under section 25A of the NEPRA Act along with the submission of revised SPA Code (formerly commercial Code 2018) to continue its role as procurer of electricity on behalf of DISCOs and administer the power and energy purchase contracts.



CONTRACTUAL FRAMEWORK

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

- a. Business Transfer Agreement (BTA) between NTDC and CPPA-G.
- b. Administration Agreement between CPPA-G and NTDC to authorize the CPPA-G to administer and deal with PPAs executed between the existing Generation Companies (IPPs under 1994 power policy and prior thereto, IPPs under the 2002 power policy and 2006 RE Policy, GENCOs, WAPDA Hydel) and Nuclear Power Plants.
- c. Execution of new Power Purchase Agreements / Energy Purchase Agreements between CPPA-G, GENCOs and IPPs.
- d. Novation and amendment of PPA between NTDC and WAPDA for Hydel generation to include CPPA-G as a party thereto responsible for the commercial aspects thereof.
- e. Back to back arrangements with NTDC to ensure that, following the transfer of business from NTDC to CPPA-G, the functions and obligations to be performed by NTDC or WAPDA under Power Purchase Agreements or Energy Purchase agreements signed by NTDC or WAPDA, will continue to be assumed and exercised by NTDC as per its transmission license or Grid Code.
- f. Power Procurement Agency Agreements (PPAA) between CPPA-G and each of the DISCOs. The Company has signed PPAA's 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. Tripartite PPAs among CPPA, NTDC and the power producers.





FUNCTIONS AND RESPONSIBILITIES OF CPPA-G

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

GENERAL RESPONSIBILITIES

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

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

- a. Preparation of a model for competitive market operations that encompasses both sale of power at wholesale and sale of power at retail and submit the same for the approval of the Authority;
- b. Developing, administering and enforcing the Commercial Code;
- c. In the case of bilateral contracts between multiple buyers and sellers, settlement of imbalances;
- d. Development of commercial standard operating procedures;
- e. Procurement of power on behalf of DISCOs during the Single Buyer Phase and Single Buyer Plus Phase; and
- f. Cash flow management, treasury management and other relevant functions for the purposes of collection and disbursement as per the Commercial Code;

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

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

efficiently, reliably and prudently;

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

Pay applicable fees;

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

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

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

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

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

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

Submit compliance reports in accordance with Article 12.2;



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

- a. Establish processes ensuring adherence of market participants to the Market Rules and to the Commercial Code;
- b. Manage the processes of settlement of transactions in accordance with the Market Commercial Code;
- c. Keep or cause to be kept separate accounts for the distinct market operator functions and;
- d. Submit to the Authority, as and when directed, correct and reliable information regarding imbalances, settlements, prices, number of market participants, percentages of market share, forecasted prices and statistics.
- 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.





4.1 BOARD OF DIRECTORS

- Mr. Iran Ali, Independent Director (**Chairman**)
- Mr. Ghiasuddin Ahmad, Independent Director
- Mr. Raheel Ijaz, Independent Director
- Mr. Jalal Ahsan, Independent Director
- Ms. Ameena Sohail, Independent Director
- Mr. Saad Fazil Abbasi, Ex-Officio Director
- Syed Zakria Ali Shah, Ex-Officio Director
- Mr. Rihan Akhtar, Ex-Officio Director
- (**Chief Executive Officer**)

4.2 AUDIT & FINANCE COMMITTEE

- Mr. Raheel Ijaz (**Chairman**)
- Syed Zakria Ali Shah
- Mr. Saad Fazil Abbasi
- Mr. Jalal Ahsan
- Mr. Ghiasuddin Ahmad

4.3 FUNCTIONAL HEADS

- Mr. Rihan Akhtar
(**Chief Executive / 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**)

4.4 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>

4.5 REGISTERED OFFICE

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

4.6 BANKERS

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

4.6 COMPANY AS DISCO'S AGENT

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

4.7 LEGAL ADVISOR

- Barrister Munawar us Salam

4.9 AUDITOR

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



BOARD OF DIRECTORS

05

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), along with professional independent Directors having professional background of finance, management and legal. The CPPA-G's Board ensures that the company adheres to corporate governance best practices while being

compliant with government policies, legal and regulatory frameworks. The board through its collective wisdom provides strategic direction to the company to ensure that it achieves its goals and objectives.

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



MR. IRFAN ALI
CHAIRMAN BOD – CPPA-G



MR. SAAD FAZIL ABBASI
MEMBER BOD, CPPA-G



SYED ZAKRIA ALI SHAH
MEMBER BOD, CPPA-G



MR. JALAL AHSAN
MEMBER BOD, CPPA-G



MS. AMEENA SOHAIL
MEMBER BOD, CPPA-G



MR. GHIASUDDIN AHMAD
MEMBER BOD, CPPA-G



MR. RIHAN AKHTAR
MEMBER BOD / CEO CPPA-G



MR. RAHEEL IJAZ
MEMBER BOD, CPPA-G



COMMITTEES OF BOARD

06

The Board aims to make CPPA-G a truly corporate body by setting standards at the board level, practicing them and creating an environment to ensure that good corporate practices permeate throughout the organization. The Company's Board achieves this by constituting committees to oversee various key functions of the Company and provide decision making support to the Board.

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

FOLLOWING IS THE COMPOSITION OF BOARD'S COMMITTEES:

PROCUREMENT & RISK MANAGEMENT COMMITTEE

- Mr. Irfan Ali (Chairman)
- Syed Zakria Ali Shah
- Mr. Jalal Ahsan
- Ms. Ameena Sohail

HR, LEGAL & NOMINATION COMMITTEE

- Mr. Ghiasuddin Ahmad (Chairman)
- Mr. Raheel Ijaz
- Mr. Saad Fazil Abbasi
- Ms. Ameena Sohail

AUDIT & FINANCE COMMITTEE

- Mr. Raheel Ijaz (Chairman)
- Syed Zakria Ali Shah
- Mr. Saad Fazil Abbasi
- Mr. Jalal Ahsan
- Mr. Ghiasuddin Ahmad

SPECIAL COMMITTEE ON MARKET IMPLEMENTATION SUPPORT & INFORMATION TECHNOLOGY

- Ms. Ameena Sohail (Chairperson)
- Mr. Ghiasuddin Ahmad
- Mr. Raheel Ijaz
- Mr. Jalal Ahsan
- Mr. Rihan Akhtar



TERMS OF REFERENCE AND FUNCTION OF AUDIT & FINANCE COMMITTEE OF CPPA-G

During the F.Y 2023-24 Audit & Finance Committee performed the following tasks including but not limited;

1. Recommended the appointment of External Auditors to Board along with fee.
2. Reviewed the quarterly and half yearly unaudited financial statements of the Company and recommended to Board for approval.
3. Meeting with the external auditors in absence of CPPA-G management.
4. Reviewed and recommended the audited financial statements for F.Y 2022-23 of CPPA-G to Board for approval.
5. Reviewed and recommended the Compliance Report, reasons for non-compliance and Auditor's review report of CPPA-G under the Public Sector Companies (Corporate Governance) Rules 2013.
6. Reviewed and recommended the Director's Report of CPPA-G for F.Y 2022-23.
7. Reviewed all the reports made by Internal Audit department and issued directions to management.
8. Reviewed and recommended the Business Plan and Statement of Corporate Intent of CPPA-G for F.Y 2024-25 to 2026-27.

6.1 TERMS OF REFERENCE

- 6.1.1 To assist the Board in the execution of its responsibilities the Committee shall be charged with the following general responsibilities
- 6.1.2 Review of management letter / Letter to the Board issued by external auditors and management's response thereto;
- 6.1.3 Review the related parties transactions and forward the same along with Audit & Finance Committee's recommendations for the approval of the Board;
- 6.1.4 Consideration of major findings of internal Audit Reports and management's response thereto and issuance of suitable Directions to the management;
- 6.1.5 Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- 6.1.6 At least once a year, the AFC shall meet external auditors without the presence of the CEO, CFO, the chief internal auditor and other executives being present, to ensure independent communication between the external auditors and the audit committee;
- 6.1.7 At least once a year, the AFC shall meet Chief Internal Auditor and other members of the internal audit function without presence of the CEO and CFO and with the external auditors being present;
- 6.1.8 The AFC to approve the annual internal audit plan to be provided by the internal audit department;
- 6.1.9 Review special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider referring of any matter to the external auditors or to any other external body;
- 6.1.10 To consider and recommend the Company's Business Plan and Statement of Corporate Intent to Board for approval under SOE Act 2023.
- 6.1.11 Review of quarterly, half-yearly and annual financial statements, prior to their approval by the Board of Directors, focusing on:



- a. major judgmental areas
 - b. significant adjustments resulting from the audit
 - c. the going-concern assumption
 - d. any changes in accounting policies and practices
 - e. compliance with applicable accounting standards, and
 - f. compliance with listing regulations and other statutory and regulatory requirements
- 6.1.12 facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- 6.1.13 Ensuring coordination between the internal and external auditors of the company;
- 6.1.14 Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- 6.1.15 Review of the company's statement on internal control systems prior to endorsement by the Board of Directors;
- 6.1.16 Determination of compliance with relevant statutory requirements;
- 6.1.17 Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- 6.1.18 Recommending to the Board of Directors for appointment of External auditors and shall consider any questions of resignation of removal of external auditors, audit fees and provision by external auditors of any service to the company in addition to audit of its financial statements;
- 6.1.19 Recommending or approving the hiring or removal of head of internal audit;
- 6.1.20 Overseeing whistle-blowing policy and protection mechanism;
- 6.1.21 The Committee shall meet with the external and internal auditors to apprise BOD from its findings;
- 6.1.22 The Committee ensures that the relevant principles of corporate governance has been complied with, and identifies the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance;
- 6.1.23 considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;
- 6.1.24 discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;
- 6.1.25 discussing with the external auditors any significant issues from the review of the financial statements by the management, and any other work undertaken or overseen by the audit committee;
- 6.1.26 reviewing and considering the external auditors' communication with management and management's response thereto;
- 6.1.27 reviewing progress on accepted recommendations from the external and internal auditors.
- 6.1.28 AFC may investigate any matter related to financial risks and internal Controls



- 6.1.29 Providing the board with draft annual budgets (Capex & Opex) and Market Fee for its consideration and approval;
- 6.1.30 Reviewing on-going expenditure against budgets;
- 6.1.31 Recommend to Board for approval of Finance & Accounts Manual / Book of Financial Powers ;
- 6.1.32 Streamline policies & procedures of CPPA-G financial reporting and treasury management SOPs/ procedures;
- 6.1.33 Recommend CPPA-G Finance & Accounts manual, procedures, systems and alike to BOD for approval;
- 6.1.34 Bring transparency, competitiveness, openness and alike in CPPA-G financial reporting;
- 6.1.35 Recommend Bank opening Accounts to BOD;
- 6.1.36 Recommend Additional Capital and Revenue budget to the BOD;
- 6.1.37 Assist the BOD in matters of CPPA-G finance accounts & treasury;
- 6.1.38 Consideration of any other issue or matter as may be assigned by the Board of Directors;



MANAGEMENT

07

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

The Market Operators in different countries globally tend to have a lean organization with experienced,

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

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





RIHAN AKHTAR
CHIEF EXECUTIVE OFFICER /
CHIEF FINANCIAL OFFICER



ABDUL MAJID KHAN
CHIEF LEGAL OFFICER



**ARSHAD JAVED
MINHAS**
CHIEF INFORMATION OFFICER



**MUBASHAR AHMED
QURESHI**
CHIEF TECHNICAL OFFICER



NOMAN RAFIQ
COMPANY SECRETARY



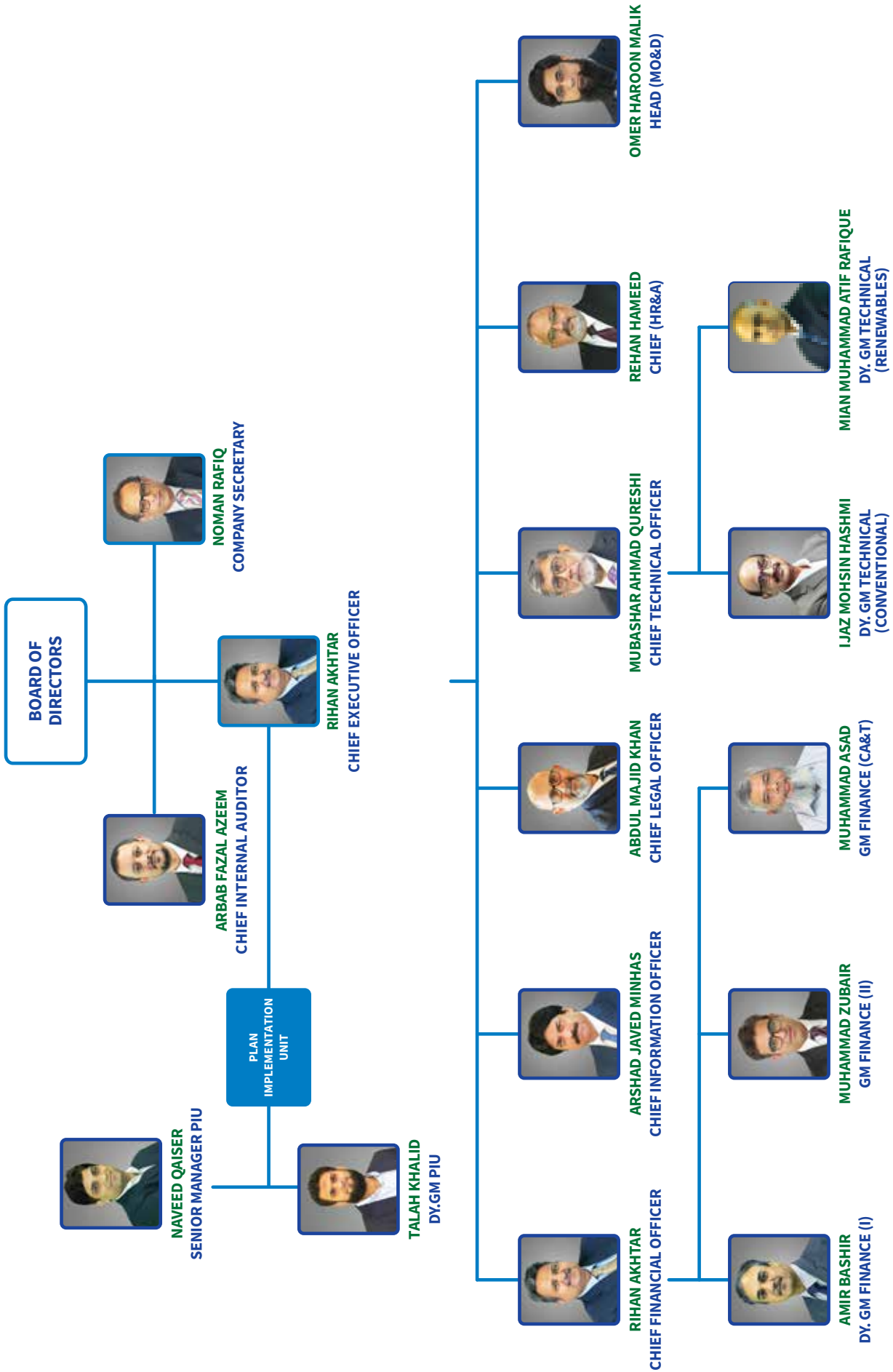
OMER HAROON MALIK
HEAD MARKET OPERATIONS &
DEVELOPMENT



ARBAB FAZAL AZEEM
CHIEF INTERNAL AUDITOR



REHAN HAMEED
CHIEF (HR&A) OFFICER







KEY HIGHLIGHTS OF THE YEAR

08

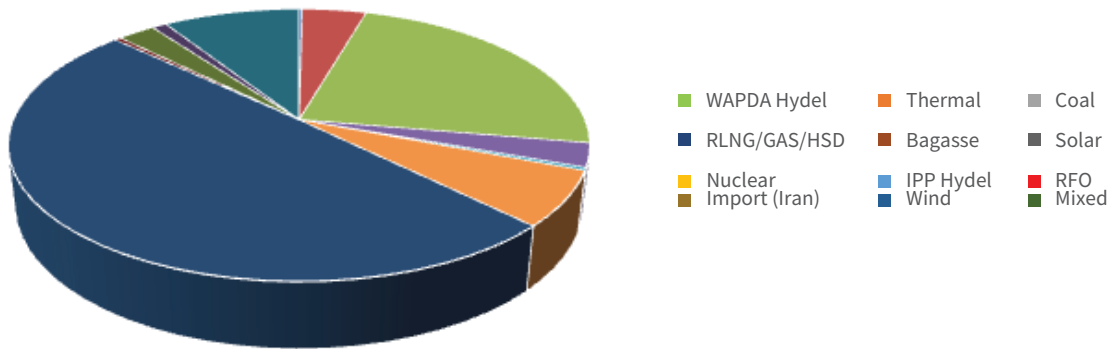
During FY 2023-24, CPPA-G while striving for excellence with passion, innovation and Integration, achieved several landmarks and made substantial progress. Few highlights of the selected key achievements of CPPA-G as the Operator of Pakistan's Electricity Market, are presented below:



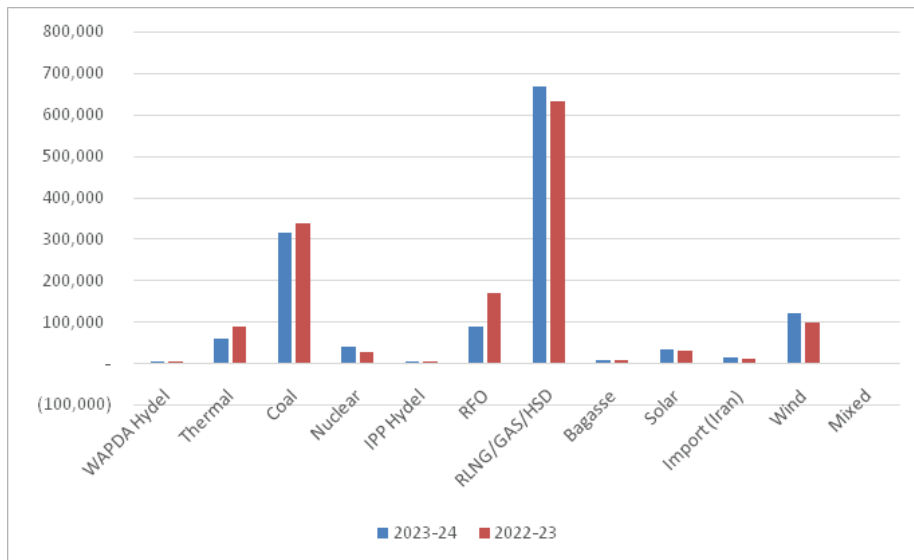
8.1 ENERGY MIX OF GENERATION

Rs. In million				
Fuel Type	2023-24	%age	2022-23	%age
WAPDA HYDEL	2,769	0.2%	2,650	0.2%
THERMAL	57,392	4.3%	86,947	6.2%
COAL	312,836	23.3%	337,456	24%
NUCLEAR	37,610	2.8%	26,022	1.9%
IPP HYDEL	4,830	0.4%	5,162	0.4%
RFO	87,611	6.5%	169,080	12%
RLNG/GAS/HSD	667,716	49.7%	632,864	45%
BAGASSE	5,472	0.4%	5,971	0.4%
SOLAR	33,595	2.5%	30,706	2.2%
IMPORT (IRAN)	13,038	1.0%	10,364	0.7%
WIND	121,732	9.1%	96,880	6.9%
MIXED	(311)	-0.02	758	0.05%
TOTAL	1,344,291	100.0%	1,404,859	100.0%

ENERGY MIX GENERATION 2023-24



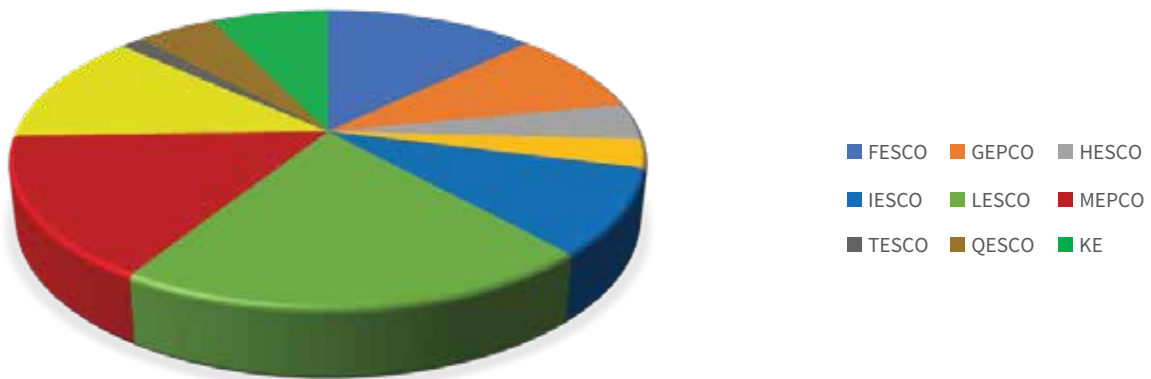
ENERGY MIX GENERATION CAMPARATIVE 2022-23 & 2023-24



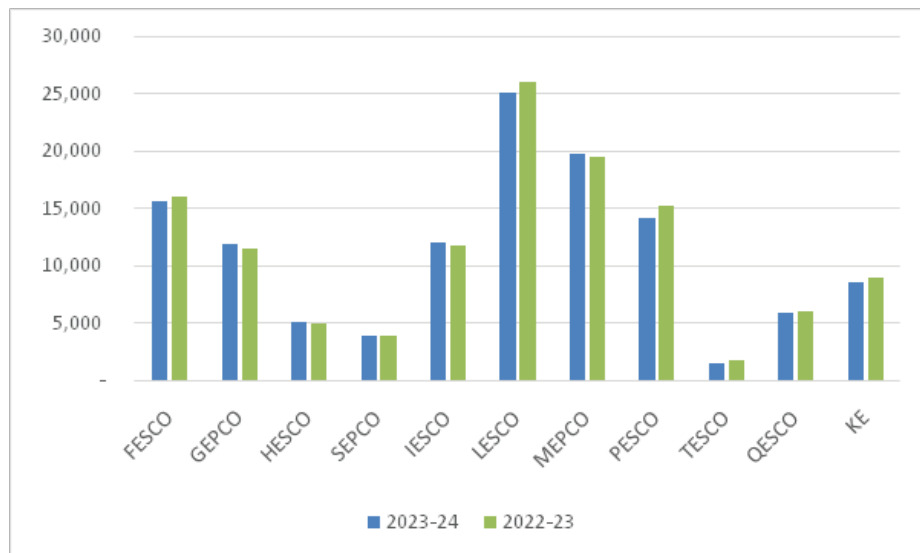
8.2 ENERGY UNITS DELIVERED TO DISCOS

GWh				
	2023-24	%age	2022-23	%age
FESCO	15,633	13%	16,041	13%
GEPCO	11,813	10%	11,440	9%
HESCO	5,041	4%	4,917	4%
SEPCO	3,829	3%	3,869	3%
IESCO	11,978	10%	11,724	9%
LESCO	25,094	20%	26,032	21%
MEPCO	19,699	16%	19,506	16%
PESCO	14,146	11%	15,255	12%
TESCO	1,407	1%	1,720	1%
QESCO	5,844	5%	6,005	5%
K-ELECTRIC	8,538	7%	8,961	7%
TOTAL	123,023	100.0%	125,468	100.0%

ENERGY UNITS DELIVERED TO DISCOS 2023-24 GWH



ENERGY UNITS DELIVERED TO DISCOS CAMPARISON 2022-23 & 2023-24 GWH

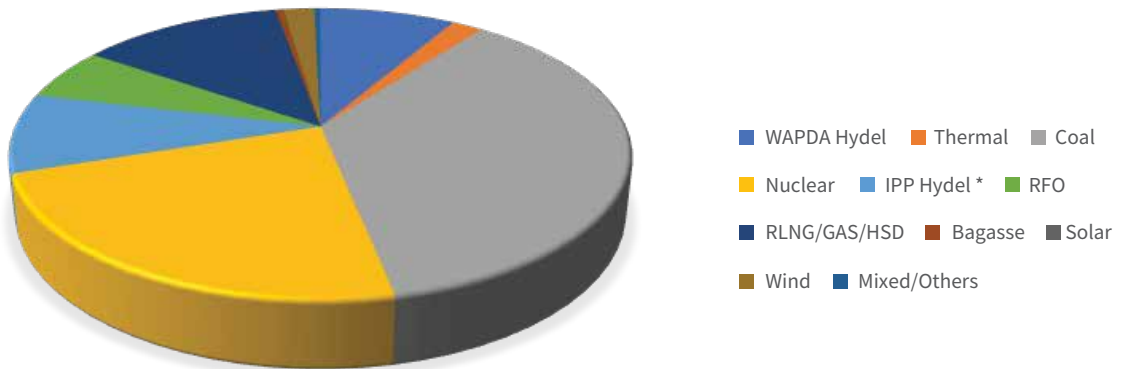




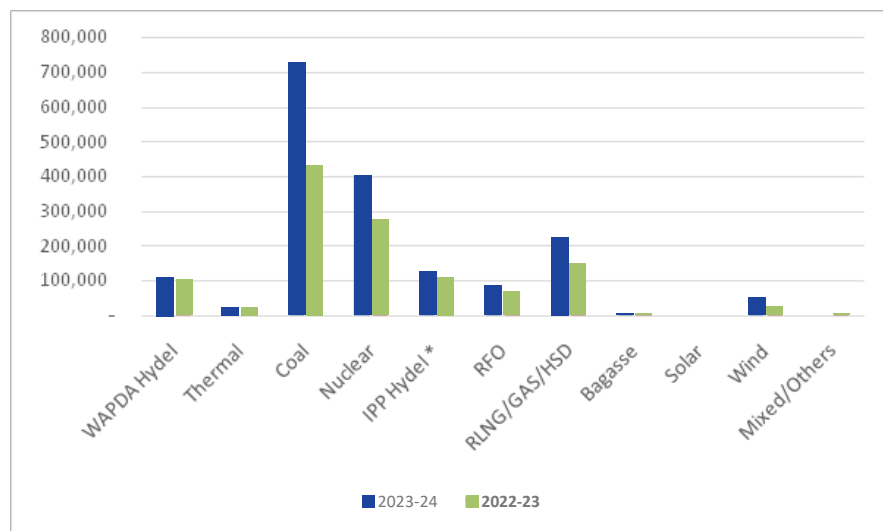
8.3 CAPACITY MIX OF GENERATION

Rs. In million				
Fuel Type	2023-24	%age	2022-23	%age
WAPDA HYDEL	105,203	6%	100,219	8.5%
THERMAL	22,754	1.3%	22,779	1.9%
COAL	725,013	41.6%	431,781	36.4%
NUCLEAR	401,939	23%	273,953	23.1%
IPP HYDEL	124,919	7.2%	104,751	8.8%
RFO	84,089	4.8%	68,992	5.8%
RLNG/GAS/HSD	221,984	12.7%	149,873	12.6%
BAGASSE	5,335	0.3%	5,215	0.4%
SOLAR	1,960	0.1%	644	0.1%
WIND	51,128	2.9%	22,649	1.9%
MIXED / OTHERS	176	0.0%	4,535	0.4%
TOTAL	1,744,501	100.0%	1,185,392	100.0%

CAPACITY MIX OF GENERATION 2023-24



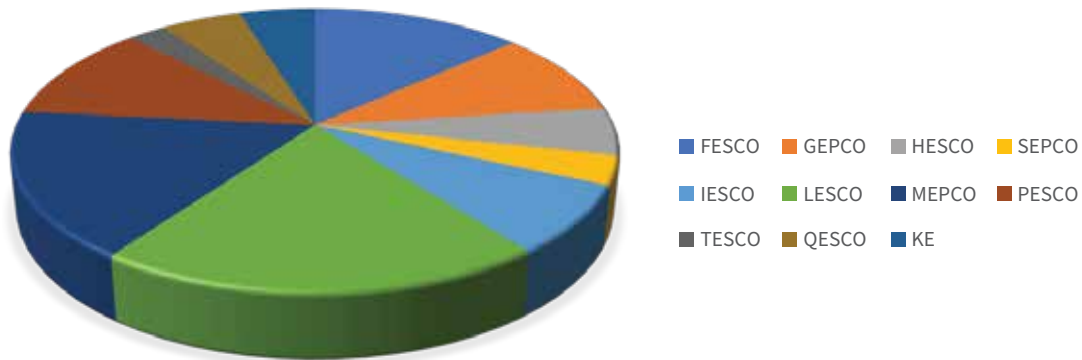
CAPACITY MIX OF GENERATION COMPARISON OF 2022-23 AND 2023-24



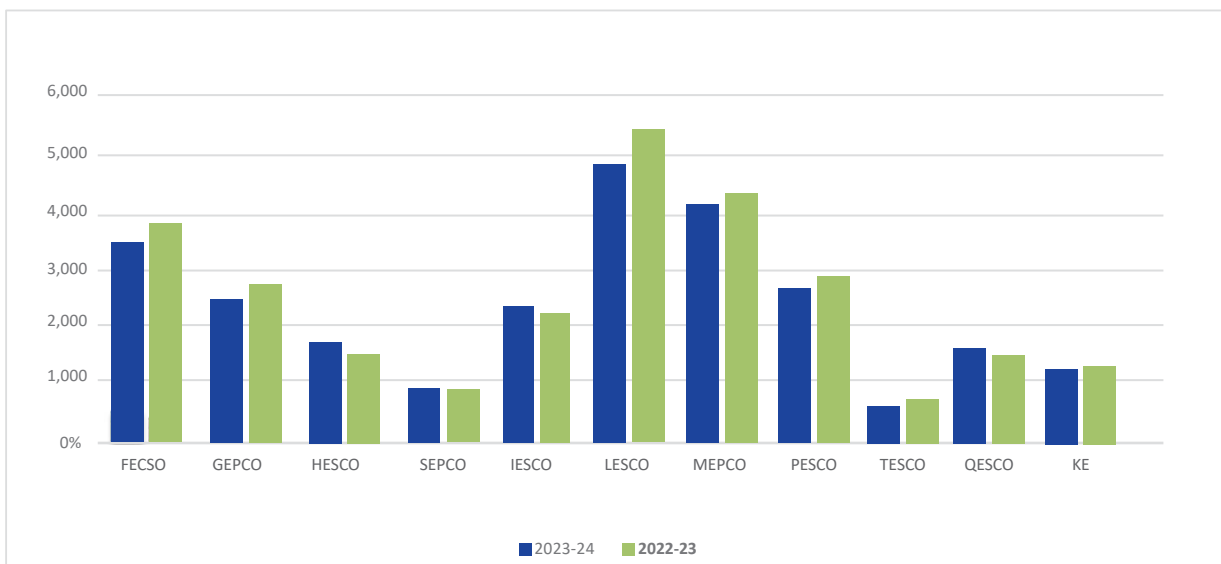
8.4 AVERAGE MDI OF DISCOS

MW/m				
	2023-24	%age	2022-23	%age
FESCO	3,290	13%	3,485	13%
GEPCO	2,424	10%	2,540	10%
HESCO	1,473	6%	1,416	5%
SEPCO	869	3%	858	3%
IESCO	2,167	9%	2,025	8%
LESCO	4,898	19%	5,345	20%
MEPCO	4,183	17%	4,359	17%
PESCO	2,772	11%	2,904	11%
TESCO	570	2%	642	2%
QESCO	1,422	6%	1,330	5%
K-ELECTRIC	1,219	5%	1,255	5%
TOTAL	25,287	100.0%	26,158	100.0%

AVERAGE MDI OF DISCOS 2023-24



AVERAGE OF MDI OF DISCOS WITH COMPATIVES 2022-23 AND 2023-24





8.5 PROJECTS COMMISSIONED

In FY 2023-24, total four (03) power plants of Solar with overall capacity of 150 MW were successfully integrated with the national Grid.

Projects Commissioned in FY 2023-2024					
Sr. No.	Technology	Details			
		Name of Project	Location	Gross Capacity (MW)	COD
	Solar	HNDS	Sukkur, Sindh	50	10/01/2024
		Meridian	Sukkur, Sindh	50	19/01/2024
		Helios	Sukkur, Sindh	50	01/02/2024





09

DEPARTMENTS OF CPPA-G

CPPA-G as an organization composed of eight functional departments to perform its major core and support functions. The departments are (i) Finance (ii) Technical (iii) Market Operations & Development (iv) Legal Affairs

(v) Plan Implementation Unit (vi) Human Resources and Administration (vii) Information Technology, and (viii) Office of Company Secretary.

9.1 FINANCE DEPARTMENT

The Finance Department plays a pivotal role in executing the core functions of CPPA-G, i.e. "Procurement of Power on behalf of DISCOs" and "Settlement." Additionally, this department is entrusted with several critical responsibilities, including corporate accounting, treasury management, compliance with taxation laws, and financial reporting.

POWER PROCUREMENT FUNCTIONS:

- **Power Purchase Negotiations:** procurement of power and energy from various generation units across Pakistan, AJK, and imports from abroad on behalf of Discos. This includes the negotiation and execution of Power Purchase Agreements (PPAs) and Energy Purchase Agreements (EPAs) with power sellers, aligned with standard security documents approved by the Economic Coordination Committee (ECC) of the Cabinet.
- **PPA Compliance:** The department manages the administration and compliance of executed PPAs/EPAs, which involves the thorough review, analysis, and verification of billings, including energy

payments, capacity payments, supplemental charges, and liquidated damages. These activities are conducted in strict adherence to NEPRA's tariff guidelines and PPA/EPA stipulations.

- **International Energy Contracts:** The department also manages the contract for importing 104 MW of energy from Iran.
- **Regulatory Support:** The department plays a crucial role as a key stakeholder by offering essential input on tariff petitions, thereby aiding NEPRA in setting generation, transmission, and distribution tariffs, in the best interest of electricity consumers and explanations for smooth audit operations. It also supports the Principal Accounting Officer during Departmental Audit Committee (DAC) discussions and addresses audit observations before the Public Accounts Committee (PAC).
- **Sectoral Analysis:** The department provides the Ministry of Energy (Power Division) with critical power sector statistics, historical trends, financial analyses, and reports, aiding in informed decision-making.





- **Audit Support:** The Finance Department facilitates audits by the Auditor General of Pakistan and Commercial Auditors, ensuring the provision of requisite records and clarifications. It also assists the Principal Accounting Officer in responding to audit

queries during Departmental Audit Committee (DAC) meetings and supports the Principal Accounting Officer in addressing audit observations before the Public Accounts Committee (PAC).

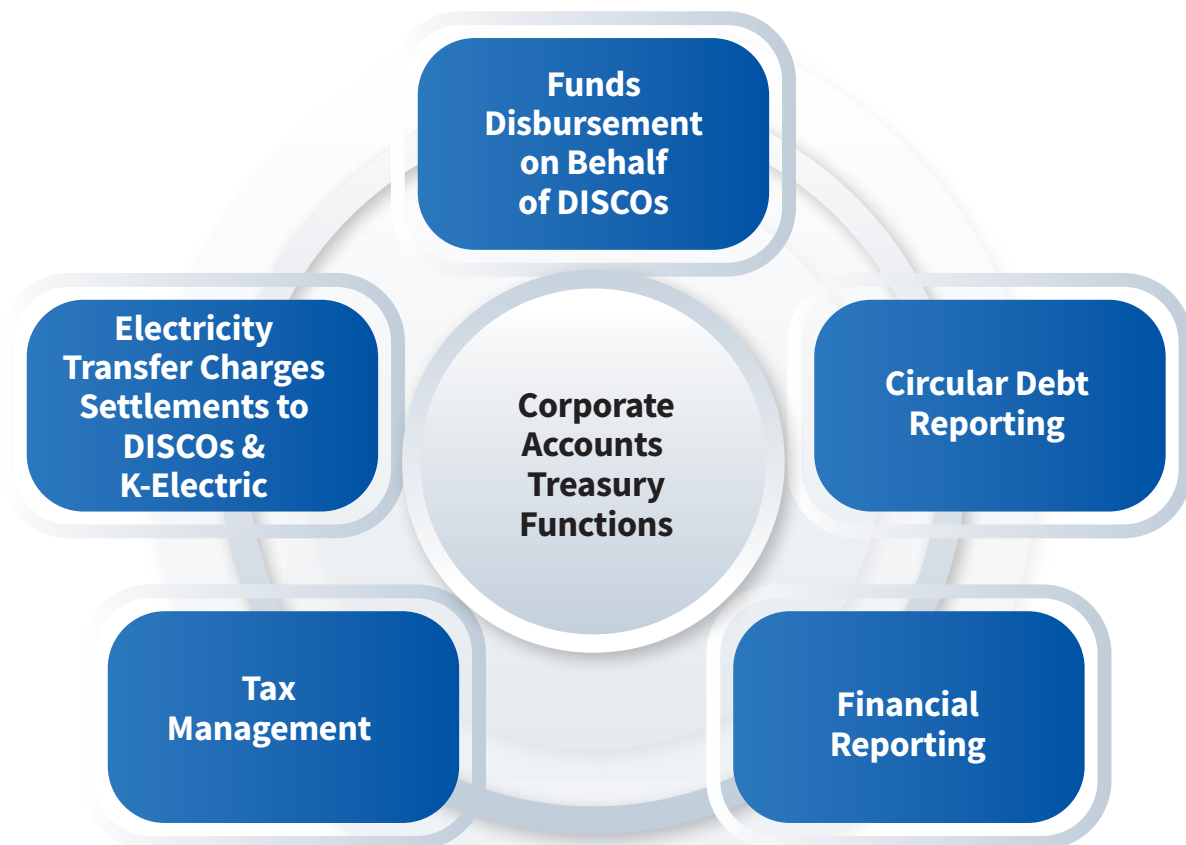
SETTLEMENT, CORPORATE ACCOUNTS & TREASURY FUNCTIONS

- **Settlement of Electricity Transfer Charges:** The department is responsible for the settlement of electricity transfer charges to Discos and K-Electric in accordance with the provisions of the Commercial Code.
- **Funds Disbursement:** On behalf of Discos, the department manages the disbursement of funds, including the reporting of remittances from Discos and K-Electric, disbursement to Independent Power Producers (IPPs) and NTDC, central disbursement of subsidies to Discos, and handling non-cash adjustments as approved by the Government of Pakistan.
- **Tax Compliance:** The department ensures

compliance with tax laws and liaises with the Federal Board of Revenue (FBR) on matters related to the Income Tax Ordinance 2001, Sales Tax Act 1990, and other taxation issues.

- **Financial Reporting:** The Finance Department also facilitates the statutory audit and oversees the preparation of quarterly and annual financial reports for the company.

This comprehensive scope of responsibilities underscores the Finance Department's central role in maintaining the financial health and regulatory compliance of CPPA-G, ensuring seamless operations in the procurement and settlement of power for the country.





ACHIEVEMENTS FOR F.Y 2023-24

- Due Diligence of Generation side billing: The Finance Team has demonstrated a high level of commitment to accuracy and transparency by ensuring strict compliance with the PPA/EPA and approved NEPRA Tariffs. During the FY 2023-24 the team has scrutinized, processed and verified 7050 invoices worth Rs. 3,600 billion and has identified and disallowed inadmissible claims amounting to over Rs. 273 billion which underscored the vigilance, integrity, and high professional standards upheld by the entire team.

Resolution of Disputes:

- The team has negotiated and resolved disputes with coal power projects, on account of capacity deduction over & above 100% of Contract Capacity. This leads to saving around Rs. 5 billion to the electricity consumer.
- The team has effectively advocated and resolved the matter through Expert Mediation, concerning the Orient Power Pre-COD LD dispute which resulted in saving of Rs.519 million in respect of pre-COD LD.
- The team successfully negotiated with the Solar power projects with respect to the mismatch of degradation in the tariff and the Energy Purchase Agreements, which will result in substantial savings to the electricity consumers.

PPA Negotiations:

- The POP team's unique ability of PPA/EPA negotiation is hallmarked due to its rich professional exposure in multi-technology PPA/EPA, which make it able to effectively negotiate the provisions of the PPAs/EPAs in the best interest of the consumers. During the current Financial Year, the team has successfully negotiated the following agreements:
- Finalized the draft of Tri-Partite Power Purchase Agreement (TPPA) for the Nandipur (NPGCL) and 747 MW Guddu power projects in line with the directives of the Prime Minister of Pakistan. This agreement marks a significant step towards facilitating the privatization process of these projects, aligning with the broader energy sector reform and privatization goals of the government.

- Executed EPA Amendments for 18 MW Pehur Hydropower Project which leads to reinforcement of billing and recovery for electricity generated and delivered to National Grid by Pehur HPP, during ten years period, prior to the signing of initial EPA.

Executed EPA Amendments for 36.6 MW Daral Khwar Hydropower Project which leads to rationalization of tariff by extending the debt service component over the 30 years term of project and introducing exist/suspension clause.

- Initialized Account Bank Agreement (ABA) for the CASA-1000 Power Transmission Project, by all member countries, including Pakistan, Afghanistan, Kyrgyz Republic, and Tajikistan, by engaging First Abu Dhabi Bank for offshore account setup. The agreement will lead to permeating significant project challenges, marking a key milestone in advancing the project's financial structure.

COMPREHENSIVE TARIFF ANALYSIS AND ADVOCACY:

The POP team thoroughly analysed each component of tariff petitions and presented its viewpoint/comments and techno-commercial analysis, to assist the Authority in determining the rational tariff. Detailed comments in respect of the followings were submitted to the Authority and the Authority has positively considered the same.

- Conducted a comprehensive financial analysis of the Bagasse Fuel Cost component, contributing valuable insights for the NEPRA hearing. Prepared financial implications of linking fuel cost component to imported coal. It assisted NEPRA to delink bagasse FCC from imported coal resulting in lower Fuel Cost Component for bagasse power producers, leading an annual saving of around Rs. 17 billion to the consumers.
- Analyzed feasibility stage tariff petitions and submitted detailed comments to NEPRA Authority for the 229.4 MW KOAK Power Asrit Kedam HPP and 238 MW KA Power Kalam Asrit HPP. NEPRA Authority not only considered but also supported CPPA-G's stance.



This led to a significant achievement of restricting the levelized tariff below 5 Cents/kWh, which was the acceptable rate in IGCEP.

Savings pursuant to Master Agreements with IPPs:

The POP team, in strict compliance with the terms and conditions of the Master Agreements and EPA Amendments signed with IPPs, realized savings of approximately Rs. 181 billion realized as of June 30, 2024. The above realized savings are Rs. 39 billion over and above the savings of Rs.142 billion envisaged at the time of signing of Master Agreements.

Capacity-Related Savings:

- CPPA-G team, by adhering to the Initial Capacity Test of RFO Power Plants, capped the capacity-related payments once plant availability met the benchmark, this resulted in saving of Rs. 308 million to the electricity consumers.
- Fixed Gas Cost Element (FGCE) amounting to PKR 3.3 billion in respect of Liberty Daharki Power Limited has been deducted on account of Force Majeure Event.

Secured Liquidated Damages:

The POP team effectively secured the following Liquidated Damages, and the same has subsequently passed on to consumers, culminating in a tariff reduction.

- a) LD recovered on account of Late Commissioning of Thar Energy power plant amounting to USD 1,701,700 along with Interest of PKR 30 million.
- b) LD charged on account of Failure to achieve Despatch Level
 - i. Rs. 4.643 million charged to Atlas Power Limited.
 - ii. Rs. 3.599 million charged to Narowal Energy Limited.
 - iii. Rs. 1.045 million charged to Saba Power Company
 - iv. Rs. 999 million along with interest of Rs. 5.8 million recovered from TCB-I.

Carbon Credit Recovery Initiatives:

Secured CPPA-G's share of Carbon Credits from two Wind IPPs namely Foundation Wind-I and Foundation Wind-II. Further, an initiative also taken by the team to encourage renewable power projects for registration with CDM Executive Board and make efforts for selling Carbon Credit in International Market.

IT Integration for Enhanced Efficiency:

As an objective of continuous development and improvement in systems, the team has successfully achieved following progresses in ERP:

- Development in ERP which leads to input and report complete statistics of each power project which includes setup cost, basic project information and tariff figures.
- Development of Late Payment Interest report alongside principal invoices details.
- Development of Day Ahead Merit Order which will set the baseline for New Market i.e. CTBCM.
- Developed a proper mechanism in the ERP system to process Star-up invoices.
- Automation of issuance of Import Energy Invoice of HUBCO.
- In conclusion, the Finance Department has made significant strides in ensuring financial integrity, transparency, and compliance within CPPA-G's operations. By leveraging expertise in procurement, negotiation, regulatory advocacy, and ensuring optimal vigilance, the department has contributed immensely to safeguarding the interest of the electricity consumers. The achievements of FY 2024 reflect the team's commitment to excellence, contributing to significant cost savings and enhanced efficiency in power procurement processes.

9.2 TECHNICAL DEPARTMENT

This department manages the procurement of power and energy on behalf of DISCOs through negotiating and finalizing Power Purchase Agreements (PPAs) / Energy Purchase Agreements (EPAs) with the generation

companies. In addition, the Technical Department is also responsible for verification of the invoices raised by the generating companies. The core activities of this department include:

- Procurement of Power on behalf of DISCOs
- Contract Management
- Generator's Invoice Verification
- Energy Import and Backfeed Billing
- Witnessing Capacity Test of power plants
- Witnessing Commissioning Tests of new projects
- Correspondence with different power sector entities and government agencies

The following table shows the total number of PPAs / EPAs being managed by Technical Department (at different stages i.e. Development and Operational), segregated by technology:

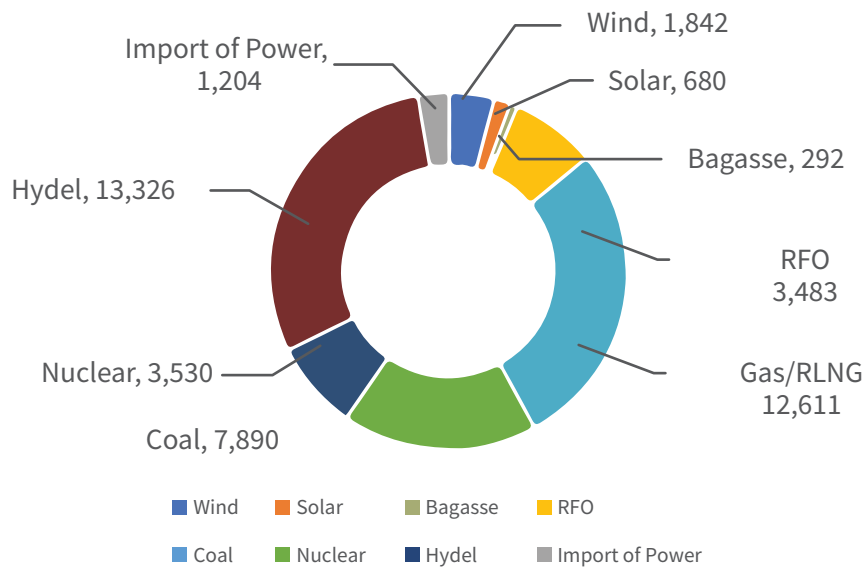




Total No. of PPAs / EPAs as of Jun-2024

Technology	No. of PPAs/EPAs	Gross Capacity (MW*)
Wind	36	1,842
Solar	10	680
Bagasse	8	292
RFO	11	3,483
Gas/RLNG	20	12,611
Coal	10	7,890
Nuclear	6	3,530
Hydel	14	13,326
Import of Power	2	1,204
Total	117	44,858

CONTRACTED CAPACITY (MW) BY TECHNOLOGY AS OF JUN 2023





YEARLY ACHIEVEMENTS

- Commissioning of 150 MW Solar Power Plants.
- Around 3100 energy and capacity invoices were processed and Liquidated Damages (LDs) Invoices to 37 projects were issued.
- Successful automation and Go Live of Batch-1 of Coal and RFO based Power Plants for Invoice Verification and LD Invoice Management (Phase-1).
- Developed Request for Proposal (RFP) for selection of reputable Independent Consultant for conducting Heat Rate Test of gas based IPPs installed under 2002 Power Policy under Federal Government Initiative.
- Operating Procedures with following Power Plants were negotiated and signed:

OPs Signed From July 2023 to June 2024						
Technical Department						
Sr. No.	Fuel	Power Plant Name	Power Policy	Installed Capacity (MW)	COD	Date OPs signed
1	Coal	Lucky Electric Power Company Limited	2015	660	21/03/2022	5/12/2023
1	RLNG	Punjab Thermal Power Private Limited	2015	1263	23/06/2023	27/06/2024
1.	Hydel	Mira Power Limited	2006	102	10/03/2020	30/05/2024
2.		Malakand-III	1995	81	01/11/2008	23/05/2024

PROCUREMENT OF POWER AND COMMISSIONING OF NEW PLANTS

In FY 2023-24, three (03) Solar Power Plants with overall capacity of 150 MW were successfully integrated with the national Grid. Details are as under:

Sr. No.	Name of Project	Technology	Location	Gross Capacity (MW)	COD
1	HNDS	Solar	Sukkur, Sindh	50	10/01/2024
2	Meridian		Sukkur, Sindh	50	19/01/2024
3	Helios		Sukkur, Sindh	50	01/02/2024

9.3 PLAN IMPLEMENTATION UNIT

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

- Acting as the primary point of contact for internal and external constituencies on all matters related to the functions/ responsibilities of CEO especially pertaining to Policies & Planning
- Supporting CEO in development/changes of particular power/ energy policies for sustainable

YEARLY ACHIEVEMENTS

Provided assistant to Power Division for;

1. Development of Power Sector Reforms Plan for approval of Prime Minister. The Plan was comprised of Strategic Directives under following areas:

Generation (Imported Fuel Substitutions, Optimal Utilization of Fuel & Capacity, Reduce Capacity Payment Burden, Privatization and Markets Reforms)

Transmission (Improving North-South Transmission Capability, Governance)

Distribution (Reduction of Losses & Service improvement, Energy Efficiency & Conservation, Tariff Reforms, Tax Reforms)

2. Development and regular updation of Circular Debt Management Plan (CDMP) for Power Sector
3. Assisting in K-Electric and AJK resolution, IFIs Coordination, Consumer End Tariff Notifications and related assignments.
4. Represented CPPA-G before various power sector stakeholders incl. NEPRA, IFIs (World Bank, IMF, ADB), Senate Committees, Courts, Ministries etc.
5. Power Sector Subsidy Budgeting and Subsidy Reforms:
6. Assistance to Ministry for National Electricity Plan
7. Support to Ministry of Energy (Power Division) in;
 - Development of Draft Guidelines to facilitate Cross-Border trade of Electricity
 - Solarization of Agriculture tube-well

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.



- Replacement of Ceiling fans with Efficient fans (Techno-commercial assessments)
- 8. Techno-commercial assessments for Future Committed Plants and Solarization through Net-Metering
- 9. Development & Institutionalization of Policy & Planning Information System – web-based application:
- 10. Submission of Monthly FCA Claims with the NEPRA and resolve the queries raised by the NEPRA in timely manner
- 11. Timely preparation of Corporate Budget for FY-2024 and presenting the case of Market Operation

9.4 MARKET OPERATIONS DEPARTMENT

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

- Designing of a wholesale electricity competitive market model, its transition road map and operations
- Research and document conclusions for the next stage of market reforms

- Play the role of central facilitator in facilitating the implementation of CTBCM Plan to develop a competitive market
- Market coordination and development activities including the training and capacity building of market stakeholders
- Suggesting and building strategic partnerships with global like institutions

- Market simulations for analysis of market architecture on prices moving forward
- Advisory role to power sector entities regarding market development and implementation
- Program management related to the development of wholesale market
- Coordination with donors for getting technical assistance on market development



9.4.1 READINESS OF THE POWER MARKET

An overview of the readiness achieved by the power sector entities during the course of market implementation journey to undertake the market

operations upon the formal commencement of the power market is provided below:

9.4.2 IT SYSTEMS FOR COMPETITIVE POWER MARKET

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

Several IT interventions have been undertaken by CTBCM implementing power sector entities to ensure transparency, efficiency and accuracy in the market transactions. During the FY2023-24, certain systems had been operationalized/optimized by CPPA-G including the operationalization of the state-of-the-art trading software, the Market Management System (MMS), among others, a brief of which is as under:

a. Market Management System (MMS): MMS covers the detailed business process automation of the core business functions of MO including the registration of market participant and service providers, information exchange, calculations of imbalances (energy, capacity), settlement, billing, payment method, reporting and analytics. Recently, an additional module had been integrated into the MMS, enhancing its ability by enabling the precise calculation of firm capacity of the generators. In

addition, MMS provides market participants with an enabling platform, further reinforcing it as an essential tool for the market participants.

- b. System Operator Data Exchange Portal (SDXP): SDXP is the step towards a gradual transition to paperless economy and improve communication among all stakeholders of the power sector. Through the System Operator Data Exchange Portal (SDXP) core NPCC processes including dispatch instructions, plant availability, day-ahead dispatch, compliance to the dispatch instructions, etc. have been automated. SDXP had been developed by CPPA-G and handed over to NPCC for system operations. Furthermore, the integration of SDXP with MMS is in progress; the module and SOPs have been developed, and it will facilitate seamless market transactions.
- c. Market Operator Website: The Market Operator website serves as a vital platform for information sharing with the public in general and the Market Participants (MPs) and Service Providers (SPs) in particular. The website gives access to the general public over a wide variety of non-classified data pertaining to the roles, functions, teams and statistics related to the market operator function of



CPPA-G. Moreover, through the premium market portal available to enrolled market participants and service providers, the Market Operator website provides exclusive access to the organization-specific data related to market transactions. The discussion forum is under development, which will encourage active engagement from the market participants in various market activities.

d. Marginal Price Application (MPA): MPA is the custom build application based upon guidelines and requirements specifically tailored for Pakistan's Power Market. This application provides hourly marginal prices which becomes an input to the preliminary settlement statements and final settlement statements for a market participant. The algorithm of marginal price calculation had been optimized and some of the tags for generators had been redefined as per the new Market Commercial Code.

e. Secured Metering System (SMS): SMS provides an

important input to the market settlement system of the Market Operator and enables efficient, transparent, and trustworthy market transactions. MMS takes input from Secured Metering System (SMS), inter-alia other systems, which then processes the data and generates statements and reports based on provided data. The SMS had been integrated with SDXP using the same API as its integration with MMS, ensuring its consistency in the obtained values.

f. Economic Merit Order Portal (EMO Portal): EMO Portal is an inhouse built application by CPPA-G, designed to move towards the real-time merit order, aligning with the international practice, and shorten the duration of merit order preparation from currently fifteen (15) days to targeted one (01) day. It is currently in parallel-run phase by NPCC. The module for imported coal plants had been developed and handed over to the respective IPPs, with testing completed, and identified bugs rectified.

9.4.3 MARKET TRAININGS, WORKSHOPS AND CAPACITY BUILDING

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

The power sector of Pakistan is also going through a transition from a single-buyer model to a competitive power market model. This transition requires the relevant power sector entities, that their employees have the multidimensional skillset to undertake relevant market operations under the ambit of CTBCM. In this regard, specialized trainings are inevitable to build the competencies of the human resources involved in the operations and administration of the electricity market of Pakistan enabling them to understand the complex and multi-dimensional legal, financial, technical, commercial, and operational paradigm of CTBCM.

Several training sessions and workshops were held during the transition journey to enhance the capacities and skills of professionals working at MoE (PD), NEPRA, Ex-WAPDA DISCOs, KE, NTDC, NPCC, and CPPA-G in the subjects related to electricity markets. Important technical trainings were offered to professionals working in power sector including Electricity Market

Training Program (EMTP), Transmission Planning and Generation Planning to strengthen their core functions with relevance to the electricity markets.

Number of different market trainings, work shops for capacity building of CPPA-G employees and different stake holders were held during the year are as under;

- a. Electricity Market Training Program (EMTP)
- b. Consultative session on application of Distribution Losses on Inter-DISCO CDPs and confirmation of CDPs location
- c. Consultative Session on Planning and Procurement Cycle
- d. Consultative Session on Wheeling Charges
- e. Workshop on Generation Planning
- f. Workshop on Transmission Planning
- g. Workshop on CTBCM for Audit Officers
- h. Workshops on Fully Allocated Cost of Service (FACOS)
- i. Workshop on Contract Management and Regulatory Affairs (CM&RA)
- j. Study Tour and Online Training of Brazilian Electricity Market



9.4.4 LEGAL, POLICY AND REGULATORY FRAMEWORK DEVELOPMENT

With reference to the legal framework, the Cabinet Committee for Disposal of Legislative Cases (CCLC) had approved seven (07) Eligibility Criteria Rules for the bodies aiming to operate under the market regime i.e., Market Operator, System Operator, Supplier, Trader, Transmission Companies, Distribution Companies and Registered Entities. As far as policy framework was concerned, the approved National Electricity Policy endorses the CTBCM Design and Plan and further the policy provides the objectives and principles for the implementation and subsequent development of the power market in Pakistan.

With regards to regulatory framework, the Authority had notified fourteen (14) new regulations including Supplier Regulations, Procurement Regulations and Open Access Regulations. Furthermore, essential codes for governance of the market including Market Commercial Code, Grid Code, Distribution Code and Special Purpose Agent Code had been developed. The Market Commercial Code and the Grid Code had been approved by NEPRA.

9.4.5 ELECTRICITY MARKET TRAINING PROGRAM (EMTP)

One of the key initiatives led by CPPA-G was the Electricity Market Training Program (EMTP), which provides comprehensive training on the fundamentals pertaining to the electricity markets. Utilizing its influential position as both the board member and the Vice President of APEX, CPPA-G took the lead by introducing the EMTP taking it to the international level. The program targeted market professionals from around forty (40) countries across the world. The program also observed active participation from power sector entities of Pakistan as well.

The objectives of the program included initiating the learning curve, in-depth understanding of the electricity markets, supporting career advancement, offering networking opportunities, and promoting knowledge sharing to enhance functional expertise in core concepts related to the electricity markets.

The EMTP Program was designed as an online training series comprising of seven (07) sessions, each focusing on a different topic, which was offered to the participating power sector entities. Six (06) of these seven (07) sessions were delivered with notable audience participation, indicating the program's success. The sessions covering their respective topics under the EMTP are as follows:

a. Session 01 – Setting the Perspective: This training session provided a quick overview of the energy markets and discussed the rationale behind the competition and its objectives. It outlined the various

factors affecting the market architecture and explained the institutional and functional structures within the industry. The participants gained in-depth knowledge of different models of competition and the intricacies of the market architecture.

b. Session 02 – Deep Dive into Demand, Generation and Ancillary Services: This session provided the introduction to the key concepts of generation, transmission, distribution, generation technologies and types of generation offering participants a broader understanding. Introducing the concepts of load factor, demand elasticity, value to lost load (VOLL), ancillary services and battery energy storage (BESS) systems provided critical insights into the power system economics and reliability.

c. Session 03 – Economic Optimization: This session covered economic optimization techniques, emphasizing the roles of different technologies and the determination of the marginal generators. It also addressed the unit commitment processes and the impact of dispatch constraints on the system operation. The session also introduced the concept of resource adequacy, reserve margins and their influence on investment decisions.

d. Session 04 – Transmission System and Demand Management: This session provided a comprehensive overview of electric power systems with a focus on transmission network and demand management. The participants gained insights into the power flow within



transmission systems and modeling of transmission network, understanding how the electric power is transported from generators to end-users. The session also covered the various methods of demand management and their pros and cons.

e. Session 05 – Bilateral Contracts and Centralized Markets: This comprehensive training session covered crucial aspects of energy trading; (i) Bilateral Contracts, and (ii) Centralized Markets. The bilateral contracts section explored the standardized and customized contracts, examining their advantages and associated risks. The centralized markets section focused on exchanged-based energy trading and power pools.

f. Session 06 – Complex Electricity Markets: This session entailed the insights of the electricity market

models by respective international energy markets professionals, offering a global perspective on market structures and models. The diverse panel of experts provided a detailed and comprehensive understanding of different electricity market models, their strengths, challenges and potential areas of learning and collaborations.

g. Session 07 – Challenges in VRE Integration and Emission Markets: This session aims to explain an in-depth exploration of the evolving landscape of Variable Renewable Energy (VRE) and emissions markets. This session promises to provide valuable insights and foster dynamic discussions, discover innovative solutions and key strategies to overcome current challenges and drive the future of sustainable energy.

9.4.6 CONSULTATIVE WORKSHOP ON CTBCM TEST RUN PLAN

CPPA-G organized a series consultative workshop on the Test Run to deliberate on specific action items on the Test Run. These workshops were delivered by Market Operation and Development team of CPPA and attended by exclusively officials from different power sector entities. The purpose of such workshops was to

apprise the audience about the thought process behind different actions of the test run and developing clear understanding of actions and objectives assigned to different power sector entities pertaining to implementation of the test run plan.

9.4.7 DISCOS BOD ORIENTATION ON CTBCM

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

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

9.4.8 WORKSHOP ON MEDIUM TERM LOAD FORECASTING

CPPA-G has organized a 5-Day workshop in LUMS, Lahore in February 2023 for DISCOs Professionals capacity building on medium term demand forecasting techniques. The objective of this workshop was to create capability among participants to drive the PMS

tool and generate reports using various modules in the tool. The workshop was delivered by CPPA Professional and has provided understanding of medium-term load forecasting and impact of various results on future works such as generation expansion planning.

9.4.9 WORKSHOP ON TRANSMISSION PLANNING

CPPA-G has organized a 5-Day workshop in LUMS, Lahore in March 2023 for NTDC and DISCOs Professionals' capacity building on transmission planning techniques. The objective of this workshop was to equip the participants with international best practices in Transmission Planning techniques,

methodologies, and studies. This has built their skills on evidence-based power planning and decision-making that has paved the way for a clear and authoritative Transmission System Expansion Plan (TSEP) for NTDC and Integrated Transmission Plans for DISCOs.



9.4.10 INFORMATION DISSEMINATION ON CTBCM VIA ROADSHOWS & WORKSHOP

Roadshow and workshops were planned in all capital cities of Pakistan for creating awareness and developing understanding of CTBCM. CPPA-G has successfully organized roadshows in Islamabad, Lahore, Peshawar, Karachi and Gujranwala during the reporting period. These roadshows were attended by participants from Provincial Bodies, Policy Institutes, Bulk Power Consumers (BPCs), IPPs and academia. Furthermore,

CPPA-G also organized six consultative sessions on different aspects of the test run further supported by 19 online sessions pertaining to contract management and regulatory affairs. CPPA-G also organized a consultative session on the final test run report with representation from DISCOs, NTDC (in its roles as TSP and system operator), K-Electric, and other stakeholders.

9.4.11 YEARLY ACHIEVEMENTS

Following is a list of key achievements earned by this department during FY2023-24:

- Led the implementation of test run plan as central coordinator as designed by NEPRA.
- Prepared the CTBCM Final Test Run (FTR) Report in consultation with relevant stakeholders, mandated by the NEPRA's determination, presenting a cumulative status of the Test Run Phase.
- Proposed amendments to the Market Commercial Code as identified during the Test Run Phase.
- Arranged the Consultative Session on CTBCM FTR Report.
- Submitted the FTR Report along with the proposed amendments to the MCC, to NEPRA.
- Developed application for preparation of merit order on shorter duration.
- Delivered six (06) online sessions of Electricity Market Training Program (EMTP)
- Provided technical assistance and facilitation to CTBCM implementing entities including DISCOs, NTDC, NPCC, PPIB and K-Electric in execution of their respective actions under CTBCM Plan.
- Developed in-house application Market Management System (MMS), in two (02) phases which automated the core processes written under Market Commercial Code (MCC). Furthermore, initiated the development of MMS Phase-III for advanced features.
- Facilitated Ministry and the Regulator in monitoring of CTBCM test run implementation by organizing regular meetings.
- Issued Preliminary Settlement Statement (PSS) and Final Settlement Statement (FSS) to relevant Market Participants
- Issued Yearly Settlement Statement and calculated capacity obligations of all market participants.
- Conducted specialized workshop for MIRAD Department and Legal Section of DISCOs for strengthening and capacity building particularly Contract Management and Legal Section.
- Strengthening of Market Implementation and Regulatory Affairs Department (MIRAD) in DISCOs through trainings and technical assistance. Further providing support in revising Connection Agreement, Distribution Code and Cost of Service Study.
- Won Bright Sparks annual scholarship for attending Association of Power Exchanges (APEX) annual conference.
- Engaged international donor agencies including USAID, ADB and World Bank to fund technical assistance for several market initiatives of CPPA-G and other power sector entities.
- TRANSITION TOWARDS COMPETITIVE WHOLESALE ELECTRICITY MARKET



9.4.12 IMPLEMENTATION OF CTBCM TEST RUN PLAN

Last year, CPPA-G was granted the license of the Market Operator of the Pakistan's Competitive Electricity Market by NEPRA (the Authority) vide its determination dated May 31, 2022, along with the approval of the Market Commercial Code (MCC) and the six (06) months Dry Run/Test Run Plan entailing twenty-four (24) actions to be implemented by respective implementing entities. Additionally, CPPA-G was assigned the role of central coordinator/facilitator, by NEPRA, regarding the implementation of the Test Run Plan.

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

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

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

9.4.13 SUBMISSION OF THE FINAL TEST RUN REPORT TO THE AUTHORITY

CPPA-G had been directed to submit a Final Test Run (FTR) Report to NEPRA in consultation with the relevant power sector entities. In line with this directive, CPPA-G prepared an FTR Report in consultation with the relevant power sector entities. The FTR Report presented a cumulative status update of the Test Run

Phase and included the proposed amendments to the Market Commercial Code. The FTR Report was submitted to NEPRA on December 29, 2023, and NEPRA is in the process of evaluating the FTR Report in accordance with the standard regulatory approval process.

9.5 LEGAL AFFAIRS DEPARTMENT

The Legal Department has remained instrumental in furthering the Company's goals by ensuring that legal needs across all departments are met in a timely and efficient manner. Our role is not just limited to addressing legal matters in isolation but is deeply integrated into the operational framework of the organization. This collaborative approach ensures that the entire organization functions in a manner that it does not exceed the legal parameters.

The energy sector is fraught with legal and regulatory complexities, and our team has played a critical role in navigating these challenges. By ensuring that the Company's legal strategies are aligned with its business

goals, the Legal Department has continuously provided strategic advice that aligns with its business objectives and assisted CPPA-G toward making informed decisions that mitigate risks and support long-term success. Throughout the year, the Legal Department provided crucial advisory services, delivering legal opinions on various matters that have prevented numerous potential financial and technical disputes. By being proactive, we have safeguarded the Company from unnecessary litigation and mitigated risks before they materialize.

We actively defend CPPA-G's rights in judicial, arbitral, and regulatory forums, ensuring that the Company's



interests are protected in every setting and that has been demonstrated by the legal department's representation before different foras. The past year saw several legal victories, contributing to significant reductions in litigation costs and financial exposure. In particular, the Department successfully resolved 23 cases across multiple legal forums, further demonstrating our capability in managing legal risks. Another major milestone was the settlement of four high-stakes arbitration cases initiated by Independent Power Producers (IPPs). Through good-faith negotiations and strategic legal advice, we were able to resolve these disputes amicably, avoiding expensive arbitration and fostering constructive relationships with stakeholders.

Our team's approach is rooted in continuous improvement. We recognize that legal success is not just about winning cases but also about fostering a work environment that promotes professional growth and positive interactions. This past year, we embraced a human-centered approach, encouraging collaboration within our team and with other departments. By doing so, we ensured that the Legal Department remains not only a functional unit but also a positive force within the organization, contributing to a more cohesive and motivated workforce.

Furthermore, we have taken concrete steps toward environmental responsibility, aligning with the Company's broader sustainability goals. The Legal

Department has significantly reduced its reliance on paper, adopting digital solutions to minimize our environmental impact. This shift not only supports the Company's sustainability efforts but also streamlines our operations, making document management more efficient and secure. As part of our commitment to sustainability, we aim to further integrate environmentally friendly practices into our legal processes in the coming years.

The expertise of Legal Department offers practical and relevant solutions to the legal challenges faced by CPPA-G on a day-to-day basis. Whether it's contract negotiation, regulatory compliance, or dispute resolution, the Legal Department remains at the forefront of ensuring that CPPA-G operates within the law while capitalizing opportunities for growth and development.

Hence, the Legal Department's achievements over the past year have significantly contributed to CPPA-G's operational efficiency and strategic success. Our victories in legal forums, proactive risk management, and alignment with CPPA-G's sustainability goals underscore our ongoing commitment to the Company's vision. As we look ahead, we remain dedicated to continuous improvement, enhancing our internal processes, and ensuring that the Company is well-positioned to meet future challenges in the evolving power sector.

9.6 HUMAN RESOURCES AND ADMINISTRATION

The Human Resources & Administration (HR&A) Department of CPPA-G has undergone a significant transformation, evolving from a support function to a strategic business partner that actively supports the organization's functions while fostering a congenial and enabling workplace environment. HR ensures that right individuals will be placed in the appropriate roles and develop employees as skilled human capital. The HR&A

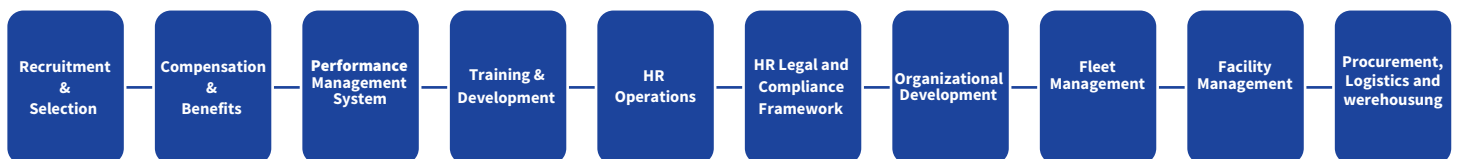
department is dedicated to seamless HR operations, creating an environment that promotes employee's engagement, and upholding of an effective performance appraisal system whereas the administration team plays a crucial role in overseeing procurement process, fleet & facility management and has adopted a proactive approach to address institutional needs



9.6.1 GLIMPSE OF HR&A FUNCTIONS:

HR&A department covers multitude of Human Resources and Administration functions to provide smooth and non-stop services to all the sections of

CPPA-G. The brief role of HR&Admin department is given as under:





9.6.2 ACHIEVEMENTS OF HR & ADMINISTRATION DEPARTMENT:

During the F.Y 2023-24, HR&A Department has made significant contributions by achieving its yearly targets

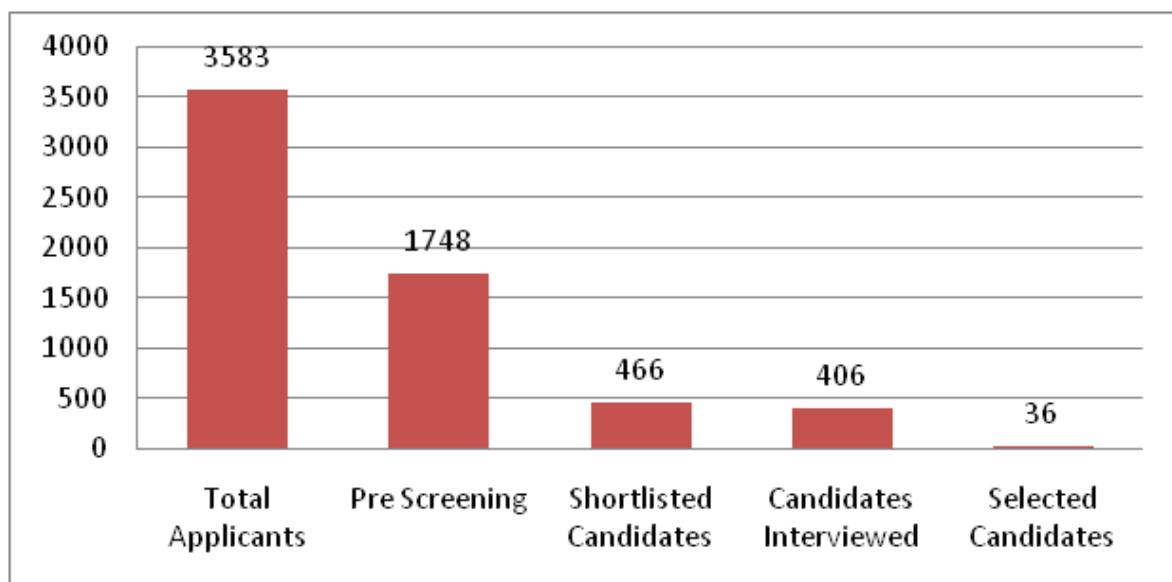
on time and as per the criterion set by the competent authority.

RECRUITMENT & SELECTION:

CPPA-G fulfilled its manpower needs to keep up with the high demands of the Power Sector. During the fiscal year 2023-2024, CPPA-G's recruitment team excelled in attracting top-tier professionals from diverse backgrounds to thrive in the dynamic environment. Over 3500+ applications were reviewed, and written tests were conducted across all provinces of Pakistan to ensure equitable opportunities for all candidates. All positions were filled through open competition, solely based on merit, upholding CPPA-G's commitment to fairness and excellence. Our dedication to inclusivity is particularly evident in our focused efforts to onboard talented female professionals, thereby empowering them to contribute to the power sector. Looking ahead, we aim to further increase the inclusion of STEM female professionals by providing an equitable environment for all to excel and deliver their best output.

The rigorous and transparent recruitment process, characterized by our core values of teamwork, integrity, professionalism, and innovation, resulted in an impressive 90% interview turnout rate. This high level of engagement reflects the enhanced brand value and credible reputation of CPPA-G in the job market. The scrutiny and interview processes were seamlessly executed, with a remarkable 94% offer acceptance rate, ensuring that the right talent was placed in the right roles. Notably, all recruitment activities were completed within the designated timelines without any grievances being raised, further demonstrating our dedication to excellence and transparency.

CPPA-G RECRUITMENT STATS 2023-24





HUMAN CAPITAL LEARNING AND DEVELOPMENT:

The human resources (HR) department has played a pivotal role in fostering the professional growth and development of employees at CPPA-G through an array of capacity-building training programs, with a focus on enhancing skill sets and fostering continuous learning, the training and development team successfully organized 40+ in-house and external training sessions throughout 2023-2024, leading the entire training cycle from case design to completion of T&D activities. This resulted in the training of 836 participants, a notable increase from the previous year's 451 trainees, with a total of 804 training hours. These training initiatives have been carefully designed to enable employees and equip them with the knowledge and competencies needed to excel in their respective professional roles.

To ensure a need-based approach, T&D team conducted comprehensive Training Needs Assessment (TNA) for the year 2023-2024 and offered training programs aligned with individual and organizational objective. By leveraging industry best practices and advanced training methodologies, we have ensured that employees remained at the forefront of their fields.

The series of training programs initiated by the HR department spans a diverse range of topics and areas of expertise via recommendations received from respective functional head of each department, demonstrating a commitment to comprehensive employees' development. Following were notable training programs facilitated by HR department:

Participaation of CPPA-Gin Apex Annual Conference 2023.	Emerging Leaders Xpedition by Training Impact.	Gender sensitization & Ledership Development of women in renewable energy sector	Workshop on Financial Modelling	5 Days Workshop on Service Oriented Architecture (SOA).
CGEIT- Certified in the Governance of Enterprise IT	Control Objectives for Information and Related Technology-COBIT Foundation.	5 days Training on "Data Analytics and Visualization-Using Microsoft POWER BI"	Business Communication & Negotiation Skills	Company Secretary Development Program
3 Days Online Training Program on "Survey Design, Sampling &Micro Data Analysis".	Online Data Science Bootcamp.	Secretariate Instructions/ Rule of Business & APT Rules	Intermediate to Advance Excel Training.	DTP (Director's Training Program) by Pakistan Institute of Corporate Governance (PICG).
Enhancing Leadership Skills	Life skills training Session "Strategy of life".	Practical Writing Proficiency: Business communication, Letters & Report Mastery Program	2 days training on EPADS - e-Pak Acquisition and Disposal System by PPRA	Terrorism, Riot, Earthquake, firefighting, Earthquake & first aid.
Participated in Pakistan International Disputes weekend (PIDW) conference	ICAP Conference 2024, Islamabad	CHATGPT for Professionals	Integrated Management System (ISO 20000 and 27001) Awareness sessions	Navigating Organizational Power & Politics



CONTINUOUS SUPPORT TO NEW MARKET OPERATOR MILESTONES:

After the issuance of license as power sector market operator to CPPA-G, HR&A department is providing continuous support to ensure that all activities, including hiring of critical workforce for Market

Operations & Development, placements & training, budgeting, and other necessary requirements, to be completed in a timely manner.

CAREER DEVELOPMENT:

In the fiscal year 2023-2024, the HR&A team at CPPA-G continued to build on the solid foundation laid in previous years, executing the full bi-annual promotion and progression cycle. Our efforts have resulted in the promotion of 20 employees and the progression of 19 employees, reflecting our unwavering commitment to providing equitable and timely career advancement opportunities. These advancements not only underscore our dedication to employee growth but also

play a crucial role in our talent retention strategy, reinforcing our strategic objective of nurturing a highly motivated and skilled workforce at CPPA-G. The execution of career progression cycles aligns seamlessly with our sanctioned Progression/Promotion Policy, ensuring that all advancements are merit-based and transparent. This approach not only enhances employee satisfaction but also contributes to organizational sustainability and success.

RESTRUCTURING OF COMPENSATION AND BENEFITS:

Compensation and benefits are vital for employee retention and growth, crucial in attracting top talent and maintaining a motivated workforce. In January 2024, the HR department undertook a strategic restructuring of CPPA-G's compensation and benefits, marking the first comprehensive revision since 2016. This adjustment addressed substantial inflation and ensured our packages remain competitive in the job market. The revised pay scales were designed to ensure fairness and consistency, mitigating internal inequities and enhancing employee satisfaction.

Since implementing the new pay scales, CPPA-G has witnessed a significant decline in resignations, and there has been a notable increase in the quality of job applications received during the recruitment process. This restructuring has significantly bolstered our talent retention efforts, ensuring we attract and retain skilled professionals critical to our strategic goals. The success of this initiative underscores our commitment to a positive work environment, where employees feel valued and motivated.

COMPLIANCE WITH INTEGRATED MANAGEMENT SYSTEM PROTOCOLS:

in the fiscal year 2023-2024, the HR&A department continued support the organization-wide implementation of the integrated Management System (IMS), aligned with ISO 20000 and 27001 standards through capacity building of all employees. This year, the HR section achieved a commendable 100% compliance rate in the second IMS internal audit, demonstrating significant progress from the last year 93% compliance

rate. These achievements highlight our resolve and dedication to ensuring CPPA-G adheres to IMS standards, fostering a culture of operational excellence and compliance across all functions. The IMS framework is crucial for enhancing information security and service management, ensuring robust and efficient organizational processes.

A CARING ORGANIZATION: STEP FORWARD IN EQUITY: SHARING THE RESPONSIBILITY BY PROVIDING ENHANCED CHILDCARE FACILITY FOR WORKING MOTHERS:

During fiscal year 2023-2024, CPPA-G has further enhanced its commitment to supporting working mothers by onboarding a state-of-the-art daycare service i.e. Interactive learning care for children aged 3 to 8 years, located conveniently near our office, complements our existing in-house daycare for children up to three years old. This initiative addresses a dire need by providing high-quality, reliable childcare options for elder children, enabling working mothers to manage their professional responsibilities with greater

ease and confidence. CPPA-G is making a substantial contribution to the admission and monthly fees, underscoring our commitment to the well-being and work-life balance of our employees. This significant initiative not only supports working mothers by alleviating their childcare concerns but also demonstrates CPPA-G'S dedication to creating a supportive and inclusive work environment for women working with us.



WOMEN EMPOWERMENT WITH WEPOWER (2023-2024)



(USAID'S PSIA INITIATIVE OF "EMPOWER ALL ENERGY PROGRAM":

In 2023-2024, CPPA-G reinforced its commitment to attracting and retaining female professionals by enhancing growth opportunities and ensuring an equitable environment. Through our continued partnership with WePOWER (an initiative of the World Bank), we focused on sustainable initiatives under WePOWER's five pillars to support the inclusion of women in STEM roles within the energy sector. Key actions included onboarding an off-site daycare and learning centre for children aged 3 to 8 years, creating a separate rest and prayer area for female staff, extending maternity leave to six months per the new Maternity and Paternity Act, and introducing 30 days of paternity leave for the first time in CPPA-G. Additionally, we ensured the noticeable inclusion of females in training programs and technical projects. As a result of these initiatives, we have seen a significant increase in female applying for jobs at CPPA-G, demonstrating our commitment to

creating an environment where both men and women can thrive. These efforts not only promote gender diversity but also strengthen our organizational culture by ensuring that all employees have the support and opportunities they need to succeed in their careers.

CPPA-G hosted multiple sessions to support USAID's Power Sector Improvement Activity (PSIA) program, welcoming fresh STEM graduates from all across Pakistan. During these sessions, we showcased CPPA-G's role in the power sector, highlighted career opportunities, and emphasized the importance of female inclusion in STEM fields. Our participation in the PSIA STEM career fair further demonstrated our commitment to engaging and recruiting female talent. These initiatives underscore our dedication to creating a diverse and inclusive workplace, empowering women to excel in the energy sector.





ATTENDANCE AND LEAVE MANAGEMENT SYSTEM:

HR department has taken a significant leap forward in the fiscal year 2023-2024 by integrating the LMS with our Attendance management system. This integration has led to the creation of the comprehensive Attendance

and Leave Management System (ALMS). Through ALMS, we are not only reinforcing our commitment to a paperless environment but also enhancing transparency and professionalism.

9.6.3 ADMIN WORK PROGRESS

ADOPTION OF PPRA'S E-PAK ACQUISITION AND DISPOSAL SYSTEM (E-PADS)

CPPA-G had successfully implemented and adopted the PPRA - Public Procurement Regulatory Authority's e-Pak Acquisition and Disposal System (E-PADS) i.e. a paperless, hassle-free, digital and transparent platform for procurement. This achievement underscores our

commitment of ensuring transparency, and accountability in public procurement processes. By integrating E-PADS into our operations, CPPA-G has streamlined all its procurement and ensuring compliance with regulatory standards.

OPTIMIZING OF WORK SPACE:

ADOPTION OF PPRA'S E-PAK ACQUISITION AND DISPOSAL SYSTEM (E-PADS)

The administration department recognised the critical need for additional workspaces to support for the Human Resource Recruitment Plan, which anticipated a significant influx of new recruits. Through planning & process, the Administration team identified and pinpointed previously under-utilised areas and

successfully transformed them into proper workspaces for up to thirty (30) employees. This strategic initiative was essential for accommodating the new hires, improving operational efficiency, and fostering a productive environment for the growing team.

ASSETS MANAGEMENT AND SUSTAINABILITY INITIATIVES:

Administration Department of CPPA-G has conducted a successful auction of unserviceable items / scrap i.e. office furniture, fixtures, and vehicle spare parts following PPRA Rules and CPPA-G's approved Disposal Policy to enhance the facilities by creating space for record keeping, accessibility and improving ambience in

the basement of Shaheen Plaza. Besides, this auction also generated revenue and contributed to sustainable practices by re-purposing assets that were no longer in active use. This initiative aligns with CPPA-G's commitment to continuously improving workplace and environment.

EFFICIENT FUEL MANAGEMENT:

During the reporting period, CPPA-G achieved significant cost savings in annual fuel expenses, demonstrating effective management and optimization strategies amidst escalating fuel prices. This accomplishment was made possible through rigorous analysis of our fleet management. By identifying inefficiencies and implementing targeted improvements, such as route optimization and vehicle

maintenance schedules, we were able to reduce overall fuel consumption without compromising operational effectiveness. By minimizing fuel consumption, CPPA-G not only lowered operational costs but also reduced our carbon footprint and environmental impact. This aligns with our sustainability goals and underscores our responsibility towards preserving natural resources.



IMPLEMENTATION OF ACCESS CONTROL SYSTEM

Administration department successfully implemented and an advanced access control system throughout the office premises. This initiative was designed to enhance security while ensuring seamless access management for employees, visitors, and authorized personnel. The access control system incorporates state-of-the-art technology to customize access levels based on roles

and responsibilities within the organization. This not only improves operational efficiency by streamlining access protocols but also strengthens security by preventing unauthorized entry and ensuring compliance with regulatory requirements.

FACILITY MANAGEMENT

Throughout the FY 2023-24 period, administration team has ensured a prompt and efficient management of our facility. The team's efforts have included timely detailed repair and maintenance initiatives aimed at preserving the structural integrity and functionality of the amenities of Shaheen Plaza. Administration team has implemented proactive strategies in HVAC management to ensure optimal climate control & energy efficiency, supporting a comfortable and productive work environment. Dedicated housekeeping services which have upheld high standards of cleanliness, enhancing the overall hygiene and appeal of office premises.

Moreover, have closely monitored and supervised security personnel to make sure CPPA assets, facilities and personnel are well protected. This commitment extends to the seamless coordination and support of official events, meetings, and gatherings within building premises thus facilitating smooth operations and enhancing stakeholder engagement. The team has demonstrated their dedication by successfully facilitating over 300+ meetings / interviews / trainings over the past year.

TRAVEL AND LODGING FOR OFFICIAL VISITS:

Throughout the year, Administration Department demonstrated proficiency in organizing and facilitating outstation travel and lodging arrangements for CPPA-G officers. This encompassed precise coordination for numerous meetings, trainings, and conferences held nation-wide. Administration team efficiently managed

logistics, including booking accommodations, coordinating transportation, and scheduling arrivals and departures. This achievement underscores commitments to seamless operations and ensures that CPPA-G officers can focus on their responsibilities without logistical concerns

9.7 INFORMATION TECHNOLOGY DEPARTMENT

The IT department stands at the forefront of our organization's evolution, acting as a catalyst for digital transformation and operational excellence. By embracing cutting-edge technologies and driving innovation at every level, we are not merely adapting to the future—we are shaping it. Our commitment to leveraging state-of-the-art solutions, from cloud computing and cybersecurity to AI and automation, is transforming the way we operate, enhancing agility, and unlocking new opportunities for growth. In a world where technology drives progress, the IT department is leading the charge, ensuring that our organization remains competitive, resilient, and ready to meet the demands of tomorrow.

Adopting the Latest Technologies

Our adoption of cloud computing and AI has

significantly improved infrastructure scalability and operational efficiency. Coupled with robust cybersecurity measures, we ensure compliance with industry standards while safeguarding critical assets and enabling data-driven decision-making.

Driving Business Automation

We are revolutionizing core business processes through automation, from ERP systems to AI-powered chatbots. This has reduced costs, eliminated errors, and enhanced productivity by transforming labor-intensive tasks into efficient, automated workflows.

Fostering Collaboration and Integration

Collaboration is at the heart of our IT strategy. We work closely with internal teams and external partners to develop tailored, innovative solutions. Enhanced

system integration enables seamless data flow and real-time collaboration, driving better decision-making and operational agility.

Embracing Modern IT Concepts

By adopting DevOps, Agile methodologies, and microservices architecture, we accelerate software development and delivery, ensuring scalable, reliable applications that meet evolving business needs. Our mobile-first approach guarantees accessibility and flexibility in today's fast-paced environment.

Supporting Business Continuity and Decision-Making

We prioritize business continuity through proactive disaster recovery and failover systems, minimizing downtime and maintaining service availability. Our real-time management reports empower leadership with data-driven insights, enhancing strategic decision-making and operational transparency.

Shaping the Future of the Organization

Our forward-thinking approach to technology adoption, automation, and collaboration positions the organization to thrive in a rapidly evolving digital landscape. The IT department remains a key partner in driving growth, performance, and long-term success.

9.7.1 YEARLY ACHIEVEMENTS

Through our continuous efforts, the IT department will remain a strategic partner in the organization's success, delivering solutions that empower growth, drive

performance, and support the achievement of our long-term goals. Here is an overview of IT department's achievements during 2023-24:



9.7.2 SOFTWARE SOLUTIONS DRIVING DIGITAL TRANSFORMATION:

1. Implementation of Advanced Record Management System (RMS)

As part of our continuous drive for innovation and operational excellence, we successfully deployed a cutting-edge Record Management System (RMS) aimed at advancing the organization towards a fully paperless environment. This system facilitates seamless management of both physical and digital documents, bolstering overall efficiency and sustainability.

Key features of the RMS include intelligent recommendations for physical document storage locations, a robust document checkout/check-in

process, and secure digital storage within an integrated content repository. This system has significantly streamlined document handling and retrieval processes, enhancing accessibility and organization. Furthermore, it plays a vital role in our broader strategy to improve productivity, reduce paper dependency, and ensure the secure and efficient management of all organizational records, thereby setting the foundation for a more sustainable future.

2. Introduction of a Comprehensive File Tracking System (FTS) for Improved Document Management

To further drive transparency, efficiency, and



accountability in document management, the IT department successfully implemented a state-of-the-art File Tracking System (FTS). This system provides precise monitoring and control over the movement of files, ensuring that every document is easily traceable from its creation to its final disposition. With real-time updates on file status and location, FTS reduces delays and eliminates the risk of misplaced or lost documents. This initiative has significantly streamlined departmental workflows, enhanced document security, and strengthened our commitment to operational excellence, marking a critical advancement in our digital transformation journey.

3. Online Merit Order System for Optimized Energy Procurement

We have successfully implemented the Online Merit Order System, a critical tool for optimizing energy procurement and enhancing operational efficiency. This cutting-edge system allows for the prioritization and dispatch of electricity generation units based on cost-effectiveness, ensuring that the most economical resources are utilized first. The system empowers decision-makers with real-time data and advanced

analytics, enabling rapid responses to market changes and demand fluctuations. A key feature is the integration of Mixed Fuel functionality, which supports the seamless incorporation of multiple fuel types within the generation portfolio. This optimizes fuel selection based on factors such as cost, availability, and environmental impact. The system has not only improved overall operational efficiency but also strengthened our commitment to sustainable and economically sound energy management.

4. Streamlining Workforce Management with Attendance and Leave Management System (ALMS)

This year, we successfully implemented the Attendance and Leave Management System (ALMS), an integrated solution that streamlines attendance tracking and leave management. ALMS automates leave requests, approvals, and updates attendance records in real-time, significantly reducing administrative workload and improving operational efficiency. Its robust reporting capabilities provide HR with valuable insights into attendance patterns, leave trends, and workforce productivity, further enhancing transparency and efficiency in managing employee time and attendance.

9.7.3 CORE BUSINESS AUTOMATION /BUSINESS INTELLIGENCE:

1. Automation and Integration of Liquidated Damages (LD) Invoicing for Improved Efficiency

We have implemented a comprehensive solution that automates the calculation, preparation, and publishing of Liquidated Damages (LD) invoices. This project significantly enhanced the invoice verification process for Independent Power Producers (IPPs), streamlining the technical verification of Capacity invoices and automating the issuance of LD invoices by the B&R section. A dedicated LD invoices dashboard on the CDXP platform now provides real-time updates on outage allowance balances and LD invoices. Furthermore, the integration of the PPIP, AR modules, and CDXP through a Service-Oriented Architecture (SOA) has substantially improved the efficiency and accuracy of the entire workflow, marking a significant advancement in the organization's operational capabilities.

2. Automation of Verification and Dispute Letter Dispatch for IPPs via ERP System

We have successfully automated the dispatch of verification and dispute letters for Independent Power Producers (IPPs) within the ERP system. This solution

replaced the manual process, ensuring that letters are automatically triggered and dispatched immediately upon invoice approval by the finance department. The automation not only streamlined operations by reducing manual workload but also enhanced the timeliness and accuracy of notifications sent to IPPs, thereby improving overall efficiency and communication.

3. Bot-Driven Automation for KIBOR Rate Integration

In line with our strategic roadmap toward Robotic Process Automation (RPA), the IT department successfully implemented an intelligent bot solution to automate the synchronization of KIBOR rates from the State Bank of Pakistan (SBP) website directly into the ERP system. This automation replaced manual data entry processes, increasing accuracy and efficiency. The bot autonomously fetches updated KIBOR rates, populates the ERP system's KIBOR form, and promptly notifies relevant stakeholders via automated email alerts. The entire process operates seamlessly through scheduled executions on the ERP database server,

representing a significant step forward in our automation journey.

4. Completion of Power Planning Information System (Phase II) Successfully

We have successfully executed Phase-II of the Power Planning Information System (PPIS), establishing a centralized data repository that aggregates over 150 datasets from more than 15 entities in the power sector. This project plays a pivotal role in the creation of the CPPA data lake and supports the fulfillment of the National Electricity Plan Directives. Key project components include the development of efficient data load mechanisms, advanced data visualization, and interactive dashboards. Additionally, this module is now capable to seamlessly integrate with external

entities' systems, enabling direct data collection from source systems as part of the Data Institutionalization Project planned as a next great milestone.

5. Enhanced Management Reporting to Strengthen Decision-Making Processes

We have further strengthened the management reporting process across various business-critical applications using management reports, dashboards, BI based analytics. These enhancements provide actionable insights, empowering leadership with real-time data to make informed decisions. This achievement marks a significant step in our continuous pursuit of operational excellence, enhancing visibility, transparency, and strategic decision-making across the organization.

9.7.4 INFORMATION SECURITY/IT GOVERNANCE:

1. Information Security Awareness Campaign for Enhanced Compliance and Risk Management

CPPA-G launched a successful Information Security Awareness campaign across all departments, focusing on the Integrated Management System (IMS), including ISO 27001 and ISO 20000 standards. The campaign emphasized the importance of unified policies, information classification, and internal audit preparation. Employees were educated on secure data handling, risk management, and incident management protocols, particularly within HR&A and IT departments. Interactive training sessions enhanced the readiness of Incident Teams, improved risk assessment and mitigation practices, and strengthened the organization's ability to maintain business continuity through robust Business Continuity Plans (BCPs). The initiative also streamlined the internal audit process, reinforcing CPPA-G's compliance efforts and operational resilience.

2. Rigorous Internal Audit of Integrated Management System (IMS) for Enhanced ISO 27001 and ISO 20000 Compliance

We have successfully conducted a comprehensive internal audit of the Integrated Management System (IMS), meticulously planned and prioritized based on a thorough risk assessment. This audit focused on compliance with ISO 27001 (Information Security Management) and ISO 20000 (IT Service Management)

standards. The audit yielded 368 findings, reflecting a significant improvement in compliance levels, which increased to an impressive 99%, up from 93% in the 2022-23 fiscal year. This achievement underscores the department's commitment to continuous improvement and adherence to international standards, reinforcing the organization's security and service management frameworks.

3. Establishment and Endorsement of the IT Governance Framework

The IT Governance Cell successfully developed and secured approval for the "IT Governance Framework," now available in the Resource Library. This transformative initiative is designed to enhance the efficiency, accuracy, and accountability of IT services and operations through the thorough implementation of robust controls. Aligned with CPPA's IT governance process, this framework ensures that effective governance measures are firmly in place, driving excellence in IT operations and processes. Built upon our existing practices, policies, and procedures, as well as global best practices, the framework sets a new standard for IT management. To support effective adherence, a comprehensive compliance playbook has also been developed, further solidifying our commitment to excellence in governance.

4. Implementation of SecureRob DAST for Enhanced Business Application Security



We have implemented the SecureRob Dynamic Application Security Testing (DAST) and Web Application Vulnerability Assessment Tool to automatically conduct quality assurance on business application security. This cutting-edge solution continuously scans for vulnerabilities in our web

applications, providing real-time insights and proactive risk mitigation. By automating the security testing process, we significantly strengthened our application security posture, ensuring robust protection against potential threats and aligning with our commitment to safeguarding the organization's digital assets.

9.7.5 DATA CENTER/NETWORK MANAGEMENT, OPERATIONS AND ENHANCEMENTS:

1. Implementation of a Robust Failover System for Business Continuity

Recognizing the paramount importance of uninterrupted service availability, the IT department has implemented a robust failover system as part of the Business Continuity Plan (BCP). This initiative ensures compliance with Information Security Management System (ISMS) requirements. The failover system was established for critical infrastructure, including Backup Restoration, Active Directory, DNS, DHCP, Cisco Firewalls, network devices, and VPN services. This enhancement significantly improved the reliability and availability of these critical services, minimizing downtime during maintenance periods or unforeseen disasters, thereby fortifying the organization's resilience.

2. Network Infrastructure Upgrade Project

We have successfully spearheaded a comprehensive Network Infrastructure Upgrade Project to modernize the organization's technology backbone. This project involved replacing aging network switches and seamlessly migrating services to new Cisco switches,

along with upgrading the operating systems across all Cisco access switches. This critical upgrade was conducted in compliance with the Information Security Management (ISM) policy and introduced advanced features that align with evolving industry standards. The upgraded infrastructure now lays the foundation for Software-Defined Networking (SDN), equipped with Network Essentials, DNA Essentials, and Smart Licensing, ensuring scalability, improved network performance, and heightened reliability.

a. Migration to Next-Generation Firewall for Enhanced Security

Successfully migrated from an outdated firewall to a cutting-edge next-generation firewall, significantly enhancing the organization's cybersecurity posture. As part of this upgrade, Threat Management Console licenses were seamlessly transferred to the new firewall, ensuring continuous and efficient security management. Additionally, critical VPN licenses were configured to ensure uninterrupted and secure remote access for all users, further strengthening the organization's network security and remote work capabilities.

3. Commissioning of Ruckus Wi-Fi Controller for Enhanced Network Management and Security

We have successfully commissioned a Ruckus Wi-Fi Controller, utilizing the existing licenses to significantly enhance network management capabilities and strengthen security protocols. This implementation addressed critical operational challenges by enabling

centralized management, configuration, and real-time monitoring of the Wi-Fi network. The controller streamlined maintenance processes while optimizing network performance by managing application-based traffic and reducing the load on the firewall, resulting in improved efficiency, security, and user experience across the organization.

9.8 COMPANY SECRETARY OFFICE

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

Engagement of External Auditor and preparation of Directors Report.

Organizing important meetings for CPPA-G including Annual General Meetings / Extra Ordinary General Meetings (EoGMs), Board meetings, Board Committee meetings, and Commercial Code Review Panel (CCRP) meetings.

Maintaining documentation of above-mentioned meetings.

Development and approval of CPPA-G's Annual Report, Business Plan, Statement of Corporate Intent (SCI) and submission to Power Division and Central Monitoring Unit (CMU) on annual basis.

Provide Secretarial support to the General body, Board of Directors, Board Committees and CCRP and management of the Company

Follow-up implementation on the General body, Board of Directors, Board Committees and CCRP decisions

Maintaining the Record and Books of Accounts, preparation of financial statements and filing of tax returns of CPPA-G Employees Gratuity Fund & CPPA-G Employees Provident Fund.

Investment of Funds of CPPA-G Employees Gratuity and Provident Fund



YEARLY ACHIEVEMENTS

Following is a list of key achievements earned by this office during FY2023-24:

- Maintained compliance of CPPA-G with the relevant principles of corporate Governance as per Public Sector Companies (Corporate Governance) Rules, 2013, Companies Act 2017 and State-Owned Enterprises (Governance & Operations) Act 2023
- Organized 10 Board of Director’s Meetings
- Organized 25 meetings of different Board Committees

- Developed Business Plan & SCI of CPPA-G for FY 2024-25 to 2026-27 and submitted to Power Division and CMU after approval of CPPA-G Board.
- 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 2023-24
- Prepared and circulated the Director’s Report and Annual Report of the Company for the F.Y 2022-23.

9.9 INTERNAL AUDIT DEPARTMENT

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

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

The Internal Audit Department is integral to the Central Power Purchasing Agency (CPPA), serving as an independent and objective assurance and consulting activity. This function is designed not only to add value but also to significantly enhance the organization’s operations by ensuring that CPPA meets its strategic and operational goals. Our primary mission is to systematically evaluate and improve the effectiveness of CPPA’s risk management, internal control, and governance processes.

In today’s increasingly complex and regulated energy sector, the role of Internal Audit has become more critical than ever. The department is tasked with the



responsibility of identifying potential risks, ensuring compliance with a myriad of regulatory requirements, and safeguarding the organization’s assets. We do this by conducting thorough audits, providing actionable recommendations, and working closely with management to implement changes that drive efficiency, accountability, and transparency across all levels of the organization

9.9.1 KEY ACTIVITIES AND ACHIEVEMENTS

Over the past year, the Internal Audit Department has embarked on several key initiatives aimed at fortifying CPPA's operational framework. These initiatives include comprehensive audits across multiple departments, focusing on high-risk areas, enhancing the organization's compliance framework, and introducing innovative audit techniques that have improved both the scope and depth of our evaluations. By addressing significant risks, identifying areas for process

improvements, and promoting a culture of continuous improvement, the Internal Audit Department has not only contributed to the stability and integrity of CPPA but also ensured that the agency remains resilient and agile in the face of industry challenges. Few of the key activities and achievements in the past year are as follows:



1. Risk-Based Annual Audit Plan: The Internal Audit Department developed and communicated a comprehensive risk-based annual audit plan, which was subsequently approved by the Audit Committee. This plan ensured that our audit efforts were focused on areas with the highest risk exposure, thereby maximizing the value of our audit activities.

2. Risk Evaluation and Mitigation: Throughout the year, we evaluated CPPA's risk exposure and the effectiveness of its risk management strategies. Our assessments provided valuable insights into potential vulnerabilities and helped in devising strategies to mitigate these risks effectively.

3. Information Integrity: We rigorously assessed the reliability and integrity of the information and its processing mechanisms used by CPPA for processing the Power Producer Invoices, Billing and settlement to DISCOs, Allocation and Payment processing, Receipts from DISCOs and budgeting and monitoring process. Ensuring accurate and reliable information is paramount for informed decision-making and operational efficiency.

4. Successful execution of Internal Audit Plan for FY 2023-24:

The Internal Audit plan for 2023-24, as approved by Audit Committee, was successfully and effectively executed by the Internal Audit department all despite having limited resources. The department has successfully performed the audits/ reviews of the following critical business processes and functions.

- Back Feed Billing to, and settlement thereon with the Power Producers.
- Process review of Governance, Risk Management and Internal Controls of the Legal department.
- Information Technology Audit broadly covering the IT governance structure, policies, and implementation and testing of General IT Controls (GITCs).
- Human Resource Management & Payroll Processing.
- Treasury Management Function.
- Agency's Operational Expenditure Verification.
- Process Review of technical and financial verification of Power Purchaser Invoices for 1994 Policy Power Projects.
- Process Review of technical and financial verification of Power Purchaser Invoices of renewable projects

under 2006 Power Policy.

- Follow up with all departments for timely redressal/resolution of audit committee directions.

5. Reporting and Communication: We periodically reported on the internal audit activities carried out during the year, providing both transparency and accountability. Additionally, significant risk exposures and control issues were also highlighted to the Audit Committee.

6. Recruitment of Skilled Resources: Recognizing the importance of a skilled workforce, competent resources have been recruited through a competitive recruiting process. This is expected to further enhance the knowledge, skills, and competencies bank within the Internal Audit department. Furthermore, a continuous professional development plan has been developed and communicated to the Human Resource department to ensure our team remains adept at addressing the evolving audit challenges.

7. Whistle Blowing Unit: The Chief Internal Auditor serves as the secretary of the Whistle Blowing Unit, addressing complaints regarding perceived wrongdoing or malpractices within CPPA. This role underscores our commitment to maintaining a transparent and accountable work environment.

8. Pakistan Citizen Complaint Portal: The Internal Audit Department acts as a focal point for the Pakistan Citizen Complaint Portal, coordinating with various departments to ensure timely redressal and resolution of citizens' complaints. This initiative reflects our dedication to serving the public and upholding CPPA's integrity.

Through these efforts, the Internal Audit Department has demonstrated its unwavering commitment to supporting CPPA in achieving its long-term strategic objectives.

Looking Forward

As we move forward, the Internal Audit Department remains committed to upholding the highest standards of integrity, objectivity and adherence to professional and ethical standards. We will continue to enhance our audit processes, embrace innovative audit techniques, and contribute to CPPA's overall mission



CPPA-G'S CONTRIBUTION TO THE POWER SECTOR

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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, three (03) Solar Power Plants with overall capacity of 150 MW were successfully integrated with the national Grid during the year.
- Assistance to Ministry of Energy (Power Division) on Development of Power Sector Reforms Plan for approval of Prime Minister. The Plan was comprised of Strategic Directives under following areas;
 - a. Generation (Imported Fuel Substitutions, Optimal Utilization of Fuel & Capacity, Reduce Capacity Payment Burden, Privatization and Markets Reforms)
 - b. Transmission (Improving North-South Transmission Capability, Governance)
 - c. Distribution (Reduction of Losses & Service improvement, Energy Efficiency & Conservation, Tariff Reforms, Tax Reforms)
- Assistance to Power Division in K-Electric and AJK resolution, International Financial Institutions(IFIs) Coordination, Consumer End Tariff Notifications and related assignments.
- Forecasting of sector cashflows including DISCOs receipts and subsidy requirement for timely payment to IPPs
- Assisted Power Division in prompt release of power subsidies for timely payment to IPPs
- Assisted in achieving the cashflow targets agreed with higher economic forums
- Assisted Power Division for National Electricity Plan and had a Multi-Tier consultations with relevant stakeholders, Package Designed for approval from Cabinet
- Provided support to Power Division for Development of Draft Guidelines to facilitate Cross-Border trade of Electricity and Solarization of Agriculture tube-well
- Development and regular updation of Circular Debt Management Plan for Power sector.
- Led the implementation of test run plan as central coordinator as designed by NEPRA.
- Provided technical assistance and facilitation to CTBCM implementing entities including DISCOs, NTDC, NPCC, PPIB and K-Electric in execution of their respective actions under CTBCM Plan.
- Facilitated Power Division and the Regulator in monitoring of CTBCM test run implementation by organizing regular meetings.
- Strengthening of Market Implementation and Regulatory Affairs Department (MIRAD) in DISCOs through trainings and technical assistance. Further providing support in revising Connection Agreement, Distribution Code and Cost of Service Study.
- Engaged international donor agencies including USAID, ADB, World Bank and DEA to fund technical assistance for several market initiatives of CPPA-G and other power sector entities.



10.1 ASSISTANCE TO DISCOS

DISCOs are one of the most important stakeholders of the future electricity market. Therefore, CPPA-G believes that DISCOs must be equipped with adequate capacity to participate in the competitive market. Assistance was being extended by CPPA-G to the DISCOs pertaining to Transmission Planning, Generation Planning and Electricity Markets.

CPPA-G organized an online workshop on Use of System Agreement for the contract management and regulatory affair section (CM&RA) and legal section of MIRAD, where MIRAD Professionals actively participated. During this workshop, participants were apprised of the structure of the agreement and the important considerations before and after the execution of agreements.

CPPA-G organized a two (02) day workshop on Fully Allocated Cost of Service (FACOS) model for each DISCO for their respective tariff, cross-subsidy and UoS

determination. This workshop was attended by the relevant officers from each DISCO's Finance Directorate, CSD/GSO/PDC, MIS department and MIRAD. Following this session, a subsequent two (02) day workshop was organized in January 2024, where each DISCO brought the required data to independently complete the FACOS model under the guidance of PSIA consultant, ensuring a consistent approach for preparation of FACOS model across all DISCOs.

CPPA-G had also been assisting DISCOs in the procurement of PSS/E Dongles, a transmission planning tool, through the World Bank's funded Electricity Distribution Efficiency Improvement Program (EDEIP). These dongles are being procured to ensure redundancy within the DISCOs and to enhance transmission planning using the latest software versions. The procurement is now in the final stages.

10.1.1 CONNECTION AGREEMENTS

Last year, with the efforts of CPPA-G, the World Bank had hired a consultant to help DISCOs in preparation of the Connection Agreements (CAs) and had completed the draft agreements. CPPA-G was also the part of core

working group who have worked on drafting connection agreements. Consequently, connection agreements were prepared and submitted to NEPRA for approval.

10.1.2 DISTRIBUTION CODE

Last year, with the efforts of CPPA-G, the World Bank hired a consultant to help DISCOs in preparation of the Distribution Code amendments. The consultant worked on the distribution code amendments. Since the amendments were subject to the finalization and approval of the Grid Code, the amendments were

parked until the approval of revised Grid Code by NEPRA. The Grid Code had been approved and the consultation on the amendments will be completed next year followed by the finalization of the revised Distribution Code.

10.2 ASSISTANCE TO NTDC

NTDC, being Transmission Network Operator (TNO) is a very critical entity for the Power Sector. Hence, CPPA-G

had been working towards its strengthening, and aided on the following fronts during this year:

10.2.1 TRANSMISSION PLANNING

During this fiscal year, CPPA-G had provided support to NTDC through a training on transmission planning. The objective of this workshop was to create capability among the participants of transmission planning methodologies and have a hands-on experience on the PSS/E software, a transmission planning tool. This workshop

has built their skills on robust power planning and decision-making that has paved the way for a clear and authoritative Transmission System Expansion Plan (TSEP) for NTDC and Integrated Transmission Plans for DISCOs.



10.2.2 GENERATION PLANNING

During this fiscal year, CPPA-G had provided support to NTDC through a training on generation planning. The workshop focused on fundamental theory and concepts essential for preparing a comprehensive generation plan. The objective of this workshop was to equip the participants with international best practices in genera-

tion planning techniques, methodologies, and studies. The workshop provided a solid foundation in generation planning principles, enabling participants to understand the strategic importance of well-structured plans in the long-term development and efficiency of the power sector.

10.3 ASSISTANCE TO NPCC

NPCC being the System Operator (SO) is a very critical element for the smooth operation of an electricity market and CPPA-G has been working towards its

strengthening and provided assistance on the following fronts this year:

10.3.1 CPPA-G AND NPCC RESTRUCTURING TOWARDS FORMATION OF ISMO

During this fiscal year, CPPA-G has been collaborating with NPCC on the establishment of an independent entity, the Independent System and Market Operator (ISMO). This initiative involves merging the Market Operation function of CPPA-G with the System Operation

function of NTDC to create a single entity. The high-level proposal for formation of ISMO has been prepared and other details are being worked out in consultation with the SO.

10.3.2 INTEGRATION OF MMS WITH SDXP

Last year CPPA-G handed over the SDXP tool to NPCC. In this regard, CPPA-G also trained the professionals in NPCC and IPPs to use the developed tool for performing operations digitally like the availability notices, submission of plants events, load curtailment, and dispatch

instructions. This year, the integration of SDXP with MMS is currently in progress; the module and SOPs have been developed, and it will facilitate seamless market transactions

10.3.3 DEVELOPMENT OF MERIT ORDER APPLICATION

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

preparation time as desired. Currently, it is in parallel-run phase by NPCC. The module for imported coal plants had been developed and handed over to the respective IPPs, with testing completed, and identified bugs rectified.

10.3.4 DATA CONFIGURATION AND VERIFICATION SUPPORT FOR GENERATORS MANAGEMENT SYSTEM OF SCADA

CPPA-G facilitated NPCC in collection and verification of data to be configured in Generators Management System (GMS) including heat rate, heat content and

latest values of Annual Dependable Capacity (ADC) Test for dispatch optimization.

10.4 ASSISTANCE TO PPIB/AEDB

COORDINATION SUPPORT IN CTBCM IMPLEMENTATION

PPIB in the envisaged role of Independent Auction Administrator (IAA) has a very major role to play in the competitive wholesale market. In order to prepare for the IAA and play this role effectively, PPIB was required to get registration from NEPRA and strengthen its auctioneer function. Following the standard regulatory procedure, NEPRA had granted the Certificate of Registration of IAA to PPIB on January 12, 2024, for a period of 10 years. CPPA-G had facilitated PPIB in getting consultant from the World Bank to work on the revision of Security Package Documents (SPDs) and new market

contracts. The SPDs for solar and wind technologies is currently under review and the SPDs for conventional technologies is planned in the next fiscal year.

Moreover, an online training session was organized by USAID, in coordination with CPPA-G, under the Commercial Law Development Program (CLDP). This initiative was aimed to provide an in-depth knowledge of Brazilian Electricity Market including auction processes and types to better understand the role of IAA.





INTERNATIONAL COLLABORATIONS & DONOR ASSISTANCE

11

CPPA-G strives to build Strategic Partnerships and collaborations 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 actions performed during this fiscal year (2023-24) under strategic partnerships developed by CPPA-G. Likewise, CPPA-G remains in active coordination with the international donor agencies including US Agency for International Development (USAID), Asian Development Bank (ADB) and the World Bank for technical assistance and collaboration in the areas of mutual interest.

Further, CPPA-G always sought to have good relations with World's Market Operators and strive to create bilateral relationship with them. A delegation from CPPA-G visited the power sector entities and specially the Market Operator of Brazil under the CLDP program funded by Power Sector Improvement Activity (PSIA) USAID. The Gulf Cooperation Council Interconnection Authority (GCCIA) is also in touch with CPPA-G and agrees to have cooperation in future.



THE WORLD BANK



ASIAN DEVELOPMENT BANK



Pakistan Institute of Development Economics



Association of Power Exchanges



11.1 ASSOCIATION OF POWER EXCHANGES (APEX)

During this fiscal year, CPPA-G had maintained good relations with its strategic partners. Previously, CPPA-G was honored with a Board Member position on Association of Power Exchanges (APEX) Board of Directors. This year, CPPA-G had been further recognized with the role of Vice President at the APEX Board of Directors. Additionally, CPPA-G was invited to attend the APEX Annual Conference in Turkey. Leveraging its influential positions, CPPA-G took the initiative by launching the innovative Electricity Market Training Program (EMTP). This unique initiative was aimed to provide training to local as well as international power sector professionals. Moreover, professional of CPPA-G had also won APEX Bright Spark Scholarship to attend this prestigious conference.

The Association of Power Exchanges (APEX) facilitates development and communication of ideas and practices in the operation of global competitive electricity markets. The Bright Sparks Program is a signature

initiative of APEX to support the development of young energy professionals to enable them to become future market leaders. The program gives three scholarship winners from around the world the opportunity to attend the annual APEX Conference to meet with international thought leaders and experience the local industry and culture. Bright Spark is a fully competitive program where participants from all over the world compete for getting fully funded fellowship to attend the annual conference of APEX.



11.2 USAID TECHNICAL ASSISTANCE

CPPA-G had been seeking donor support from USAID in CTBCM implementation. Power Sector Improvement Activity (PSIA) USAID facilitated in the test run phase by providing support on the preparation of monthly and final test run reports and facilitating technical training sessions for power sector entities.

Moreover, with the USAID assistance, CPPA-G had arranged Transmission Planning and Generation Planning Trainings under Power Sector Improvement Activity (PSIA). PSIA USAID facilitated a study tour for CPPA-G officers under the Commercial Law Development Program (CLDP) to the Brazilian Electricity Market. Following this study tour, an online training session was also organized by USAID/PSIA for officers from CPPA-G, NEPRA, NPCC and PPIB.

CPPA-G partnered with PSIA USAID in organizing a program for 24 young graduates (male and female), under the USAID's Empower All Energy Program, with energy sector exposure, working knowledge, skill enhancement, and professional competencies for early career support to help transform the environment of

power sector of Pakistan. CPPA-G also hosted an orientation session for young female students under the Future of Women in Energy Scholars Program - 2024 to discuss the role of women in the power sector and inspire the participants to consider STEM careers and emphasizing the skills needed to enter the power sector.





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

A team of consultants were hired by the World Bank to support DISCOs in Connection Agreements, Distribution Code amendment and other CTBCM Test Run related actions through local and international consultants. Similarly, international consultants are assisting PPIB in the revision of Security Package Documents (SPDs) and preparing for the new market contracts.

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

CPPA-G is also a part of the WePOWER for 100 Women Professionals in the SAR Energy Sector as an active member of the working group. The WePOWER-SAR100 Series is a collaborative regional effort to build gender diversity in the energy and power sector across the

South Asia region (SAR). SAR100 is offered as part of the South Asia Regional Infrastructure Connectivity (SARIC) program, funded the Australian Department of Foreign Affairs and Trade (DFAT) through Palladium International. The World Bank is spearheading SAR100 together with national counterparts from seven (07) participating countries represented in the Regional Working Group (RWG). This year, two (02) female officers from CPPA-G successfully completed the SAR100 program, which underscores the active participation of women in the power sector.



THE WORLD BANK

11.4 SUPPORT BY ASIAN DEVELOPMENT BANK

This year CPPA-G had a detailed meeting with the foreign delegation of the Asian Development Bank (ADB) and had apprised them of the latest updates on the transition journey of Pakistan's power market towards the competitive wholesale market. The meeting also covered the way forward towards the market reforms and ADB demonstrated its commitment towards market reforms in future as well. The Asian Development Bank had been providing generous support to the market reforms in Pakistan since many years which now has been recently concluded. The international consulting firm, MRC Consultants and Transaction Advisors, had been onboard with CPPA-G since 2015 and providing

technical assistance in all aspects of market development and implementation.



ASIAN DEVELOPMENT BANK



11.5 CAPACITY BUILDING BY NREL

This year, CPPA-G participated in the online Market Monitoring and Surveillance Training Program offered by National Renewable Energy Laboratory (NREL), USA. This program observed the participation of NEPRA, NPCC and CPPA-G while focusing to enhance the expertise of the professionals in the market monitoring and surveillance sections. NREL delivered five (05) modules, providing a global perspective on the function of market monitoring functions. Additionally, NREL provided a

draft template for the state-of-the-market report to the participating entities, to further guide the development of such reports once the competitive market is fully operationalized. Moreover, CPPA-G is actively pursuing to extend the program to gain deeper insights into the market surveillance and further enhance its capabilities in this area.

11.6 ASSISTANCE BY DEA

This year, Danish Energy Agency (DEA) under the Danish Energy Transition Initiative (DETI), organized two online workshops for CPPA-G. The first workshop was about international benchmarking of the Market Management System (MMS), an in-house built application for seamless market transactions, and the CPPA-G team demonstrated its features and functions to the delegation. The

delegation expressed their interest in providing support in relation to MMS benchmarking. Similarly, in another workshop, CPPA-G presented the role of market surveillance function of the Market Operator, in the competitive electricity market. The delegation agreed to support in strengthening the market surveillance capabilities of the market operator.



MARKET PARTICIPANTS

12

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 2024, and their installed capacity:



GENERATION PARTICIPANTS AS OF JUNE - 2024		
WIND		
SR. NO.	NAME OF GENERATION PARTICIPANT	INSTALLED CAPACITY (MW)
1	UEP WIND POWER PRIVATE LIMITED	99.00
2	METRO WIND POWER LIMITED	60.00
3	ZORLU ENERGY PAKISTAN LIMITED	56.40
4	SAPPHIRE WIND POWER COMPANY LIMITED	52.80
5	FOUNDATION WIND ENERGY-I PRIVATE LIMITED	50.00
6	FOUNDATION WIND ENERGY-II PRIVATE LIMITED	50.00
7	GUL AHMED WIND POWER LIMITED	50.00
8	MASTER GREEN ENERGY LIMITED	50.00
9	LUCKY RENEWABLES PRIVATE LIMITED	50.00
10	LAKESIDE ENERGY LIMITED	50.00
11	ARTISTIC WIND POWER PRIVATE LIMITED	50.00
12	LIBERTY WIND POWER-I PRIVATE LIMITED	50.00
13	LIBERTY WIND POWER-II PRIVATE LIMITED	50.00
14	INDUS WIND ENERGY LIMITED	50.00
15	ACT 2 DIN WIND PRIVATE LIMITED	50.00
16	NASDA GREEN ENERGY PRIVATE LIMITED	50.00
17	DIN ENERGY LIMITED	50.00
18	GUL AHMAD ELECTRIC LIMITED	50.00
19	METRO POWER COMPANY LIMITED	50.00
20	YUNUS ENERGY LIMITED	50.00
21	ZEPHYR POWER PRIVATE LIMITED	50.00
22	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-A)	49.735
23	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-B)	49.735
24	TRICON BOSTON CONSULTING PRIVATE LIMITED (PROJECT-C)	49.735
25	HAWA ENERGY PRIVATE LIMITED	49.735
26	JHIMPIR POWER PRIVATE LIMITED	49.735
27	HYDRO CHINA DAWOOD POWER PRIVATE LIMITED	49.50
28	MASTER WIND ENERGY LIMITED	49.50
29	SACHAL ENERGY DEVELOPMENT PRIVATE LIMITED	49.50
30	TENAGA GENERASI LIMITED	49.50
31	THREE GORGES 1ST WIND FARM PAKISTAN LIMITED	49.50
32	THREE GORGES 2ND WIND FARM PAKISTAN LIMITED	49.50
33	THREE GORGES 3RD WIND FARM PAKISTAN LIMITED	49.50
34	FFC ENERGY LIMITED	49.50
35	ARTISTIC ENERGY PRIVATE LIMITED	49.30
36	ACT WIND ENERGY PRIVATE LIMITED	30.00
OVERALL CAPACITY OF WIND PROJECTS		1,842.175



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

BAGASSE		
SR. NO.	NAME OF GENERATION PARTICIPANT	INSTALLED CAPACITY (MW)
1	CHINIOT POWER LIMITED	62.40
2	THAL INDUSTRIES CORPORATION LIMITED	41.00
3	ALMOIZ INDUSTRIES LIMITED	36.00
4	SHATAJ SUGAR MILLS LIMITED*	32.00
5	RYK MILLS LIMITED	30.00
6	JDW SUGAR MILLS UNIT-III	26.83
7	JDW SUGAR MILLS UNIT-II	26.60
8	CHANAR ENERGY LIMITED	22.00
9	HAMZA SUGAR MILLS LIMITED	15.18
OVERALL CAPACITY OF BAGASSE PROJECTS		292.01

RFO		
SR. NO.	NAME OF GENERATION PARTICIPANT	INSTALLED CAPACITY (MW)
1	HUBCO	1292.00
2	AES LALPIR PRIVATE LIMITED	362.00
3	AES PAK GEN PRIVATE LIMITED	365.00
4	ATLAS POWER LIMITED	219.15
5	HUBCO-NAROWAL	219.16
6	LIBERTY POWER TECH LIMITED	200.00
7	NISHAT CHUNIAN POWER LIMITED	200.00
8	NISHAT POWER LIMITED	200.00
9	ATTOK GENERATION LIMITED	159.83
10	SABA POWER COMPANY LIMITED	134.00
11	KOHINOOR ENERGY LIMITED	131.44
OVERALL CAPACITY OF RFO PROJECTS		3482.58

GAS/RLNG		
SR. NO.	NAME OF GENERATION PARTICIPANT	INSTALLED CAPACITY (MW)
1	NPPMCL-BALLOKI	1223.106
2	NPPMCL-HAVELI BAHADUR SHAH	1230.54
3	PUNJAB THERMAL POWER	1263.20
4	QATPL-BHIKKI	1180.13
5	GENCO-III	1915.65
6	GENCO-II	1791.70
7	GENCO-I	880.00
8	UCH	586.00
9	ROUSH POWER PRIVATE LIMITED	450.00
10	UCH-II	386.20
11	LIBERTY DAHARKI POWER LIMITED	235.00
12	ENGRO POWERGENQADIRPUR	223.80
13	ORIENT POWER PRIVATE LIMITED	218.00
14	SAIF POWER LIMITED	215.50
15	SAPPHIRE ELECTRIC POWER COMPANY LIMITED	215.40
16	HALMORE POWER GENERATION COMPANY LIMITED	215.40
17	FOUNDATION POWER COMPANY DAHARKI LIMITED	185.00
18	FAUJI KABIRWALA	157.00
19	ALTERN POWER **	29.00
20	DAVIS ENERGY LIMITED **	10.50
OVERALL CAPACITY OF RFO PROJECTS		12611.13



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

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

HYDEL		
SR. NO.	NAME OF GENERATION PARTICIPANT	INSTALLED CAPACITY (MW)
1	WAPDA HYDEL POWER PLANTS	8,419.96
	CAPACITY	
	A) TARBELA	3,478.0
	B) TARBELA 4TH EXTENSION	1,410.0
	C) GHAZI BROTHA	1,450.0
	D) MANGLA	1,000.0
	E) WARSAK	242.96
	F) CHASHMA	184.0
	G) DUBER KHAWAR	130.0
	H) ALLAI KHAWAR	121.0
	I) GOLEN GOL	108.0
	J) JINNAH	96.0
	K) KHAN KHAWAR	72.0
	L) JABBAN	22.0
	M) RASUL	22.0
	N) DARGAI	20.0
	O) GOMAL ZAM	17.4
	P) NANDIPUR	13.8
	Q) SHADIWAL	13.5
	R) CHICHOKI	13.2
	S) KURAM GARHI	4.0
	T) RENALA KHURD	1.1
	U) CHITRAL	1.0
2	KOHALA (CHINA INTERNATIONAL WATER & ELECTRIC COMPANY)***	1124.00
3	NEELUM JEHLUM	969.00
4	SK-HYDRO PVT. LIMITED*	884.00
5	KAROT POWER COMPANY PRIVATE LIMITED	720.00
6	AZAD PATTAN HPP***	700.70
7	PATRIND HPP	150.00
8	MIRA POWER LIMITED	102.00
9	NEW BONG ESCAPE HYDRO POWER COMPLEX (LARAIB ENERGY)	84.00
10	MALAKAND-III	81.48
11	DARAL KHAWAR	36.60
12	JAGRAN (AJK) – I	30.40
13	RANOLIA**	17.00
14	RIALI-II*	7.08
OVERALL CAPACITY OF HYDEL PROJECTS		13326.22



IMPORT OF POWER		
SR. NO.	NAME OF GENERATION PARTICIPANT	GROSS CAPACITY (MW)
1	CASA-1000*	1000.00
2	TAVANIR – IRAN	204.00
OVERALL CAPACITY OF IMPORT OF POWER PROJECTS		1204.00
GROSS CAPACITY OF THE SYSTEM		44,948

Note: * PPA signed but not commissioned yet

** Project is no more operational

***PPA signed but not fully effective

LIST OF DEMAND SIDE MARKET PARTICIPANTS (DISTRIBUTION COMPANIES)

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





FUTURE OUTLOOK

13

This section presents an overview of the actions and plans for improving the operational performance and information transparency of CPPA-G as well as for efficient implementation of the market model and achieve the objectives of the Commercial Code and

Market Rules for the development of the competitive power market. The following sections discuss the steps taken and the plans underway to achieve the above-mentioned objectives.



13.1 MARKET DEVELOPMENT

CPPA-G is working on the transition of the existing market from the single buyer model to a competitive wholesale power market. FY2024 was just another successful year for CPPA-G in terms of moving a few steps further towards the ultimate goal of establishing a competitive wholesale market. This year CPPA-G submitted the CTBCM FTR Report to NEPRA along with the proposed amendments to the market commercial code. Further, the Authority initiated the standard regulatory process by seeking the comments from the relevant stakeholders and conducting deliberations on the FTR Report submitted by CPPA-G.

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

The Authority approved a Test Run Plan entailing 24 actions assigned to respective implementing entities including CPPA-G to test processes, IT systems and methodologies under the MCC. Actions under test run plan were categorized into three broad categories (i) Action under the Market Commercial Code (ii) Development of tools for market operations and (iii) capacity building of the relevant stakeholders. CPPA-G has been working on capacity building of overall power sector for last several years and CPPA-G designed a comprehensive phase-wise strategy for developing and implementing a competitive market keeping in view the paradigms of People, Processes and Technology.

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

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

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

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

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



DIRECTOR'S REPORT 2022-23

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1. BACKGROUND

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

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

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

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

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

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

- i. The introduction of a new cash flow management system consistent with envisaged sector restructuring.
- ii. Improved fiscal discipline, i.e., DISCO's ability to honor debts, especially those arising from new investments, and to attract further investments for the sector that will result in credibility of sector operations.
- iii. The introduction of measures to improve the power supply-demand balance, while ensuring a reasonable quality of service.
- iv. Paving the way toward the next phase of market reform, i.e., CTBCM.
- v. Accordingly, CPPA-G was incorporated in 2009 in order to become the successor of the CPPA of NTDC and take over the existing market operations being performed by NTDC through its departments i.e. WPPO, CPPA & Manager Finance Treasury.
- vi. The National Energy (Power) Policy 2013, approved by the Council of Common Interests (the "CCI") on 27th July 2013, reiterated the need to reform CPPA of NTDC.
- vii. In furtherance of the policy decision of CCI to reform CPPA of NTDC, the GOP decided to operationalize the petitioner as an independent legal entity having mandate to discharge the market operations.
- viii. CPPA-G by following the directions of GoP, in consultation with stakeholders, formulated the CTBCM market model and the plan for transitioning of the Single Buyer market to CTBCM and NEPRA has approved the CTBCM in November 2020.

1.1 COMPANY REGISTRATION AND LICENSE

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

The Authority vide its determination dated November 16, 2018, granted a registration No. MOR/01/2018 (the "Registration") to Central Power Purchasing Agency (Guarantee) Limited (the "CPPA-G") to act as the MO under the NEPRA (Market Operator Registration, Standards, and Procedure) Rules, 2015 (the "Market Rules"). The Registration was valid for five (5) years from the date of its issuance or till such date on which Section 23A and 23B of the Act come into force as per Section 1(3) of the Act, whichever is earlier. In terms of Section 1(3) of the Act, the said Sections (i.e. 23A and 23B) were to come into force within five (05) years of promulgation

of the Amendment Act or on such earlier date as the Federal Government may notify. Accordingly, the subject sections of the Act were activated on 02nd May 2023 after the completion of stipulated timeframe of five years.

Pursuant to section 23A & 23B of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, NEPRA granted a Market Operator License No. MOL/01/2022 to CPPA-G on 31st May 2022, to perform the functions of the Market Operator subject to fulfilment of certain conditions and Commercial Market Operation Date (CMOD) approval by NEPRA.

CPPA-G has also filed an application before NEPRA on 07th November 2022 for seeking registration as SPA under section 25A of the NEPRA Act along with the submission of revised SPA Code (formerly commercial Code 2018) to continue its role as procurer of electricity on behalf of DISCOs and administer the power and energy purchase contracts.

1.2 CONTRACTUAL FRAMEWORK

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

- a. Business Transfer Agreement (BTA) between NTDC and CPPA-G.
- b. Administration Agreement between CPPA-G and NTDC to authorize the CPPA-G to administer and deal with PPAs executed between the existing Generation Companies (IPPs under 1994 power policy and prior thereto, IPPs under the 2002 power policy and 2006 RE Policy, GENCOs, WAPDA Hydel) and Nuclear Power Plants.
- c. 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.
- d. 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.
- e. Execution of fresh Power Purchase Agreements / Energy Purchase Agreements between CPPA-G and Power Producers.
- f. 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) and K-Electric. Hence, the DISCOs have appointed the Company as their sole 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. Tripartite PPAs among CPPA-G NTDC and the power producer.



1.2 FUNCTIONS AND RESPONSIBILITIES OF CPPA-G

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

- a. Carry out all works related to the market operator functions till the activation of section 23A and 23B as mentioned in NEPRA Amendment Act.
- b. Facilitate the National Grid Company/System Operator in performance of its functions in accordance with law;
- c. Ensure that it organizes and develops the model for competitive market operations in consultation with the relevant stakeholders.
- d. Establish an efficient system of collecting, organizing and processing data sent by the National Grid Company/System Operator.
- e. Implement the Market Rules; and
- f. Keep records of contracts and contractual obligation with the Market Rules, the Commercial Code, the terms and conditions of this registration and the directions of the Authority issued from time to time;

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

- a. Establish processes ensuring adherence of market participants to the Market Rules and to the Commercial Code.
- b. Manage the processes of financial settlement of energy sale transactions in accordance with the Commercial Code.
- c. Keep or cause to be kept separate accounts for the distinct market operator functions.
- d. Provide data to the Authority, as and when directed, relating to the generated and/or sold quantities of electricity as well as the amounts paid under power purchase contracts.
- e. Provide information to the Authority, as and when directed, relating to executed power purchase contracts; and
- f. Submit to the Authority, as and when directed, correct and reliable information regarding prices, number of market participants, percentages of market share, forecasted prices and statistics.

2. SUMMARY OF STATEMENTS AS PER SECTION 227 OF COMPANIES ACT 2017, SOE ACT 2023 AND SOE POLICY 2023

2.1 Compliance with the relevant provisions of Companies Act 2017, State Owned Enterprises (Governance and Operations) Act 2023 (SOE Act) and State-Owned Enterprises (Ownership and Management) Policy 2023 (SOE Policy).

Company has complied with the relevant provisions of Companies Act, 2017 and all the relevant provisions of SOE Act 2023 and SOE Policy 2023 except section 12(2), 18, 21(1), 22(1), 28(1), 30(1) of SOE Act and Para 25 & Annexure-7 of the SOE Policy, however compliance will be ensured in next Financial Year.

State of Affairs, Result of Operations and Cash flows

The financial statements prepared by the Management of the Company present fairly its state of affairs, the

result of its operations, cash flows and changes in General Fund.

2.2 Books of Account

Proper books of accounts of the Company have been maintained.

2.3 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.

2.4 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.

2.5 Board meetings and attendance of Board Members

Total meetings of the Board of Directors and Board Committees held during the Financial Year 2023-24 are as follows:

SR. NO.	MEETING	NO. OF MEETINGS
1	BOARD OF DIRECTORS	10
2	PROCUREMENT & RISK MANAGEMENT COMMITTEE OF BOARD	05
3	HR, LEGAL & NOMINATION COMMITTEE OF BOARD	10
4	AUDIT & FINANCE COMMITTEE OF BOARD	06
5	SPECIAL COMMITTEE ON MISC	02
6	SPECIAL COMMITTEE ON GENCOS AND CPPA-G ISSUES	02

Table 1: Meetings held during FY 2023-24

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

SR. NO.	NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
1	MR. ZAFAR ABBAS	15
2	MR. SAAD FAZIL ABBASI	26
3	MR. MUHAMMAD AMJAD KHAN	17
4	MR. MAHFOOZ AHMED BHATTI	29
5	MR. SHAHID MAHMOOD	25
6	DR. RANA ABDUL JABBAR KHAN	13
7	MR. GHAS UD DIN AHMAD	28
8	MR. RAHEEL IJAZ	25
9	MS. NATASHA JEHANGIR KHAN	04
10	MR. RIHAN AKHTAR	34

Table 2: Meetings attended by the Directors

2.6 Remuneration of Board Members

Members of the Board were paid a fixed lump sum fee for attending the Board meetings or Board Committee

meetings. The fee paid to various Board members for attending the Board meetings and Board Committee meetings is as follows:

SR. NO.	NAME OF DIRECTORS	FEE PAID RS. IN MILLIONS
1	MR. ARSHAD MAJEED MOHMAND	0.19
2	MR. ZAFAR ABBAS	0.94
3	MR. WASEEM MUKHTAR	0.06
4	MR. MAHFOOZ AHMED BHATTI	2.25
5	MR. MIAN MUHAMMAD IMRAN	0.38
6	MR. SHAHID MAHMOOD	0.25
7	MR. MUHAMMAD AMJAD KHAN	1.00
8	MR. GHAS UD DIN AHMAD	0.06
9	MR. RAHEEL IJAZ	0.06
10	MS. NATASHA JEHANGIR KHAN	0.06

Table 3: Fees paid to the Directors during FY 2023-24



From the 01st April 2022, CFO of the Company has been assigned an additional charge of CEO in pursuant to the approval of the Federal Government vide notification dated 01st April 2022 and during the FY 2023-24 Rs. 3.095 Million has been paid on account of an additional charge of CEO by the Company during the year.

2.7 Subsidy or other Financial Support from the Governments

The Company is not reliant on any subsidy or other financial support from the Government for meeting its expenditures.

2.8 Significant deviations from last year in operating results of the Company

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

Key Operating and Financial Data

Key operating and Financial Data for the F.Y 2020-21 to F.Y 2023-24 is as follows;

FINANCIAL YEAR	REVENUE (RUPEES)	EXPENDITURES (RUPEES)
FY 2019-20	807,657/-	658,497/-
FY 2020-21	952,357/-	709,447/-
FY 2021-22	1,162,849/-	807,657/-
FY 2022-23	1,387,726/-	952,357/-
FY 2023-24	2963708	1,162,849/- 1,387,726/-

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

AS AT 30 TH JUNE	ASSETS (RUPEES)	LIABILITIES (RUPEES)	GENERAL FUND (RUPEES)
FY 2019-20	14,537,504/-	14,349,349/-	188,155/-
FY 2020-21	22,598,125/-	22,654,188/-	(56,063)
FY 2021-22	26,092,974/-	26,267,285/-	(174,311)
FY 2022-23	72,698,444/-	72,296,527/-	401,917/-
FY 2023-24	85,640,927/-	85,504,474/-	136,543/-

Table 5: Balance Sheet Data (Rupees in Thousand)

2.9 Statutory Payments on account of taxes, duties levies

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

2.10 Significant plans and decisions

i) Signing of PPAA with K-ELECTIC

During the year, the Power Purchase Agency Agreement (PPAA) was executed with K-Electric effective from 1st January 2024 with the provision of regularizing the intervening period from January 2015 to December 2023. K-Electric is discharging its obligation regularly under the PPAA.”

ii) Future Organizational Role

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



iii) Organizational restructuring

Presently all the functions of MO and Power Purchaser are being performed by CPPA-G. The process of ISMO as an independent company has already been started and soon after its incorporation the MO function will be transferred to ISMO. Further CPPA-G has submitted an application to NEPRA for SPA Registration and after approval of this registration the Power Purchase function will continue to be performed by CPPA-G as a SPA. ISMO shall continue to avail the shared services offered by CPPA-G (SPA) under the BTA until ISMO is developed after legal segregation. For providing such services from SPA to ISMO, a Service Level Agreement (SLA) will be executed between ISMO and CPPA-G

2.11 Principal Risks and uncertainties facing by Company

The main risks of the Company are related to market fluctuations, regulatory changes, technological advancements, and operational challenges.

2.12 Value of investment of provident, and gratuity funds

Based on the latest audited accounts as on 30th June 2023, provident fund investment (net assets) was of Rupees 147.90 million and gratuity fund investment (net assets) was Rupees 271.23 million respectively.

3. DECLARATION IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 25(3) OF THE STATE-OWNED ENTERPRISES (GOVERNANCE AND OPERATIONS) ACT, 2023, READ WITH ANNEXURE 1 OF THE SOES OWNERSHIP AND MANAGEMENT POLICY, 2023

3.1. We have reasonable grounds to believe that the Company will be able to pay its debts as they become due and payable; and

3.2. The financial statements of the Company, including the accompanying notes, have been prepared

in accordance with the provisions of the SOE Act 2023, the SOE Policy 2023 and accounting and reporting standards as applicable in Pakistan, notified under the Companies Act, 2017.

4. AUDITOR'S REPORT & APPOINTMENT FOR NEXT YEAR

The Auditors have provided an unqualified report for F.Y 2023-24. 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 2024-25.

5. ACKNOWLEDGEMENT

The Auditors have provided an unqualified report for F.Y 2023-24. 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 2024-25.


Chief Executive Officer, CPPA-G


Independent Director, CPPA-G


Independent Director, CPPA-G



AUDITOR'S REPORT & FINANCIAL STATEMENTS

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**CENTRAL POWER PURCHASING AGENCY
(GUARANTEE) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2024



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, 2024, 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 material accounting policy information 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, 2024 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
74-East, 2nd Floor, Blue Area, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>



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).

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

Chartered Accountants
Islamabad
Date: October 17, 2024

UDIN: AR202410610ipb9WCHJP



CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	2024 (Rupees in thousand)	2023
ASSETS			
Non-current assets			
Property and equipment	5	88,741	131,866
Intangible assets	6	37,254	52,008
Right-of-use asset	7	288,157	17,209
Deferred income tax asset	8	-	-
Long term security deposits	9	21,864	21,864
Long term loans to employees	10	99,404	106,301
		<u>535,420</u>	<u>329,248</u>
Current assets			
Taxation recoverable - net	11	303,968	-
Advances, prepayments and other receivables	12	5,536,970	5,708,461
Current portion of long term loans to employees	10	31,081	25,824
Balance in escrow deposit accounts - restricted	13	44,055,635	30,878,696
Cash at bank - deposit accounts	14	35,177,853	35,756,215
		<u>85,105,507</u>	<u>72,369,196</u>
Total assets		<u><u>85,640,927</u></u>	<u><u>72,698,444</u></u>
FUND AND LIABILITIES			
FUND			
General fund		136,453	401,917
LIABILITIES			
Non-current liability			
Lease liability	15	275,645	-
Current liabilities			
Accrued and other liabilities	16	85,184,681	72,211,576
Current portion of lease liability	15	44,148	23,701
Provision for taxation - net	11	-	61,250
		<u>85,228,829</u>	<u>72,296,527</u>
Total liabilities		<u>85,504,474</u>	<u>72,296,527</u>
Contingencies and commitments	17		
Total fund and liabilities		<u><u>85,640,927</u></u>	<u><u>72,698,444</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

Affix

**CHIEF EXECUTIVE OFFICER
 / CHIEF FINANCIAL OFFICER**


DIRECTOR


DIRECTOR



CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 (Rupees in thousand)	2023
INCOME			
Market operation fee	18	625,106	1,092,378
Profit on bank accounts		2,314,830	1,266,270
Finance income	10.1	24,426	11,514
		2,964,362	2,370,162
EXPENDITURE			
Operating expenses	19	(2,907,173)	(1,380,252)
Finance costs	20	(56,535)	(7,474)
		(2,963,708)	(1,387,726)
SURPLUS BEFORE LEVY AND TAXATION		654	982,436
Minimum tax - levy	21	(56,260)	-
(DEFICIT)/ SURPLUS BEFORE TAXATION		(55,606)	982,436
Taxation charge	22	-	(338,682)
(DEFICIT)/ SURPLUS AFTER TAXATION		(55,606)	643,754

The annexed notes 1 to 30 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER
 / CHIEF FINANCIAL OFFICER**

DIRECTOR

DIRECTOR



CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 (Rupees in thousand)	2023
(DEFICIT)/ SURPLUS AFTER TAXATION		(55,606)	643,754
OTHER COMPREHENSIVE (LOSS):			
Items that will not be reclassified to income and expenditure statement:			
Remeasurement loss on defined benefit obligation	16.2.1	(209,858)	(67,526)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		<u>(265,464)</u>	<u>576,228</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

AKK

**CHIEF EXECUTIVE OFFICER /
CHIEF FINANCIAL OFFICER**

DIRECTOR

DIRECTOR



CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED 30 JUNE 2024

	GENERAL FUND (Rupees in thousand)
Balance as at 1 July 2022	(174,311)
Surplus for the year	643,754
Other comprehensive (loss) for the year	(67,526)
Total comprehensive income for the year	576,228
Balance as at 30 June 2023	401,917
(Deficit) for the year	(55,606)
Other comprehensive (loss) for the year	(209,858)
Total comprehensive (loss) for the year	(265,464)
Balance as at 30 June 2024	136,453

The annexed notes 1 to 30 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER /
CHIEF FINANCIAL OFFICER**

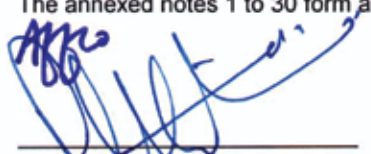
DIRECTOR

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 (Rupees in thousand)	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/ surplus before taxation		(55,606)	982,436
Adjustments for non-cash charges and other items:			
Depreciation	19	58,149	52,871
Amortization	19	15,553	17,907
Depreciation on right-of-use asset	19	67,974	68,839
Provision for gratuity	16.2.1	102,513	47,471
Profit on bank accounts		(2,314,830)	(1,266,270)
Imputed interest on lease liability	20	55,528	6,907
Finance income	10.1	(24,426)	(11,514)
Employee benefit related to long term interest free loan	19.1	15,081	68,750
Cash flows from operating activities before working capital changes		(2,080,064)	(32,603)
Working capital changes:			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables		362,940	(5,655,950)
Balance in escrow deposit accounts - restricted		(13,176,939)	(18,837,216)
Increase in current liabilities			
Accrued and other liabilities		12,808,511	46,033,006
		(5,488)	21,539,840
Cash (used in) / generated from operations		(2,085,552)	21,507,237
Income tax paid	11	(365,218)	(194,475)
Gratuity contribution paid	16.2.1	(147,777)	(93,240)
Profit on bank deposit received		2,123,381	1,290,423
Increase in long term security deposits		-	(600)
Long term loans to employees - net	10.1	10,985	(189,361)
		1,621,371	812,747
Net cash (used in) / generated from operating activities		(464,181)	22,319,984
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets	5	(15,024)	(91,395)
Intangible assets purchased	6	(799)	(24,091)
Net cash (used in) investing activities		(15,823)	(115,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability	15.1	(98,358)	(93,678)
Net (decrease)/ increase in cash and cash equivalents		(578,362)	22,110,820
Cash and cash equivalents at the beginning of the year		35,756,215	13,645,395
Cash and cash equivalents at the end of the year	14	35,177,853	35,756,215

The annexed notes 1 to 30 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER /
 CHIEF FINANCIAL OFFICER


 DIRECTOR


 DIRECTOR



**CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

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

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

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

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

Under Article 3.1.7 of the PPAAs;

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

And under article 5.6.1 of the PPAAs:

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

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

- 1.2.1 During the year, the Company has signed PPAA with K-Electric which has been effective from 1 January 2024 with regularization of pre-existing arrangement and the Company is the agent of K-Electric/principle, the primary obligor.
- 1.3 As per the Market Rules, the Company's responsibilities include development of competitive market in Pakistan. In pursuance of its responsibilities, the Company submitted detailed design for the Competitive Trading Bilateral Contract Market (CTBCM) which was approved by NEPRA.

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



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

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

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

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

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

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

The Company carried out functional segregation of accounting and management functions as per the plan approved by the Board of Directors. Further, the test run was completed and the report in this respect was prepared and the management was authorized by the BOD to submit the report to the Power Division to seek approval from Cabinet Committee on Energy (CCOE) for submission of the report to NEPRA for further necessary action under law. Consequently, the CCOE accorded its approval over the matter of Test Run Report submission to NEPRA and authorized CPPA-G to submit the same to NEPRA.

CPPA-G in compliance with the decision of CCOE submitted the Test Run Report to NEPRA in December 2023 for regulatory approval which was followed by public hearings on the Test Run Report called by NEPRA. CPPA-G vide the Test Run Report had also made a request to NEPRA for extension in time for the legal separation of SPA and MO for up to 5 years owing to the pending approval/actions from the authorities at that point in time. Subsequently, Ministry of Energy (Power Division) has circulated a Summary for comments for the creation of a new company in which the Market Operator license of CPPA-G and System Operator license of NTDC will be transferred.

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

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2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and areas of judgements

The preparation of the 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 - note 4.1, 4.2, 5 and 6**

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

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b) Income tax - note 4.5, 11 and 22

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 - note 4.10 and 16.2.1

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 - note 4.3, 7 and 15

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 assesses the lease term as the non-cancelable lease term together with the periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option and uses incremental borrowing rate as the discount rate to determine the present value of lease payments for determination of lease liability and related right to use asset.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following International Financial Reporting Standards (IFRS standards) as notified under the Companies Act, 2017 are effective for annual reporting periods beginning from the dates specified below and are not early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	1 January 2024
IAS 7	Statement of Cash Flows (Amendments)	1 January 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	1 January 2025
IFRS 7	Financial Instruments: Disclosures (Amendments)	1 January 2024 & 1 January 2026
IFRS 9	Financial Instruments (Amendments)	1 January 2026
IFRS 16	Leases (Amendments)	1 January 2024

Further, the following 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, in relation to the Company, as at 30 June 2024:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts
IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

The following interpretation issued by the IASB has been waived off by SECP as at 30 June 2024:

IFRIC 12	Service Concession Arrangements.
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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.

There are certain amendments to the accounting and reporting standards which became applicable to the Company on 1 July 2023. However, these amendments do not have any significant impact on the Company's financial statements, except as disclosed in note 4 to the financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 'Making Materiality Judgements') from 1 July 2023. Although amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

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

4.1 Property and equipment

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

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

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

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

4.2 Intangible assets

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

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

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

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

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



4.3 Leases

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

i) Right-of-use assets

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

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

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 1.2 to the financial statements, the Company has assessed that it acts as an agent on behalf of DISCOs and accordingly, there is no impact of the same on these financial statements.

4.4 Impairment of non-financial assets

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

4.5 Taxation

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

(i) Current tax

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

During the year, the Institute of Chartered Accountant of Pakistan (ICAP) issued a guidance "Application guidance on accounting for minimum taxes and final taxes" through Circular No. 07/2024 dated 15 May 2024. In light of the said guidance, as the minimum taxes and final taxes are not calculated on the 'taxable profit' as defined in IAS 12 but calculated on turnover or other basis (as per relevant sections of the Income Tax Ordinance, 2001 (ITO, 2001)), accordingly minimum taxes and final taxes should be accounted for under IAS 37/IFRIC 21 as levies and not under IAS 12 as income taxes. Based on the guidance, the minimum taxes under ITO 2001 are hybrid taxes which comprise of a component within the scope of IAS 12 (Income Tax) and a component within the scope of IFRIC 21 (Levies).

(ii) Deferred tax

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

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



4.6 Provisions and contingencies

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

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

4.7 Cash and cash equivalents

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

4.8 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 recognises 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.

4.9 Accrued and other liabilities

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

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

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4.10 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 by 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 2024 details of which are disclosed in note 16.2.1 to the financial statements.

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

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

Remeasurement gain/losses are recognized in other comprehensive income.

4.11 Financial Instruments

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

Classification of financial assets

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

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

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

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

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

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

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

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

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

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

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

Initial recognition

Financial assets and liabilities

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

Subsequent measurement

i) At amortized cost

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

ii) At FVTPL

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

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Impairment of financial assets

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

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

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

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

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

Derecognition

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

i) Financial assets

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

ii) Financial liabilities

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

Offsetting of financial assets and financial liabilities

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



5 PROPERTY AND EQUIPMENT

	Operating fixed assets (Rupees in thousand)						Total
	IT and networking equipment	Furniture and fixture	Leasehold improvements	Electric installations	Vehicles	Office equipment	
At 1 July 2022							
Cost	124,393	30,018	34,011	44,371	49,948	13,887	296,628
Accumulated depreciation	(106,229)	(21,953)	(18,878)	(24,547)	(21,693)	(9,986)	(203,286)
Net book value	18,164	8,065	15,133	19,824	28,255	3,901	93,342
Year ended 30 June 2023							
Opening net book value	18,164	8,065	15,133	19,824	28,255	3,901	93,342
Additions	61,405	4,200	5,309	18,298	-	2,183	91,395
Disposals (note 5.2)	-	-	-	-	-	-	-
Cost	-	-	-	-	15,172	-	15,172
Accumulated depreciation	-	-	-	-	(15,172)	-	(15,172)
Depreciation (note 19)	(25,405)	(3,900)	(7,509)	(11,286)	(3,195)	(1,576)	(52,871)
Closing net book value	54,164	8,365	12,933	26,836	25,060	4,508	131,866
At 30 June 2023							
Cost	185,798	34,218	39,320	62,669	34,776	16,070	372,851
Accumulated depreciation	(131,634)	(25,853)	(26,387)	(35,833)	(9,716)	(11,562)	(240,985)
Net book value	54,164	8,365	12,933	26,835	25,060	4,508	131,866
Year ended 30 June 2024							
Opening net book value	54,164	8,365	12,933	26,836	25,060	4,508	131,866
Additions	3,023	4,340	1,687	3,589	-	2,385	15,024
Disposals	-	-	-	-	-	-	-
Cost	-	3,168	-	-	-	407	3,575
Accumulated depreciation	-	(3,168)	-	-	-	(407)	(3,575)
Depreciation (note 19)	(28,317)	(4,326)	(7,892)	(12,833)	(3,195)	(1,586)	(58,149)
Closing net book value	28,870	8,379	6,728	17,592	21,865	5,307	88,741
At 30 June 2024							
Cost	188,821	35,390	41,007	66,258	34,776	18,048	384,300
Accumulated depreciation	(159,951)	(27,011)	(34,279)	(48,666)	(12,911)	(12,741)	(295,559)
Net book value	28,870	8,379	6,728	17,592	21,865	5,307	88,741
Annual rate of depreciation (%)	33%	20%	20%	20%	10%	20%	20%

5.1 Certain assets were transferred to the Company on 3 June 2015 by NTDC in accordance with the terms and conditions of the Business Transfer Agreement between NTDC and the Company. However, transfer of title of the 4 vehicles (2023: 4 vehicles) in the name of the Company is under process with the Vehicle Registration Authorities.

6 INTANGIBLE ASSETS

	Enterprise Resource Planning System	Computer Softwares and License fees	Assets under development (note 6.1)	Total
----- (Rupees in thousand) -----				
At 1 July 2022				
Cost	37,674	46,590	9,701	93,965
Accumulated amortization	(33,048)	(15,093)	-	(48,141)
Net book value	<u>4,626</u>	<u>31,497</u>	<u>9,701</u>	<u>45,824</u>
Year ended 30 June 2023				
Opening net book value	4,626	31,497	9,701	45,824
Additions	-	22,245	1,846	24,091
Transferred from assets under development	-	8,570	(8,570)	-
Amortization charge (note 19)	(4,626)	(13,281)	-	(17,907)
Closing net book value	<u>-</u>	<u>49,031</u>	<u>2,977</u>	<u>52,008</u>
At 30 June 2023				
Cost	37,674	77,405	2,977	118,056
Accumulated amortization	(37,674)	(28,374)	-	(66,048)
Net book value	<u>-</u>	<u>49,031</u>	<u>2,977</u>	<u>52,008</u>
Year ended 30 June 2024				
Opening net book value	-	49,031	2,977	52,008
Additions	-	799	-	799
Amortization charge (note 19)	-	(15,553)	-	(15,553)
Closing net book value	<u>-</u>	<u>34,277</u>	<u>2,977</u>	<u>37,254</u>
At 30 June 2024				
Cost	37,674	78,204	2,977	118,855
Accumulated amortization	(37,674)	(43,927)	-	(81,601)
Net book value	<u>-</u>	<u>34,277</u>	<u>2,977</u>	<u>37,254</u>
Annual rate of amortization (%)	20%	20%		

6.1 As at 30 June, 2024, the assets under development represents payment made in respect of implementation of Electricity Load Forecast Tool.

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7 RIGHT-OF-USE ASSET

	Note	2024 (Rupees in thousand)	2023 (Rupees in thousand)
Opening net book value		17,209	86,048
Reassessment during the year	15.1	338,922	-
Depreciation charge for the year	19	(67,974)	(68,839)
Closing net book value		<u>288,157</u>	<u>17,209</u>
Cost		631,487	292,565
Accumulated depreciation		<u>(343,330)</u>	<u>(275,356)</u>
Net book value		<u>288,157</u>	<u>17,209</u>
Annual rate of amortization (%)		20%	24%

7.1 The Company obtained building on lease for office use. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. During the year, lease term has been extended for further period of five years i.e., from 1 October 2023 to 30 September 2028 (5 years).

8 DEFERRED INCOME TAX ASSET

Deferred tax asset as at 30 June 2024 to the extent of Rupees 61.83 million (2023: Rupees 46.46 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.

	2024 (Rupees in thousand)	2023 (Rupees in thousand)
This comprises of following:		
Deferred tax asset on deductible temporary differences in respect of:		
Accelerated accounting depreciation / amortization	30,714	23,314
Leases	9,175	1,883
Long term loans to employees	13,888	16,598
Accrued profit on bank accounts	(63,843)	(8,323)
Provision for staff benefits	36,851	12,985
Unused tax losses	21,074	-
Unused tax depreciation and amortization	13,974	-
	<u>61,833</u>	<u>46,457</u>
Less: Unrecognized deferred tax asset	<u>(61,833)</u>	<u>(46,457)</u>
	<u>-</u>	<u>-</u>

Unused tax losses (excluding unused tax depreciation and amortization) of Rupees 72.7 million will expire in the tax year 2030.

9 LONG TERM SECURITY DEPOSITS

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

10 LONG TERM LOANS TO EMPLOYEES - SECURED

	2024 (Rupees in thousand)	2023 (Rupees in thousand)
Long term loans to employees	130,485	132,125
Current portion shown under current assets	<u>(31,081)</u>	<u>(25,824)</u>
	<u>99,404</u>	<u>106,301</u>

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	Note	2024 (Rupees in thousand)	2023
10.1 Movement in long term loans to employees:			
Balance at the beginning of the year		132,125	-
Gross amount disbursed		42,894	213,772
Less: loss on initial recognition of financial assets	19.1	(15,081)	(68,750)
Present value of disbursements		159,938	145,022
Finance income for the year		24,426	11,514
Repayments		(53,879)	(24,411)
Balance at the end of the year		130,485	132,125
Less: current portion shown under current assets		(31,081)	(25,824)
		<u>99,404</u>	<u>106,301</u>

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

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

10.4 These long term loans to employees are measured at the effective interest rates ranging from 16.13% to 23.02% (2023: 16.13% to 22.36%) per annum.

11 TAXATION RECOVERABLE / (PROVISION FOR TAXATION) - NET

	Note	2024 (Rupees in thousand)	2023
Balance at the beginning of the year		(61,250)	82,957
Provision made during the year - net	22	-	(338,682)
Income tax paid / deducted at source during the year		365,218	194,475
Balance at the end of year		<u>303,968</u>	<u>(61,250)</u>

12 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - unsecured, considered good:

Staff advances		1,632	1,847
Advances to suppliers		939	851
		<u>2,571</u>	<u>2,698</u>

Market operation fee receivable from DISCOs and K-Electric (related parties) - unsecured	12.1	-	405,766
Prepaid expenses		45,944	11,855
Income tax recoverable from the tax authorities	17.1.1	5,259,284	5,259,284
Accrued profit on bank accounts		220,149	28,700
Other receivables		9,022	158
		<u>5,536,970</u>	<u>5,708,461</u>

12.1 The maximum aggregate amount due from the related parties at the end of any month during the year was Rupees 1,223,605 thousand (2023: Rupees 405,766 thousand).

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13 BALANCE IN ESCROW DEPOSIT ACCOUNTS - RESTRICTED

- 13.1 This represents restricted balance of Rupees 44,055,635 thousand (2023: Rupees 30,860,172 thousand) and Rupees 0.293 thousand (2023: Rupees 18,524 thousand) held in escrow accounts for profit / rental payments of Pakistan Energy Sukuk-I / Sukuk-II issued by Power Holding Limited (PHL) and escrow account for payment to WAPDA Hydel, respectively.

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

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

- 13.2 The balances in deposit accounts carry mark up which ranges from 14.75% to 20.51% (2023: 6.5% to 19.5%) per annum.

14 CASH AT BANK - DEPOSIT ACCOUNTS

- 14.1 This includes cash at bank amounting to Rupees 35,069,508 thousand (2023: Rupees 35,670,748 thousand) collected from the Principals as at the reporting date pending settlement among the market participants by the Company as per the Commercial Code. Cash at bank amounting to Rupees 108,345 thousand (2023: Rupees 85,467 thousand) is held by the Company out of which Rupees 104,226 thousand (2023: Rupees 85,332 thousand) has been received from GoP for arbitration payments and the balance amount of Rupees 4,119 thousand (2023: Rupees 135 thousand) is for running its operations.

- 14.2 The balances in deposit accounts carry mark up which ranges from 10.00 % to 20.51% (2023: 6.5% to 19.5%) per annum.

- 14.3 These balances includes Rupees 16,946,806 thousand (2023: Rupees 10,779,145 thousand) held with the Bank of Punjab and National Bank of Pakistan - related parties.

15 LEASE LIABILITY

	Note	2024 (Rupees in thousand)	2023 (Rupees in thousand)
Total lease liability		319,793	23,701
Less: Current portion shown under current liabilities		(44,148)	(23,701)
		<u>275,645</u>	<u>-</u>

15.1 Reconciliation of lease liability

Opening balance		23,701	110,472
Reassessment during the year	7	338,922	-
Unwinding of interest on lease liability	20	55,528	6,907
Payments during the year		(98,358)	(93,678)
Closing balance		319,793	23,701
Less: current portion shown under current liabilities		(44,148)	(23,701)
		<u>275,645</u>	<u>-</u>

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16 ACCRUED AND OTHER LIABILITIES

	Note	2024 (Rupees in thousand)	2023 (Rupees in thousand)
Payable by the Company to the market participants representing offer*		39,655,146	40,412,172
Payable to Power Holdings Limited (PHL) (a related party) in respect of energy payables swapped by GoP	13.1	44,055,635	30,860,172
Neelum Jhelum surcharge	16.1	62,627	62,627
Electricity duty	16.1	566,762	429,500
Accrued and other payables by the Company	16.2	844,511	447,105
		<u>85,184,681</u>	<u>72,211,576</u>

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

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

16.2 Accrued and other payables by the Company

	Note	2024 (Rupees in thousand)	2023 (Rupees in thousand)
Advance from DISCOs and K-Electric (a related parties) against market operation fee	12.1	250,430	18,494
Advance from GoP for arbitration payment		113,248	85,332
Withholding tax payable		757	1,420
Payable to employees contributory provident fund		6,082	-
Payable to employees gratuity fund	16.2.1	254,146	89,552
General sales tax payable - net		15,752	46,706
Payable to suppliers		40,813	44,962
Bid security		14,225	12,787
Accrued and other liabilities	16.2.2	149,058	147,852
		<u>844,511</u>	<u>447,105</u>

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16.2.1 The latest actuarial valuation was carried out at 30 June 2024, using the projected unit credit actuarial cost method. The amounts recognised in the financial statements are determined as follows:

	2024	2023
	(Rupees in thousand)	
Statement of financial position		
Present value of defined benefit obligation	705,616	360,787
Less: Fair value of plan assets	(451,470)	(271,235)
Net liability	<u>254,146</u>	<u>89,552</u>
Changes in present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	360,787	218,650
Current service cost	100,046	44,612
Interest cost on defined benefit obligation	54,383	29,203
Benefits paid	(30,996)	(4,663)
Remeasurement losses:		
- Actuarial loss from changes in financial assumptions	73,267	51,763
- Experience adjustments	148,129	21,222
Present value of defined benefit obligation at the end of the year	<u>705,616</u>	<u>360,787</u>
Changes in fair value of plan assets		
Fair value of plan assets	271,235	150,855
Contributions	147,777	93,240
Interest income on plan assets	51,916	26,344
Benefits paid	(30,996)	(4,663)
Return on plan assets, excluding interest income	11,538	5,459
Fair value of plan assets at end	<u>451,470</u>	<u>271,235</u>
Expenses to be charged to the income and expenditure statement		
Current service cost	100,046	44,612
Interest cost on defined benefit obligation	54,383	29,203
Interest income on plan assets	(51,916)	(26,344)
	<u>102,513</u>	<u>47,471</u>
Total remeasurement losses recognised in other comprehensive income		
Actuarial loss from changes in financial assumptions	73,267	51,763
Experience adjustments	148,129	21,222
	<u>221,396</u>	<u>72,985</u>
Return on plan assets, excluding interest income	(11,538)	(5,459)
	<u>209,858</u>	<u>67,526</u>
Changes in net liability		
Net liability at the beginning of the year	89,552	67,795
Expenses charged to the income and expenditure statement	102,513	47,471
Remeasurement losses recognised in other comprehensive income	209,858	67,526
Contributions	(147,777)	(93,240)
Net liability at the end of the year	<u>254,146</u>	<u>89,552</u>

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Significant actuarial assumptions

	2024	2023
Discount rate used for year end obligation	14.00%	15.75%
Salary increase rate used for the next year end obligation	27.58%	35.00%
Salary increase rate used - long term	14.00%	15.75%
Next salary is increased at	01 July 2024	01 July 2023
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates	Moderate	Moderate
Retirement assumption	Age 60	Age 60
Average duration of obligation	11	10

Plan assets comprise:

	2024	2023
Sukuks	51.33%	89.13%
Mutual Funds	48.05%	10.19%
Cash at bank	0.43%	0.43%
Others	0.19%	0.25%
	<u>100.00%</u>	<u>100.00%</u>

Year end sensitivity analysis on defined benefit obligation

	Rupees in thousands
Discount rate +100 bps	(70,499)
Discount rate -100 bps	83,563
Salary increase +100 bps	82,836
Salary increase -100 bps	(71,183)

Expected benefit payments for next 10 years and beyond

	Rupees in thousands
FY 2025	35,739
FY 2026	43,866
FY 2027	53,160
FY 2028	163,590
FY 2029	119,834
FY 2030	46,112
FY 2031	110,110
FY 2032	40,782
FY 2033	133,525
FY 2034	111,873
FY 2035 and onwards	32,167,034

Estimated expenses to be charged to the income and expenditure statement in next year is Rupees 149,633 thousand.





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

- a) **Final Salary Risk** (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
- b) **Demographic Risks**
 - o **Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
 - o **Withdrawal Risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.
- c) **Investment Risk** – the risk of the investment underperforming and being not sufficient to meet the liabilities.

16.2.2 Accrued and other liabilities includes accrual on account of bonus to employees of Rupees 107,377 thousand (2023: Rupees 83,702 thousand).

17 CONTINGENCIES AND COMMITMENTS

17.1 CONTINGENCIES

17.1.1 The tax authorities issued show cause notice for tax liability of Rupees 5,567 million on 20 November 2018 on account of turnover tax and super tax under the Income Tax Ordinance, 2001 for the tax year 2017, assuming that the settlement of power generators invoices to DISCOs are the sales of the Company. The Company has filed writ petition against the show cause in the Lahore High Court on 20 December 2018 and LHC has decided the petition with direction to LTO, Lahore to satisfy the petitioner regarding jurisdiction to him and also issue an independent order in this regard. Thereafter, LTO issued a fresh notice dated 24 May 2022 and the Company submitted detailed reply to the Notice on 13 June 2022, against which the tax authorities issued assessment order on 30 November 2022. The assessment order was challenged before the Commissioner Inland Revenue, Appeals, Lahore (CIR(A)) who also upheld the order on 27 April 2023 and the tax authorities recovered Rupees 5,259 million on the same day through attaching bank accounts of the Company. The Company has challenged this coercive recovery before the Honorable Lahore High Court (LHC) through filing writ petition and also challenged the impugned order of the (CIR(A)) before the Appellate Tribunal Inland Revenue, Lahore (ATIR). The matter is currently pending adjudication before the LHC and the ATIR. The amount recovered by the tax authorities has been recognized by the Company as tax recoverable from the tax authorities as disclosed in note 12 to these financial statements. The management and its legal advisor are confident that the matter will be decided in the Company's favour and the amount recovered by the tax authorities will be refunded to the Company by tax authorities.

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17.1.2 The tax authorities have issued assessment order dated 15 June 2022 wherein demanded Rupees 44.18 million due to adjustment of previous year refund against tax liability of 2019. The Company has filed appeals before the Commissioner Inland Revenue, Appeals, Lahore (CIR(A)) on 25 June 2022 and the CIR(A) has remanded back the case to tax authorities vide order dated 20 October 2022 and the tax authorities has challenged the order of CIR(A) before the ATIR. Hence, the matter is still pending adjudication before the ATIR.

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

17.1.4 The tax authorities has issued show cause notice dated 11 June 2024 for alleged tax liability of Rupees 9,148 million on account of the minimum tax for the tax year 2018, assuming that the settlement of power generators invoices to DISCOs and K-Electric are the sales of the Company. The Company has challenged this show cause before the Honorable Lahore High Court through filing constitutional writ petition wherein, the Honorable Lahore High Court vide its order sheet dated 27 June 2024 has directed that no adverse action shall be taken against the petitioner till the adjudication of the matter. The case is pending adjudication before authorities.

17.2 COMMITMENTS

As at 30 June 2024, the capital expenditure commitments of the Company amounting to Rupees 24,903 thousand (2023: Nil).

	Note	2024	2023
		(Rupees in thousand)	
18 MARKET OPERATION FEE			
Market operation fee	18.1	718,872	1,256,235
Less: sales tax		(93,766)	(163,857)
		<u>625,106</u>	<u>1,092,378</u>

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

Market Operation Fee (MOF) for the year ended 30 June 2024 determined by NEPRA through notification dated 13 August 2024 @ Rupees 2.06/kW/month. The Company charged the MOF as per the notification in field for the financial year 2022-23 @ Rupees 3.48/kW/month from DISCOs/K-Electric during the year. The excess MOF charged shall be adjusted by NEPRA in the MOF determination for the financial year 2024-25 and accordingly, the excess amount recovered of Rupees 250,430 thousand (net of sales tax of Rupees 64,635 thousand) has been recognised as advance under "Accrued and other liabilities" as disclosed in note 16.2 and will be recognised as income in the ensuing year. The detail of MOF charged and determined by NEPRA for the financial year 2023-24 is as follows:

	MOF charged	MOF determined	Excess MOF
	(Rupees in thousand)		
Market operation fee	1,214,405	718,872	495,533
Less: sales tax	(158,401)	(93,766)	(64,635)
	<u>1,056,004</u>	<u>625,106</u>	<u>430,898</u>



19 OPERATING EXPENSES	Note	2024 (Rupees in thousand)	2023
Salaries and other benefits	19.1	1,483,503	1,020,956
Repair and maintenance		8,581	7,316
Legal and professional		21,904	10,311
Litigation, arbitration and ancillary cost with respect to PPAs	19.2	1,007,551	-
Directors' meeting fee		11,375	9,125
NEPRA license fee		17,171	20,821
Auditor's remuneration	19.3	3,840	3,200
Depreciation	5	58,149	52,871
Amortization	6	15,553	17,907
Depreciation on right-of-use asset	7	67,974	68,839
Rent		2,980	1,873
Utilities		19,286	14,258
Communication		10,038	10,056
Travelling		20,444	21,026
Vehicles' running		14,269	16,657
Training expenses		4,390	4,622
Office supplies		13,487	10,589
Printing and stationery		4,871	3,196
Fee and subscriptions		94,003	63,780
Advertisement		2,229	2,499
Outsourced services		15,004	12,751
Miscellaneous		10,571	7,599
		<u>2,907,173</u>	<u>1,380,252</u>

19.1 Salaries and other benefits includes provident fund and gratuity fund charge of Rupees 29,722 thousand and Rupees 102,513 thousand (2023: Rupees 19,386 thousand and Rupees 47,471 thousand) respectively by the Company. This also includes employee benefits amounting to Rupees 15,081 thousand (2023: Rupees 68,750 thousand) related to differential amount on initial recognition of long-term interest free loans given to employees, as disclosed in note 10 to these financial statements.

19.2 This includes an amount of Rupees 742,492 thousand related to expenses incurred in prior years which has been charged to the income and expenditure statement pursuant to the decision of NEPRA issued during the year to recover such costs through market operation fee. Out of the total amount of Rupees 1,007,551 thousand, an amount of Rupees 500,000 thousand has been allowed by NEPRA in current year market operation fee determination. The remaining amount would be allowed subject to the provision of requisite information in determination of market operation fee of the ensuing year(s).

19.3 Auditor's remuneration	2024	2023
	(Rupees in thousand)	
Statutory audit fee	2,880	2,400
Audit fee employees retirement benefit funds	450	375
Review of corporate governance requirements	240	200
Out of pocket expenses	270	225
	<u>3,840</u>	<u>3,200</u>

19.3.1 Audit fee includes sales tax of Rupees 466 thousand (2023: Rupees 388 thousand).

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20	FINANCE COSTS	Note	2024	2023
			(Rupees in thousand)	
	Imputed interest on lease liability	15.1	55,528	6,907
	Bank charges		1,007	567
			<u>56,535</u>	<u>7,474</u>
21	MINIMUM TAX - LEVY			
	This represents portion of minimum tax paid under section 153 of the Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21/IAS 37.			
	Reconciliation of current tax charge charged as per tax laws for the year, with current tax recognised in the income and expenditure statement, is as follows:			
			2024	2023
			(Rupees in thousand)	
	Current tax liability for the year as per applicable tax laws		56,260	338,682
	Portion of current tax liability as per tax laws, representing income tax under IAS 12		-	(338,682)
	Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21/IAS 37		(56,260)	-
	Difference		<u>-</u>	<u>-</u>
22	TAXATION CHARGE			
	Current tax		<u>-</u>	<u>338,682</u>
22.1	Reconciliation of tax charge for the year			
	Surplus before levy and taxation		<u>654</u>	<u>982,436</u>
	Tax at applicable rate of 29% (2023: 29%)		190	284,906
	Carry forward business losses utilized during the year		-	(76,261)
	Super tax		-	106,396
	Deferred tax asset not recognized		(15,054)	16,758
	Effect of permanent differences		14,864	6,883
			<u>-</u>	<u>338,682</u>
23	PROVIDENT FUND RELATED DISCLOSURE			
	The investments of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.			
24	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:			





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24.1 Details of payables / receivables between the market participants as on 30 June 2024 has been provided as under:

	Note	2024 (Rupees in thousand)	2023
Payable by market participants representing demand*	24.1.1	2,794,395,960	2,758,451,372
Payable by NTDC through loan notes, a Government owned entity	24.1.2	26,769,851	26,769,851
Advances to Customs**		666,053	1,166,550
Advance paid to Lakhra Power Generation on demand on behalf of market participants	24.1.3	5,490,877	5,490,877
		<u>2,827,322,741</u>	<u>2,791,878,650</u>
Receivable by market participants representing offer	24.1.4	2,265,934,744	2,195,643,854
Payable by HUBCO	24.1.5	(802,000)	(802,000)
Energy payables swapped by Government of Pakistan	24.1.6	645,900,778	668,309,140
		<u>2,911,033,522</u>	<u>2,863,150,994</u>
Less: Payable by the Company to market participants and in respect of energy payables swapped by GoP and recorded in the financial statements	16	<u>(83,710,781)</u>	<u>(71,272,344)</u>
		<u>2,827,322,741</u>	<u>2,791,878,650</u>

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

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

	Note	2024 (Rupees in thousand)	2023
24.1.1 Payable by market participants representing demand*	24.1.1.1 & 24.1.1.2		
Government owned distribution companies			
Lahore Electric Supply Company Limited (LESCO)		372,326,062	319,620,615
Faisalabad Electric Supply Company Limited (FESCO)		115,830,984	106,660,255
Multan Electric Power Company Limited (MEPCO)		170,668,808	163,279,010
Quetta Electric Supply Company Limited (QESCO)		684,550,331	544,127,707
Gujranwala Electric Power Company Limited (GEPCO)		72,433,866	58,638,788
Islamabad Electric Supply Company Limited (IESCO)		121,882,531	110,042,284
Peshawar Electric Supply Company Limited (PESCO)		693,873,528	544,275,284
Tribal Areas Electric Supply Company Limited (TESCO)		70,000,348	66,210,943
Hyderabad Electric Supply Company Limited (HESCO)		459,779,985	388,297,237
Sukkur Electric Power Company Limited (SEPCO)		427,869,749	354,264,173
		<u>3,189,216,192</u>	<u>2,655,416,296</u>
K-Electric Limited	24.1.1.3	214,284,870	345,531,026
Tariff Differential Subsidy - unallocated	24.1.1.4	(340,470,672)	(284,983,882)
Government equity - unallocated	24.1.1.4	(262,075,000)	-
Tariff Rationalization Surcharge - unallocated	24.1.1.4	(6,559,430)	-
Markup on energy payables swapped by GoP	24.1.1.5	-	42,487,932
		<u>2,794,395,960</u>	<u>2,758,451,372</u>

24.1.1.1 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 and K-Electric 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.

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- 24.1.1.2** DISCOs and K-Electric have not yet acknowledged Delay Payment Interest (DPI) amounting to Rupees 492,941 million (2023: Rupees 316,940 million) and Rupees 186,540 million (2023: Rupees 167,017 million) respectively from the period 2009 to 2024. This includes DPI charged to DISCOs and K-Electric amounting to Rupees 110,630 million transferred from NTDC 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. During the year ended 30 June 2022, 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 for early resolution. Further action will be taken by the Company according to final outcome in the matter. During the year ended 30 June 2023, a revised reference vide letter no CFO/DGMF(CA&T)/(B&R)/Rec/20909 dated 23 December 2022 is filed by the Company with Ministry of Energy (Power Division), Government of Pakistan for regularisation of DPI not acknowledged by DISCOs including Rupees 110,630 million transferred under BTA from the period 2009 to 2015 and Rupees 212,840 million for the period 2016 to November 2022. Subsequent to the year end, another revised reference vide letter CEO/CPA/GMF(CA&T)/(B&R)9453 dated 22 August 2024 is filed by the Company with Ministry of Energy (Power Division), Government of Pakistan for regularisation of aforesaid DPI amounting to Rupees 491,348 million till June 2024 not acknowledged by DISCOs which includes Rupees 110,630 million transferred under BTA from the period 2009 to 2015.

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

- 24.1.1.3** NTDC 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. During the year, the Mediation Agreement was executed between the parties and they appointed a mediator. The arrangement of resolving the Company's receivables, alongwith others government entities, against K-Electric is currently in process.

- 24.1.1.4** This represents unallocated balance of Tariff Differential Subsidy (TDS) of Rupees 275,875 million (2023: Rupees 220,389 million), incentive package announced by PM of Rupees 8,788 million (2023: Rupees 8,788 million), Economic Stimulus Package of Rupees 46,200 million (2023: Rupees 46,200 million), Prime Minister's Relief Package for small and medium size enterprises (SMEs) on account of COVID-19 pandemic of Rupees 3,980 million (2023: Rupees 3,980 million), Zero rated industrial rebate of Rupees 3,127 million (2023: Rupees 3,127 million) and subsidy received for small and medium size enterprises (SMEs) AJK & Gilgit Baltistan of Rupees 2,500 million (2023: Rupees 2,500 million), unallocated balance of Government Equity of Rupees 262,075 million (2023: Nil) and unallocated Tariff Rationalization Surcharge of Rupees 6,559 million (2023: Nil) received from K-Electric. These balances will be allocated to DISCOs in accordance with Government's directions which are still awaited.

- 24.1.1.5** This represents aggregate net receivable from DISCOs on account of mark-up on energy payable swapped by Government of Pakistan as explained in Note 24.1.6. 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 Nil (2023: Rupees 40,267 million). However after levy of FCS, DISCOs pay the FCS to the Company, after collection from the consumers.

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	Note	2024 (Rupees in thousand)	2023
24.1.2 Payable by NTDC through loan notes, a government owned entity	24.1.2.1		
Loan note payable by NTDC		42,412,169	42,412,169
Net worth transferred back to NTDC in FY 2018-19		(7,163,223)	(7,163,223)
Overbooked revenue by NTDC transferred back to NTDC in FY 2018-19		251,061	251,061
Settlement made during the FY 2020-21			
- through adjustment of DISCOs payables to NTDC		(11,416,430)	(11,416,430)
- through adjustment of use of system charges payables by DISCOs		(3,713,726)	(3,713,726)
Receivable from GoP in lieu of K-Electric previously allocated to GENCOs		6,400,000	6,400,000
		<u>26,769,851</u>	<u>26,769,851</u>

24.1.2.1 As detailed in note 1.1 above, the Company entered into a BTA with NTDC in 2015. The detail of assets and liabilities transferred to the Company by NTDC (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 NTDC as at 30 June 2015	42,412,169

In a meeting held on 26 January 2017, the Company and NTDC agreed that a net liability of Rupees 42,412 million is payable by NTDC 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 NTDC 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 2024 is Rupees 26,770 million (2023: Rupees 26,770 million) of which Rupees 7,018 million (2023: Rupees 6,400 million) is yet to be acknowledged by NTDC.

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

	Note	2024 (Rupees in thousand)	2023
24.1.4			
Receivable by market participants representing offer	24.1.4.1 & 24.1.4.2		
Government owned Generation companies (GENCOs)		27,627,799	84,467,910
WAPDA Hydel Company		109,519,952	268,147,609
Nuclear Power Plants		418,925,453	235,582,433
Independent Power Producers (IPPs)		1,628,588,991	1,526,173,381
		2,184,662,195	2,114,371,333
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	24.1.4.3	80,469,955	80,469,955
Amounts due to WAPDA for HUBCO	24.1.5	802,000	802,000
Others		594	566
		<u>2,265,934,744</u>	<u>2,195,643,854</u>

- 24.1.4.1** This includes an amount of Rupees 373,133 million (2023: Rupees 218,228 million) due by market participants in respect of late payment interest. As on 30 June 2024, an amount of Rupees 77,108 million (2023: Rupees 127,487 million) is disputed in respect of liquidated damages penalties, imposed on power producers due to non-fulfilment of contractual provisions of PPAs. On resolution of dispute, the recovery of this amount shall be passed to the market participants representing demand is not reflected in these due balances.

- 24.1.4.2** Invoices by IPPs amounting to Rupees 115,392 million (2023: Rupees 99,824 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 2024 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 122,554 million (2023: Rupees 88,236 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).

- 24.1.4.3** This mainly represents balances transferred by WAPDA to NTDC 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 (2023: Rupees 2,318 million) payable by WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 533.93 million (2023: Rupees 533.93 million) on behalf of SEPCOL. The amount receivable from JPGL represents advance given for fueling of power complex. This advance was given with the objective to provide continuous electricity supply to the general public during the times of heavy loadsheddings as JPGL did not have funds for fuel purchasing. Recovery and liquidation proceedings are underway through the legal advisor of the Company. Recovery suit has been filed against JPGL and SEPCOL on 19 October 2015 and 10 October 2016 respectively for the recovery of outstanding amount before competent jurisdictions. As per the latest audited financial statements of JPGL and SEPCOL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets and the Honorable Islamabad High Court has ordered for winding up proceedings of SEPCOL through an order dated 11 January 2019.



24.1.5 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 disputed the adjustment and filed case against the Company in Sindh High Court and was subsequently agreed for arbitration under the Arbitration Act 1940, with an arbitrator. The arbitrator rendered the award which the Company has challenged before the Civil Court, Islamabad which is currently pending adjudication.

24.1.6 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.

Previously, servicing of loans amounting to Rupees 151,534 million (2023: Rupees 233,534 million) were being managed by way of Financing Cost Surcharge levied on end consumers under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated 3 October 2014. Further, as per ECC decisions, servicing of loans amounting to Rupees 37,500 million (2023: Rupees 37,500 million) and Rupees 41,000 million (2023: Rupees 41,000 million) was the responsibility of GoP (Finance Division) and DISCOs respectively whereas servicing of loans amounting to Rupees 53,252 million (2023: Rupees 53,252 million) would be managed by a surcharge yet to be levied by GoP. These loans amounting to Rupees 283,286 million (2023: Rupees 365,286 million) have been restructured to fresh loans in the prior year, pursuant to ECC decision.

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

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

As at 30 June 2024, Rupees 96,944 million (2023: Rupees 96,944 million) have been paid by the Company to PHL on account of servicing of loan, as per the instructions of Ministry of Energy (Power Division) GoP, relating to loans where notification of surcharge for servicing of loan is yet to be levied by GoP and where servicing of loan is responsibility of GoP (Finance Division). The balance so paid to PHL is netted off from energy payable swapped by Government of Pakistan.

24.2 As on 30 June 2024, Use of system charges payable by DISCOs to NTDC and Pak Matari-Lahore Transmission Line Company (Private) Limited (PMLTC) through NTDC is Rupees 17,019 million (2023: Rupees 46,707 million) and Rupees 30,593 million (2023: Rupees 43,298 million) respectively.

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

As disclosed in note 1.1, 1.2 and 24.1.2.1, 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 NTDC in 2015. The below notes summarizes the pending litigations in respect of matters where the Company is acting in the capacity of agent on behalf of the Principals under the applicable laws, regulations and underlying agreements with Principals. Management expects a favorable outcome of these cases however, impact if any, in respect of these contingencies will be borne by the Principals. Litigation / arbitration expense incurred on actual basis are being charged to the Principals as pass through item as capacity transfer price.

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24.3.1 The Company has adjusted USD 0.447 million (equivalent to Rupees 124.418 million) from FFC Energy Limited. The Company has filed a Writ Petition NO.1365/2017, titled CPPA vs. NEPRA etc. against FFC Energy Limited on 11 April 2017 whereby the decision of NEPRA to reimburse the liquidated damages to FFC Energy Limited has been challenged. The matter is currently pending adjudication before the Islamabad High Court. Management believes that it has a reasonable strong case to impose liquidated damages.

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

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

24.3.3 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.

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

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

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

24.3.4 The Company had a dispute with Chiniot Power Limited (CPL) on account of fixed components of NEPRA's tariff over and above of 45% of Annual Plant Capacity Factor (APCF). The CPL had filed writ petition on 04 April 2019 against the matter before Islamabad High Court, which disposed of the writ petition with direction to CPL to approach the NEPRA Appellate Tribunal. The Company is confident that no liability will be payable by the Principals on account of this matter.



25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

25.1 Financial instruments by category

	2024	2023
	(Rupees in thousand)	
Financial assets at amortised cost		
Maturity up to one year		
Other receivables	229,171	434,624
Balance in escrow deposit accounts - restricted	44,055,635	30,878,696
Cash at bank - deposit accounts	35,177,853	35,756,215
Current portion of long term loans to employees	31,081	25,824
Maturity after one year		
Long term security deposits	21,864	21,864
Long term loans to employees	99,404	106,301
Financial liabilities at amortised cost		
Maturity up to one year		
Accrued and other liabilities	84,028,125	71,563,277
Current portion of lease liability	44,148	23,701
Maturity after one year		
Lease liability	275,645	-

25.2 Credit quality of financial assets

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

	Rating			2024	2023
	Short term	Long term	Agency	(Rupees in thousand)	
Balance in escrow deposit accounts - restricted					
Meezan Bank Limited	A1+	AAA	JCR-VIS	44,055,635	30,860,172
Habib Bank Limited	A1+	AAA	JCR-VIS	-	18,524
				<u>44,055,635</u>	<u>30,878,696</u>
Cash at bank - deposit accounts					
National Bank of Pakistan	A1+	AAA	PACRA	14,696,868	6,368,872
Allied Bank Limited	A1+	AAA	PACRA	2,779,927	4,539,542
Askari Bank Limited	A1+	AA+	PACRA	523,452	2,816,676
Faysal Bank Limited	A1+	AA	PACRA	1,175,720	1,697,543
Habib Bank Limited	A1+	AAA	JCR-VIS	1,523,101	4,475,686
The Bank of Punjab	A1+	AA+	PACRA	2,249,938	4,410,273
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	15,981	38,415
United Bank Limited	A1+	AAA	JCR-VIS	1,619,595	2,311,309
MCB Bank Limited	A1+	AAA	PACRA	5,310,343	3,845,182
Bank Alfalah Limited	A1+	AAA	PACRA	542,508	488,025
Bank Al-Habib Limited	A1+	AAA	PACRA	3,593,650	3,783,302
First Women Bank Limited	A2	A-	PACRA	11,033	227,309
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	93,032	87,421
Meezan Bank Limited	A1+	AAA	JCR-VIS	1,042,705	666,660
				<u>35,177,853</u>	<u>35,756,215</u>

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	Rating			2024	2023
	Short term	Long term	Agency	(Rupees in thousand)	
Counterparties with external credit ratings					
Other receivable					
National Bank of Pakistan	A1+	AAA	PACRA	9,022	-
Accrued profit on bank accounts					
National Bank of Pakistan	A1+	AAA	PACRA	154,162	8,442
Faysal Bank Limited	A1+	AA	PACRA	9,916	6,509
First Women Bank Limited	A2	A-	JCR-VIS	-	3,098
Habib Bank Limited	A1+	AAA	JCR-VIS	38,280	-
Meezan Bank Limited	A1+	AAA	JCR-VIS	15,806	7,508
The Bank of Punjab	A1+	AA+	PACRA	-	-
Habib Metropolitan Bank Limited	A1+	AA+	JCR-VIS	1,985	3,143
				220,149	28,700
Market Operation fee receivables from K-Electric	A1+	AA	PACRA	-	115,697
				229,171	144,397
Counterparties without external credit ratings					
Other receivables				-	290,227
Current portion of long term loan to employees				31,081	25,824
Long term security deposits				21,864	21,864
Long term loan to employees				99,404	106,301
				152,349	444,216

25.3 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 25.1 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 25.2.

In addition to above, financial assets include long term security deposits and long term loans to employees. Credit ratings and exposure are disclosed in note 25.2. 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 30 June 2024				
Accrued and other liabilities	84,028,125	84,028,125	-	-
Lease liability	319,793	44,148	275,645	-
As at 30 June 2023				
Accrued and other liabilities	71,563,277	71,563,277	-	-
Lease liability	23,701	23,701	-	-

(iii) **Market risk**

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

(a) **Currency risk**

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

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

(b) **Interest rate risk**

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

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

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

	2024	2023
(Rupees in thousand)		
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	35,177,853	35,756,215
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 351,779 thousand higher / lower (2023: Rupees 357,562 thousand), mainly as a result of higher / lower interest income on bank balances. This analysis is prepared assuming the amounts of bank balances at reporting dates were outstanding for the whole year.

(c) **Price risk**

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

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25.4 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.

25.5 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.

25.6 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.

26 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	Chief Executive Officer		Executives	
	2024	2023	2024	2023
	----- (Rupees in thousand) -----			
Managerial remuneration	-	-	583,070	319,457
Allowances:				
House rent	-	-	261,955	143,756
Utilities	-	-	58,213	31,946
Medical	-	-	58,213	31,946
Conveyance	-	-	77,291	54,100
Bonus	-	-	57,879	50,353
Leave encashment	-	-	55,458	25,614
	-	-	569,009	337,715
Contribution to provident fund	-	-	29,109	16,310
	-	-	1,181,188	673,482
Number of persons	1*	1*	161	110

*From 1st April 2022 Chief Financial Officer of the Company has been assigned an additional charge of Chief Executive Officer (CEO) in pursuant to the approval of the Federal Government vide notification dated 1 April 2022. An amount of Rupees 3,095 thousand (2023: Rupees 2,112 thousand) has been paid on account of additional charge of CEO by the Company during the year.

26.2 The aggregate amount charged in these financial statements in respect of meeting fee paid to 9 (2023: 12) directors is Rupees 11,375 thousand (2023: Rupees 9,125 thousand).

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





27 TRANSACTIONS WITH RELATED PARTIES

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

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

27.1 Government related entities

27.1.1 Market operation fee:

	2024		2023	
	Invoicing	Receipts	Invoicing	Receipts
	----- (Rupees in thousand) -----			
FESCO	93,538	158,636	167,343	62,630
GEPCO	68,923	92,270	121,963	50,135
HESCO	41,868	96,463	67,981	31,976
IESCO	61,599	74,757	97,260	37,654
LESCO	139,235	197,382	256,696	89,510
MEPCO	118,908	213,300	209,335	84,219
PESCO	78,793	153,157	139,442	60,160
QESCO	40,424	105,489	63,863	32,332
SEPCO	24,708	57,819	41,221	20,057
TESCO	16,215	47,224	30,845	14,662
K-Electric	34,661	160,077	60,286	-
	<u>718,872</u>	<u>1,356,574</u>	<u>1,256,235</u>	<u>483,335</u>

27.1.2 During the year the Company has received Rupees 3,893,691 million (2023: Rupees 3,038,498 million) from or on the behalf of DISCOs in accordance with its mandate as market operator.

27.1.3 During the year the Company paid to the Government owned market participants representing offer and PHL amounts to Rupees 1,612,616 million (2023: Rupees 1,294,819 million) in accordance with its mandate as market operator.

27.2 Post employment benefit plan:

	2024	2023
	(Rupees in thousand)	
Contribution to provident fund	<u>60,800</u>	<u>39,101</u>
Contribution to gratuity fund	<u>147,777</u>	<u>93,240</u>

28 NUMBER OF EMPLOYEES

	2024	2023
Number of employees as on 30 June	<u>245</u>	<u>235</u>
Average number of employees during the year	<u>240</u>	<u>232</u>

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29 GENERAL

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

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

30 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 OCT 2024 by the Board of Directors of the Company.

AGS



**CHIEF EXECUTIVE OFFICER /
CHIEF FINANCIAL OFFICER**



DIRECTOR



DIRECTOR



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