FCA FOR DEC 2022: NEPRA ASKS DISCOS TO REFUND RS2.3/UNIT TO CONSUMERS - THE AUTHORITY ORDERED DISTRIBUTION COMPANIES TO REFUND THE AMOUNT TO CONSUMERS IN FEBRUARY 2023 BILLS

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) on Thursday allowed the state-run power distribution companies (Discos) to refund Rs2.3166/unit on account of monthly fuel charges adjustments (FCA) for December 2022. The authority asked the distribution companies to refund this per unit price to the power consumers in their February 2023 bills. **Nepra** notified the decision, which shall be applicable to all the consumer categories except lifeline consumers, domestic consumers using up to 300 units, agriculture consumers and Electric Vehicle Charging Stations (EVCS), consumers of all the power distribution companies (Discos) except the consumers of K-Electric. “It is hereby clarified that negative adjustment on account of monthly **FCA** is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level,” reads the Nepra notification.

Actual Fuel Charges Component for December 2022 was registered at Rs7.0027/ per kilo watt hour (kWh) while the corresponding Reference Fuel Charges Component were fixed at Rs9.3193/kWh and the fuel price variation recorded at Rs2.3166/kWh for the month of December 2022. Earlier, Nepra on January 31, 2023 conducted a hearing on the application of the Central Power Purchasing Agency (CPPA) to consider variation in FCA of December 2022. After an initial scrutiny of the data, Nepra hinted at the approval of Rs2.3166/unit cut in the power **tariff** for the consumers of Discos. The CPPA, in its application on behalf of Discos, requested Rs2.20 per unit reduction in the power tariff under the head FCA for December 2022. During the month, 8,416.91 GWh of electricity was generated at the cost of Rs59.289 billion (or Rs7.0441/unit) and 8,096.88 GWh had been delivered to Discos at Rs57.648 billion (or Rs7.1198/unit). The transmission losses during December were 3.35 percent (or 282.10kWh).

The power regulator will hold a public hearing on the petition of CPPA-G on January 30, 2023. In earlier months, Nepra had been allowed to collect additional amounts from the consumers due to the high cost of imported fuel. The FCA for November 2022 was Rs4.3/unit, which would be collected in January 2023 bills. However, for October, the FCA was negative 0.3213/unit, which was being refunded to consumers in their December bills. It should be noted that cost of other fuels went up on YoY basis. The cost of RFO increased by 16 percent, RLNG went up 12.5 percent, whereas domestic gas price increased by 25 percent.

The power generation data showed that it was down by 4.7 percent YoY during December of this fiscal compared to the same month of last fiscal. Power generation went down by 4.7 percent YoY to 8,417 GWh (11,313MW) during the month under review compared to 8,828 GWh (11,866MW) during the same month of the last financial year. On MoM basis, generation increased by 0.6 percent. It is pertinent to mention that the FCA is reviewed every month as per the tariff regime applicable across the country and is usually applicable to the consumers’ bills for one month only. FCAs are linked with changes in global fuel prices and passed onto consumer bills under prescribed rules and regulations of Nepra and the Government of Pakistan.

TN 17-2-2023

DEC 2022: NEPRA APPROVES NEGATIVE ADJUSTMENT

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has approved negative adjustment of Rs 2.32 per unit in power Distribution Companies (Discos) for December 2022 under monthly Fuel Charges Adjustment (FCA) mechanism. During the hearing on January 30, 2023, Nepra observed that energy from costlier RFO-based power plants was generated to the tune of over Rs 1.003 billion, during the month of December 2022.

The Authority has been directing NPCC/NTDC and CPPA-G repeatedly to provide complete justification in this regard, to the satisfaction of the Authority and submit complete details for deviation from Economic Merit Order (EMO), showing hourly generation along with the financial impact for deviation from EMO, if any, and the reasons, thereof. It was observed that during December 2022, the System Operator had curtailed the drawl of energy from Thar energy projects i.e. Thar Energy Limited and Engro Power Thar Limited during certain hours, which resulted in out of merit generation from expensive/inefficient power plants.

The Nepra observed that curtailment of economical Thar energy projects led to a financial impact of Rs 587.86 million. The Authority, during the hearing, directed NTDC professionals to conduct a meeting with the relevant professionals of NEPRA and provide their clarifications/justifications for curtailment of load. Accordingly, a meeting was held with the relevant professionals of NTDC and NPCC, however, no solid justifications have been provided by NTDC regarding the resolution of the abovementioned system constraint. Accordingly, the amount of Rs.587.86 million has been withheld from the claim of CPPA-G for the month of December 2022. As per the data of FCA for December 2022, submitted by CPPA-G, AL-Noor Sugar Mills Limited (ANSML) supplied 1.18 GWh to Sepco at a cost of Rs 7.14 million based on the Authority’s approved rate of Rs 6.04/kWh. The CPPA-G included the energy & cost of electricity supplied by ANSM as part of overall pool cost.

The Authority, however, while approving the Power Acquisition Contract (PAC) filed by Sukkur Electric Power Company Ltd (Sepco) for Purchase of 8 MW from ANSML under Nepra Interim Power Procurement (Procedures and Standards) Regulations 2005, decided that since the power acquisition contract is signed between ANSML and Sepco, therefore, the costs must be accounted for in the basket of Sepco instead of CPPA-G.

The negative adjustment shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up to 300 units, Electric Vehicle Charging Stations (EVCS) and agriculture consumers of all the Discos. The negative adjustment on account of monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level. The adjustment shall be shown separately in the consumers' bills on the basis of units billed to the consumers in December 2022. Discos shall reflect the fuel charges adjustment in respect of December 2022 in the billing month of February 2023.

RS9.92/LITRE ON PETROL, RS13.12 ON HSD: PSO ALLOWED EXCHANGE RATE ADJUSTMENT

ISLAMABAD: The federal government allowed the Pakistan State Oil (PSO) an exchange rate adjustment of Rs9.92 per litre on petrol and Rs13.12 per litre on high-speed diesel (HSD) with effect from February 16 while keeping the petroleum levy (PL) rates on both products unchanged. On January 29, there was no adjustment claim of PSO on petrol and Rs13.15 per litre on HSD. The Oil and Gas Regulatory Authority (OGRA) ex-refinery sale price calculation reveals that petroleum prices were closed at US dollar/ Rs236.40 on January 27 which stood at Rs271.08 on February 15. The oil marketing companies (OMCs) had estimated that the petrol price would likely go up by Rs32.07 per litre and the price of HSD by Rs32.84 per litre due to the exchange rate.

Sources said that the government has absorbed the exchange rate adjustment in the rate of IFEM (inland freight equalisation margin) on both petroleum products by revising their rate downward. According to the build-up of the POL prices effective from February 16, the average Platts with incidentals and duty for petrol increased by Rs18.19 to Rs195.66 from Rs177.47 per litre on January 29, 2023. Details show that the ex-refinery price of petrol has surged by Rs28.11 per litre to Rs205.58 on February 16, from Rs177.47 per litre on January 29, 2023.

Petroleum levy on petrol sustained at Rs50 per litre and IFEM went down by Rs5.91 per litre to stand at Rs3.42 down from Rs9.33 per litre. However, dealers' margin stands at Rs7 per litre, and the distance margins stands at Rs6.00 per litre. The ex-depot price of petrol went up by Rs22.20 to stand at Rs272.00 per litre on February 16 from Rs249.80 per litre on January 29, 2023. On HSD, the average Platts with incidentals and duty increased by Rs13.09 to stand at Rs221.30 on February 16 from Rs208.21 per litre on January 29. In the case of HSD, PSO exchange adjustment down by three paisas (0.03) per litre to stand at Rs13.12 on February 16 from Rs13.15 per litre on January 29. The ex-refinery price of HSD worked out at Rs234.42 with an increase of Rs13.05 per litre.

The IFEM has reduced by Rs3.94 per litre to Rs6.76 per litre on February 16 from Rs9.33 per litre on January 29. Dealers' margin on HSD stands at Rs7 per litre with distance margins at Rs5.34 per litre. The ex-depot price has increased by Rs17.20 from Rs262.80 to Rs280 per litre. However, the petroleum levy on HSD was kept unchanged at Rs40 per litre as on January 29.

The government is currently getting the PL of Rs30 per litre on high octane blending component, 32 Paisas on kerosene oil, and Rs27.25 on light diesel oil (LDO). The Oil and Gas Regulatory Authority (OGRA) refused to share the recommended prices of petroleum products worked out for the current half of February with the media.

R 17-2-2023

SECP, PSX DISCUSS RELAUNCH OF NEW TRADING SYSTEM

KARACHI: The Securities and Exchange Commission of Pakistan (SECP) chairman Akif Saeed met with representatives of the brokerage industry on Thursday to deliberate relaunch of new trading system (NTS) at Pakistan Stock Exchange (PSX), a statement said. The chairman was accompanied by SECP commissioner Abdul Rehman Warraich and the SECP team, including Musarat Jabeen, executive director, chairman's secretariat, and Asif Iqbal, head of department, PRDD-SMD. The SECP chief and his team were apprised of the experiences, including the issues and challenges, faced by brokerage houses during mock tests of Jade Trading Terminal (JTT) and other ancillary systems that have recently been conducted by PSX to ensure successful testing of the functionalities and speed prior to going-live with NTS. Saeed stressed the importance of continuous collaboration and communication amongst all stakeholders for the successful re-launch of NTS at PSX. Further, he also ensured to provide necessary support to all relevant stakeholders, as a timely and smooth launch of the NTS is critical for the introduction of new products, the development of the derivative market, and the overall progress of the capital market in Pakistan.

TN 17-2-2023

ICIEC RE-INSURANCE DEALS: GOVT DECIDES TO EXEMPT EXIM BANK FROM PPRA RULES

ISLAMABAD: The government has decided to exempt Exim Bank from applicability of PPRA Rules for signing of the re-insurance arrangements with Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), well informed sources told *Business Recorder*.

Exim Bank of Pakistan, in its letter on January 13, 2023, requested PPRA Authority to guide them regarding applicability of PPRA Rules on re-insurance arrangements and if the same are applicable on re-insurance arrangements then exemption may be granted from Public Procurement Rules, 2004.

EXIM Bank's mandate is to provide financing to support the growth of exports from Pakistan, undertake import substitution projects and provide trade risk mitigation products and services. To this end Exim Bank will be introducing, for the first time in Pakistan, Export Credit Insurance (ECI) products for exporters and banks with a focus on SME clients.

ECI is an indemnity contract between an insurance company and a business (exporter) whereas the insurer undertakes to pay the exporter in case the insured international buyer does not pay an amount due to the exporter for the good exported. Therefore, ECI provides businesses the confidence to extend credit to their customers, thereby providing exporters more trade opportunities. ECI is available internationally but not to Pakistani exporters, creating a disadvantage for them. EXIM Bank will provide the indemnification to create level playing field for Pakistani exporters while bearing the risks.

In line with international risk management practices, Exim Bank will reinsure part of its ECI portfolio risk. Exim Bank of Pakistan stated that reinsurance is a form of indemnity and reinsurance contract; therefore, it would be similar in nature to a contract of indemnity. Insurance companies transfer insurance risk to reinsurance companies to limit risk exposure and improve their financial statements.

The premium charged by the insurance company is the "risk premium" the company has calculated based on actuarial data. Reinsurance is a form of normal business transaction of an insurance company whereby keeping in view the peculiarity of every transaction, risk mitigation tools are deployed.

Exim approached credible international organizations in reinsurance business including Swiss-re, Munich-re, Credendo and Islamic Corporation for the insurance of investments and Exports Credit (ICIEC). In response the organizations provided a consistent reply indicating inability to offer Exim Bank any re-insurance support; however, there is a positive response from ICIEC (a subsidiary of Islamic Development Group).

According to Finance Division, in case of non-availability of re-insurance from the commercial market, it seems prudent for Exim to materialize the only available option of ICIEC. Besides, the fact that reinsurance will protect the balance sheet of Exim Bank and help to utilize Exim's limited equity on other trade financing activities. Engagement with ICIEC will also be useful in knowledge transfer and technical assistance.

The sources said, in this regard multiple meetings were held at Secretary Finance Office and Director General M&E PPRA Office to explore other possibilities for signing of contract. Exim Bank of Pakistan stated that they have explored all available options for re-insurance arrangements. These options included the possibility of signing an agreement between Government of Pakistan and Multilateral Aid partner (ICIEC - an entity of IsDB Group, as Pakistan is a member state of ISDB), reinsurance arrangements with Re-Insurance Company Limited (Pak-Re) and decision of PRRA Board on the proposed re-insurance arrangements.

EXIM Bank of Pakistan also referred the matter to Liaquat Merchant Associates (LMA), one of the top law firms in Pakistan, which has opined that entering into reinsurance arrangement(s) by Exim Bank with reinsurers would not be classified as 'public procurement' as defined in PPRA.

The view of the law firm is as follows "thus, in our view, reinsurance is for all practical purposes a financial arrangement between the insurance company and the reinsurer whereby the reinsurer accepts to share the risk of the insurance company against payment of a pre-agreed premium." EXIM Bank of Pakistan stated that only decision of PPRA Board on the proposed re-insurance arrangements is the possible option. In view of the foregoing, Exim Bank has requested PPRA to provide guidance with reference to the applicability of PPRA Rules on the reinsurance arrangements. In case PPRA decrees that its rules are applicable on the proposed reinsurance arrangement, then Exim Bank would request that PPRA should provide Exim Bank an exemption from Public Procurement Rules, 2004, for signing of reinsurance arrangements with ICIEC.

The matter of the applicability of the Public Procurement Rules, 2004 on the re-insurance arrangements was deliberated at length at PPRA. The recent amendments in Public Procurement Regulatory Authority Ordinance, 2002, enhance the ambit of public procurement by including commercial transactions between procuring agency and private party in terms of which a private party is allowed to receive a benefit from budget or revenue of the Federal Government or from fees or charges to be collected by the private party for performing the procuring agency's function.

The sources further stated that since re-insurance arrangement involves transfer of a portion of procuring agency's risk to another party in lieu of some share of the policy premiums sold by the procuring agency; therefore, Public Procurement Rules, 2004 are applicable on such procurements.

Exim Bank of Pakistan intends to reinsure part of its Export Credit insurance portfolio risk to ICIEC; therefore, in terms of section 2(l) of PPRA Ordinance, 2002, such financial transaction falls within the ambit of public procurement.

The sources said exemption from the Public Procurement Rules is granted by the Federal Government on the recommendation of the PPRA Board in the larger national interest in accordance with section 21 of the Public Procurement Regulatory Authority Ordinance, 2002.

The matter of the Exim Bank appears to be commercial interest of the organization for safeguarding its interest by transferring the insurance risk to re-insurance companies to limit risk exposure and improve their financial statements. However, the Exim Bank will be providing the indemnification products to Pakistani exporters for the first time, thereby creating a level-playing field for exporters with relation to foreign countries resulting in increase in the exports of the country. After explaining the case, Exim Bank has sought exemption from applicability of PPRA Rules, for signing of the re-insurance arrangements with ICIEC.

R 17-2-2023

SPAIN BACKS LAW CREATING EUROPE'S FIRST 'SPECIAL LEAVE TO WOMEN*'

Spain's parliament approved Thursday a law granting paid medical leave to women suffering severe period pain, becoming the first European country to advance such legislation. The law, which passed by 185 votes in favour to 154 against, is aimed at breaking a taboo on the subject, Spain's left-wing government has said.

Menstrual leave is currently offered only in a small number of countries across the globe, such as Japan, Indonesia and Zambia. "It is a historic day for feminist progress," tweeted Equality Minister Irene Montero, who says the move is a step toward addressing a health problem that has been largely swept under the carpet.

The legislation entitles employees experiencing period pain to as much time off as they need, with the state social security system — not employers — picking up the tab for the sick leave. As with paid leave for other health reasons, it requires a doctor's approval, though the length of sick leave is not specified in the law. About a third of women suffer from severe menstrual pain, according to the Spanish Gynaecology and Obstetrics Society. "Periods will no longer be taboo," Montero said after the law was initially approved by the cabinet in May 2022. "No more going to work with pain, no more taking pills before arriving at work and having to hide the fact we're in pain that makes us unable to work."

Politicians, unions divided- But the legislation created divisions among both politicians and unions.

The CCOO, one of Spain's main trade unions, welcomed the move as a major "legislative advance" to recognise a problem that has been "ignored" until now. But the UGT, Spain's other main union, warned it could stigmatise women in the workplace and indirectly hinder their "access to the labour market", a stance echoed by the main right-wing opposition Popular Party (PP).

Menstrual leave was part of a broader law that also bolsters access to abortion services in public hospitals, a right that remains fraught with difficulties in a country with a strong Catholic tradition. Less than 15 per cent of abortions performed in the country take place in public hospitals, mainly because of conscientious objections by doctors.

The new legislation also allows minors aged 16 and 17 to have an abortion without parental permission, reversing a requirement introduced by a previous conservative government in 2015. Spain, a European leader in women's rights, decriminalised abortion in 1985, and in 2010, it passed a law that allows women to opt freely for abortion during the first 14 weeks of pregnancy in most cases.

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