

Ref: KAPCO/MISC/2022/L-005
April 13, 2022

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The Editor-in-Chief
Business Recorder
531, Recorder House Business
Recorder Road, Karachi

Extension in PPA: Senate Panel seeks details of payments made to KAPCO

Dear Sir,

We write with reference to the captioned news item published in your esteemed newspaper on April 11, 2022. The news item is leading to unwarranted apprehensions as it is based on incomplete/incorrect understanding. We take this opportunity to clarify and correct inaccuracies in the news reporting as follows:

1. Due to the continued default on payments resulting in piling of huge payables by the Power Purchaser, KAPCO was unable to procure required fuel to meet the despatch requirement of the system. Despite its own default, Power Purchaser imposed LDs during the period 2009-16 which were immediately disputed by KAPCO. As per PPA, KAPCO initiated arbitration proceedings under the International Chamber of Commerce (ICC) which were underway in Singapore when the Government of Pakistan formed a Negotiation Committee in June 2020 to enter into discussions with IPPs for, inter alia, tariff reduction.
2. KAPCO, like other IPPs, at the request of Government entered into negotiations with the Negotiation Committee, and keeping in view the larger national interest, signed a Memorandum of Understanding in August 2020 (MoU). The MoU was duly approved by all the relevant authorities including the Federal Government. Following which, formal Master Agreement and the Third Amendment to the PPA (Third PPA Amendment) were signed between KAPCO and the Power Purchaser in February 2021.
3. As per the settlement of the LDs dispute between KAPCO and the Power Purchaser (under the Third PPA Amendment) it was agreed to treat the outage period (2009 to 2016) due to fuel shortage as Other Force Majeure Event under the PPA and existing term of the PPA was consequently extended by 485 days. During the 485 days extended period, KAPCO is to receive Energy Payments for energy delivered; and is neither invoicing nor receiving Capacity Payments from the Power Purchaser for the extended period. Further, as part of the settlement, KAPCO is invoicing Energy Payments with an 11% discount in Variable Operation and Maintenance portion against the delivered net output. It will not be out of place to state that as part of the settlement the parties agreed to settle some other disputes as well.
4. The 485 days extension is within the terms and conditions of the PPA. It may be noted that similar terms have also been agreed with some of the other IPPs through negotiation / settlement.





5. KAPCO will duly file a Tariff Petition, in due course, before NEPRA for continuing its operation beyond the term of its PPA, which expires on October 24, 2022.
6. KAPCO has always and will continue to act in the best interest of the Country in addition to the continued compliance with the law and the contracts signed.

We request that a corrigendum clarifying KAPCO's position be published.

Yours faithfully,
For Kot Addu Power Company Limited

A handwritten signature in blue ink, appearing to read 'Aftab Mahmood Butt', written in a cursive style.

Aftab Mahmood Butt
Chief Executive

Copy to:
Pakistan Stock Exchange
SECP