

MEMORANDUM OF UNDERSTANDING

The Committee for Negotiations with Independent Private Power Producers notified by Government of Pakistan per notification number F.No.Co-Gen IPP- 1(12)/2019-20 dated 3.6.2020 (the “Committee”) and the ABC (Private) Limited (“Co-Gen IPP”), which has set up a bagasse-based Co-gen Power Project pursuant to the Framework for Power Co-Generation 2013 (Bagasse/ Biomass) (the “Framework”), (collectively referred to as the “Parties”) had several rounds of discussions and the Parties have agreed to alter their existing contractual arrangements to the extent of, and strictly with respect to, the matters listed under this Memorandum of Understanding (“MoU”). The terms of this MoU are subject to the approval of the Federal Cabinet, NEPRA and Co-Gen IPP’ board of directors, shareholders, lenders and other necessary approvals.

The Co-Gen IPP has, in the larger national interest, voluntarily agreed to provide certain concessions on prospective basis as follows:

1. The fixed O&M cost component of the tariff shall be reduced by 10%.
2. The insurance during operation component shall be reduced to 0.75% of EPC cost.
3. Return on Equity and Return on Equity during Construction shall be reduced to 13% per annum. The miscalculation of IRR, on account of periodicity of payments, has been addressed through this reduction in return component.
4. The annual 45% plant factor shall be calculated over six terms of five-years each, starting from COD, to account for significant variation in bagasse availability (“Average PF”). In future, for any energy produced and dispatched in excess of the Average PF, the purchaser shall pay the Energy Price whereas the Fixed Cost Component shall be shared 60:40 in favour of the purchaser.
5. The Co-Gen IPP shall coordinate with their lenders and make efforts, with the GoP’s support, to extend the debt-tenor by five years and reduce the spread over KIBOR by 100-125 basis points. Entire benefit from these changes shall be passed on to the purchaser. The GoP shall support the Co-Gen IPP in replacing their current KIBOR based long-term debt with State Bank of Pakistan’s refinancing facility for renewable projects.
6. The GOP shall help the Co-Gen IPP resolve the following issues: (a) the bagasse price shall be re-determined by NEPRA keeping in view its own ruling which is the basis of the Co-Gen IPP’s financing, (b) the issue of set-off by the purchaser of certain amounts which are disputed by the Co-Gen IPP, and (c) tax exemptions and concessions per the Framework. Upon resolution of the issues as aforesaid, the Co-Gen IPP shall withdraw its court cases.
7. The Parties acknowledge that resolution of the issues under paragraph-6 above and payment of the receivables of the Co-Gen IPP are integral considerations of this MoU. The mechanism for outstanding receivables shall be devised by the power purchaser and the GoP, which shall be reflected in the final agreement(s). The power purchaser and the GoP shall ensure adherence to its contractual obligations.

8. The Parties agree that nothing contained in this MoU shall be deemed or be construed as an admission of liability, wrong-doing or improper action on the part of the Co-Gen IPP. This MoU or any of the terms of this MoU shall not be construed as an alteration or amendment to the EPA or the IA.
9. Once NEPRA, Federal Cabinet and Co-Gen IPP' Board of Directors, shareholders and lenders approve the terms of this MoU, the parties shall agree and document details and procedures of these understandings preferably within 30 days, after which the same shall be submitted to NEPRA and CPPA (G), to be followed by legal documentation to reflect the amendments needed in the tariff and relevant agreements.
10. This MoU is valid for six months from the date hereof and shall stand terminated on signing of the detailed agreements referred to in clauses 11 and 13 above.

For and on behalf of
Committee for Negotiation with IPPs

For and on behalf of
ABC (Private) Limited

Name: Babar Yaqoob Fateh Muhammad
Designation: Chairman
Dated: August 28, 2020

Name:
Designation: