



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/UTRLNG-01/1972-1974
February 9, 2016

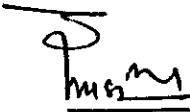
Subject: Decision of the Authority in the Matter of Motions for Leave for Review filed against the Determination of the Authority dated 03.04.2015 regarding Upfront Generation Tariff for RLNG Based Power Plants

Dear Sir,

This is in continuation of this office letter No. NEPRA/UTRLNG-01/4824-4826 dated April 3, 2015 whereby Determination of the Authority in the Matter of Upfront Tariff for RLNG Based Power Plants was sent to the Federal Government for notification in the official Gazette.

2. Please find enclosed herewith the subject decision of the Authority (04 pages) in the matter of Motions for Leave for Review filed against the Determination of the Authority dated 03.04.2015 regarding Upfront Generation Tariff for RLNG Based Power Plants.
3. The Decision is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

Enclosure: As above


09.02.16
(Syed Safer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



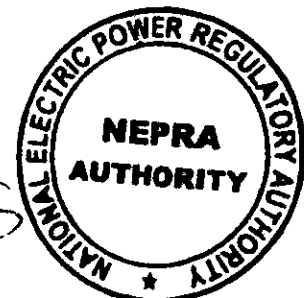
**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR
REVIEW FILED AGAINST THE DETERMINATION OF THE AUTHORITY DATED 03-04-
2015 REGARDING UPFRONT GENERATION TARIFF FOR RLNG BASED POWER PLANTS**

BACKGROUND

1. The Authority vide its decision No. NEPRA/UTRLNG-01/4824-4826 dated April 3, 2015 determined and announced upfront tariff for RLNG based new power projects in the country on the proposal/petition filed by Private Power and Infrastructure Board (PPIB) for determination of upfront tariff for new capacity generation on RLNG fuel. The decision was intimated to the Federal Government for notification in the official Gazette which has not yet been notified.

FILING OF REVIEW PETITIONS

2. Ministry of Water and Power (MW&P) filed motion for leave for review against the referred decision of the Authority requesting review of the upfront tariff for RLNG based new power projects on following grounds:
 - i. Provision of Simple Cycle Operation
 - ii. Additional cost relating to gas compressors.
3. Quaid-e-Azam Thermal Power (Private) Limited (QATPPL), wholly owned by Punjab Government, also filed motion for leave for review against the referred decision of the Authority requesting review of the upfront tariff for RLNG based new power projects on following grounds:
 - i. Provision of Simple Cycle Operation
 - ii. Additional costs relating to gas compressor station and gas pipeline.
 - iii. Increase Financial Close Period
 - iv. Increase in Construction Period
 - v. Backup Fuel
 - vi. Calculation of RLNG Price
 - vii. Increase in O&M Cost
4. Engro Powergen Limited (EPL) also filed motion for leave for review against the referred decision of the Authority requesting review of the upfront tariff for RLNG based new power projects on following grounds:





- i. Construction Period
 - ii. Return on Equity and Withholding tax on Dividend
5. In addition to the above, the Authority also allowed participation of Pak Arab Energy and Sapphire Electric Power Company Limited in review proceedings.

HEARING

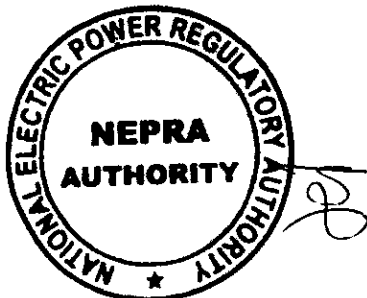
6. The Authority decided to hold a hearing in the matter on 4th June 2015 in NEPRA Tower. Notice of Hearing was published on 23th May 2015. Individual letters were also sent to all concerned on 28th May 2015. The hearing was held as per schedule and was attended by the stakeholders including representatives from MW&P, QATPPL, EPL and Pak Arab Energy Limited.

FILING OF COMMENTS

7. Anwar Kamal Law Associates vide its letter No. C/NEPRA/414/15 dated 16th June 2015 filed comments in the matter and highlighted following issues:
- No firm or draft Agreement is available, at least in the public domain, which clarifies what the buying prices of RLNG are and what mechanism is in place for its future adjustment, term of supply of gas, quantity of Gas supply etc;
 - Transportation price mechanism of RLNG from the supplier country's port is not available in the public domain
 - RLNG Handling Agreements at ports in Pakistan are not available in the public domain, if at all in place;
 - No document is available, at least in the public domain, which describes how the transmission of RLNG is going to take place in Pakistan;
 - Pricing of RLNG in Pakistan is a statutory concern of OGRA but the determination of OGRA is not available.
 - The commentator also criticized the comparison of LNG tariff being cheaper than the HSD tariff. In view of the commentator, the real comparison is of RLNG based electricity to be generated in Pakistan with the cost of RLNG based electricity generated in other parts of the World.

COMPETITIVE BIDDING BY THE PROJECT COMPANIES

8. While the proceedings were in process, National Power Parks Management Company (Pvt) Limited (NPPMCPL), wholly owned by the Federal Government, initiated competitive bidding for its two proposed RLNG based power plants of approximately 1200 MW each at Havali Bahdur Shah, Jhang and at Balloki in the province of Punjab. The bidding results were appeared in the newspapers. NPPMCPL achieved very competitive EPC prices and thermal





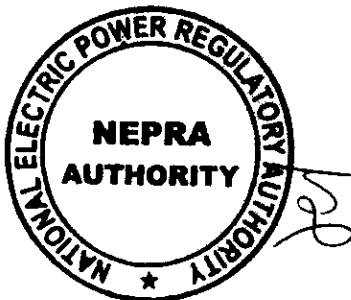
efficiencies for each of the proposed plants. As and when that information was revealed, the Authority decided to withhold further proceedings for the reason that the assumptions which formed basis of previous tariff changed altogether. Accordingly NPPMCPL was asked vide letter dated 28th August 2015 to file bidding information and results with NEPRA. NPPMCPL vide its letter No. Nil dated 3rd September 2015 submitted the following:

"It may be noted that the EPC Contracts for the LNG Projects have not been awarded. In one case, financial bid has not even been opened. Moreover, these projects are being established under NEPRA's upfront tariff regime. Therefore, EPC and other project costs are not relevant for an already determined upfront tariff. In case we opt for the cost route, it would convert the tariff regime from an upfront tariff to a feed-in (cost-plus) tariff regime."

9. It may be mentioned here that QATPPL while its review request was in process, also initiated competitive bidding for its proposed RLNG based power plant of 1200 MW at Bhikki. QATPPL also achieved very competitive EPC price and thermal efficiency for its proposed plant.
10. However after various communications since 28-08-2015, both the companies i.e. QATPPL and NPPMCPL submitted the information and documents on 14-12-2015 and 05-01-2016 respectively after a lapse of around four months from the date of conducting the competitive bidding. QATPPL provided information regarding EPC contract, Long Term Service Agreement (LTSA), Request for Proposal and technical and financial bids, whereas NPPMCPL provided information regarding EPC contract, LTSA, Technical and financial bids. However, the detailed bid evaluation reports as directed by NEPRA have yet to be received.

ANALYSIS OF THE INFORMATION AND DECISION

11. The available information was analyzed and it was revealed, that all the three projects have different capacities with different EPC and LTSA costs, besides that all the three projects have been guaranteed different thermal efficiencies ranging 61.59% to 62.45%. The above analysis clearly indicates that the evidence provided by PPIB and underlying assumptions on which upfront tariff was determined has materially changed which rendered the existing upfront tariff redundant. Therefore the Authority has decided to withdraw its Upfront Tariff Determination dated 3rd April 2015 intimated to Federal government for notification in Official Gazette and review proceedings are disposed of accordingly.

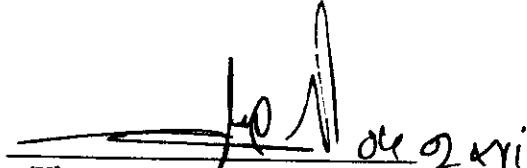




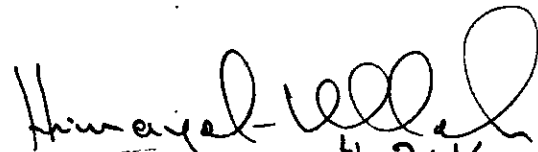
NOTIFICATION

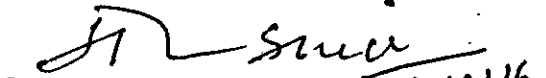
The above decision of the Authority shall be notified in the Official Gazette in terms of Section 31(4) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.


Authority


(Khawaja Muhammad Naeem)
Member

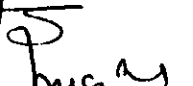

(Syed Masood-ul-Hassan Naqvi)
Member


(Himayat Ullah Khan)
Member


(Maj (R) Haroon Rashid)
Vice Chairman


(Brig (R) Tariq Saddozai)
Chairman




09.02.16