



## GUIDELINES FOR PROCUREMENT OF COAL ON SPOT BASIS FROM AFGHANISTAN

Coal power plants shall ensure that coal procurements from Afghanistan are conducted fairly and transparently. The procurement process should be efficient and economical and must strive to ensure value for money for the consumers. On the same principles following guidelines should be complied by IPPs:

- i. ✓ Imported coal based IPPs shall first ensure whether local coal such as Thar coal is available which can be used keeping in view plants' technical requirement.
- ii. ✓ IPPs shall estimate total quantity/quality of coal to be procured in the next six (06) months and shall contact Thar Coal Energy Board (TCEB) and seek their input regarding availability of Thar coal from any of the blocks.
- iii. ✓ If no local coal is available which meet the desired specs, then IPPs shall progress with spot purchases as per this mechanism
- iv. ✓ The benchmark calorific value of the coal shall be NCV 6,000 kcal/kg.
- v. ✓ Rejection limit shall be NCV 5,400 kcal/kg i.e. (accordingly the Ash rejection limit to be revised). No coal shall be accepted below 5,400 kcal/kg NCV.
- vi. ✓ The quality of the coal shall be determined on weighted average basis of the complete order accepted quantity. Quantity rejected will not be part of total weighted average of the complete order.
- vii. ✓ Bidder should meet minimum eligibility criteria which shall among other include submission of bid bond which shall be worked out as:  
$$\text{Quoted Price} \times \text{Quoted Quantity} \times 5\%$$
- viii. ✓ Paid up capital of the bidder shall be at least Rs. 100 million and shall be considered for minimum eligibility criteria.
- ix. ✓ Bid evaluation shall have the following parameters:
  - a. 85% weightage shall be awarded to quoted price
  - b. 10% weightage should be given to past experience to see whether the bidder has the required experience to deliver the committed quantity.
  - c. 5% should be for contract compliance.
- x. ✓ Tendering should be in the form of sealed bids and the same be opened in front of all the bidders.
- xi. Bids shall be called by all IPPs during the same period.

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- xii. IPPs shall ensure that final bid/negotiated price is competitive, market reflective and comparable with that of other power plants and the difference between coal price procured for the same month shall not exceed 3%.
- ✓ xiii. The currency for importing and trading the Afghan coal shall be the Pak Rupees
- ✓ xiv. The delivered cost of Afghan coal in PKR/kWh should remain lower than imported coal from any other origin, i.e. including but not limited to South Africa, Indonesia and Australia. For comparison purpose, RB1, 2 or 3 South African coal shall be compared with applicable published discount as the case may be with Afghan coal. In case price of coal from Afghanistan in reflected in Rs/kWh is more than South African coal of same coal type (after necessary discounts if applicable) than the price of South African coal shall be used for allowing fuel price component.
- ✓ xv. The award price shall be benchmarked @ 6000 NCV (ADB) with linear upward and downward adjustment (till rejection limit), as per the actual quality received at plant and tested by an independent 3rd Party testing facility. It should however be ensured that procuring higher quality coal justifies its purchase in terms of lower fuel tariff in Rs/kWh
- ✓ xvi. Minimum order quantity of 02 train loads: i.e. 5kt +/- 10%.
- ✓ xvii. In case of ash percentage >12%, there should be nonlinear penalty imposed on the coal.
- ✓ xviii. All rejection limits and penalties should be adjusted as per single delivery basis i.e. per train load instead of complete weighted average to ensure allowance of lesser deviation in quality to the supplier
- ✓ xix. The process to source Afghan Coal should be transparent and the buyer shall ensure to reach out to all qualified suppliers through advertised publications with sufficient time given for response.
- ✓ xx. The comprehensive Request for Quotation (RFQ) document should include all supply, quality, and payment-related details and should also state the grievance redressal procedure for the interested parties. RFQ shall have the minimum acceptance and rejections standards of coal along with the penalty for any deviation from the required quality of coal including but not limited to ash, moisture, VM, sulphur etc.
- ✓ xxi. The process should be well-documented and traceable.
- ✓ xxii. The selection and award process shall prioritize the lower quoted price irrespective of the volume committed hence enabling a pool of suppliers to complete the requested quantity on a per month basis.
- ✓ xxiii. Since PPRA rules do not apply to IPPs, they may further negotiate prices from the lowest offered bidder.

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- ✓ xxiv. The awarded contract should provide for revision in the price in case the duty structure of coal either in Afghanistan or in Pakistan changes during the term of the contract. The volumes not affected by the revised duty structure shall be liable for price revision.
- ✓ xxv. The requested quotes shall be based on the delivered price ex-stocks location defined in the RFQ. The supplier invoice shall be based on the delivered tonnage at the designated stocks and measured through the nominated weigh bridge. The quoted price shall not be adjusted for any loss of handling or transportation.
- ✓ xxvi. However, a handling/logistics loss of 1% is permissible in the final cost of the buyer in case the coal is being received at an off-site yard and transported through railways. No handling/transportation loss shall be admissible in final cost if the purchase terms agreed are on a delivered ex-plant basis.
- ✓ xxvii. The final award price should indicate the market of Afghan coal in the comparable vicinity of the designated delivery place; the buyer should ensure that the award price is negotiated to reflect the actual value of the commodity.
- ✓ xxviii. The process should have provision to accommodate additional supply at lower than awarded rates from new suppliers during the course of existing contracts if the price of commodity falls due to reduction in demand or any other event.
- ✓ xxix. IPPs shall ensure a complaint redressal mechanism for the coal suppliers w.r.t the bidding process, a copy of complaint may also be shared with NEPRA.
- xxx. For coal payments, IPP shall sought evidence from the bid winners/suppliers that sales tax included in the invoice is deposited by the supplier to FBR.
- ✓ xxxi. Coal specifications are attached as **Annex – I**.

**GUIDELINES FOR PROCUREMENT OF COAL ON SPOT BASIS OTHER THAN AFGHANISTAN**

- ✓ i. Imported coal based IPPs shall first ensure whether local coal such as Thar coal is available which can be used keeping in view plants' technical requirement.
- ✓ ii. IPPs shall estimate total quantity/quality of coal to be procured in the next six (06) months and shall contact Thar Coal Energy Board (TCEB) and seek their input regarding availability of Thar coal from any of the blocks.
- iii. ✓ If no local coal is available which meet the desired specs, then IPPs shall progress with spot purchases as per this mechanism
- iv. ✓ The benchmark calorific value of the coal shall be NCV 6,000 kcal/kg.
- v. ✓ Rejection limit shall be NCV 5,400 kcal/kg i.e. (accordingly the Ash rejection limit to be revised). No coal shall be accepted below 5,400 kcal/kg NCV.

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- vi. ✓ The quality of the coal shall be determined on weighted average basis of the complete order accepted quantity. Quantity rejected will not be part of total weighted average of the complete order.
- vii. ✓ Bidder should meet minimum eligibility criteria which shall among other include submission of bid bond which shall be worked out as:  
$$\text{Quoted Price} \times \text{Quoted Quantity} \times 5\%$$
- viii. ✓ Paid up capital of the bidder shall be at least Rs. 100 million and shall be considered for minimum eligibility criteria.
- ix. ✓ Bid evaluation shall have the following parameters:
  - d. 85% weightage shall be awarded to quoted price
  - e. 10% weightage should be given to past experience to see whether the bidder has the required experience to deliver the committed quantity.
  - f. 5% should be for contract compliance.
- x. ✓ Tendering should be in the form of sealed bids and the same be opened in front of all the bidders.
- xi. Bids shall be called by all IPPs during the same period.
- xii. IPPs shall ensure that final bid/negotiated price is competitive, market reflective and comparable with that of other power plants and the difference between coal price procured for the same month shall not exceed 3%.
- ✓xiii. The delivered cost of spot purchases of coal in USD per MMBTU basis should remain lower than imported coal from any other origin, i.e. including but not limited to South Africa, Indonesia and Australia
- ✓xiv. The process to source coal on a spot basis should be transparent and buyers shall ensure to reach out to all qualified suppliers through advertised publications with sufficient time given for response
- ✓xv. The comprehensive Request for Quotation (RFQ) document should include all supply, quality, and payment related details and should also state the grievance redressal procedure for the interested parties. RFQ shall have the minimum acceptance and rejections standards of coal along with a penalty for any deviation from the required quality of coal.
- ✓xvi. The process should be well documented and traceable

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- xvii. ✓ The selection and award process shall prioritize the lower quoted price irrespective of the volume committed hence enabling a pool of suppliers to complete the requested quantity on a per month basis.
- xviii. ✓ The awarded contract should provide for revision in the price in case the duty structure of coal outside or inside Pakistan changes during the term of the contract. The volumes not affected by the revised duty structure shall be liable for price revision.
- xix. ✓ The process should have provision to accommodate additional supply at lower than awarded rates from new suppliers during the course of existing contracts if the price of the commodity falls due to a reduction in demand or any other event.
- xx. ✓ Since PPRA rules do not apply to IPPs, they may further negotiate prices from the lowest offered bidder.
- xxi. ✓ IPPs shall ensure a complaint redressal mechanism for the coal suppliers w.r.t the bidding process, a copy of complaint may also be shared with NEPRA.
- xxii. ✓ For coal payments, IPP shall sought evidence from the bid winners/suppliers that sales tax included in the invoice is deposited by the supplier to FBR.

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**Annex-I**

<b>PARAMETERS</b>	<b>Units</b>	<b>TYPICAL</b>	<b>REJECTION</b>
Total Moisture Mt	%	10	> 12
Net Calorific Value	Kcal/kg	6000	5400
Volatile Matter .Vdaf	%	30-40	< 25 or > 42
Sulfur St,ad	%	80.0%	> 1
Ash Aad	%	12	> 20
HGI		50	< 46
Ash Fusion Temperature FT	°C	1320 °C	-
Granularity	mm	50mm	-
Chlorine	%	0.15%	-