



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/DL/LAD-15/16c56-60

November 28, 2016

Mr. Faisal Zia Siddiqui,
Business Head Energy Projects,
Sapphire Power Generation Limited,
7 A/K, Main Boulevard, Gulberg II,
Lahore, Pakistan.

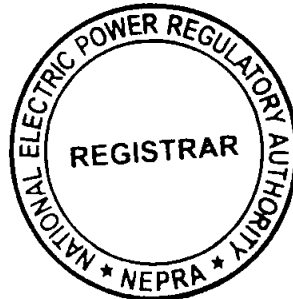
Subject: **Modification-II in Distribution Licence No. 11/DL/2006
Sapphire Power Generation Limited (SGPL)**

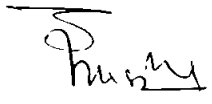
Reference: *Your letter No. SPGL/NEPRA/002, dated August 22, 2016 (received on August 25, 2016)*

It is intimated that the Authority has approved "Licensee Proposed Modification" in Distribution Licence No. 11/DL/2006 (issued on October 20, 2006 and subsequent Modification-I dated July 13, 2015) in respect of Sapphire Power Generation Limited pursuant to Regulation 10(11)(a) of the NEPRA Licensing (Application and Modification Procedure) Regulations 1999.

2. Enclosed please find herewith determination of the Authority in the matter of Licensee Proposed Modification in the Distribution Licence of SPGL along with Modification-II in the Distribution Licence No. 11/DL/2006, as approved by the Authority.

Encl:/As above




(Syed Safer Hussain)

Copy to:

1. Chief Executive Officer, Lahore Electric Supply Company Limited (LESCO), 22-A, Queens Road, Lahore.
2. Chief Executive Officer, NTDC, 414-WAPDA House, Lahore
3. Chief Operating Officer, CPPA, 107-WAPDA House, Lahore
4. Director General, Environmental Protection Department, Government of Punjab, National Hockey Stadium, Ferozpur Road, Lahore.

National Electric Power Regulatory Authority
(NEPRA)

Determination of Authority
in the Matter of Licensee Proposed Modification in Distribution
Licence of Sapphire Power Generation Limited

November 23, 2016
Case No. LAD-15

(A). Background

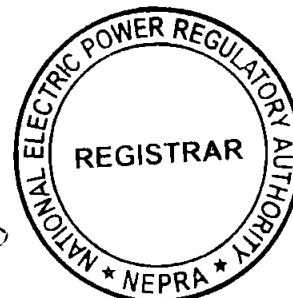
(i). The Authority, in terms of Section-15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as "the NEPRA Act") granted a generation licence (No.002/SGC/2001 dated August 27, 2001) to Sapphire Power Generation Limited (SPGL), a small power producer (SPP) for its 56.80 MW thermal generation facilities distinctly located at 1-Km Warburton Road, Feroze Wattwan, District Shekhupura (Plant-I) and 64-Km Multan Road, Jamalabad Jumber Khurd, District Kasur (Plant-II).

(ii). Based on the Article-7 of its generation licence, the Authority also granted a distribution licence (No. 11/DL/2006, dated October 20, 2006), in terms of Section-20 and 21 of the NEPRA Act for its distribution facilities in district Shekhupura (i.e. Plant-I), for supplying power to its seven (07) designated Bulk Power Consumers (BPCs).

(iii). The distribution licence of SPGL was modified on July 13, 2015 for laying of one additional Feeder for supplying electric power to BPCs to meet their increased load demand.

(B). Communication of Modification

(i). SPGL communicated a Licensee Proposed Modification (LPM) in its distribution licence on August 25, 2016 as stipulated in Regulation-10(2) of NEPRA



Licensing (Application & Modification Procedure) Regulations, 1999 (the Licensing Regulations).

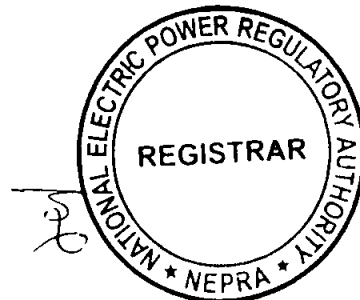
(ii). SPGL in the "text of the proposed modification" stated that the term of SPGL's distribution license No. 11/DL/2006 is only valid till August 26, 2016. However, after the modification-II dated July 13, 2015 approved by the Authority in its generation licence (No. 002/SGC/2001), the remaining life of the power facility is twenty five years from the modification date. Therefore SPGL requires extension in the distribution license in order to make it consistent with the modification in the generation licence and term of the bilateral agreements.

(iii). Regarding "statement of reasons in support of modification", SPGL stated that the requested modification would benefit the BPCs, as it would ensure that generation capacity continues to be available and maintained. About the "statement of the impact on the tariff, quality of service and the performance by the licensee of its obligation under the licence", SPGL submitted that the modification will not have any adverse impact on tariff, quality of service and its performance under the licence.

(C). Processing Modification

(i). After completion of all the required information as stipulated under the Regulation-10(2) and 10(3) of the Licensing Regulations by SPGL, the Registrar published the communicated LPM on September 02, 2016 in one English and one Urdu daily newspapers, to invite the general public for their comments in the matter as stipulated in Regulation-10(4) of the Licensing Regulations.

w ✓ (ii). Apart from the notice in the press, separate notices were also sent to experts, government ministries and representative organization etc. inviting their views and comments. Through the said notices, the stakeholders were informed about the communicated LPM and publication of its notice in the press. Further, the said stakeholders were invited to submit their views and comments for the assistance of the Authority.



(D). Comments of Stakeholders

(i). In reply to above, the Authority received comments from Board of Investment only. The salient points of the comments offered by the said stakeholder are summarized in the following paragraphs:-

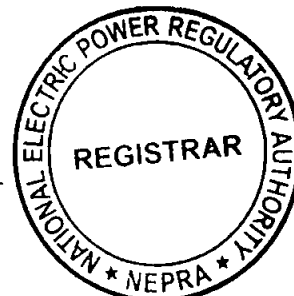
(a). Board of Investment in its comments submitted that energy sector is the priority sector of the Government to cater the short fall in the country. Board of Investment being an investment promoting and facilitating agency has also been making its efforts to attract investors in the energy sector. Board of Investment understands that affordable and smooth supply of energy is the backbone for industrial growth as well as attracting foreign direct investment in the country. All such proposals are supported subject to consumer friendly and competitive tariff and completion of all codal/technical formalities under rules and regulations.

(ii). The above comments of Board of Investment were examined and found in favor of the communicated LPM. Therefore, it was considered appropriate to proceed further with the communicated LPM as stipulated in the Licensing Regulations and the NEPRA Licensing (Distribution) Rules, 1999 (the Distribution Rules).

(E). Analysis of the Authority

(i). The Authority examined the entire case in details including the already granted distribution licence, generation licence, the communicated LPM, comments of the stakeholder and relevant rules & regulations.

(ii). The main features of the application under consideration are that the licensee/SPGL is an SPP and was granted a generation licence

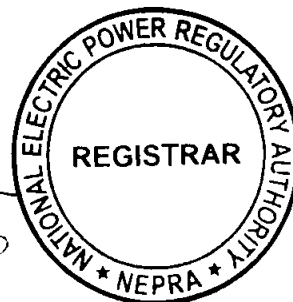


(No.002/SGC/2001 dated August 27, 2001) and distribution licences (No.11/DL/2006 dated October 20, 2006). The term of the distribution licence was made co-terminus with the validity of the generation licence (No.002/SGC/2001 dated August 27, 2001) of SPGL or upto date on which all of the BPCs of SPGL stop power purchasing on a permanent basis from SPGL, whichever is earlier.

(iii). In view of the expiry of the term of generation licence on August 26, 2016, SPGL communicated an LPM in its generation licence on August 25, 2016 for extension of the term of its generation licence for another twenty four (24) years, based on the useful life of the latest installed generation units (installed in 2015). As the term of distribution licence of SPGL was inter alia linked with the term of its generation licence, accordingly, SPGL also filed the current LPM in its distribution licence for extension of its term on August 25, 2016, in order to make it consistent with the modification in the generation licence and term of the bilateral agreements for supplying continuous and reliable power to its designated BPCs.

(iv). The Authority considers that the communicated LPM regarding the extension of term of distribution licence is in line with Rule-5 of the Distribution Rules which stipulates that (1). Except where an applicant for a distribution licence consents to a shorter term, the term of a distribution licence shall not be less than twenty (20) years and (2). Upon the expiry of the term of distribution licence, unless revoked earlier in accordance with these rules or the terms of the distribution licence or unless not provided for in the distribution licence, the distribution licence may be renewed by the Authority for such further term as may be deemed appropriate by the Authority in the manner provided for in the distribution licence, keeping in view the performance of the licensee during the previous term and the interests of the consumers and the electric power industry as a whole.

(v). In terms of Regulation-10(5) of the Licensing Regulations, the Authority is entitled to modify a licence subject to and in accordance with such further changes as the Authority may deem fit if, in the opinion of the Authority



such modification (a). does not adversely affect the performance by the licensee of its obligations; (b). does not cause the Authority to act or acquiesce in any act or omission of the licensee in a manner contrary to the provisions of the NEPRA Act or the rules or regulations made pursuant to it; (c). is or is likely to be beneficial to the consumers; (d). is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the licence; and (e).is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to the consumers keeping in view the financial and technical viability of the licensee.

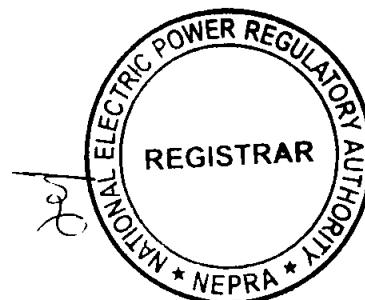
(F). Approval of LPM

(i). The Authority is well aware that presently there is a severe shortage of electricity in the country and there is huge supply-demand gap. In view of the said, the distribution companies are facing difficulties in serving their consumers. Due to the prevailing situation, the industrial units are forced to make their own arrangements to meet their electricity requirements. Therefore, to provide uninterrupted electric power to the designated BPCs/industrial concerns, extension in the term of distribution licence of SPGL is necessary. In view of the said, the Authority considers that the LPM communicated by the licensee/SPGL for extension of the term of its distribution licence is plausible.

(ii). The Authority is of the considered view that proposed extension in the term of distribution licence of SPGL will not have any adverse effect on the performance of the licensee of its obligations under the existing distribution licence. Further, the LPM has not caused the Authority to act or acquiesce in any act or omission of the licensee in a manner contrary to the provisions of the NEPRA Act or the rules or regulations made pursuant to the NEPRA Act. The communicated LPM will be beneficial to the BPCs as reliable electric power will be available to them for a longer period of time. The Authority considers that the communicated LPM is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the generation licence to ensure the continuous, safe and reliable

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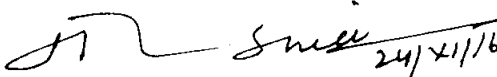


supply of electric power to its BPCs keeping in view the financial and technical viability of the licensee.

(iii). The Authority is satisfied that the licensee/SPGL has complied with all the requirements of the relevant rules and regulations pertaining to the modification. Forgoing in view, the Authority hereby approves the communicated LPM in terms of Regulation-10(11)(a) of the Licensing Regulations, without any changes. Accordingly, the distribution licence (No. No.11/DL/2006 dated October 20, 2006, Modification-I dated July 13, 2015) in the name of SPGL is hereby modified. The changes in "Face Sheet" of the distribution licence are attached to this determination. The approval of the LPM will be subject to the provisions contained in the NEPRA Act, relevant rules framed there under, terms & conditions of the generation licence and other applicable documents.

Authority

Maj. (R) Haroon Rashid
Member


24/11/16

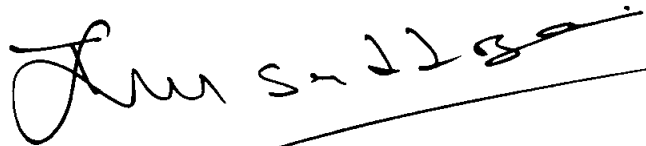
Syed Masood-ul-Hassan Naqvi
Member

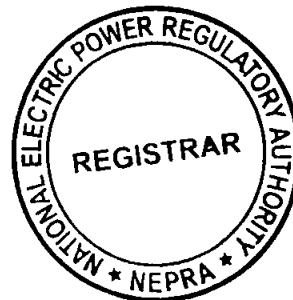

24/11

Himayat Ullah Khan
Member)/ (Vice Chairman)


25.11.16

Tariq Saddozai
(Chairman)


28.11.16



**National Electric Power Regulatory Authority
(NEPRA)**

Islamabad – Pakistan

DISTRIBUTION LICENCE

11/DL/2006

In exercise of the Powers conferred upon the National Electric Power Regulatory Authority (NEPRA) under Section-26 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, the Authority hereby modifies the distribution licence (No.11/DL/2006 issued on October 20, 2006 and subsequent Modification-I dated July 13, 2015), granted to Sapphire Power Generation Limited to the extent of changes mentioned as here under:-

- (i). The term of the distribution licence is hereby re-fixed and made co-terminus with the term of the generation licence (No. 002/SGC/2001) extended through Modification-III date November ~~28~~ 2016 or upto the date on which all of the BPCs of SPGL stop purchasing power on a permanent basis from SPGL, whichever is earlier.

This **Modification-II** is given under my hand on 28th day of **November Two Thousand & Sixteen.**

[Signature]
Registrar 28.11.16



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