



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, Ataturk Avenue (East) G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600021
Web: www.nepra.org.pk, E-mail: info@nepra.org.pk

Registrar

No. NEPRA/R/LAG-222/14/90-92

December 31, 2013

Mr. Fazal Ahmed Sheikh
Chief Executive Officer/Director
Fatima Energy Limited
E-110, Khayaban-e-Jinnah,
Lahore Cantt.
Ph: 042-111-328-462

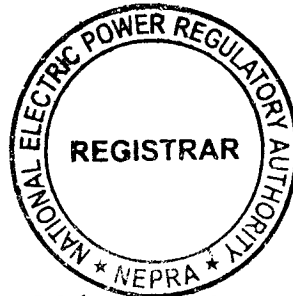
Subject: Generation Licence No. SGC/96/2013
Licence Application No. LAG-222
Fatima Energy Limited

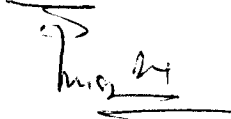
Reference: Your application vide letter No. nil, dated January 23, 2013.

Enclosed please find herewith Generation Licence No. SGC/96/2013 granted by National Electric Power Regulatory Authority (NEPRA) to Fatima Energy Limited, pursuant to Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997). Further, the determination of the Authority in the subject matter is also attached.

2. Please quote above mentioned Generation Licence No. for future correspondence.

Enclosure: **Generation Licence**
(SGC/96/2013)




(Syed Safer Hussain)

Copy to:

1. Chief Executive Officer, Multan Electric Power Company (MEPCO), MEPCO Complex, WAPDA Colony, Khanewal Road, Multan
2. Director General, Pakistan Environmental Protection Agency, House No. 311, Main Margalla Road, F-11/3, Islamabad.

**National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan**

GENERATION LICENCE

No. SGC/96/2013

In exercise of the Powers conferred upon the National Electric Power Regulatory Authority (NEPRA) under Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, the Authority hereby grants a Generation Licence to:

FATIMA ENERGY LIMITED

Incorporated under the Companies Ordinance, 1984
Company Registration No. 00000001455/20040605, dated June 22, 2004

for its Biomass/Bagasse/Coal based Co-Generation Thermal Generation Facility located at Sanawan, Mehmood Kot, Tehsil Kot Addu, District Muzaffargarh in the Province of Punjab

(Installed Capacity: 120.00 MW Gross)

to engage in generation business subject to and in accordance with the Articles of this Licence.

Given under my hand this 31st day of December Two Thousand & Thirteen and expires on 29th day of June Two Thousand & Forty Six.



Registrar



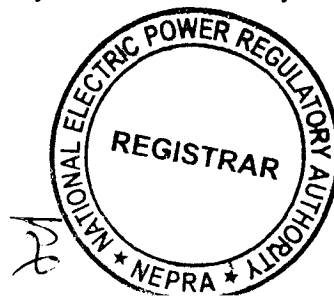
Article-1
Definitions

1.1 In this Licence

- (a). "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997);
- (b). "Authority" means the National Electric Power Regulatory Authority constituted under section 3 of the Act;
- (c). "Bus Bar" means a system of conductors in the generation facility of the Licensee on which the electric power of all the generators is collected for supplying to the Power Purchaser;
- (d). "Commercial Operations Date (COD)" means the day immediately following the date on which the generation facility of the Licensee is Commissioned;
- (e). "CPPA" means "the Central Power Purchasing Agency of NTDC" or any other entity created for the like purpose;
- (f). "Power Purchase Agreement" means the power purchase agreement, entered or to be entered into by and between the Power Purchaser and the Licensee, for the purchase and sale of electrical energy generated by the generation facility, as may be amended by the parties thereto from time to time;
- (g). "Energy Wheeling Agreement" means the energy wheeling Agreement, entered or to be entered into by and between MEPCO and the Licensee, for the Wheeling of electrical energy generated by the generation facility, as may be amended by the parties thereto from time to time

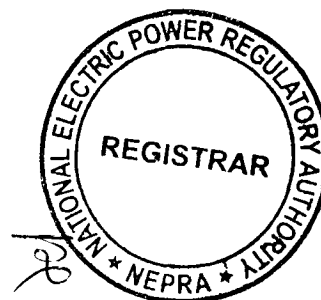






- (h). "Grid Code" means the grid code prepared by NTDC and approved by the Authority, as it may be revised from time to time by NTDC with any necessary approval by the Authority;
- (i). "Licensee" means Fatima Energy Limited and its successors or permitted assigns;
- (j). "MEPCO" means Multan Electric Power Company Limited and its successors or permitted assigns;
- (k). "NTDC" means National Transmission and Despatch Company Limited and its successors or permitted assigns;
- (l). "Power Purchaser" means NTDC (through CPPA) on behalf of XW-DISCOs, any XW-DISCO or any bulk power consumer which purchases electricity from the Licensee, pursuant to a Power Purchase Agreement for procurement of electricity;
- (m). "Rules" mean "the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000";
- (n). "Wheeling" means supplying/injecting electrical energy by the Licensee into the Grid System of NTDC or any XW-DISCO at one point and receiving the same amount at any other location upon payment of use of system charges as determined by the Authority;
- (o). "XW-DISCO" means "an Ex-WAPDA distribution company engaged in the distribution of electric power".

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1.2 Words and expressions used but not defined herein bear the meaning given thereto in the Act or in the Rules.

Article-2
Application of Rules

This Licence is issued subject to the provisions of the Rules, as amended from time to time.

Article-3
Generation Facilities

3.1 The location, size (capacity in MW), technology, interconnection arrangements, technical limits, technical functional specifications and other details specific to the power generation facilities of the Licensee are set out in Schedule-I of this Licence.

3.2 The net capacity of the generation facilities of the Licensee is set out in Schedule-II hereto.

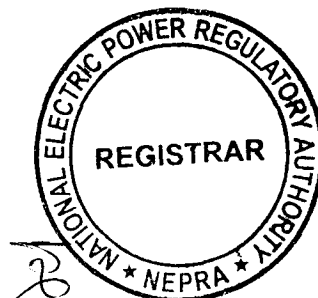
3.3 The Licensee shall provide the final arrangement, technical and financial specifications and other details specific to its generation facilities before commissioning.

Article-4
Term of Licence

4.1 The Licence is granted for a term of thirty (30) years after the Commercial Operation Date.

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4.2 Unless suspended or revoked earlier, the Licensee may within ninety (90) days prior to the expiry of the term of the Licence, apply for renewal of the Licence under the National Electric Power Regulatory Authority Licensing (Application & Modification Procedures) Regulations, 1999 as amended or replaced from time to time.

Article-5
Licence fee

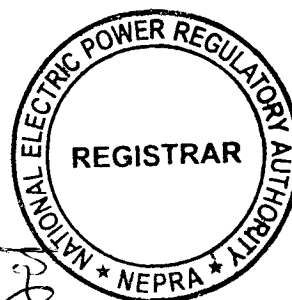
After the grant of the Generation Licence, the Licensee shall pay to the Authority the Licence fee, in the amount and manner and at the time set out in the National Electric Power Regulatory Authority (Fees) Rules, 2002.

Article-6
Tariff

The Licensee shall charge only such tariff which has been determined, approved or specified by the Authority in terms of Rule-6 of the Rules.

Article-7
Competitive Trading Arrangement

7.1 The Licensee shall participate in such measures as may be directed by the Authority from time to time for development of a Competitive Trading Arrangement. The Licensee shall in good faith work towards implementation and operation of the aforesaid Competitive Trading Arrangement in the manner and time period specified by the Authority. Provided that any such participation shall be subject to any contract entered into between the Licensee and another party with the approval of the Authority.



7.2 Any variation or modification in the above-mentioned contracts for allowing the parties thereto to participate wholly or partially in the Competitive Trading Arrangement shall be subject to mutual agreement of the parties thereto and such terms and conditions as may be approved by the Authority.

Article-8
Maintenance of Records

For the purpose of sub-rule (1) of Rule 19 of the Rules, copies of records and data shall be retained in standard and electronic form and all such records and data shall, subject to just claims of confidentiality, be accessible by authorized officers of the Authority.

Article-9
Compliance with Performance Standards

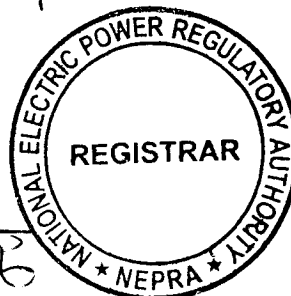
The Licensee shall comply with the relevant provisions of the National Electric Power Regulatory Authority Performance (Generation) Rules 2009 as amended from time to time.

Article-10
Compliance with Environmental Standards

The Licensee shall comply with the environmental standards as may be prescribed by the relevant competent authority from time to time.

Article-11
Provision of Information

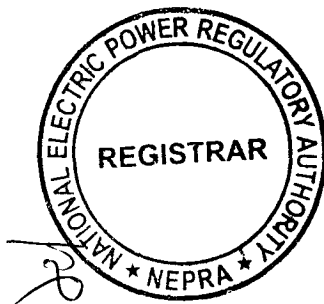
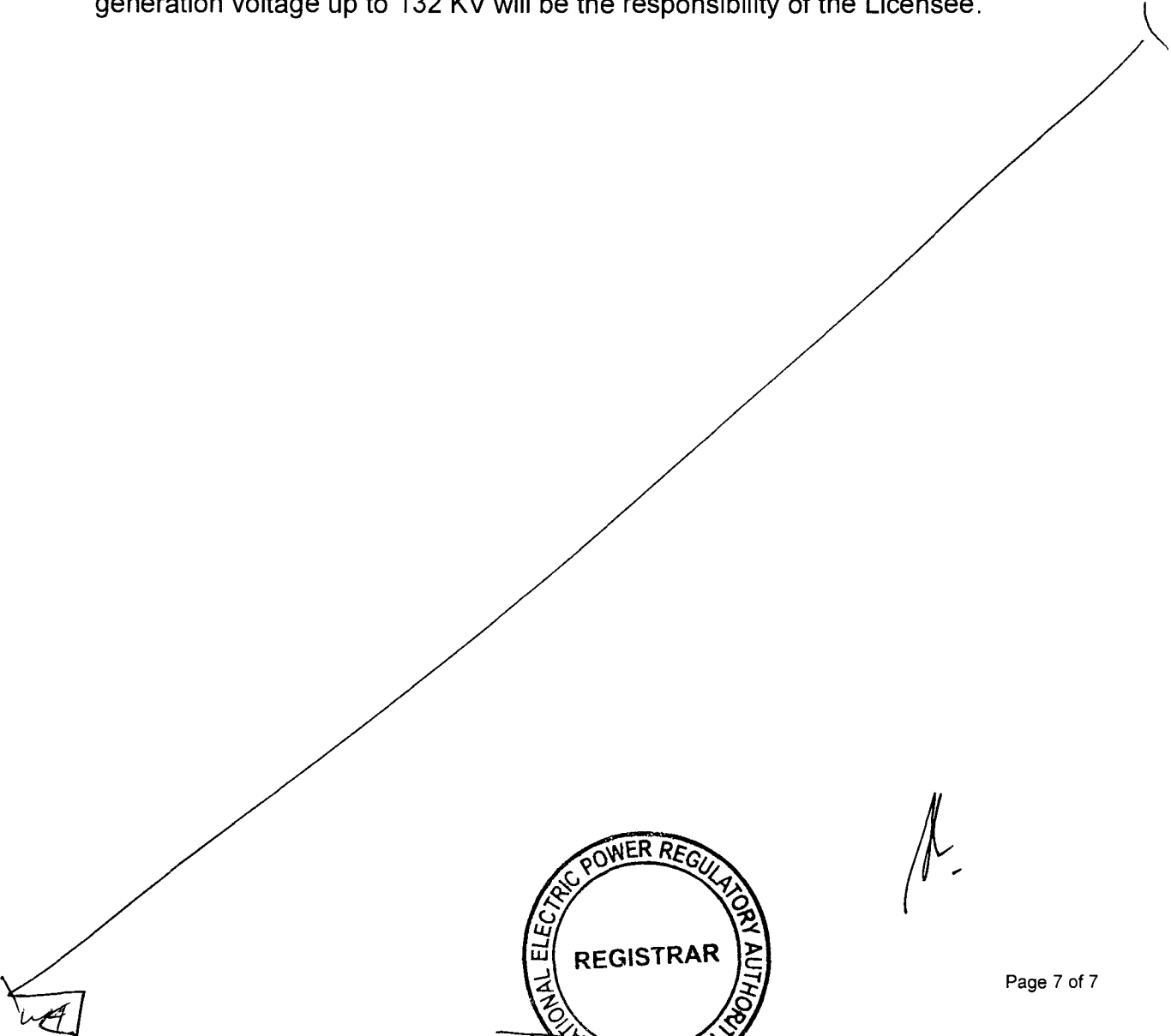
11.1 The obligation of the Licensee to provide information to the Authority shall be in accordance with Section 44 of the Act.



11.2 The Licensee shall be subject to such penalties as may be specified in the relevant rules made by the Authority for failure to furnish such information as may be required from time to time by the Authority and which is or ought to be or have been in the control or possession of the Licensee.

Article-12
Power off take Point and Voltage

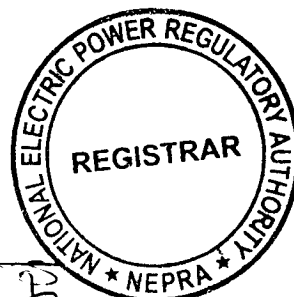
The Licensee shall deliver electrical energy to MEPCO for wheeling at the outgoing Bus Bar of its 132 KV grid station. The up-gradation (step up) of generation voltage up to 132 KV will be the responsibility of the Licensee.



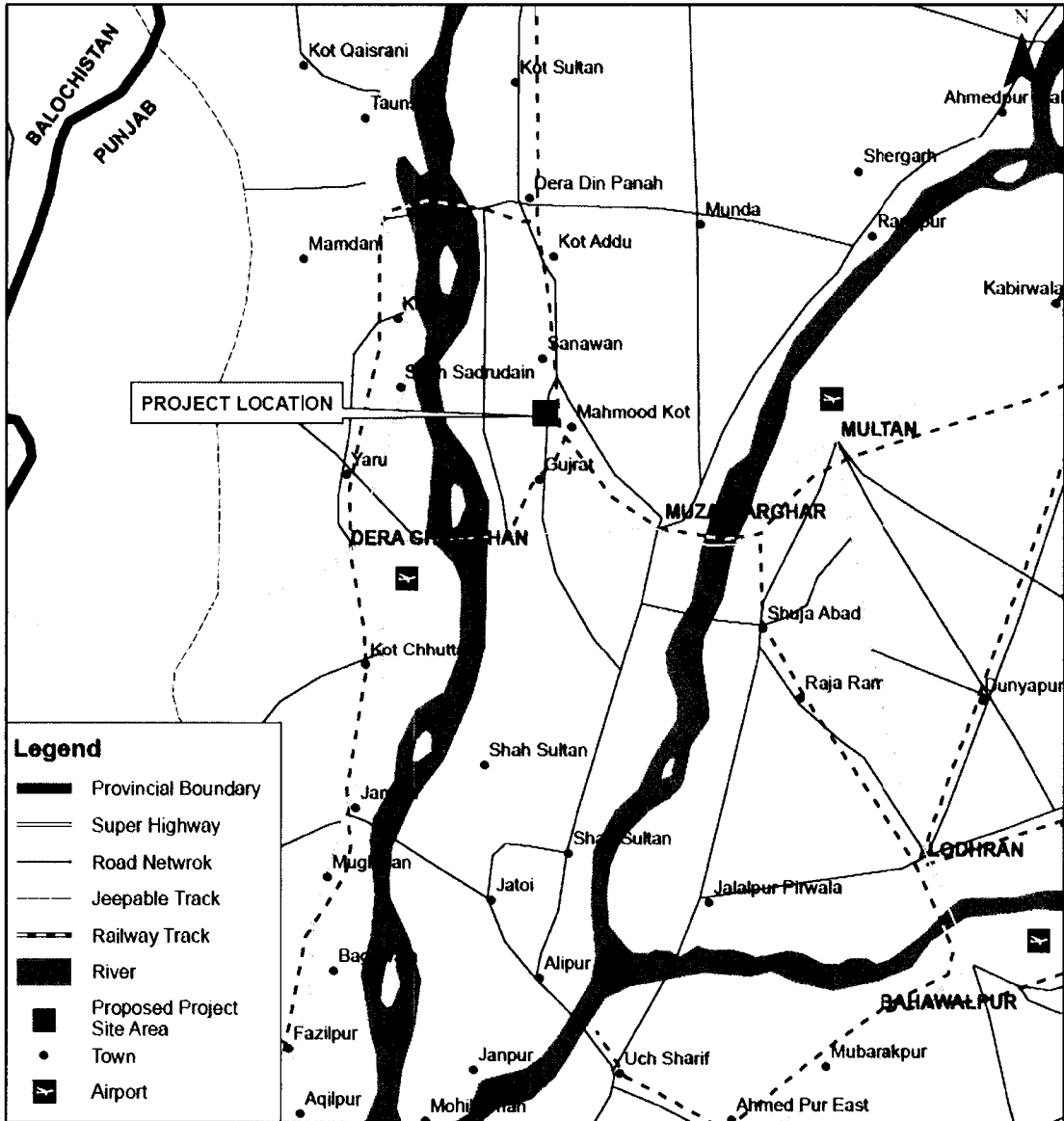
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SCHEDULE-I

The Location, Size (i.e. Capacity in MW), Type of Technology, Interconnection Arrangements, Technical Limits, Technical/Functional Specifications and other details specific to the Generation Facilities of the Licensee are described in this Schedule.

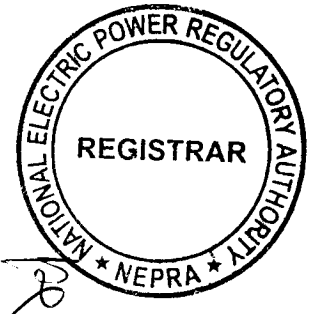


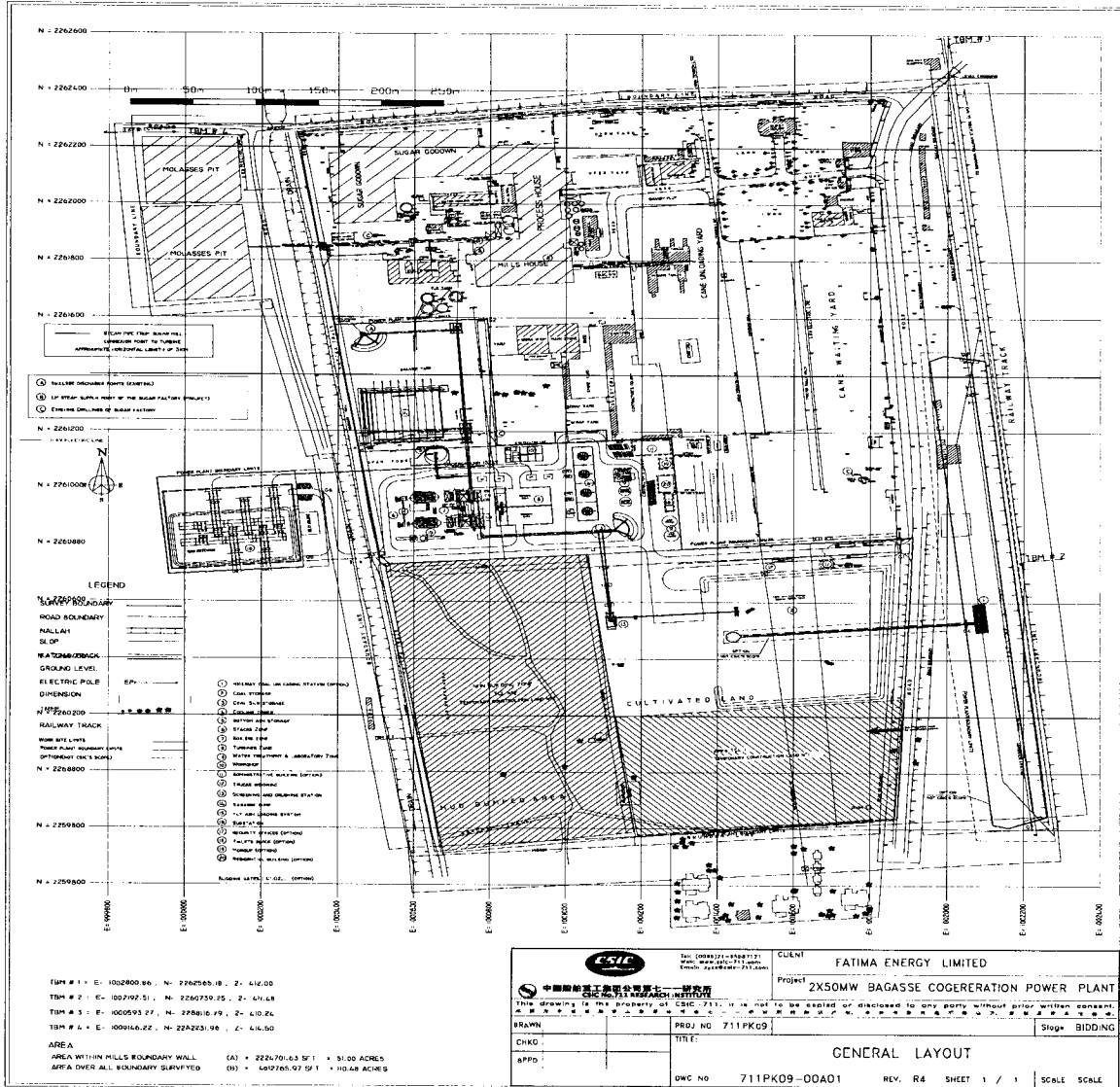
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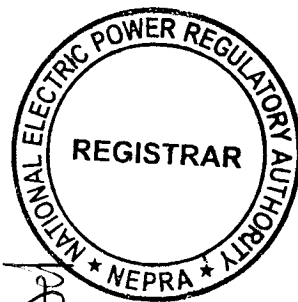
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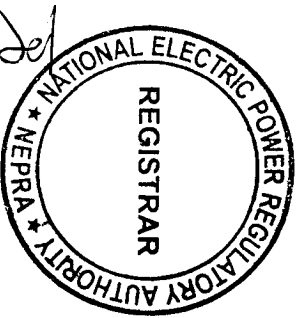
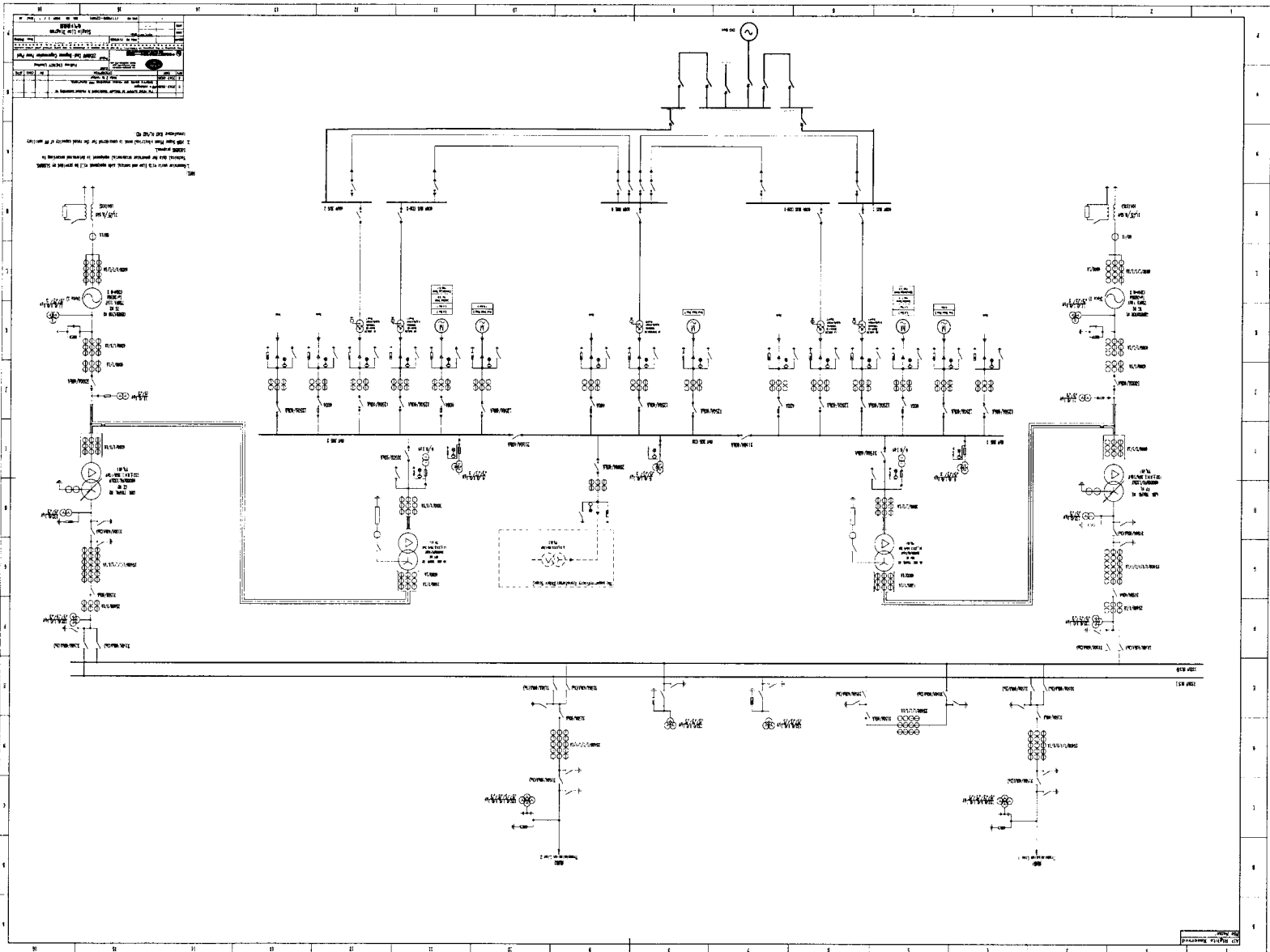


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Generation Licence
Fatima Energy Limited
Sanawan, Mehmood Kot
Tehsil Kot Addu
District Muzaffargarh
Punjab

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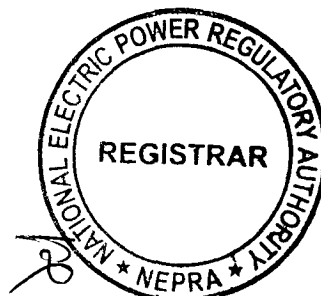
INTERCONNECTION/TRANSMISSION
SCHEME FOR DISPERSAL OF POWER FROM
FATIMA ENERGY LIMITED
(FEL)

The power from the Co-Generation/Generation Facility (operating on Bagasse/Biomass and Coal) of FEL shall be dispersed to the Load Center of MEPCO. Further, the power injected into the transmission system of MEPCO will be wheeled to following Bulk Power Consumers:-

- (a). Fatima Sugar Mills Limited-FSML(located at Sanawan, Mehmood Kot, Tehsil Kot Addu, District Muzaffargarh, Punjab);
 - (b). Fazal Cloth Mills Limited-(located at Fazal Nagar, Jhang Road Muzaffar Garh and at Qadirpur Rawan Bypass, Khanewal Road, Multan, Punjab);
 - (c). Reliance Weaving Mills Limited-RWML (located at Fazalpur Khanewal Road Multan);
 - (d). Pak-Arab Fertilizer Limited-PFL (located at Khanewal Road Multan); and
 - (e). Other Textile, Fertilizer, Food & Beverages Companies*.
- (2). The Interconnection/ Transmission Facilities for dispersal of power from the above Co-Generation facility will be consisting of a 132 KV Double Circuit

* FEL shall provide the details of these BPCs subsequently after the grant of Generation Licence for which a Licensee Proposed Modification will be submitted in terms of the NEPRA Licensing (Application & Modification Procedure) Regulations 1999.

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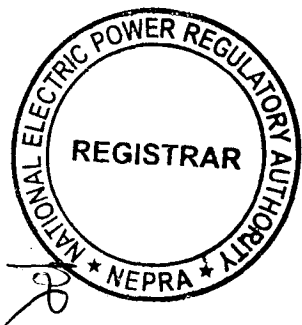


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(D/C) Transmission Line measuring about 35-KM in length on ACSR Rail Conductor, connecting the proposed Co-Generation facility with Muzaffargarh New 220/132 kV Grid Station. Whereas, MEPCO will be supplying the wheeled electrical energy from FEL to FSML, FCML, RWML and PFL through its 132 KV or 11 KV Network for which it will claim a Use of System Charge as per the determination of the Authority.

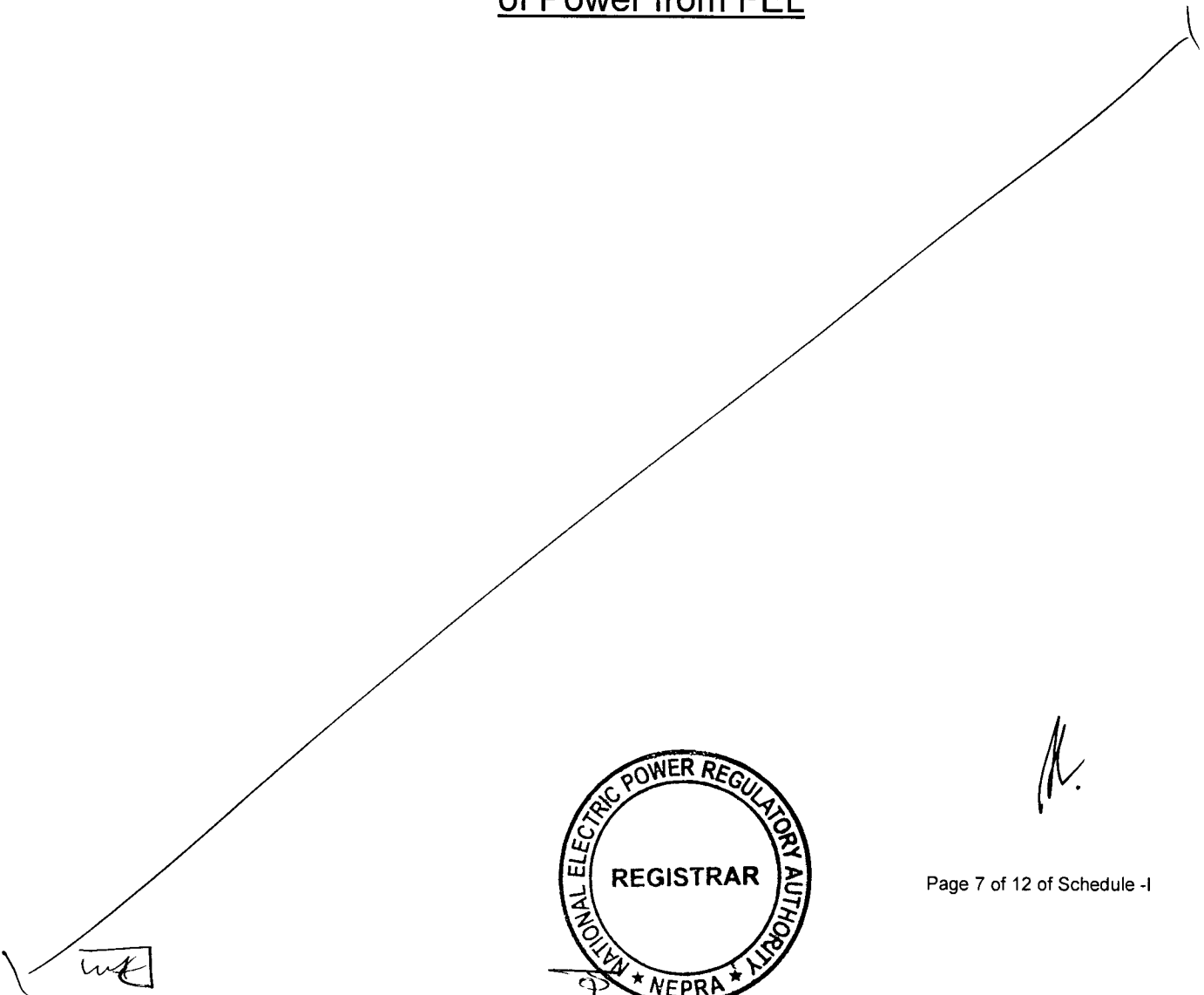
(3). Any change in the final Interconnection and Transmission Arrangement(s) if any, for the dispersal of power other than the above, as agreed by Power Purchaser and FEL shall be communicated to NEPRA in due course of time.

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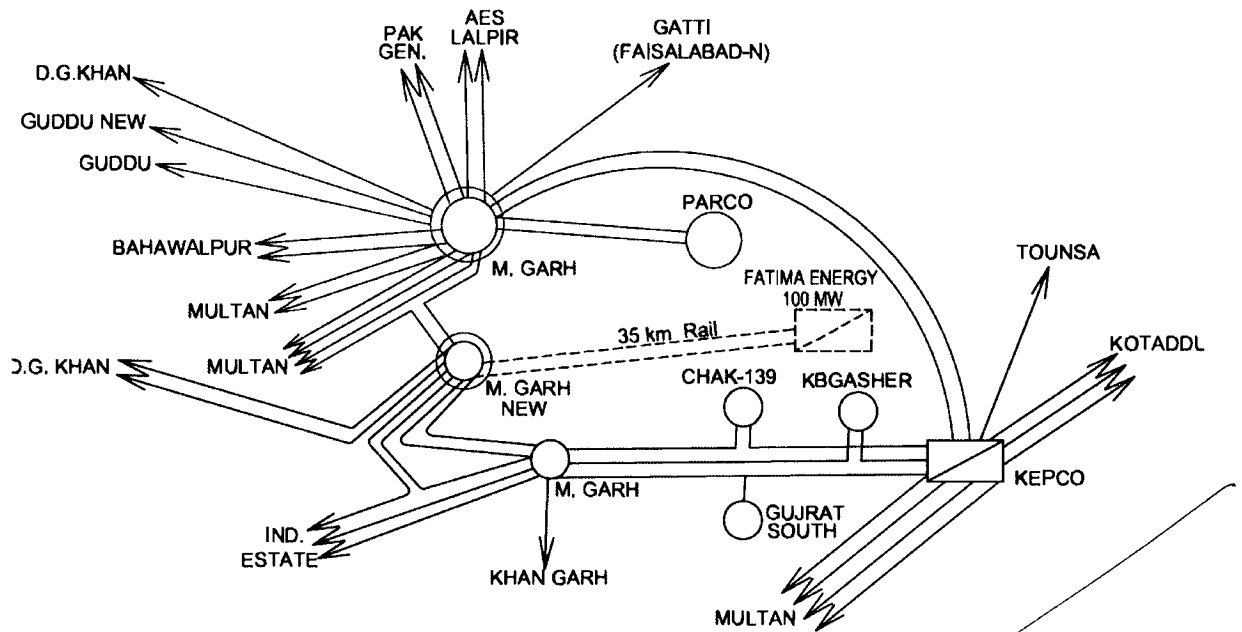


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Schematic diagram
for Interconnection/Transmission Arrangement for Dispersal
of Power from FEL

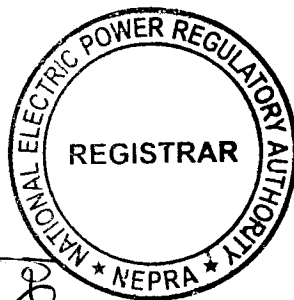


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NOTE:
 DOTTED LINES INDICATE SCOPE OF
 PROPOSED INTERCONNECTION OPTIONS



**Details of
 Generation Facility
 of the Licensee**

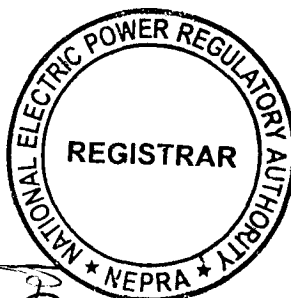
(A). General Information

(i).	Name of the Company/ Licensee	Fatima Energy Limited.
(ii).	Registered/ Business Office	E -110, Khayaban-e Jinnah (DHA Boulevard) Lahore Cantt.
(iii).	Plant Location	Sanawan, Mehmoodkot, district Muzaffargarh, Province of Punjab.
(iv).	Type of Generation Facility	Thermal Power Plant (Co-generation)

(B). Plant Configuration

(i).	Plant Size Installed Capacity (Gross at Reference Site Conditions)	120.00 MW
(ii).	Type of Technology	Steam Turbine (Condensing cum Extraction type) & Boiler (Travelling Grate Spreader stoker technology)
(iii).	Number of Units/Size (MW)	2 x 60.00 MW
(iv).	Unit Make & Model	Steam Turbine Siemens Germany Model SST600EP

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		Boiler	Foster Wheeler Spain
(v).	Commissioning and Commercial Operation date	June 30, 2016 (Expected)	
(vi).	Expected Life of the Facility from Commercial Operation Date	30 Years	

(C). Fuel Details

(i).	Primary Fuel	Biomass/Bagasse	
(ii).	Alternative/Secondary Fuel	Imported Coal	
(iii).	Start Up Fuel	Imported Coal	
(iii).	Fuel Source (Imported/Indigenous)	Primary Fuel	Alternative/ Secondary Fuel
		Indigenous	Imported
(iv).	Fuel Supplier	Primary Fuel	Alternative/ Secondary Fuel
		Fatima Sugar Mills Limited	CNC Trading DMCC, Dubai, UAE

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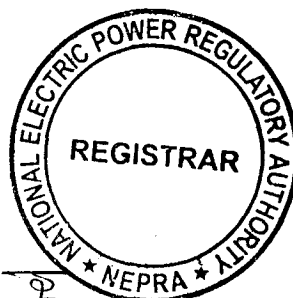


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(v).	Supply Arrangement	Primary Fuel	Alternative/ Secondary Fuel
		Conveyor/Trucks	Trucks
(vi).	Storage Capacity (open yard)	Primary Fuel	Alternative/ Secondary Fuel
		30,000 tons (estimated)	40,000 tons (estimated)
(vii).	Storage Capacity (covered)	Primary Fuel	Alternative/ Secondary Fuel
		2,000 tons	3,600 tons

(D). Emission Values

		Primary Fuel	Alternative/ Secondary Fuel
(i).	SO _x	≤ 1500	≤ 1500
(ii).	NO _x	≤ 1200	≤ 1200
(iii).	CO	≤ 800	≤ 800
(iv).	PM ₁₀	≤ 50	≤ 50



(E). Cooling Water System

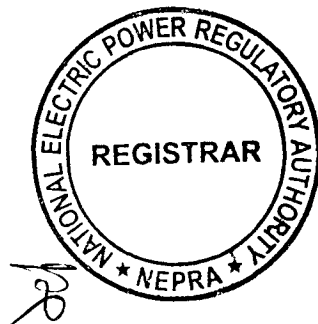
(i).	Cooling Water Source/Cycle	Water from Bore wells.
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(F). Plant Characteristics

(i).	Generation Voltage	11KV	
(ii).	Frequency	50 Hz	
(iii).	Power Factor	0.80 lagging and 0.90 leading	
(iv).	Automatic Generation Control	Not Applicable	
(v).	Ramping Rate	Cold Start	To be provided later
		Warm Start	-do-
		Hot Start	-do-
(vi).	Time required to Synchronize to Grid and loading the complex to full load.	Cold Start	-do-
		Warm Start	-do-
		Hot Start	-do-

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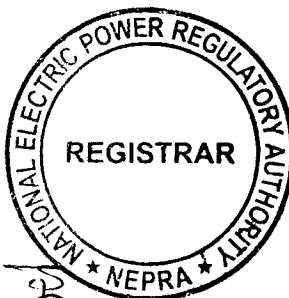
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SCHEDULE-II

The Installed Gross Capacity (MW), De-Rated Capacity At Reference Site Conditions (MW), Auxiliary Consumption (MW) and the Net Capacity At Reference Site Conditions (MW) of the Generation Facilities of Licensee is given in this Schedule

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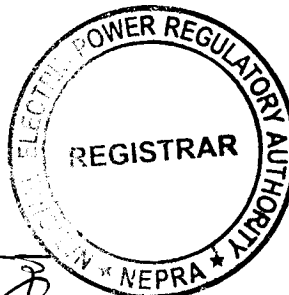


SCHEDULE-II

(1).	Total Installed Gross Capacity (2 x 60.00 MW Steam Turbines) of Generation Facility	120.00 MW
(2).	Total Installed De-Rated Capacity (2 x 59.40 MW Steam Turbine) of Generation Facility at Reference Site Condition	118.80 MW
(3).	Total Auxiliary Consumption of Generation Facility	11.26 MW
(4).	Total Installed Net Capacity of Generation Facility at Reference Site Condition	107.54 MW

Note

All the above figures are indicative as provided by the Licensee. The Net Capacity available to Power Purchaser for dispatch will be determined through procedure(s) contained in the Bi-lateral Agreement(s) or any other applicable document(s) in the matter.



Authorization
by National Electric Power Regulatory Authority (NEPRA) to
Fatima Energy Limited

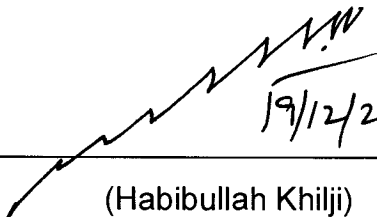
Incorporated under the Companies Ordinance, 1984
Company Registration No. 00000001455/20040605, dated June 22, 2004

NEPRA GENERATION LICENCE No. SGC/96/2013, Dated
December 31, 2013

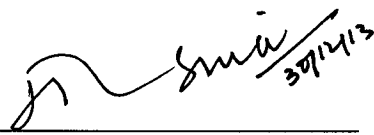
For
Sale to Bulk Power Consumer(s)

Pursuant to Section 22 of the Act and Rule 7 of the NEPRA Licensing (Generation) Rules-2000, the Authority hereby authorize Fatima Energy Limited (the Licensee) to engage in second-tier supply business, limited to the following consumer:-

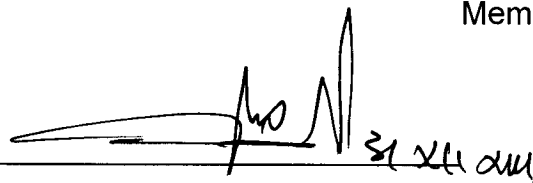
- (1). Fatima Sugar Mills Limited/FSML, located at Sanawan, Mehmood Kot Tehsil Kot Addu, District Muzaffargarh;
- (2). Fazal Cloth Mills Limited/FCML (located at Fazal Nagar, Jhang Road Muzaffar Garh and at Qadirpur Rawan Bypass, Khanewal Road, Multan, Punjab);
- (3). Reliance Weaving Mills Limited/RWML at Fazalpur Khanewal Road Multan; and
- (4). Pak-Arab Fertilizer Limited/PAFL, located at Khanewal Road, Multan.


19/12/2013

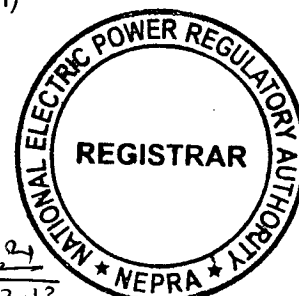
(Habibullah Khilji)
Member


30/12/13

Maj (R) Haroon Rashid
Member


31.12.13

(Khawaja Muhammad Naeem)
Member/Vice Chairman



National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Generation Licence Application of
Fatima Energy Limited

December 19, 2013
Application No. LAG-222

(A). Background

(i). In order to diversify and tap the power potential available with Sugar Industry of the Country, the Government of Pakistan (GoP) has formulated the National Policy for Power Co-Generation by Sugar Industry 2008 (the Co-Gen Policy).

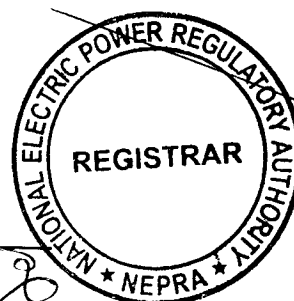
(ii). Fatima Group (FG) has shown its interest in setting up of Co-Generation plant under the Co-Gen Policy. In order to implement the project, the Group formulated a special purpose project company in the name of Fatima Energy Limited (FEL).

(B). Filing of Generation Licence Application

(i). In accordance with Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 ("the NEPRA Act"), FEL filed an application on January 24, 2013, for the grant of a Generation Licence. The Authority admitted the same under Regulation 7 of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 (the "Regulations") on April 18, 2013 for consideration of grant of a Generation

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Licence and approved the advertisement about the Notice of Admission (NoA) to be published in daily newspapers, seeking comments of the general public as stipulated in Regulation 8 of the Regulations.

(ii). The Authority also approved the list of interested/affected parties for inviting comments or otherwise assisting the Authority in the matter as stipulated in Regulation 9 of the Regulations. Accordingly, Notice of Admission was published in one Urdu and one English National Newspaper on April 20, 2013. Further, separate notices were also sent to Individual Experts/Government Ministries/Representative Organizations etc. on April 22, 2013 for submitting their views/comments in the matter.

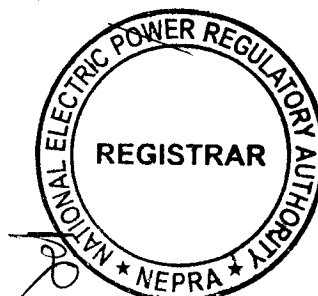
(C). Comments of Stakeholders

(i). In reply to the above, NEPRA received comments from four (04) different stakeholders. These included Mr. Imtiaz Rizvi (IR), Pakistan Mineral Development Corporation (Pvt.) Limited (PMDCL), Ministry of Petroleum and Natural Resources (MoP&NR) and Department of Mines & Minerals, Khyber Pakhtunkhwa (DoM&MKPK).

(ii). The salient points of the comments offered by the above mentioned stakeholders are summarized in the following paragraphs: -

- (a). IR commented that PPIB issued LOI for 100MW whereas application is for 120.00MW project. It is not clear how NEPRA can admit this application in this situation? It is to be clarified whether PPIB has registered the project again or not? The NoA published showed that FEL wanted to sell electricity to bulk power consumers and National Grid both. It is not clear how the project falls under the National Policy

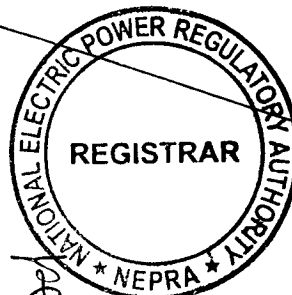
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for Co- Generation by Sugar Industry, 2008 which clearly states that only NTDC or DISCO's will buy the electricity? The proposed project is not IPP and should not get sovereign guarantee and other benefits of power policy 2002 and therefore the Generation Licence application is invalid and not relevant. You cannot have a IPP project with private distribution as it is in territory of MEPCO. This is captive project or some other form which is not under the relevant policy therefore, NEPRA may check it. O&M mobilization advance in project cost is U.S. \$ 2.00 Million whereas if you see the contract of OMS company attached its shows advance terms of US\$200,000 per month for 6 months. It is misleading and wrong fact and affidavit is wrong so US\$800,000 is charged in excess. Management mentions that they are using latest technology of Foster wheeler from Spain and Detriot Stroker from U.S.A. and than why weighted efficiency is 28.00% only so low as compared to so high EPC cost of the project. As project will run whole year on imported coal (during season one boiler and rest season both) so why efficiency did not increase? Why PPIB identified efficiency is being used which was based on other dynamics? What is the benefit to consumer? NEPRA or PPIB must evaluate the project from international independent expert. EPC contract must be emailed to commentator for review to keep transparency as in this project Feasibility is not required so NEPRA must show the EPC contract to general public on website FEL was formed on June 22, 2004 and registration with PPIB was made on August 23, 2010. The expenses during the period have been booked in account and will be transferred

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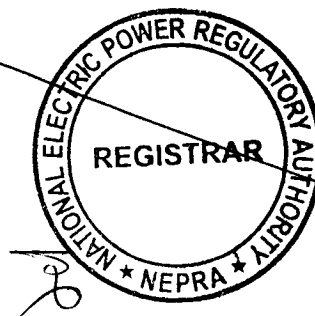
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to consumer as development cost. Development cost of US\$ 8.00 Million is very high and where it is to be spent as already US\$ 2.00 Million spent by company as per accounts so what it will do with US\$6 Million? Similarly lenders fees is in excess of NEPRA limit....consumer effected....Board resolution shows that two persons were authorized jointly but application has been signed by one person so it is invalid. The application shows Fatima Sugar Mills Limited (FSML) is main sponsor but as per Form A in application FSML do not own any shareholding of the company, they have given loan on markup/interest to FEL only. Whether FSML has the cash and bank balances to invest US\$ 58.00 Million which is 25% of equity? Only FSML be evaluated as they are sponsor as per application not other companies. How so much imported coal will be transported to site? Who will bear the cost? As project will run whole year on imported coal (during season one boiler and rest season both) so it will have huge demand and effect on national exchequer and impact on tariff. The Contract Capacity is less than what is mentioned in the 2008 policy;

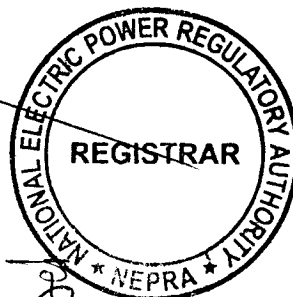
- (b). PMDCPL submitted that as a mining organization, we are of the view that such applicants may be encouraged to install plants on indigenous coal as this will help to increase the power generation to cope with the energy requirements of the country and also increase utilization of indigenous coal. Therefore, we have no objection if Generation Licence is granted to FEL however, it must fulfill all the codal formalities;

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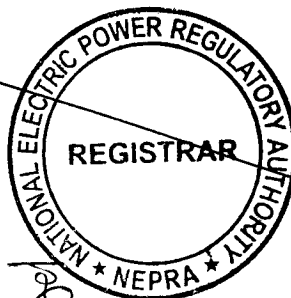


- (c). MoP&NR commented that from the contents of the NoA it is revealed that FEL intends installing co-generation thermal power plant based on bagasse and coal. MoP&NR has no objection for installation of power plant;
- (d). DoM&MKPK stated that Country does not need generation of thermal power in the presence of abundant water bodies most suitable for hydel power generation which is also most cost effective, comparatively. Our future generation has equal rights over the resources of the country and in the presence of hydel power resource of perpetual nature the resource of thermal power may not be exhausted for electric generation.

(iii). The perspective of FEL on the aforesaid position of IR, PMDCPL, MoP&NR and DoM&MKPK was sought. In its rejoinder to the observations of IR, it was submitted that registration of PPIB was based on our request which was estimated as 100.00 MW merely on empirical evaluation. Later on, after going through different studies and carrying out different permutations, the size of the project has now been finalized to 118.90 MW. Although, FEL does not feel anything contrary in the enhanced capacity however, to avoid any confusion the matter is being taken up with PPIB for revision of registration and will provide a copy of the same to NEPRA immediately upon receipt thereof. In the meantime, it is requested that NEPRA may continue the processing of our Generation Licence application. FEL will have no objection if the grant of the Generation Licence is made contingent upon the provision of registration from PPIB to the satisfaction of NEPRA. Regarding the supply/sale to Bulk Power Consumer (BPC), the same is permissible under the NEPRA regime and it is mandatory for the Distribution Company/NTDC to wheel the electric power from generation



facility to the BPC. Further, the Co-Gen Policy does not exclude sale of electric power to BPCs. It is clarified that FEL shall be signing (i) a Power Purchase Agreement (to the extent of 60.00 MW) with NTDC/CPPA (a federal entity); and (ii) an Implementation Agreement with the GOP, therefore all incentives provided under the 2002 Policy (including the GOP Guarantee, as mentioned above) would be available to FEL. Furthermore, note that there is no restriction on IPPs in relation to private distribution. In fact inter alia Section 22 of the NEPRA Act specifically caters for such private distribution. FEL does not require any Distribution Licence as it has no intention to undertake distribution activity or distribution business. FEL submitted that US\$ 0.80 Million are budgeted for procurement of initial inventory of workshop tools and spares for the O&M operator along with US\$ 1.20 Million mobilization advance as per OMS proposal. Kindly note that this issue is the subject matter of tariff petition of FEL and has been specifically addressed therein. FEL would appreciate that the matter may be determined in accordance with the Tariff determination by NEPRA. About the Board Resolution, FEL submitted that the same authorizes both persons on a "joint and several basis", hence there is no issue. FEL clarified that during the period from 2004 to 2009 only minor expenses were incurred for technical services of consultants for the feasibility study of the project approximately amounting to U.S. \$0.25 Million. The breakup of the development cost amounting U.S. \$8.00 Million is being provided. FEL submitted that we have already submitted the executed EPC contract to NEPRA as part of our tariff petition. FEL clarified that the Co-Gen Policy stipulates that the tariff will be levelised for 30 years and will be available for 60 MW's or above capacity. It is confirmed that approximately 60 MW gross out of the total 118.9 MW gross shall be available for off-take by the Power Purchaser. FEL explained that out of the total 25% equity contribution amounting to U.S. \$ 58.00 Million, FSML (being the main sponsor) will be contributing 50% of the equity and the rest will be provided by other Associated Companies i.e. Fazal Cloth Mills Limited (FCML) 25% and Reliance Weaving Mills Limited (RWML) 25%. FSML

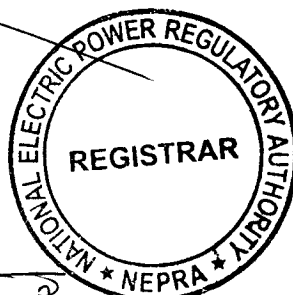


is providing funds for the operations of the company which is accounted for as loan from related party. This loan will be converted to equity contribution from the FSML.

(iv). On the comments of PMDCPL, it was submitted that PMDCPL through its letter conveyed its no objection for the project. FEL further submitted it has kept a provision in the project to utilize indigenous coal, blended with imported coal, in its combustion technology, provided reliable supply and required specification of such fuel is available. Regarding the observations of MoP&NR, it was clarified that MoP&NR has conveyed its no objection for the project. FEL stated that SNGPL has allocated gas to FSML which is a separate and distinct undertaking and as such the comments of MP&NR are not relevant. About the views of DoM&MKPK, it was submitted that project is being developed under the statutory provisions and other incentives which does not bar setting up such a generation facility.

(v). The Authority considered the matter of Generation Licence of in its Regulatory Meeting (RM-13-361), held on June 27, 2013 and observed that in the particular case of FEL no comments have been received from Central Power Purchasing Agency (CPPA) of National Transmission Dispatch Company Limited (NTDC) and PPIB. In view of the importance of said stakeholders, the Authority decided seeking their comments.

(vi). Meanwhile, PPIB submitted its comments on the notice of the tariff petition of FEL stating that neither the Co-Gen Policy nor the Power Policy 2002 allowed sale of electricity by the Power Producer to BPCs. Such an agreement/transaction between seller and BPCs is a Private, Commercial and Bi-lateral Contract out of the purview of the above mentioned Power Policies. Hence, PPIB would not be in a position to issue Letter of Support (LoS) or



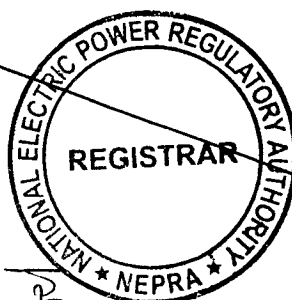
Sovereign Guarantee to any Project for sale of electricity to BPCs. NTDC in comments endorsed the said observations of PPIB.

(vii). In view of the observations of PPIB, the sponsors of the Project proposed that instead of supplying to the NTDC and BPC, they are now intended to supply 100% of their generation to BPC. In this regard, FEL also provided a detail of BPCs (a) FCML, located at Fazal Nagar, Jhang Road Muzaffar Garh and at Qadirpur Rawan Bypass, Khanewal Road, Multan, Punjab; (b) RWML at Fazalpur Khanewal Road Multan (c) FSML, located at Sanawan, Mehmood Kot Tehsil Kot Addu, District Muzaffargarh and (d) Pak-Arab Fertilizer Limited/PAFL, located at Khanewal Road, Multan to whom electricity would be provided through "Wheeling". Further, FEL also submitted a copy of letter of PPIB giving its consent in the matter and also confirmed about withdrawal of its earlier Letter No. 1(111) PPIB-3003/13/PRJ, dated June 10, 2013 whereby it had objected to the proposal of FEL to partly supply to NTDC (National Grid) and to some extent to BPCs. FEL also conveyed that now it would be supplying 100% of the generation to its BPCs with no obligation of the PPIB, NTDC or GoP etc. and the project would be implemented beyond the purview of the Co-Gen Policy.

(viii). The Authority considered the above submissions of PPIB and FEL in its Regulatory Meeting (RM-13-615), held on November 21, 2013 and decided to proceed further with the submitted Generation Licence application of FEL as stipulated in the Regulations and NEPRA Licensing (Generation) Rules, 2000 (the Rules) as PPIB had withdrawn its objections.

(D). Grant of Generation Licence

(i). Energy is fundamental input to economic activity, and thus to human welfare and progress. The importance of electricity in the development of the

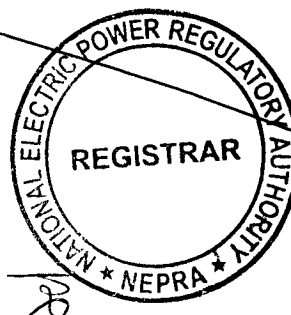


economy of any country is beyond any doubt. The Economic Growth of any country is directly linked with the availability of safe, secure, reliable and cheaper supply of electricity. In view of the said reasons, the Authority is of the considered opinion that for sustainable development all indigenous power generation resources including Coal, Hydel, Wind, Solar and other Renewable Energy (RE) resources must be developed on priority basis in the public and private sector.

(ii). FEL plans setting up a Co-Generation Thermal Power Plant at Sanawan, Mehmood Kot, Tehsil Kot Addu, District Muzaffargarh in the Province of Punjab. The said facility will be utilizing Bagasse/Biomass as the main fuel during the cane crushing season or till the time Bagasse/Biomass lasts and imported Coal as alternative/supplemental fuel. Whereas, during the off season period, imported Coal will be utilized as the only fuel for the plant operation. According to the provided information, FEL will be wheeling all the electric power generated from its co-generation facility to different BPCs as explained at Para C(vii) above.

(iii). In this regard, the Authority clarifies that the NEPRA Act defines the modus operandi for regulating the Electric Power Sector of the Country. According to the frame work defined in the NEPRA Act, Transmission and Distribution Licensees have been granted exclusive rights to perform their duties. However, despite the said exclusivity, the BPCs are entitled to obtain electric power from any source subject to the approval of the Authority. In view of the said, all the Distribution Companies (in terms of Article 9 of their Distribution Licences and Rule 11 (7) of the NEPRA Licensing (Distribution) Rules 1999 (the Distribution Rules) are obligatory to provide access to any prospective Generation Company or prospective BPC for using their Distribution System for which DISCOs are entitled to claim Use of System Charge (UoSC). Similarly, NTDC in terms of Article 10 of its Transmission Licence (No. TL/01/2002, dated December 31, 2002) is obligated to provide open access to any prospective

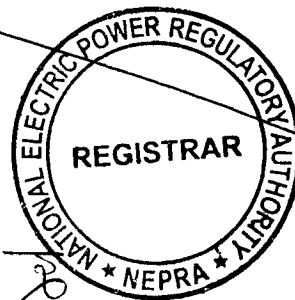
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Generation Company or prospective BPC for using its Transmission System for which it is entitled receiving UoSC. In this regard, it is pertinent to mention that the Authority had been determining UoSC for DISCOs and NTDC on a regular basis. In order to encourage Wheeling of electric power, the Authority had also issued necessary guidelines in the matter. Further, in the case of FSML and MEPCO, the Authority had granted approval of the Energy Wheeling Agreement (EWA) setting as template for the other projects including this particular case of FEL which plans to wheel power from its Co-Gen facilities to different BPCs as stated above. The Authority regards the proposed project of FEL to be very important and trend setting in the power sector of the country as it is being set up on purely commercial basis and terms not involving any guarantees or concession of the Govt. of Pakistan. The Authority also considers the proposed project of FEL very important as it is very much in line with its objective of setting up a competitive market in the country where buyers and sellers agreeing to mutually acceptable terms and conditions for sale and purchase of power with its oversight, from any of the generation facility that can be wheeled using the network of DISCOs and NTDC.

(iv). The Authority processed the submitted application of FEL in terms of Regulations and the Rules and observed that FEL has complied with the requirements of the Regulations and the Rules therefore; it qualifies for the grant of Generation Licence under Section 15 of the NEPRA Act. Further, in terms of the Section 22 of the NEPRA Act, the Authority is empowered to permit a generation company to sell electric power to a BPC on an application made in writing by it, provided that the BPC(s) are not in default in previous charges of electric power. In this particular case, FEL has submitted a formal request to the Authority for supplying electric power to different BPCs. Further, it has also been confirmed that the above mentioned BPCs are not in any default on account of the charges of electric power, thus complying with requirements of the Section 22 of the NEPRA Act. In view of the said, FEL qualifies for supplying electric

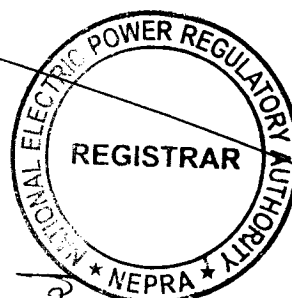


power to BPCs as stated above through Wheeling Arrangement using the System of MEPCO, in terms of Section 22 of the NEPRA Act and Rules 7 of the Rules. The Authority directs FEL and MEPCO to submit a draft EWA for its approval. Further, the Authority also directs the parties (i.e. FEL and MEPCO) to refer any dispute relating to UoS, rate of electricity or EWA etc. to it for resolution.

(v). According to Rule 5(1) of the Rules, except where an applicant for a Generation Licence consents to a shorter term, the term of a Generation License shall be commensurate with the maximum expected useful life of the units comprised in a generation facility. The generation facility for which FEL has sought Generation Licence, consists of two (02) Steam Turbines expected to be commissioned by March 31, 2016. FEL has further clarified that according to EPC Contractor these Steam Turbines have a useful life of more than thirty (30) years from Commissioning/Commercial Operation date (CoD). FEL has requested that the term of the proposed Generation Licence may be fixed to thirty (30) years. The Authority considers that being conventional Thermal Power Plant, the useful life of the generation facility may be considered well beyond thirty years (30) years. However, considering the fact that FEL has consented to a shorter term of thirty (30) years therefore, the Authority sets the term of the Generation Licence to thirty (30) years from CoD;

(vi). The Authority clarifies that under Rule 6 of the Rules and Article 6 of the proposed Generation Licence, the FEL/Licensee is allowed to charge only such tariff which has been determined, approved or specified by it. In view of the said, the Authority directs FEL for submitting draft of the PPA to be signed with its BPCs for its approval within one month.

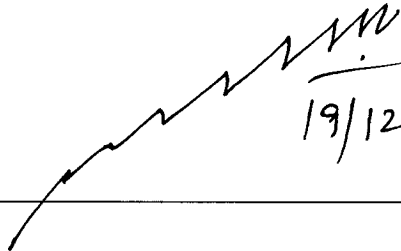
(vii). In consideration of the above, the Authority hereby decides to approve the grant of Generation Licence to FEL on the terms and conditions set



out in the Generation Licence annexed to this determination. The grant of Generation Licence will be subject to the provisions contained in the NEPRA Act, relevant rules and regulations framed there under.

Authority

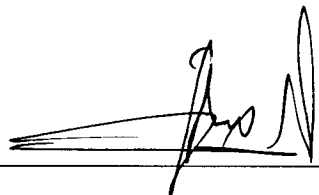
Habibullah Khilji
Member

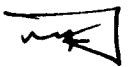

19/12/2013


Maj. Retd Haroon Rashid
Member


20/12/13

Khawaja Muhammad Naeem
Member/Vice Chairman


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