



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/R/LAG-195/6017-6022

May 02, 2017

Mr. Mokarram Mirza
General Manager
FFBL Power Company Limited (FFBLPCL)
73-Harley Street, Rawalpindi,
Pakistan.
Ph : 92-51-9272196-7

Subject: Modification in Generation Licence No: SGC/111/2015
Licence Application No. LAG-195
FFBL Power Company Limited (FFBLPCL)

Reference: Your application vide letter No. nil, dated November 24, 2015 (received on November 30, 2015).

Enclosed please find herewith Determination of the Authority in the matter of Licensee Proposed Modification filed by FFBL Power Company Limited (FFBLPCL).

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2/5/17
(Syed Safer Hussain)

Copy to:

1. Managing Director, Private Power & Infrastructure Board, 50-Nazimuddin Road, F-7/4, Islamabad
2. Chief Executive Officer, NTDC, 414-WAPDA House, Lahore
3. Chief Executive Officer, CPPA-G, ENERCON Building, Sector G-5/2, Islamabad.
4. Chief Executive Officer, K-Electric Limited, KE House No. 39-B, Sunset Boulevard, Phase-II, DHA, Karachi.
5. Director General, Sindh Environmental Protection Agency, Plot No. ST 2/1, Sector 23, Korangi Industrial Area, Karachi

National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Licensee Proposed Modification of
FFBL Power Company Limited

April 26, 2017
Case No. LAG-195

(A). Background

(i). The Authority granted a generation licence (No. SGC/111/2015, dated April 24, 2015) to FFBL Power Company Limited (FFBLPCL), in terms of Section-15 of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 ("the NEPRA Act").

(ii). The above generation licence, envisaged setting up an imported coal based 118.00 MW co-generation thermal power plant, proposed to be located at Eastern Industrial Zone, Port Qasim, Karachi, in the province of Sindh for supplying to a Bulk Power Consumer (BPC) and K-Electric Limited (KEL).

(B). Communication of Modification

(i). FFBLPCL in accordance with Regulation-10(2) of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 ("the Licensing Regulations"), on November 24, 2015, communicated a Licensee Proposed Modification (LPM) in its abovementioned generation licence.

(ii). In "the Text of the Proposed Modification", FFBLPCL requested the Authority to replace the word "co-generation" with "generation" as being the independent coal based thermal power plant. Regarding the "Statement of the Reasons in Support of the Modification", it was submitted that that Clause-1.1(e) of the generation licence defines the co-generation power plant as "the generation facility for simultaneous production of both electric power and heat or steam for industrial processes from a common fuel source". Whereas, the company is establishing an independent coal based thermal generation facility which does not have any commercial or industrial activity consuming its own

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power or steam. The company will operate as an Independent Power Plant (IPP) and will generate electricity by installing new equipment.

(iii). About the "Statement of the Impact on the Tariff, Quality of Service and the "Performance by the Licensee of its Obligations under the Licence", FFBLPCL submitted that the proposed LPM will not have any adverse impact on the tariff, quality of service and its performance under the licence.

(C). Processing of LPM

(i). After completion of all the required information as stipulated under the Regulation-10(2) and 10(3) of the Licensing Regulations by FFBLPCL, the Registrar published the communicated LPM on December 29, 2015, in one (01) Urdu and one (01) English newspapers, informing the general public about the communicated LPM and inviting their comments within a period of fourteen (14) days from the date of the said publication.

(ii). Apart from the above, separate letters were also sent to other stakeholders including Government Ministries and their attached departments, various representative organization and individual experts on December 29, 2015. Through the said letters, the stakeholders were informed about the communicated LPM and publication of its notice in the press and were invited to submit their views and comments in the matter, for assistance of the Authority.

(D). Comments of Stakeholders

(i). In response to the above, the Authority received comments from three (03) stakeholders including Anwar Kamal Law Associates (AKLA), Thar Coal & Energy Board Government of Sindh (TC&EBGoS), and Ministry of Petroleum & Natural Resources (MoP&NR). The salient points of the comments offered by the said stakeholders are summarized hereunder:-



(a). AKLA stated that the Authority has granted the generation licence to FFBLPCL for its co-generation facility of 118.00 MW for two blocks. These included a block of 58.00 MW at 60 Hertz and the other of 60.00 MW at 50 Hertz. AKLA pointed out that the plant is using sub-critical technology having an efficiency of

29.2% as compared to the benchmark efficiency of 37% set out by the Authority in Determination for the upfront Tariff for coal based projects. Further, AKLA commented that the Rule-3(5) of the NEPRA Licensing (Generation) Rules, 1999 ("the Generation Rules") stipulates that the Authority may refuse to issue a generation licence where the site, technology design, fuel, tariff or other relevant matters pertaining to the generation facility are either not suitable on environmental grounds or do not satisfy the least-cost option criteria. AKLA contested that the Authority has granted the generation licence to FFBLPCL without observing the merits of the case and against the criteria of the said Rule. AKLA expressed its surprise on the intention of the FFBLPCL to change the very basis on which its application for the grant of generation licence was processed (i.e. as a co-generation plant) through LPM. It argued that granting a generation licence to an imported coal based sub-critical technology power plant having an efficiency of 29% in an IPP mode will be considered mala-fide and tantamount to committing crime relating to the economy and environment. AKLA requested the Authority that not only the proposed LPM may be rejected but also the generation licence granted to FFBLPCL and Power Acquisition Request approved by the Authority in the matter may also be revoked;

- (b). TC&EBGoS submitted that the matter is not relevant to it. However, it informed that by the end of 2018, indigenous coal (i.e. Thar Lignite) will be available for local/national consumption. Therefore, this position may be conveyed to all coal based power plants at the construction stage;
- (c). MoP&NR expressed its no objection on the premise that FFBLPCL is establishing a coal based thermal power plant and no gas is required for the project.

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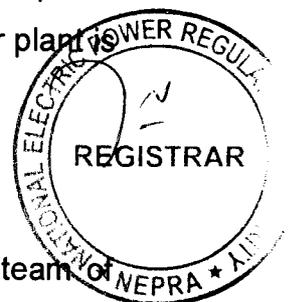
(ii). The above comments of the stakeholders were examined and in view of the observations of AKLA, the Authority considered it appropriate to seek perspective of FFBLPCL in the matter.

(iii). In its rejoinder, FFBLPCL submitted that the comments of AKLA are simplistic and generic in nature and are not supported by any cogent reason. Comments regarding efficiency are time barred and are not relevant to this LPM. In response to the comparison of the 29.2% efficiency of the plant with 37% benchmark efficiency for upfront Tariff of coal based projects, FFBLPCL submitted that its project is not being developed under the upfront Tariff regime. On the contrary, it is based on the bilateral agreement between K-Electric Limited (KEL) and FFBLPCL therefore, reference of upfront Tariff is not relevant. Further, the efficiency of the project has been determined by the Authority after extensive deliberation and considering the size of the project. FFBLPCL contended that the comments of the AKLA are based on the sweeping statements, assumptions and speculations without supporting the same with any plausible data. The company clarified that installation of imported coal based sub-critical power plants is not restricted under any law. Further, it informed that the power plant has been designed to meet the most stringent environmental protection standards of the Country. FFBLPCL has requested the Authority that the comments of AKLA may be rejected and its LPM may be approved.

(iv). The Authority considered the above comments of stakeholders & submission of FFBLPCL and decided to constitute a team of NEPRA professionals to conduct a site visit to find out whether the FFBLPCL plant is co-generation or otherwise. Further, the Authority also directed FFBLPCL to submit a certificate/report from a third independent party, most preferably a reputed engineering consulting firm, to establish the status of plant i.e. the power plant is co-generation or otherwise.

(E). Report of Professionals of NEPRA

(i). In pursuance to the above directions of the Authority, a team of NEPRA professionals visited the power plant of FFBLPCL on September 26, 2016. The team observed that as per scheme of arrangement, the power plant of FFBLPCL consists of two (02) blocks. Block-I consists of 1x60 MW condensing



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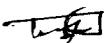
steam turbine generator and is operating at 11KV & 50 Hertz which is dedicated for supplying to KEL. Whereas, Block-II consists of 2x24 MW condensing steam turbine generators & 1x10 MW back-pressure steam turbine generators. The same is operating at 13.8 KV & 60 Hertz for supply of electric power and process steam to the affiliated group company i.e. Fauji Fertilizer Bin Qasim Limited (FFBQL).

(ii). During inspection of the abovementioned blocks of the power plant of FFBLPCL it was observed that Block-I does not have any steam extraction from its turbine, therefore, the same cannot be considered as co-generation arrangement. Whereas, block-II of the power plant of FFBLPCL is totally independent from the block-I and is solely used for supply of electric power & steam to FFBQL.

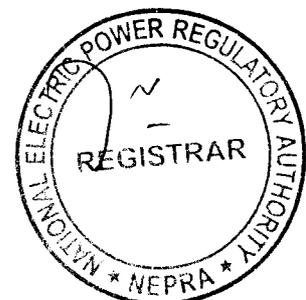
(F). Report of Independent Engineering Consultant

(i). In response to the direction of the Authority, FFBLPCL submitted a report of third independent party/engineering consultant firm i.e. Elan Partners (Private) Limited (EPPL). EPPL in its report submitted that technically there are two generation systems in place, one at generating frequency of 50 Hz and 11 KV generating voltage, while the other system has generating frequency of 60Hz at generating voltage of 13.8 KV; so it can be considered as two separate virtual islands.

(ii). In the conclusion of its report EPPL submitted that in the first Island, FFBLPCL will be supplying power (52 MW at 50Hz) to KEL exclusively under agreed PAR, which has already been submitted to NEPRA by FFBLPCL. This island has been provided with electronic measuring instruments along with electronic data recorders to keep on line records since COD onwards. This island is not a co-generation arrangement. However, in the second Island of 60 Hz, FFBLPCL is supplying power and steam to FFBQL, so the system in this Island is a co-generation arrangement.







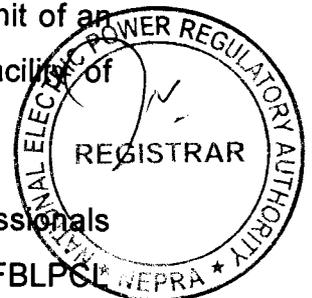
(G). Evaluation of the Case

(i). The Authority has examined the entire case in detail including the information provided in its LPM, application for the grant of generation licence, already granted generation licence, comments of the stakeholders, site visit report of the team of NEPRA professionals, report of third independent party/engineering consultant firm i.e. EPPL and relevant rules & regulations.

(ii). In this regard, the Authority observes that in terms of Regulation-10(5) of the Licensing Regulations, the Authority is entitled to modify a licence in accordance with an Authority Proposed Modification (APM) or LPM, 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.

(iii). The Authority observed that at the time of submission of its application for the grant of generation licence FFBLPCL submitted that its thermal power plant will be a co-generation power plant. Whereas, a co-generation is a plant which produces two types of energy (i.e. electric power and heat/steam) for industrial purposes from a common fuel source. FFBLPCL confirmed in its initial application that in addition to generating electricity, it will also produce low pressure steam for supplying the same to fertilizer unit of an associated company. In consideration of the said, the generation facilities of FFBLPCL was defined as co-generation power plant.

(iv). Further, the Authority observed that team of NEPRA professionals and EPPL both in its reports have concluded that power plant of FFBLPCL consists of two (02) blocks, out of which one block is Co-Generation and the other is not a Co-Generation. The Authority is of the considered opinion that



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abovementioned two (02) blocks are integral part of the power plant of FFBLPCL and the same cannot be considered separately. Therefore, as a whole the power plant of FFBLPCL is a Co-Generation power plant.

(H). Decision of the Authority

(i). In view of the above, the Authority is of the view that FFBLPCL has failed to establish that its plant is not a co-generation power plant. Therefore, communicated LPM to change the status of project from co-generation to independent coal based power plant cannot be accepted. Further, if LPM is allowed the same will not be beneficial to the consumers in general.

(ii). Accordingly, the Authority decides to reject the communicated LPM of FFBLPCL in terms of Regulation-10(11)(b) of the Licensing Regulations as the same does not fulfill the requirements of Regulation-10(5) of the Licensing Regulations. Foregoing in view, the Authority hereby rejects the communicated LPM of FFBLPCL.

Authority:

Maj. (R) Haroon Rashid
(Member)



Syed Masood-ul-Hassan Naqvi
(Member)



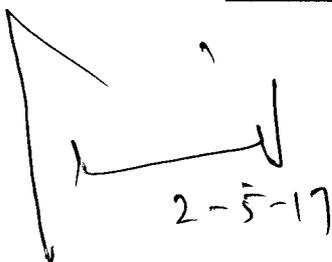
Himayat Ullah Khan
(Member)



Saif Ullah Chattha
(Member/Vice Chairman)



Tariq Saddozai
(Chairman)


2-5-17

