



Faisalabad Electric Supply Company Limited

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OFFICE OF THE
CHIEF EXECUTIVE OFFICER
FESCO FAISALABAD

F. No. 177/CCO/MT&CM

Dated: 15-02-16

Registrar NEPRA,
Atta Turk Avenue (East),
G-5/I, NEPRA Tower,
Islamabad.

By No. 1745
Dated 16-02-2016

Subject: **AUTHORITY PROPOSED MODIFICATION (APM) IN THE GENERATION LICENSE OF GTPS FAISALABAD OF NORTHERN POWER GENERATION COMPANY.**

Reference: Your office letter No NEPRA/D(Lic)/LAG-03/18652-18703 Dated 31.12.2015.

In this respect it is submitted that Faisalabad is an industrial hub shortage of power has already been a sever issue in this district, it is therefore recommended that till the alternate new power house is installed in the already state owned developed generation facility, this power house should not be deleted from the license of NPGCL/GENCO-III.

It is further added the after the import of LNG from Qatar which is expected within 60 days the availability of natural gas will be improved and units 1-9 of GTPS being operated using RFO will attain more better position in the merit order by using available gas.

FESCO is of the view point that 03 Nos. power plants have worse merit order as compare to GTPS, if they are on the list of power generation and definitely will be affecting the consumer end tariff then Authority should not initiate APM in case of GTPS Faisalabad in the first phase, ignoring other 03 power plants,

FESCO therefore will not be in favor to support the Authority Proposed Modification. Keeping in view the above submission.

For information & u/a p.
- Dir. (Lic)
- m
Copy-1: cc: chairman
- VC/MC/LA,
SAC Tech.

(Engr. Sardar Masood Iqbal Khan)
CE/Chief Commercial Officer
FESCO Faisalabad

CC

- Syed Mateen Ahmad, Section Officer Tariff, Ministry of Water and Power A-Block Islamabad with reference to his letter No.F-No.Tariff/CMEC-2015 dated 11.01.2016.
- SO to CEO, FESCO Faisalabad, for information.

- MCJ, - MCMEI
- MC Lic,

NEPRA
Licensing Division
Diary No. 788
Date: 17-02-16

ANWAR KAMAL LAW ASSOCIATES

Ref. No.C/NEPRA/23/16

BY EMAIL, FAX & TCS

Dated: 12th Jan., 2016

<office@nepra.org.pk>

051-2600026

The Chairman,
National Electric Power
Regulatory Authority (NEPRA),
Attaturk Avenue (East), NEPRA Tower,
Sector G-5/1, Islamabad.

For information & m/f A.
— Dir (Lic)
— SA (Tech)
— SAT-I
— Gen Mkt (Gen) - m/f
13.01.16
re: chairman
vc/m(G)
m(T)
m(ME)
m(Lic)

Subject: Notice for Seeking Comments - In the Matter of Authority Proposed Modification (APM) in the Generation Licence of Northern Power Generation Company Limited (NPGCL/GENCO-III) (Units No. 1-9 of GTPS Faisalabad).

Reference: Public Notice/Advertisement Published in Daily 'The News' dated 30th December 2015.

Dear Sir,

Discussed
12/1/16
m/f to SA
m/f to SAT-I
m/f to Gen Mkt (Gen)

Mr. Anwar Kamal, senior Associate of Anwar Kamal Law Associates (AKLA), is a tax paying citizen of Pakistan and a consumer of electricity. Since 2002 he has assisted the National Electric Power Regulatory Authority on various issues with regard to grant of Generation Licenses, Tariff Determinations, framing of Rules and Regulations, etc. Further, it is also a great honor for him that the Supreme Court of Pakistan and the Lahore and Islamabad High Courts have appointed him as amicus curiae in various cases to assist the Honorable Courts. AKLA has established a small 'Energy Section' in the Public Interest, which is working with a small group of professionals, so far on voluntary basis.

Notwithstanding resource constraints, AKLA is trying its' best to assist the Authority in the interest of electricity consumers and the country's economy.

NEPRA
Licensing Division
Diary No. 22
Date: 13-01-16

Registrar
No. 402
Dated: 13-01-16

2. Despite the constraints of AKLA and the disinterest of NEPRA, AKLA has been participating in the process of Monthly Fuel Charges Adjustments since May 2014 in the Public Interest. It is raising serious concerns, which all consumers are facing, but are not able to raise their voice due to their constraints. The financial and economic impact of issues which are being raised by AKLA is not in millions but in billions of rupees, and that too on monthly basis. The highlighted issues are not only affecting the Nation in terms of finance and economics but the Nation is also facing social disorder due to load shedding, mis-governance of Distribution Companies and the high prices of Electricity on account of inefficiencies of the Power Sector players. Unfortunately, the Regulator is protecting all stakeholders on the Investors' side, while ignoring the most deserving stakeholder: that is the Electricity Consumer.

3. The basis on which the Authority has now initiated this 'Authority Proposed Modification' has been continuously submitted before the Authority by AKLA through thirty or more letters in the matter of Monthly Fuel Charges Adjustment. The issue, based on which this APM has been initiated, is also covered in AKLA's letters: the detail of the letters since 2014 is:

AKLA's letters dated: 23.06.14, 01.07.14, 21.07.14, 09.08.14, 26.08.14, 18.09.14, 19.09.14, 23.09.14, 01.10.14, 10.10.14, 22.10.14, 27.10.14, 28.10.14, 24.11.14, 18.12.14, 04.02.15, 16.02.15, 16.02.15, 26.02.15, 10.03.15, 10.03.15, 21.03.15, 24.03.15, 03.04.15, 03.04.15, 06.04.15, 06.04.15, 08.04.15, 25.04.15, 30.04.15, 02.05.15, 07.05.15, 20.05.15, 20.05.15, 01.06.15, 02.06.15, 05.06.15, 05.06.15, 22.06.15, 23.06.15,

24.06.15, 26.06.15, 15.07.15, 25.08.15, 05.09.15, 14.09.15, 06.10.15, 21.10.15, 26.10.15, 30.11.15, 28.12.15.

4. Unfortunately, the Authority did not bother to take timely action and this failure to take action on the one hand caused billions of rupees loss to consumers' for no fault of theirs and severe loss to the economy and on the other hand has given huge, undue and illegal, financial gain to the Company and its' owner.

5. Having stated the above general facts, AKLA would like to submit some material facts in the matter of the Authority Proposed Modification in the Generation License of NPGCL.

6. The Generation License was granted by the Authority to NPGCL on 01.07.2002 and thereafter two Modifications were approved by the Authority in the Generation License on 18.04.2014 and 31.10.2014. The Plant-wise Capacities (in MW) given in the original and the modified Schedule - II of the License has been compiled below:

Capacities in MW	Capacity of Power Plants as per initial Generation License dated 01.07.2002			Capacity of Power Plants as per Modified Generation License dated 18.04.2014			Capacity of Power Plants as per Modified Generation License dated 31.10.2014		
	Installed	De-rated	Net	Installed	De-rated	Net	Installed	De-rated	Net
Thermal Power Station (TPS) Muzaffargarh	1350	1300	1204	1350	1300	1204	1350	1300	1204
Natural Power Gas Station (NGPS) Multan	195	150	135	Deleted from Gen. License			Deleted from Gen. License		
Gas Turbine Power Station (GTPS) Faisalabad	244	190	186.20	244	193.67	187.53	244	193.67	187.53
Steam Turbine Power Station (SPS) Faisalabad	132	100	99.66	132	100	99.66	132	100	99.66
CCPP Nandipur	Not Commissioned			Not included in Gen. License			565.65	526.29	510.0
Total Capacity	1921	1740	1624.86	1726	1593.67	1491.19	2291.65	2119.96	2001.19

7. As per the published Notice for seeking comments dated 30.12.2015:

- the useful life of GTPS-Faisalabad Units 1-9 expired on 30.06.2012.
- the useful life of GTPS-Faisalabad Units 1-9 has not been extended in terms of Rule 5(2) of the NEPRA Licensing (Generation) Rules, 2000.
- GTPS-Faisalabad Units 1-9 have Natural Gas as the primary Fuel and Residual Furnace Oil as Alternative Fuel.
- Efficiency of these Units reportedly dropped to 24%.
- These units are ranked at the bottom of the Merit Order lying at 70th position in a list of seventy three (73).
- Generation of electricity from these Units is costing the Central Power Purchasing Agency Guarantee Limited (CPPA-G) an approximate cost of Rs.22.20/kWh, which is resulting in an increased consumer-end Tariff.

8. Further, the useful life of GTPS-Faisalabad Units 1-9, as mentioned in the NEPRA approved Modification dated 18.04.2014 was '00' years. This Modification was an outcome of the Authority Proposed Modification initiated in January 2012 and concluded after an inordinate delayed processing time of '28 Months'.

9. It is important to highlight that AKLA, through its' more than 50 letters since 2014, has been raising out the issues of 'Expiry of Useful life of different Units', 'Under-utilization of available Power Plants', despite the fact that demand of Power exists in the system and the same was being crushed through load shedding, 'Making Capacity Payment to Power Producers without

taking Power' from them, 'Under-utilization of various Power Plants and its' adverse impact in the form of increased per unit cost to the consumers', etc.

10. AKLA has already submitted the detailed analysis of generation data of Power Plants supplying electricity to CPPA for the last five years. For more than two years, AKLA, has been requesting provision of financial data of electricity purchased by CPPA to establish the loss that has been passed on to the consumers and the economy due to mis-governance only, but NEPRA and CPPA are both not willing to provide the vital requested for data.

11. After re-visiting the above facts and the NEPRA initiated APM, the following questions arise for consideration:

- when the life of these units expired on 30.06.2012 and NEPRA was aware of the fact that Capacity payment was being made illegally to these Units which had outlived their useful life, without taking electricity from these Units, then why NEPRA did not initiate timely action?
- Has NEPRA calculated the adverse effect of its' non-action in this and all similar matters?
- Why did the Company not apply for extension in the useful life of these Plants if it considers that these Plants can be operated for a further period?
- Why did CPPA and CPPA-G not agitate this issue in the past, which has been over-burdening the electricity consumers and causing deterioration in the country's economy by increasing the consumer-end Tariff?

- Why did the DISCOs not agitate this issue despite the fact that the DISCOs are responsible to procure and supply electricity to their consumers at economical rates?
- Why did NEPRA not call upon the Company to submit Explanation for under-utilizing its' Power Plants?
- Why did NEPRA not convert the Tariff for these Units on 'Take and Pay' basis?
- Why did NEPRA not take note of the operation of these Units on efficiencies lower than these allowed?
- Why has NEPRA not initiated action against burning of the primary Fuel at very sub-optimum level?
- Why has NEPRA not initiated action against CPPA for making Capacity Payments without taking electricity from these Plants?
- Why has NEPRA not initiated APM for exclusion of the Unit in 2012?
- Why has NEPRA, the exclusive Regulator of Electric Power in Pakistan, not taken note of this in-efficiency and mis-governance in the Power Sector?

12. Under the above circumstances, will the electricity consumers and the people of Pakistan not be justified to come to the conclusion that all stakeholders and the Regulator i.e. NEPRA are working in collusion and connivance against the interest of consumers and the country's economy?

13. AKLA would like to bring on record that due to delayed action of NEPRA in similar cases of JPCL-Kotri and NGPS Multan Units, consumers have

already suffered huge financial loss while these Companies have gained huge financial benefits.

14. In the published Notice, AKLA has noticed some weak statements while some vital information has been found missing. It is submitted that:

- the statement published in the Notice with regard to drop in efficiency is very weak. What actual efficiencies these Plants have achieved during the last three and a half years i.e. during the last 42 months, as against the approved or allowed efficiency benchmarks, has not been mentioned.
- The Notice published in the Newspaper is silent about the Plant Utilization Factor which these Plants have achieved during the last three and a half years i.e. during the last 42 months.
- The statement published in the Notice with regard to Unit cost of electricity from these Power Plants to the Power Purchaser is also weak. It is neither mentioned that the Unit cost of Rs.22.20/kWh is inclusive of Capacity and Energy Charges nor the cost of Energy and Capacity components is mentioned separately. Is this Unit cost of Rs.22.20/kWh inclusive of Energy and Capacity Charges? Further, the duration of this cost is also not mentioned. The month-wise cost of electricity from these units to CPPA, along with the break-up of EPP and CPP (Total per unit Cost = Per Unit Energy Charges + Per Unit Capacity Charges) for the last 42 months should be given with this APM. As per Authority decision dated 30 November 2015, the revised Fuel Cost Component (Rs/kWh) effective from 1st September, 2015 in respect of GTPS-Faisalabad Units

1-4 was Rs.10.7561/kWh while for GTPS-Faisalabad Units 5-9 was Rs.6.0156/kWh.

15. In AKLA's considered opinion, the existing Power Sector of Pakistan is full of inefficiencies, which are not only condoned but appear to have the backing of NEPRA, the exclusive Regulator. To remove inefficiencies and to ensure transparency, NEPRA is required to direct the CPPA to submit the 'Per Unit cost of Electricity from each Power Plant' (Total per Unit Cost = Per Unit EPP + Per Unit CPP) along with its' requests for monthly Fuel Price Adjustment. AKLA is sure that the cost of various Power Plants like Saif, Sapphire, Halmore, Orient, Nandipur, many of the GENCO Units must be in the range of Rs. 25-35/kWh. It is also a fact that the per Unit cost of electricity being supplied by Wind and Solar Power Plants is in the range of Rs. 20-21/kWh despite the fact that these are non-base-load, low-Plant-factor Power Plants and their transmission cost is much more than that of base-load Power Plants

16. AKLA is in favor of the advertised APM but at the same time requests the Authority to hold an inquiry to determine what amount has been paid to these Units by CPPA after its illegal recovery from the consumers and to pass an immediate order of refund of the illegally and imprudently recovered amount to the consumers. In fact a Forensic Audit into this matter would yield invaluable benefit to the Authority and the entire Power Sector.

17. AKLA has learnt from past experience that the Authority will not discuss and address these issues in its Determination. AKLA requests that its'

comments be at least made an Decision annexure to the Decision of the Authority in this matter.

Yours faithfully,

(Anwar Kamal Law Associates)

Copy to the Registrar, National Electric Power Regulatory Authority (NEPRA), Attaturk Avenue (East), NEPRA Tower, Sector G-5/1, Islamabad

(Anwar Kamal Law Associates)

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