



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad.
Ph : 9207200 Ext : 330 — Fax : 9210215
E-mail : office@nepra.org.pk
Direct Phone : (051) 9206500

No. NEPRA/R/LAG-70 /12137-8

11 - 11 - 2004

Chief Financial Officer
Engro Asahi Polymer & Chemicals Ltd. (EAPCL)
First Floor, Bahria Complex I,
24 M.T. Khan Road,
Karachi-74000

Subject: **Grant of Generation Licence SGC/026/2004**
Licence Application No. LAG - 70
M/s. Engro Asahi Polymer & Chemicals Ltd. (EAPCL)

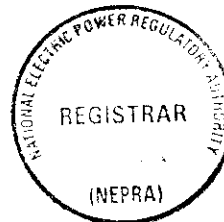
Please refer to your application No. nil, dated July 15, 2002 to NEPRA for a Generation Licence.

2. Enclosed here is Generation Licence No. SGC/026/2004 granted by the Authority to M/s. Engro Asahi Polymer & Chemicals Ltd. The Licence is granted to you pursuant to Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

3. Also enclosed here is the 'Authorization' pursuant to Section 22 of the Act and Rule 7 of NEPRA Licensing (Generation) Rules - 2000 for sale to bulk power consumers.

4. Please quote above mentioned Generation Licence No. in your future correspondence with the Authority.

DA/As above.



(Handwritten signature)
984 11.11.04
(Mahjoob Ahmad Mirza)

Copy for information to Director General, Pakistan Environmental Protection Agency,
44-E, Office Tower, Blue Area, Islamabad.

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

GENERATION LICENCE

No. SGC/026/2004

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 (XL of 1997), the Authority hereby grants a Generation Licence to:

Engro Asahi Polymer and Chemicals Limited


Incorporated under the Companies Ordinance, 1984

Under Certificate of Incorporation

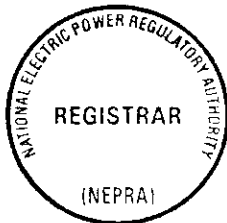
No. K-07013 Dated 20th October 1997

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

Given under my hand this 11th day of November, Two Thousand & Four, and expires on 10th day of November, Two Thousand & Twenty Four.



Registrar



Handwritten initials or mark

**Article 1
Application of Rules**

Save as expressly provided otherwise, the provisions of the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000 as amended from time to time shall apply to this Licence.

**Article 2
Definitions**

Unless there is anything repugnant in the subject or context and save as expressly defined hereinafter, words and expressions used in this Licence bear the respective meanings given thereto in the Act or in the Rules.

**Article 3
Grant of Licence**

- 3.1 The location, size (capacity in MW), technology, interconnection arrangements, technical limits, technical functional specifications and other details specific to the generation facilities of the licensee are set out in Schedule I to this Licence.
- 3.2 The net capacity of the licensee's generation facilities is set out in Schedule II hereto.

**Article 4
Licence fee**

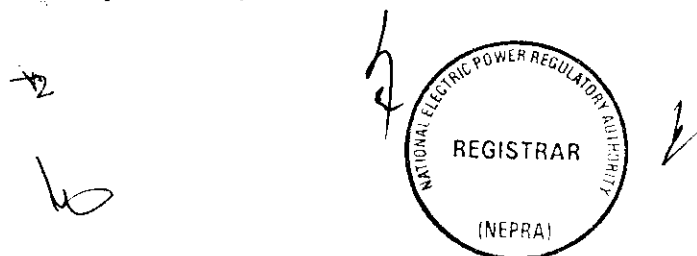
After the grant of the Generation Licence, the licensee shall pay to the Authority the Licence fee, in the amount and manner and at the time set out in National Electric Power Regulatory Authority (Fees) Rules, 2002.

**Article 5
Term and renewal of Licence**

This Licence is granted for a term of 20 years.

**Article 6
Tariff**

The licensee shall charge from its consumers only such tariff which is either approved or specified by the Authority.



**Article 7
Distribution Facilities of Licensee**

Not Applicable

**Article 8
Connection to Transmission System,
Compliance with Grid Code,
Pooling and Settlement Arrangement**

Not Applicable

**Article 9
Generating Capacity Reserve Requirements**

The installed generating capacity of the licensee shall not fall below (95% in the case of single consumer on a distribution feeder) of the connected load and generating capacity of the largest installed unit at the time of application for generation Licence.

**Article 10
Compliance with Performance Standards**

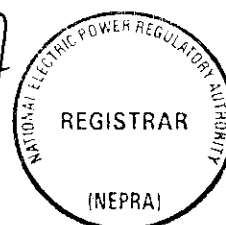
The licensee shall conform to the relevant NEPRA rules on Performance Standards as may be prescribed by the Authority from time to time.

**Article 11
Compliance with Environmental Standards**

The licensee shall conform to the environmental standards as may be prescribed by the relevant competent authority.

**Article 12
Maintenance of record**

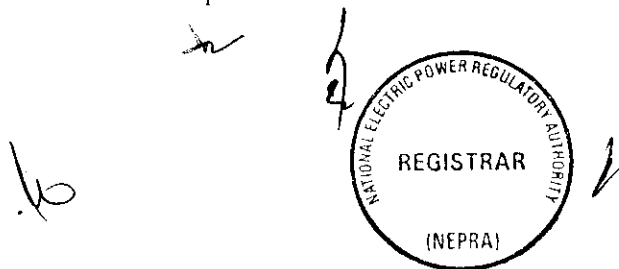
- 12.1 The licensee shall keep complete and accurate record and the data in respect of all aspects of the generation business and the second-tier supply business, in their original as well as in electronic form.



- 12.2 Without prejudice to the provisions of sub-rule 15(3) of the Rules, unless provided otherwise under the law or the applicable documents, all record and data shall be maintained for a period of 5 years after the creation of such record or data. The licensee shall not destroy or dispose off any such record or data after the aforesaid period without thirty days prior written notice to the Authority. The licensee shall also not dispose off or destroy any record or data which the Authority directs the licensee to preserve.
- 12.3 All record and data maintained in an electronic form shall, subject to just claims of confidentiality, be accessible to the staff authorized by the Authority.

Article 13
Provision of information

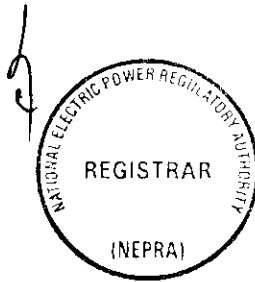
- 13.1 The obligation of the licensee to provide information to the Authority shall be in accordance with Section 44 of the Act.
- 13.2 The licensee shall be subject to such penalties as may be specified in the relevant rules made by the Authority for failure to furnish such information as may be required 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.

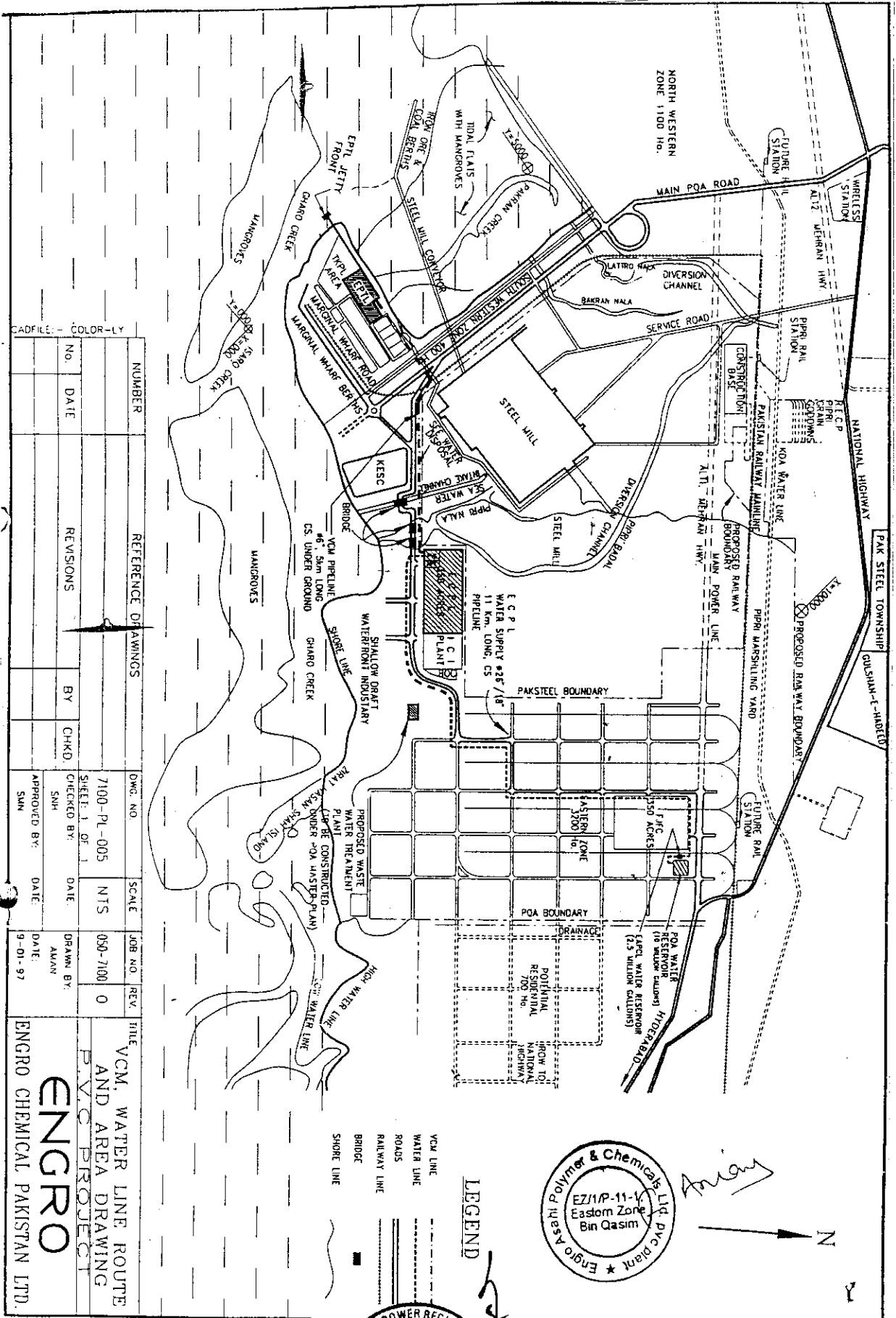


SCHEDULE-I

- The location, size (capacity in MW) technology interconnection arrangements, technical limits technical functional specifications and other details specific to the generation facilities of the licensee

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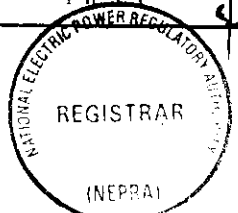
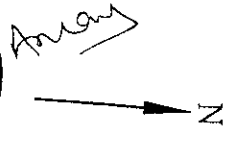




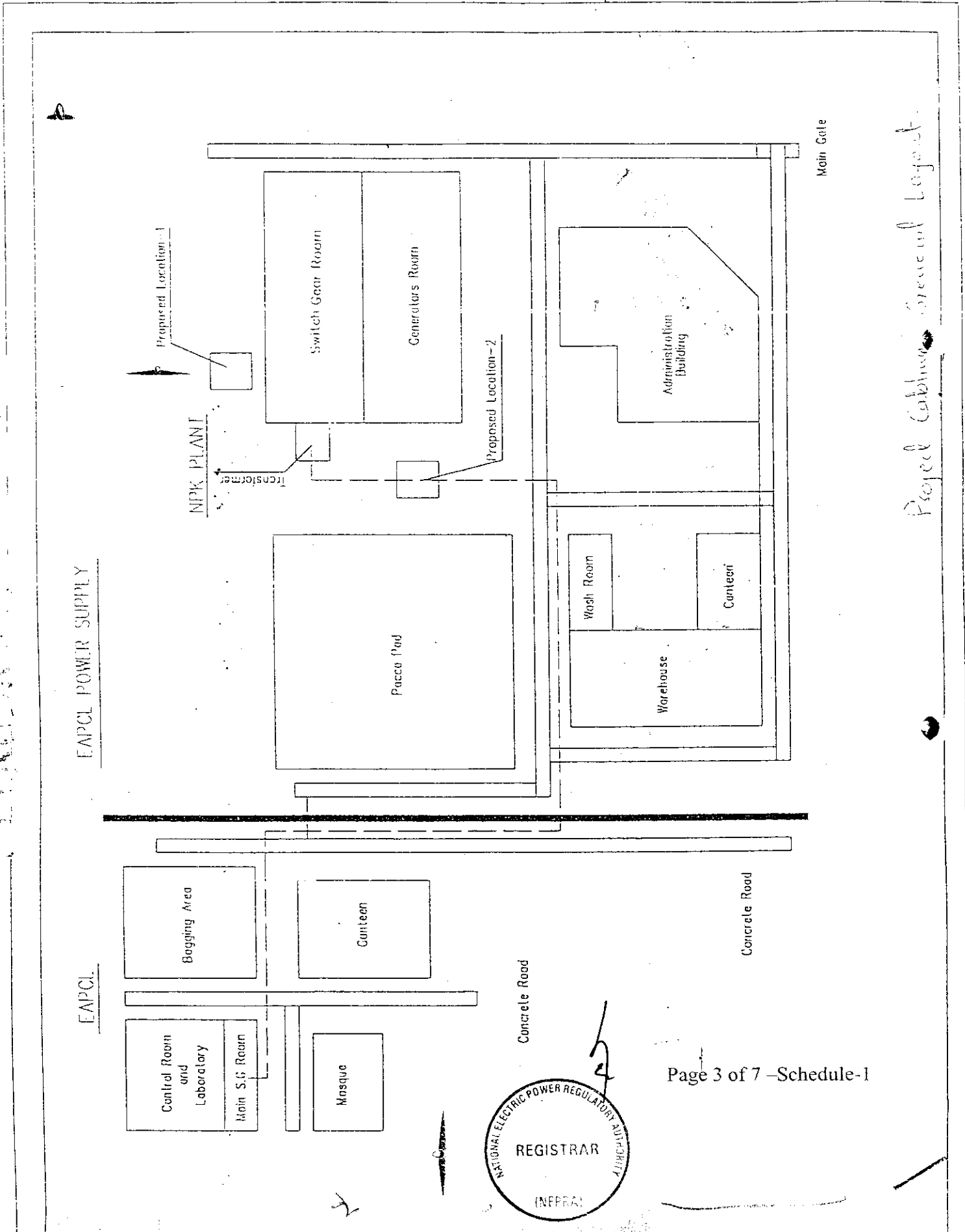
NUMBER		REFERENCE DRAWINGS		SCALE		JOB NO.		REV.		TITLE	
No.	DATE	NO.	DATE	7100-PL-005	NTS	050-7100	0			VCM, WATER LINE ROUTE AND AREA DRAWING	
REVISIONS		BY	CHKD.	CHECKED BY:	DATE:	DATE:	DATE:	DATE:	DATE:	P.V.C. PROJECT	
		SMH	SMH	SMH	9-01-97	SMH	9-01-97	SMH	9-01-97	ENGRO CHEMICAL PAKISTAN LTD.	

LEGEND

- VCM LINE
- WATER LINE
- ROADS
- RAILWAY LINE
- BRIDGE
- SHORE LINE



CERTIFIED TRUE COPY



EAPCL POWER SUPPLY

EAPCL

Control Room and Laboratory
Main S.G. Room

Masque

Canteen

Bagging Area

Pacca Pad

Switch Gear Room
Generators Room

Warehouse
Wash Room
Canteen

Administration Building

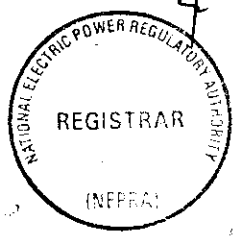
Main Gate

Proposed Location-1

Proposed Location-2

NPK PLANT

Transformer



Project Cabinet Approval Logbook

PLANT DETAILS

1.	Name of Applicant	Engro Asahi Polymer and Chemicals Limited
2.	Registered Office	1 st Floor Bahria Complex, Maulvi Tamizuddin Khan Road Karachi
3.	Plant Location	Port Qasim Karachi
4.	Type of Facility	Thermal Generation

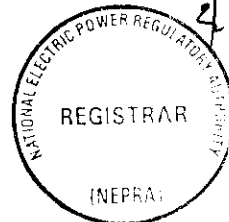
Plant Configuration

5.a	Plant size	5.2 MW
5.b	Type of Technology	Gas Turbine
5.c	Number of Units	One
5.d	Unit Size	5.2 MW
5.e	Unit Make and Model	Alstom, Tornado
5.f	Date of Commissioning	1999

Fuel Use

6.a.	Fuel Type	Natural Gas/ HSD
6.b	Fuel (imported/ indigenous)	Indigenous
6.c	Fuel Supplier	SSGC
6.d	Supply Agreement	Through SSGC Pipeline, 4 inch dia at 60 psig
6.e	No. of Tanks	One
6.f	Storage Capacity/Tank	350m ³
6.g	Gross Storage	350m ³
6.h	Total Storage Capacity	350m ³

2



Emission Values

7.a	SOx	19.98 ppm
7.b	NOx	32 ppm
7.c	CO ₂	Not Applicable
8.	Cooling Water Source	Canal
9.	Installed Capacity	5.2 MW
10.	Derated Capacity	5.2 MW
11.	Expected Remaining Life of the Facility	20 years
12.	Operational Record	Given in Point 9 of the EAPCL letter No. Nil dated 13 August 2002

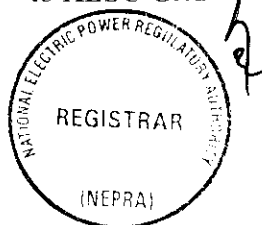
Project Cost (Rupees)

	Thousand	
13.a	Equity	1,571,111
13.b	Debt	1,104,150
13.c	Total Project Cost	2,675,261

Plant Characteristics

14.a	Generation Voltage	6600 V
14.b	Frequency	50 Hz
14.c	Power Factor	0.90 lagging
14.d	Automatic Generation Control	Provided
14.e	Ramping Rate	4.2% per Second
14.f	Alternative Fuel	HSD
14.g	Auxiliary Consumption	0.22MW during 1999
14.h	Time Required to Synchronize to Grid	Not Applicable since not connected to KESC Grid

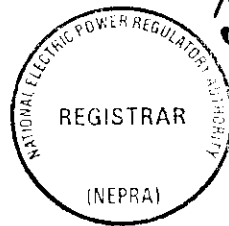
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Licenses-Performa for Information regarding Distribution issues

PART A

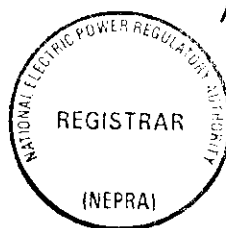
Network Facts*		
A	No. of Feeders	One
B	Length of Each Feeder	150m
C	Length of Each Feeder to Consumer	150m
D	In respect of all the feeders, describe the property (streets, farms, agri land, etc.) through, under or over which they pass right up to the customer's premises, whether they cross-over or pass near the DISCO lines	Feeder passes through ECPL area only. Does not pass DISCO lines. Power through underground cables.
E	Whether owned by EAPCL, consumer or DISCO (deal with each Feeder Separately) - If owned by DISCO, please furnish particulars of contractual arrangement - Operation and maintenance responsibility for each Feeder	<ul style="list-style-type: none"> • Owned by the consumer • Maintenance responsibility of the feeder lies with the consumer
F	Whether connection with DISCO's network exists (whether active or not) If yes, provide details of connection arrangements (both technical and contractual)	No
Any other network information deemed relevant for disclosure to or consideration by NEPRA		



Licenses-proforma for Information regarding Distribution issues

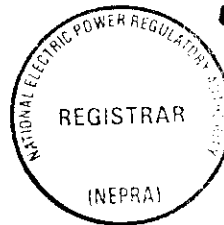
PART B

Consumption Facts		
A	No. of Consumers	One
B	Location of consumers distance and/or identity of premises)	Engro Chemicals NPK Plant EZ/1/P-11-1, Bin Qasim, Karachi 300 m
C	Contracted Capacity and Load Factor for each consumer	1.6MW, Load Factor = 0.75
D	Specify Whether i) the consumer is an associate under taking of the EAPCL, if yes. specify percentage ownership of equity; ii) there are common directorship; iii) either can exercise influence or control over the other	i) Customer Engro Chemical Pakistan Limited (ECPL) is an associated undertaking ECPL owns 50% equity of Engro Asahi Polymer and Chemicals Limited (EAPCL) ii) Three common Directors out of total ten Directors on EAPCL's Board of Directors. iii) These are independent companies, but have influence on each other
E.	Specify nature of contractual relationship: i) Between consumer and EAPCL ii) Consumer and host DISCO	(i) Bilateral agreement between consumer and EAPCL (ii) N/A
F	Capacity originally sanctioned by Provincial Government - If subsequently enhanced, evidence of permissions for enhancement	N/A
G	Tariff arrangement and particulars with WAPDA/Provincial Government	N/A



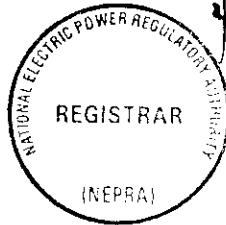
SCHEDULE –II

- The net capacity of the licensee's generation facilities



SCHEDULE II

1.	GROSS INSTALLED CAPACITY (MW)	=	5.2MW
2.	DERATED CAPACITY (MW)	=	5.2MW
3.	AUXILIARY CONSUMPTION (MW)	=	0.22MW
4.	NET CAPACITY OF THE PLANT (MW)	=	4.98MW



Generation Licence
Engro Asahi Polymer and Chemicals Limited
Port Qasim, Karachi

**Authorization by
National Electric Power Regulatory Authority
(NEPRA)
To**

M/s Engro Asahi Polymer and Chemicals Limited
Incorporated under the Companies Ordinance, 1984
Under Certificate of Incorporation No.K-07013 dated 20-10-1997

**NEPRA Generation Licence No. SGC/026/2004
For
Sale to Bulk Power Consumers**

Pursuant to Section 22 of the Act and Rule 7 of the NEPRA Licensing (Generation) Rules-2000, the Authority hereby authorizes M/s Engro Asahi Polymer and Chemicals Limited (Licensee) to engage in second-tier supply business, limited to the consumer mentioned in Schedule I of Generation Licence No. SGC/026/2004

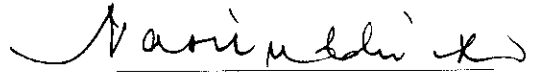
Subject to NEPRA rules and regulations, the Licensee shall charge its consumer only the second-tier supply charge in terms of the Authority approved bilateral agreement attached herewith.

Engro Chemical Pakistan Limited
NPK Plant E Z/1/P-11-1
Bin Qasim, Karachi.

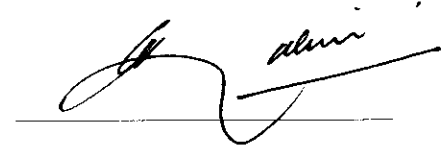
1. Mr. Fazlullah Qureshi, Member



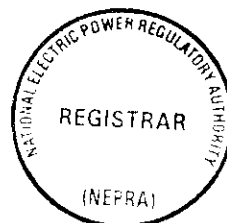
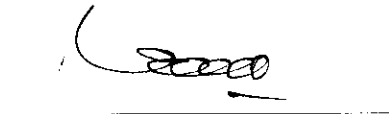
2. Mr. Nasiruddin Ahmed, Member

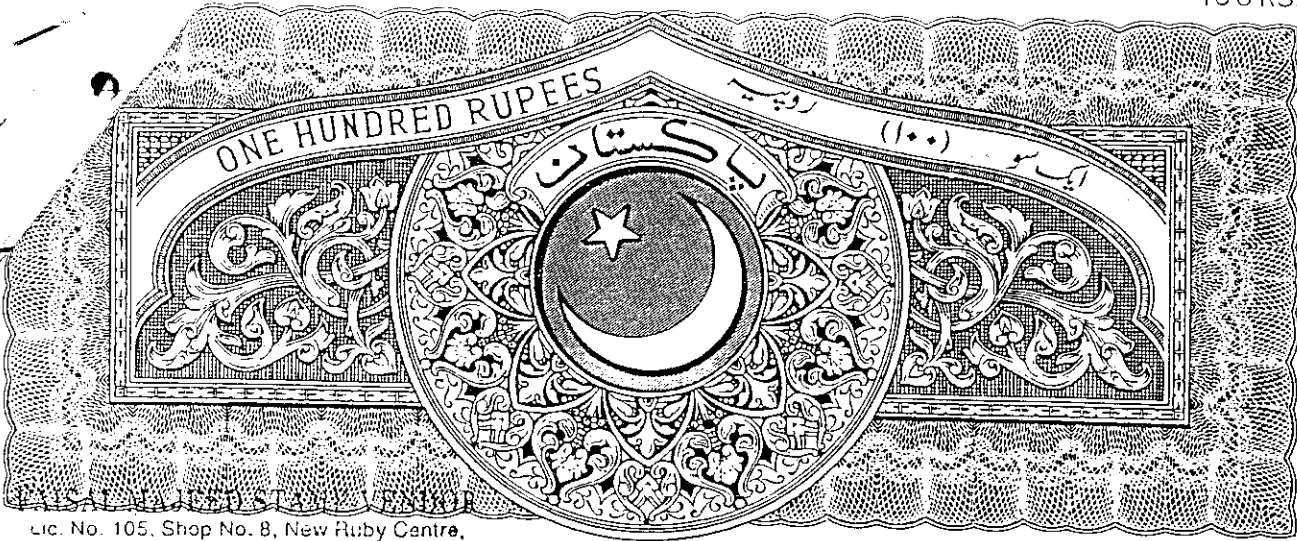


3. Mr. Abdul Rahim Khan, Member



4. Lt Gen (R) Saeed uz Zafar, Chairman





Lic. No. 105, Shop No. 8, New Ruby Centre,
M. A. Jinnah Road, Boulton Market, Karachi

26 JAN 2004

S. No. 88198 DATE _____
ISSUED TO WITH ADDRESS _____
THROUGH WITH ADDRESS _____
PURPOSE _____
VALUE RS. _____ (ATTACHED) _____
STAMP VENDOR'S SIGNATURE _____

A G R E E M E N T

THIS AGREEMENT IS MADE AT KARACHI this 04th day of MARCH, 2004, between **ENGRO CHEMICAL PAKISTAN LIMITED**, a public limited company incorporated under the laws of Pakistan, and having its registered office at 7th and 8th Floors, Pakistan National Shipping Corporation (PNSC) Building, Moulvi Tamizuddin Khan Road, Karachi (hereinafter called ECPL which expression shall, wherever the context so requires or permits, include its heirs/successors and assigns) of One Part and **ENGRO ASAHI POLYMER & CHEMICALS LTD.**, a company incorporated under the laws of Pakistan, and having its registered office at First Floor, Bahria Complex I, 24, Moulvi Tamizuddin Khan Road, Karachi (hereinafter called EAPCL, which expression shall, wherever the context so requires or permits, include its heirs/successors and assigns) of the Other Part.

WHEREAS ECPL is desirous of obtaining Power Supply (Electricity) for its NPK Plant located at E/IP-11/1, Eastern Industrial Zone, Port Qasim on Contract from EAPCL

AND WHEREAS EAPCL warrants that it is in a position to legally provide such a Power Supply Connection to ECPL's NPK Plant for the purpose of execution of the contract

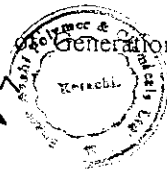
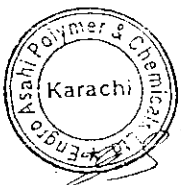
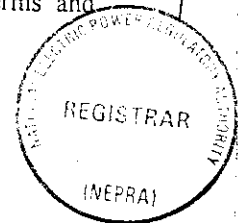
AND WHEREAS ECPL for this purpose has established a complete Distribution System under its own ownership including distribution facilities within EAPCL & ECPL plants, electric lines and circuits, meters, and interconnection facilities and its operations thereof

AND WHEREAS both parties have agreed to enter into this agreement on the terms and conditions set forth below :

NOW THIS AGREEMENT WITNESSETH :

1) Period of the Agreement :

- 1.1 This agreement shall remain valid for an indefinite period of time unless it is terminated by either party as per clause 10 below.
- 1.2 This agreement shall become effective on receipt of Generation Licence from NEPRA.



MA
attested to be true copy

2) Quantity :

- 2.1 The normal power requirement of ECPL - NPK Plant, to be supplied in full by EAPCL, is estimated to be 1.1 MW / hr with peak consumption at 1.6 MW / hr for summer loads at 415 volts. EAPCL can not supply more than 1.6 MW / hr to ECPL's NPK Plant in any case.
- 2.2 ECPL does not guarantee the purchase of any minimum quantity. Billings will be based on the number of units consumed by ECPL's NPK plant during a month.
- 2.3 A custody meter will be installed at ECPL's NPK plant's switch gear room to measure the power transmitted from EAPCL to ECPL. The custody meter's calibration will be checked on six monthly basis by a mutually agreed company. The custody meter calibration charges will be borne by both companies (ECPL, and EAPCL) on equal basis and any power consumption variance (+/-) will be adjusted accordingly for the period since the last calibration. Responsibility for removal / re-installation of the custody meter lies with ECPL-NPK. During the time the meter is taken out for calibration, billing will be done according to EAPCL Meter.

3) Price :

- 3.1 The price of power will be the variable cost (only fuel cost) of power as per following formula:

$$\text{Rupees / KWh} : (0.098 \text{ times the ex GST Diesel Price / lit}) + (0.007 \text{ times ex GST Gas price / MMBTU})$$

Based on current ex GST price of Diesel and Natural Gas as of February 25, 2004 the price of power will be : Rs 3.23 / KWH, Whereas

$$\begin{aligned} \text{Gas Price} : & \text{Rs } 172.26 / \text{MMBTU (Ex GST)} \\ \text{Diesel Price} : & \text{Rs } 20.74 / \text{lit (Ex GST)} \end{aligned}$$

It is understood that the matter of claiming GST on Diesel as input is currently under litigation. In case it is ultimately decided by the courts that GST on Diesel cannot be claimed as input, ECPL will pay to EAPCL the difference between the above formula and the one given as under from the date of signing the agreement.

$$\text{Rupees /KWh} : (0.098 \text{ times the Diesel price (inclusive of GST) / lit}) + (0.007 \text{ times ex GST Gas price Rs/ MMBTU})$$

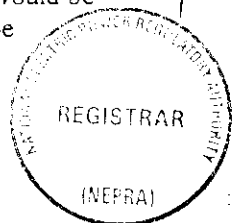
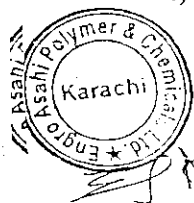
The price of Power will only change with change in prices of gas / diesel and will not be subject to change in consumption patterns of gas / diesel. Electricity duty charges on the generation of power by the Govt. for the power consumed by ECPL will be paid by ECPL. Sales Tax and any other Govt. Levy, if applicable will be charged in the billings to ECPL.

- 3.2 If the GTG is operated on diesel fuel for any reason, the price of power would be based on diesel cost incurred for power generation and the price would be adjusted according to the following formula:

$$\text{Rupees / Kwh} : 0.37 \text{ Times ex GST Price of Diesel}$$

4) Price Adjustments :

The price of power will change automatically with change in prices of natural gas supplied to EAPCL by SSGC and the PSO consumer price of High Speed Diesel at Karachi outlets. The change in the power generation cost of each will be in direct proportion to the change in the price of gas / diesel and final Price of power adjusted according to the formula given



in clause 3. The bill for each month will be based on the number of units consumed by ECPL's NPK Plant and the price of power will be calculated as per the formula given in clause 3 based on the relevant period prices of gas and diesel.

5) **Billing :**

- 5.1 Billings will be based on the number of units consumed by ECPL's NPK Plant during a month.
- 5.2 EAPCL will bill ECPL within 5 working days after the end of each month and ECPL will pay the bill within 10 working days of issuance of the bill by EAPCL.

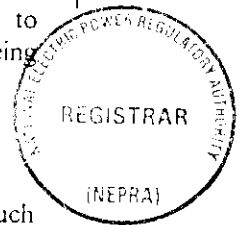
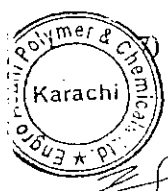
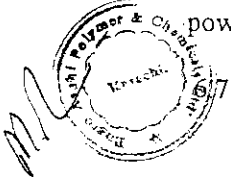
6) **Payment :**

- 6.1 All bills pertaining to Power consumption under this agreement are payable within 10 working days from the date of issue (hereinafter referred to as the "due date" as shown on the bills).
- 6.2 If ECPL fails to pay any of the bills by the due date given thereon late payment surcharge at the rate of 2% per month shall become payable and shall continue to accrue until payment by ECPL is made in full.
- 6.3 Payment shall be made within the due date either by Cheque or through a Bank Draft in favour of Engro Asahi Polymer & Chemicals Limited at the directed banks. Payment by cheque will not be considered payment unless it is realized. Failure of any cheque to be realized within 3 working days from the date of deposit in the Bank by EAPCL shall render ECPL liable to pay late payment surcharge. Unless failure of realization is due to bank error in which case ECPL may not be liable for any penalty.
- 6.4 If payment is not made within 2 months of the due date the power supply shall be terminated by EAPCL after giving seven (7) days written notice at the risk of ECPL. Notwithstanding such disconnection / termination of power supply by EAPCL, ECPL shall pay to EAPCL the full amount of the bills upto and including the date of disconnection together with all charges, taxes and or incidental expenses to or incurred by EAPCL.
- 6.5 The bills and the payments due will be grossed up for any future withholding / sales tax / Govt. Levy required to be paid by law so that EAPCL gets the full amount due to it in terms of Clause 3 above. However equitable adjustments will be made incase the aforesaid withholding or other taxes are adjustable in whole or in part, against any of the tax or other liabilities of EAPCL. Any penalties imposed by the Government or Government body including PQA, SSGC, NEPRA will be equally shared by ECPL and EAPCL.
- 6.6 Withholding tax if applicable will be deducted. Sales tax, if any, applicable on the power supplied to ECPL's NPK Plant will be paid by ECPL.

The price payable by ECPL under this contract shall also be subject to such charges as may be notified by the Government from time to time and the rates so notified by the Government shall take effect from the date fixed by the Government irrespective of the fact whether the same have been intimated or not, to ECPL by EAPCL. However, EAPCL shall use its best endeavors to communicate such information to ECPL within two working days of it being known to EAPCL.

Distribution System and Equipment :

- 7.1 The entire distribution system has been owned / installed by ECPL and as such ECPL is responsible for its maintenance.



- 7.2 Both the parties have checked the engineering calculation and equipment installation to prevent any damage to their properties. Both the parties are responsible for any unforeseen damage to their properties due to power sharing
- 7.3 Operating procedure will be jointly made by ECPL & EAPCL with in 15 days of signing the AGREEMENT which will become part of the AGREEMENT.

8) **Regulatory Approvals :**

EAPCL & ECPL shall work jointly to obtain all regulatory approvals including SSGC, NEPRA, PQA etc. as soon as possible. All out-of-pocket cash expenses including Govt. fees, traveling expenses will be borne equally by both sides.

9) **Liabilities :**

EAPCL does not guarantee supply at all times and will be free to stop supply for, but not limited to, the followings reason :

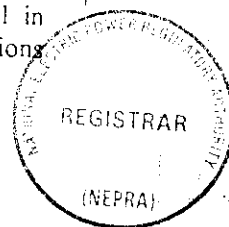
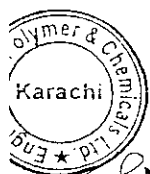
- 9.1 Maintenance activities
- 9.2 Accidents, interruptions and failures of the lines and equipment due to malfunctioning, break-downs, etc., which cannot be foreseen or prevented by any reasonable care or expenditure.
- 9.3 EAPCL's plant closure due to repair, maintenance, machinery breakdown, and for economic reasons or any other reason whatsoever.
- 9.4 EAPCL has a supply contract with SSGC for uninterrupted Gas supply for a period of 11 months during a calendar year. If, for some reason, gas supply is curtailed / terminated by SSGC at the end of this contract period, and EAPCL has to operate its Gas Turbine on diesel, the price of power supplied to ECPL's NPK Plant during this period will be adjusted accordingly to diesel price prevailing at that time.
- 9.5 Shortages or interruptions in the supply of Power or discontinuance thereof due to the labour strikes, lockouts, riots, civil commotion, hostilities, wars, epidemics, calamities, natural disasters or causes beyond the ordinary control of EAPCL.
- 9.6 It is expressly agreed to by ECPL that EAPCL shall not be liable for any loss, or damage, or injury that may result either directly or indirectly for any reason including shortages or interruptions in the supply of power or discontinuance and non supply of power due to any reason thereof.

10) **Termination :**

Both parties will have the right to terminate this agreement at any time by giving 3 months written notice.

11) **Business Ethics :**

All financial, settlements, reports and billing rendered by EAPCL to ECPL shall in reasonable details accurately and fairly reflect facts about all activities and transactions handled for the account of ECPL.



Conflict of Interest :

EAPCL shall exercise reasonable care and diligence to prevent any actions or conditions which could result in a conflict with ECPL's best interests. This obligation shall apply to the activities of the employees and agents of ECPL in their relations with the employees, and their families, or ECPL vendors, subcontractors and third parties arising from this Agreement and accomplishing services hereunder. EAPCL's efforts shall include, but not be limited, to establishing precautions to prevent its employees or agents from making, receiving, providing, or offering substantial gifts, entertainment, payments, loans or other considerations for the purpose of influencing individuals to act contrary to ECPL's best interest and vice versa.

13) Arbitration :

This Agreement is governed by and shall be construed in accordance with the laws of Pakistan. All disputes arising under or in connection with this Agreement shall be referred to senior managers of ECPL and EAPCL who will attempt to resolve the same. If any dispute cannot be resolved by the Parties within 30 days of such reference, it shall be referred for adjudication to two arbitrators, one to be appointed by each party, and in the case of difference between the two arbitrators, to an umpire to be appointed by arbitrators before entering upon the reference and the unanimous decision of the two arbitrators or in the case of difference between them, the decision of the umpire, will be final and binding on the Parties. The Arbitration Act 1940 of Pakistan, as amended from time to time, shall apply to the arbitration proceedings. The Arbitration shall take place in Karachi, Pakistan. The language of the arbitration proceeding shall be in English.

14) Force Majeure :

EAPCL shall not be liable for any delays or interruptions / discontinuation of power supply, including liability for any liquidated or other damages, if such delays, interruptions or discontinuation are caused due to unforeseeable circumstances beyond its control ("Force Majeure") including but not restricted to, acts of God, acts of Government's or of the public's enemy, acts of war, riots and civil commotion, sabotage, floods, epidemics & strikes.

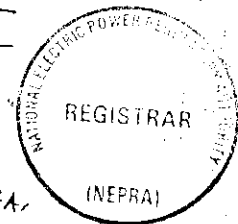
IN WITNESS WHEREOF the parties have set their respective hands on the day and the year first above written.

SIGNED FOR AND ON BEHALF OF ENGRO CHEMICAL PAKISTAN LTD by:

ASAD UMAR
Name of the Company Signatory

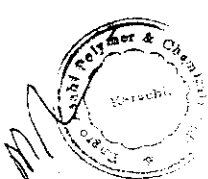
[Signature]
Signature

Khalid Mansoor,
124/I, 12th Street, DHA,
Phase-VI, Karachi
Name & Address of Witness
NIC# 42301-400955-5



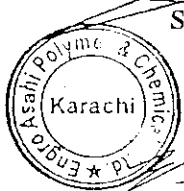
in the presence of:

1. [Signature]
Signature of Witness



2. [Signature]
Signature of Witness

MUHAMMAD BASAR Ali
Name & Address of Witness
NIC. 42000-521004-3
C/O. ENGRO CHEMICAL.

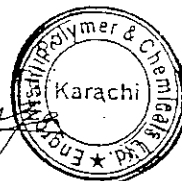


Signed by ENGRO ASAHI POLYMER & CHEMICALS LTD.

YOSHIO SHIGA.

Name of the Company Signatory

Yoshio Shiga
Signature



in the presence of :

1.

[Signature]
Signature of Witness

MUHAMMAD IMRAN FAROOKH c/o EAPCL

Name & Address of Witness
NIC # 42301-3260353-5

2.

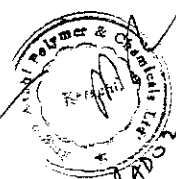
[Signature]
Signature of Witness

INAM UR RAHIM c/o EAPCL

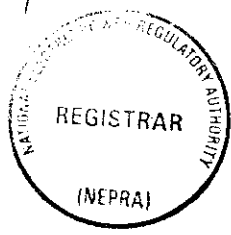
Name & Address of Witness
NIC # 272-91-002016

Attended to the
be the true copy

[Signature]



M. A. BADOZAI
COMPANY SECRETARY
ENGRO ASAHI POLYMER
& CHEMICALS LTD.



Original

19 October 2004

**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
DETERMINATION
IN THE MATTER OF
GRANT OF GENERATION LICENCE
TO
M/s Engro Asahi Polymer and Chemicals Limited**

BACKGROUND

1. The Authority received an application for the grant of a Generation Licence from M/s Engro Asahi Polymer and Chemicals Limited (EAPCL) dated 15/07/2002. The application was admitted on 27/04/2004 in accordance with the provisions of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999. The application was advertised and interested persons from the general public were requested to file their communications in writing.
2. A public hearing for consideration of the application was held on 17 June 2004 in Karachi. The hearing focused on the presentation of the applicant and the issues arising therefrom. Audio, video and hard copies of the proceedings can be found on record.

PROCEEDINGS (SUBMISSION OF THE APPLICANT)

1. EAPCL requested for the grant of the Generation Licence and authorization of their second tier supply. EAPCL Polymer plant is located in Port Qasim Karachi and has an annual capacity of 100,000 tons per annum. The plant, a joint venture of Engro Chemical Pakistan Limited (owns 50%), Asahi Japan (owns 30%) and Mitsubishi Corporation of Japan (owns 20%), began its operation in December 1999 with an initial investment of \$73 million. Situated adjacent to the EAPCL Plant, Engro Chemical Pakistan Limited (ECPL) generate their own power. EAPCL has installed gas turbines with a capacity of 5.2 MW, whereas ECPL has a diesel generator with a capacity of 2.6 MW. EAPCL Claims that their installed capacity of 5.2 MW is much in excess of current utilization which is a total of

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3 MW. EAPCL is therefore, interested in selling their surplus power to ECPL, presently generating from diesel sets.

2. EAPCL claimed that they applied for a generation licence on 27 July 2002 which was preceded by an exchange of correspondence and an on-site inspection by NEPRA officials. EAPCL further claimed that they have obtained an NOC from Sui Southern Gas Company to supply gas to the plant. They asserted that with regard to environmental issues they have met all the necessary standards. In light of these claims, EAPCL, reiterated that ECPL will be buying power at a rate cheaper than their own generation costs, which will result in 'huge' savings for both ECPL and EAPCL and improve the efficiency of the EAPCL gas turbines which will be carrying higher loads. In light of the justifications provided during the presentation, EAPCL urged the Authority for its approval of the Generation licence for the entire life of the project i.e., 30 years and a further authorization for second tier supply based on the tariff agreed between the parties as per the bilateral agreement submitted to the Authority.
3. The Authority considered the submission of the EAPCL and apart from other terms and conditions of a generation licence reminded it to abide by the environmental protection standards and obtain the required certification from the relevant government agency.

STATUS AS INDEPENDENT POWER PRODUCER/SMALL POWER PRODUCER

4. The Authority deems it appropriate to clarify here the significance of the arrangement contemplated in the instant matter. Hitherto, the Authority has granted licences to small producers 'SPPs' (upto 100 MW), generating electricity and operating their distribution networks. Such licensees are presently supplying electricity to their consumers under second-tier supply authorizations and have also been asked to either surrender their distribution lines to the host distribution company or to obtain a distribution licence according to the requirements of Section 20 of the NEPRA Act. However, in the case of EAPCL where supply of power is taking place through consumer owned distribution lines and there is no public property involved in between, it is relevant to refer to Section 2(v) of the



NEPRA Act, wherein the ownership, operation, management and control of distribution facilities located on private property and used solely to move or deliver electric power to the person owning, operating, managing and controlling those facilities or to tenants thereof has not been included in the definition of 'distribution'. Consistent with the decision of the Authority Regulatory Meeting No. 03-040 dated 25 March 2003, the Authority is of the opinion that based on the considerations that i) the consumer (ECPL) is located in an adjacent compound and no public area is situated in between; ii) the distribution system is owned by the consumer and iii) KESC power lines are not running in the vicinity, EAPCL's supply of power does not constitute a distribution activity under the Act, and a distribution licence would not be required. Additionally, in view of the above, EAPCL generation facilities cannot be categorized as SPP. The Authority considers it important that the facilities like EAPCL should be differentiated from SPP. For ease of reference and to avoid any misunderstanding such isolated generation activities have been designated as "Isolated Generation" which are Generation facilities not connected to the Transmission Grid and supplying power to specific consumers but commenced generating activity and applied for Generation Licence after April 2002.

DISTRIBUTION TERRITORY

5. KESC claims that EAPCL is located at a distance of only 2.5km from Defense, which is the service territory of KESC. KESC asserts that this is not a concession territory, which renders a distribution licence mandatory, as well as a prior approval of the KESC. In response to KESC claims, ECPL representative explained the situation from their perspective. He stated that ECPL established its plant adjacent to EAPCL and requested KESC for power, however, ECPL did not receive a reply until much after they had already installed their diesel generators. Soon after the installation of the diesel generators and functioning of the plant, ECPL realized that this was a very expensive method of producing power so much so that they suffered a loss of two hundred million over a period of three years. In such a situation ECPL had three options. Firstly, they could continue

running the plant on diesel generators and face the subsequent losses which could lead to the closure of the plant. The second option was to go to KESC for power costing about 25 to 30 million rupees apart from being far more expensive than the ECPL cost of diesel generators. The option available to ECPL was to convert their diesel sets which seemed feasible to ECPL and it contracted with EAPCL for the supply of 1.6MW of power. Additionally, since the power was produced from Gas Turbines which were more efficient and resulted in both the companies making money. ECPL concluded that to the contrary, KESC gave them the option of 'higher tariff and lower reliability'.

6. The Authority noted that no comments or objections had been received from KESC earlier in the matter. It further noted that from 1998 until 2002, KESC showed no interest in extending power to ECPL. However, KESC vehemently objected to the conduct of EAPCL and ECPL for not obtaining their approval.
7. The Authority considers that the concerns of KESC are not based on true understanding of regime under NEPRA Act. EAPCL has proposed to sell to its consumer however Authority has determined that this is not a distribution activity and arrangement is not in conflict with KESC's right of exclusive distribution in its territory. The Authority therefore allows EAPCL to sell its generated power to the Second Tier Supply consumer (M/s Engro Chemical Pakistan Limited) where no distribution activity is involved.

TARIFFS

8. EAPCL presented its concern over power tariffs and requested the approval of the formula based tariff as detailed in the bilateral agreement submitted to the Authority. EAPCL claims that the current power generation cost of EAPCL is Rs. 3.1 per kWh and ECPL is Rs. 5.37 per kWh (estimate taken in April 2004). ECPL has the option of converting their diesel generations in high fuel power, which will mean that both diesel and natural gas will be used for power generation and they will incur an approximate cost of Rs. 3.23 per kWh. Based on these estimates the two companies have agreed to buy the surplus power of



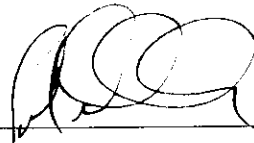
EAPCL. Therefore, EAPCL seeks the approval of NEPRA for the tariff formula contained in the bilateral agreement.

9. The Authority was concerned about the probability where in case power is surplus with EPCL, EAPCL may utilize the same for its requirement, thus rendering EPCL to acquire the role of the seller without a generation licence. In order to allay the concerns of the Authority, ECPL agreed to provide a written confirmation in the matter.
10. As regards the question regarding generation of electricity and its consumption by the generator itself an NOC would not be required from the utility.

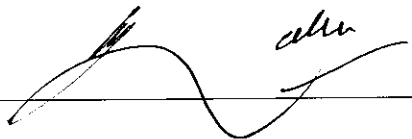
In accordance with Rule 6(1)b of the Generation Rules the Authority approves the bilateral agreement between EAPCL and EPCL and allows EAPCL to sell electricity at the tariff mutually agreed between the two parties as the specified tariff.

WITH THIS, the Authority hereby grants the Generation Licence to M/s Engro Asahi Polymer and Chemicals Limited in the terms and form as annexed to this determination. The grant of such a Licence would be subject to the provisions contained in the NEPRA Act and the relevant Rules framed thereunder.

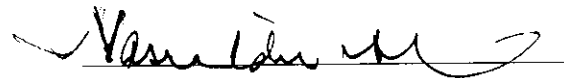
1. Mr. Fazlullah Qureshi, Member



2. Mr. Abdul Rahim Khan, Member



3. Mr. Nasiruddin Ahmed, Member



4. Lt Gen (R) Saced uz Zafar, Chairman

