

National Electric Power Regulatory Authority
(NEPRA)

Determination of Authority
in the Matter of Licensee Proposed Modification of
Lucky Energy (Private) Limited

September 30, 2011
Application No. LAG-65

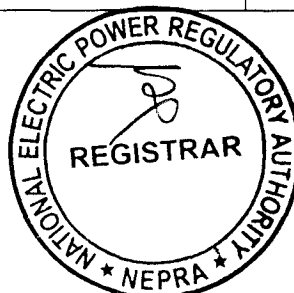
(A). Background

(i). NEPRA granted a Generation Licence (No. SGC/030/2005, dated April 19, 2005) to Lucky Energy (Private) Limited (LEPL), a Small Power Producer (SPP) with a cumulative installed capacity of 12.545 MW, for its four (04) distinctly located generation facilities in Karachi.

Description of Plants	Plant-1 (P-1)	Plant-2 (P-2)	Plant-3 (P-3)	Plant-4 (P-4)
Location	L/A2/B, Block 21, Federal "B" Area	L-8, Block 21, Federal "B" Area	L-3, Block 21, Federal "B" Area	Plot No. A/8-C, S.I.T.E.
Installed Capacity	8 x 0.965 MW = 7.72 MW	1 x 0.965 MW = 0.965 MW	2 x 0.965 MW = 1.930 MW	2 x 0.965 MW = 1.930 MW

(ii). The Authority, pursuant to Section 22 of the NEPRA Act and Rule 7 of the NEPRA Licensing (Generation) Rules-2000, allowed LEPL to engage in Second-Tier-Supply business for supplying electric power to four (04) Bulk Power Consumers (BPCs), under a Second Tier Supply Authorization (STSA).

Description	P-1	P-2	P-3	P-4
BPCs	Fazal Textile Mills Limited (FTML)	Lucky Textile Mills Unit No. 1 (LTM-1)	Lucky Textile Mills Unit No. 2 (LTM-2)	Lucky Textile Mills Unit No. 3 (LTML-3)



(iii). Later on, LEPL on May 22, 2007 submitted a Licensee Proposed Modification (LPM), whereby following changes were suggested;

Description	P-1	P-2	P-4	Remarks
Location	L/A2/B, Block 21, Federal "B" Area	L-8, Block 21, Federal "B" Area	Plot No. A/8-C, S.I.T.E.	(a). Eight (08) Gas Engines at P-1 were replaced with five (05) new bigger sized engines enhancing the capacity of P-1 from 7.72 MW to 9.75 MW; (b). No change in P-2 and its BPC; (c). P-3 abandoned and its BPC (i.e. LTM-2) was supplied through P-1; (d). Two (02) Gas Engines at P-4 were replaced with one (01) higher capacity Gas Engine.
Installed Capacity	5 x 1.95 MW = 9.75 MW	1 x 0.965 MW = 0.965 MW	1 x 1.95 MW = 1.95 MW	
BPCs	FTML + LTM-2	LTM-1	LTM-3	

(iv). The Authority approved the above communicated LPM without any changes through its determination of September 06, 2007 whereby the total installed capacity was increased to 12.665 MW.

(B). Communication of Fresh Licensee Proposed Modification

(i). LEPL in accordance with Regulation-10 of the National Electric Power Regulatory Authority Licensing (Application & Modification Procedure) Regulations, 1999 (the Regulations), communicated a fresh LPM to the Authority on February 18, 2011.

(ii). LEPL in the "Text of the proposed Modification" & "Reason in Support of Modification" statements informed that in order to bring efficiencies, the location of FTML, one of the existing consumer of LEPL is being shifted to new location situated at 57 Km Superhighway, near Lucky



Cement Limited. On account of the aforesaid shifting of FTML, the capacity of 7.8 MW dedicated to supply power to it would also be relocated adjacent to FTML. Additionally, at the aforesaid site a new consumer in the name of Gadoon Textile Mills Limited (GTML) would also be added. Further, two (02) additional gas engines would also be installed at the new/re-located site of P1 for feeding GTML. Further, LEPL also intends to restore its generation facility at P3 which were earlier abandoned, restoring the supply from this facility to Lucky Textile Mills No. 2. Also the exiting generation capacity at P4 would be enhanced by installation of additional gas engines.

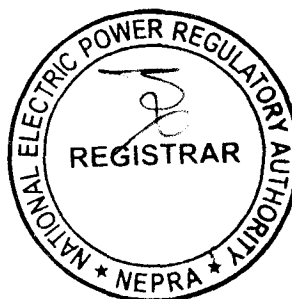
(iii). Regarding the “Impact on Tariff”, “Quality of Service (QoS)” and “Performance”, LEPL submitted that proposed arrangement would not have any adverse effect on the tariff, QoS and on performance of its obligations under the already granted Generation Licence. In fact QoS and performance of LEPL would be greatly improved with the installation of new gas engines and customers would be served in a better way.

(C). Processing of LPM

(i). The Registrar scrutinized the communicated LPM of LEPL and after completion of all the required information as stipulated under the Regulation 10 (2) and 10 (3) of the Regulations and accepted the LPM as stipulated under the Regulation 10 (4) of the Regulations.

(ii). Further, a notice about the communicated LPM was published in the Newspapers of March 16, 2011, seeking comments from general public and other stakeholders in favor or against the proposed LPM.

(iii). Apart from the notice in the press, separate notices were also sent to experts, government ministries and representative organizations etc. inviting their views and comments.



(D). Comments of Stakeholders


(i). In response to the above published notice of LPM in the press and subsequent correspondences made with other stakeholders, NEPRA received comments from two (02) stakeholders only. These included comments of Central Power Purchasing Agency (CPPA) and Board of Investment (BOI) of Prime Minister's Secretariat.

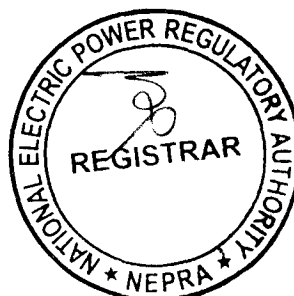
(ii). The salient points of the comments offered by the above mentioned stakeholders are summarized in the following paragraphs: -

- (a). CPPA supported the proposed modification communicated by LEPL on the premise that supply of power to industrial units would provide a level of comfort to the system of KESC, reducing burden on its system;
- (b). BOI also endorsed the communicated LPM in the Generation Licence of LEPL subject to the fulfillment of the codal formalities and other requisite requirements;

(iii). In view of the supportive comments of the stakeholders and considering the fact that communicated LPM was mainly based on enhancement in generation capacity on Natural Gas, it was considered appropriate to process the communicated LPM without holding any Public Hearing etc.

(E). Approval of LPM to Generation Licence

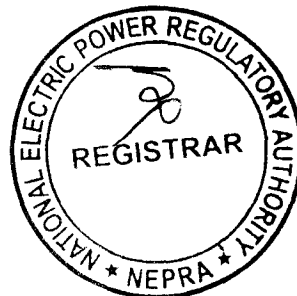
(i). The Authority considers that in order to meet the growing demand of electricity in the country, it is imperative that efforts should be made to add more Generation Capacity on urgent basis not only by setting up new power plants but also by enhancement of capacity of the existing power plants wherever possible. 



(ii). In its LPM under consideration, LEPL has sought the following:-

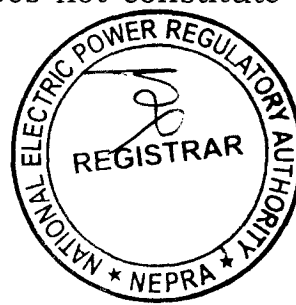
Detail	P-1	P-2	P-3	P-4	Remarks
Location	57 Km on Karachi-Hyderabad Superhigh way Road	L-8, Block 21, Federal "B" Area	L-3, Block 21, Federal "B" Area	Plot No. A/8-C, S.I.T.E.	(a). P-1 is planned to be relocated at 57-KM Karachi alongwith one of its existing BPCs in the name of FTML. Further, two additional Gas Engines are also being installed at the new site enhancing the installed capacity to 16.35 MW. Also a new BPC in the name of GTML is also being added to its system at the new location;
Installed Capacity	5 x 1.95 MW + 2 x 3.3 MW = 16.35 MW	1 x 0.965 MW = 0.965 MW	2 x 0.965 MW = 1.930 MW	1 x 1.950 MW + 1 x 0.965 MW = 2.915 MW	(b). No change in either capacity or BPC of P-2;
BPCs	FTML + GTML	LTM-1	LTM-2	LTM-3	(c). P-3 is being restored and BPC (LTM-2) earlier supplied through P-1 will now be fed through P-3; (d). Addition of one Gas Engine at P-4 however, no change in BPC.
Grand Total =					22.16 MW

(iii). In view of the ongoing shortage of capacity in the country, the addition of new generation capacity by LEPL is very encouraging as it will ultimately lessen the burden of KESC, which is facing severe power shortage in its area of service.



(iv). About the existing BPCs of LEPL, it has been confirmed that none of its existing BPCs are consumers of the KESC or HESCO except FTML. About FTML, it was clarified that the same was a consumer of KESC at the time of grant of its Generation Licence in 2005. However, later on it stopped purchasing electricity from KESC. According to Section 22 (2) of the NEPRA Act, if a BPC intends to stop purchasing power from Distribution Company then a three years prior notice is required to pay the Distribution Company, the amount of cross-subsidy for uneconomic service. FTML confirmed that a prior notice for disconnection of supply from KESC was duly served and all the dues were cleared and accordingly KESC issued a clearance certificate in this regard.

(v). Apart from the existing BPCs, LEPL now intends supplying a new BPC (i.e. GTML) from its generation system. The new BPC will have a contracted load of 8.55 MW. LEPL has confirmed that the location where P-1 will be relocated and the new BPC in the name GTML, are located adjacent to each other. LEPL from P-1 will be supplying to GTML through an 11 KV underground cable (measuring about 50 meters) not involving any public or third party. Further, the load level for GTML is above the minimum level (of 1.00 MW) to qualify it as a BPC of LEPL under the Act. Pursuant to Section 22 of the Act, the Authority may permit a Generation Company to sell to BPC. The Authority considers that the proposed arrangement of supplying to GTML by LEPL is in line with the provision of the NEPRA Act and therefore LEPL is allowed to sell electricity to GTML through STSA. The 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". Based on the considerations that BPC (i.e. GTML) is located adjacent to P-1 of LEPL and no public area is involved. The supply of power by LEPL through consumer owned distribution facilities located on private property of the consumers does not constitute a distribution activity



under the Act, and a distribution licence will not be required. The matter of rates, charges and terms and conditions of tariff between LEPL and its BPC (i.e. GTML), does not affect any other consumer or third party. Therefore for the purpose of tariff, the Authority considers it appropriate asking LEPL and GTML to agree to a bilateral agreement and accordingly LEPL may charge the agreed tariff subsequent to the approval of the LPM in its generation licence.

(vi). It is clarified that the Authority at the time of grant of original Generation Licence fixed the term of the Generation Licence of LEPL to eighteen (18) years, based on the remaining useful life of the existing Gas Engines (at the time of grant of original Generation Licence) installed in the year from October 11, 1994 to July 21, 1998. With the installation of the new Gas Engines at P-1 and P-4, although the term of the Generation Licence may be re-fixed on the basis of the newly installed units. However, LEPL has not demanded for the same. Therefore, the Authority has kept the term of the Generation Licence unchanged.

(vii). In view of the fact that LEPL has completed all the requirements for processing of its LPM as envisaged in the Regulations therefore, the Authority hereby approves the communicated LPM of LEPL without any changes.

(viii). With approval of the communicated LPM, the cumulative Installed/ISO Capacity of its four diversely located generation facilities is now enhanced to 22.16 MW. Further, LEPL is now allowed to supply power to five (05) BPCs, as stipulated in Section 22 of the NEPRA Act.

(ix). The amendments made in "Face Sheet", "Schedule-I", "Schedule-II" and STSA of the Generation Licence (No. SGC/30/2005, dated April 19, 2005) are attached (i.e. Modified Schedule-I, Modified Schedule-II and Modified STSA) as Annexure to this determination.



Authority

Ghiasuddin Ahmed
Member

Ghiasuddin Ahmed

5/7

Maqbool Ahmad Khawaja
Member

Maqbool Ahmad Khawaja

Shaukat Ali Kundi
Member/Vice Chairman

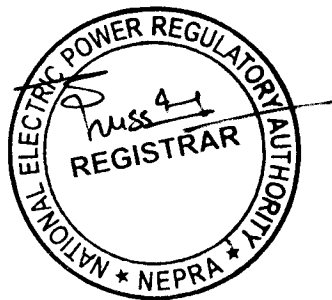
Shaukat Ali Kundi

30.09.2011

Khalid Saeed
Chairman

Khalid Saeed

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