



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/LAG-13/37738-43

November 05, 2020

Mr. Muhammad Danish Hussain,
Chief Financial Officer,
Habibullah Coastal Power Company (Private) Limited,
C-18, Block-4, Clifton,
Karachi

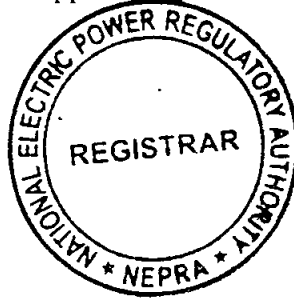
**Subject: Modification-II in Generation Licence No. IPGL/012/2003
Licence Application No. LAG-13
Habibullah Coastal Power Company (Private) Limited (HCPCPL)**

Reference: HCPCPL's LPM submitted vide Letter dated July 02, 2019.

The Authority has approved Modification in Generation Licence No. IPGL/012/2003 dated August 26, 2003 in respect of Habibullah Coastal Power Company (Private) Limited (HCPCPL), pursuant to Section-26 of the NEPRA Act read with Regulation 10(11) of the NEPRA Licensing (Application and Modification Procedure) Regulations 1999.

2. Enclosed please find herewith determination of the Authority in the matter of Licensee Proposed Modification in the Generation Licence of HCPCPL along with Modification-II in the Generation Licence No. IPGL/012/2003 as approved by the Authority.

Encl: As above



[Signature]
05/11/20
(Syed Safeer Hussain)

Copy to:

1. Secretary, Power Division, Ministry of Energy, A-Block, Pak Secretariat, Islamabad.
2. Managing Director, NTDC, 414-WAPDA House, Lahore.
3. Chief Executive Officer, CPPA-G, ENERCON Building, Sector G-5/2, Islamabad.
4. Chief Executive Officer, Quetta Electric Supply Company (QESCO), 14-A Zarghoon Road, Quetta.
5. Director General, Environmental Protection Department, Government of Balochistan, Zarghoon Road, Quetta.

National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Licensee Proposed Modification of
Habibullah Coastal Power Company (Private) Limited

November 05, 2020
Case No. LAG-13

(A). Background

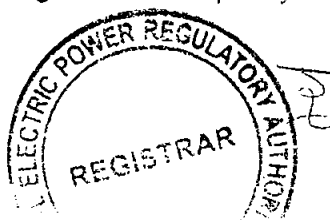
(i). The Authority in terms of Section-15 (now Section-14B) of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act") granted a Generation Licence to Habibullah Coastal Power Company (Private) Limited (HPCPL) for its 140.00 MW natural gas based generation facility located at Sheikh Manda, Quetta, in the province of Balochistan.

(ii). According to the above Generation Licence (No. IPGL/012/2003, dated August 26, 2003) the term of Generation Licence was thirteen (13) years which expired on August 25, 2016. Later on, through Modification-I dated December 05, 2016, term of the Generation Licence was extended for period of about three (03) years (i.e. up to September 10, 2019).

(B). Communication of new LPM

(i). HPCPL in accordance with Regulation-10(2) of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 (the "Licensing Regulations"), communicated a Licensee Proposed Modification (LPM) in its existing Generation Licence on July 17, 2019.

(ii). In the "Text of the Proposed Modification", HPCPL submitted that it intends to extend the term of its Generation Licence for another period of ten (10) years with effect from September 11, 2019. Regarding the "Statement of the Reasons in Support of the Modification", HPCPL inter alia submitted that the proposed extension in the term of Generation Licence is required to make consistent with the Power Purchase Agreement (PPA), which will benefit the consumers by making the generation capacity available.



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

(C). Processing of LPM

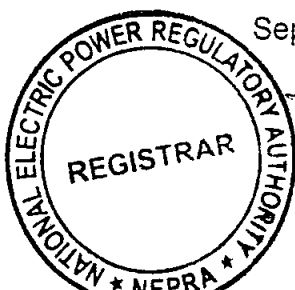
(i). After completion of all the required information as stipulated under the Regulation-10(2) and 10(3) of the Licensing Regulations by HCPCPL, the Registrar published the communicated LPM on August 08, 2019 in one (01) English (Business Recorder) and one (01) Urdu (Dunya) News Paper, informing the general public and interested/affected parties 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 which included Government Ministries and their attached departments, various representative organizations and individual experts etc. Through the said letters, the stakeholders were informed about the communicated LPM and publication of its notice in the press. Further, the said above mentioned entities were invited submitting their views and comments in the matter for assistance of the Authority.

(D). Comments of Stakeholders

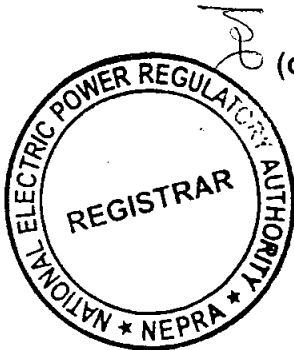
(i). In reply to the above, the Authority received comments from five (05) stakeholders including Petroleum Division, Ministry of Energy (PDMoE), National Power Control Centre (NPCC) of National Transmission and Despatch Company Limited (NTDC), Private Power and Infrastructure Board (PPIB), Sui Southern Gas Company Limited (SSGC) and Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). The salient points of the comments offered by the said stakeholders are summarized in the following paragraphs: -

- (a). PDMoE informed that the existing Gas Sales Agreement (GSA) between SSGC and HCPCPL has expired on September 10, 2019. For extended period beyond September 10, 2019, SSGC can offer Re-gasified Liquefied



Natural Gas (RLNG) on "as and when available basis". Notwithstanding the above, it is also apprised that Petroleum Division vide its Draft Summary for the Economic Coordination Committee (ECC) of the Cabinet has proposed that for the interim period of 3 to 6 months, indigenous gas supply purely on 'as and when available basis' with no Liquidated Damages (LDs) attached may be allowed to HCPCPL. During the said period, supply of RLNG can be evaluated together with commercial terms, if CPPA-G agrees to switch the plant on RLNG and extend the PPA accordingly. The said Summary is yet to be considered by ECC of the Cabinet. The Authority is requested to consider the foregoing before proceeding further in the matter of LPM of HCPCPL;

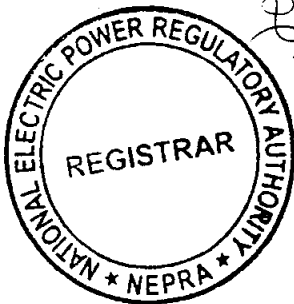
- (b). NPCC submitted that due to the important geographical location as well as its connectivity on 132 kV, HCPCPL plays a vital role to provide technical support to the National Grid. The main advantages of HCPCPL due to synchronization with the National Grid are: (a). it helps to boost up the voltage profile of the area/Quetta; (b). it is cheaper source of energy (as per Merit Order) and reduces energy mixed cost; (c). it helps avoiding the overloading of 220-kV Quetta Industrial Auto Transformer; (d). it helps in reducing quantum of forced load management; and (e). it has black start facility to help the system in case of any blackout. Therefore, it is suggested that the issues of HCPCPL may be resolved to ensure its availability in the system;



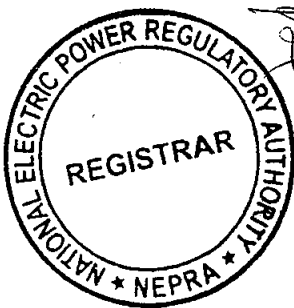
- (c). PPIB commented that HCPCPL has played a vital role in providing cheap and reliable electricity to Quetta City, since its commissioning in September 1999. Furthermore, continuous operation of HCPCPL remained important in maintaining grid stability at tail end of National Grid. Therefore, PPIB supports the LPM in Generation Licence of HCPCPL, subject to concurrence of CPPA-G and NTDC,

while keeping in view the future demand and supply of electricity and transmission constraints;

- (d). SSGC in its comments stated that it executed a GSA with HCPCPL on March 31, 1996 for a period of 20 years. The GSA expired on September 11, 2019 whereas its gas allocation was expired earlier on December 31, 2018. With reference to long term supply of indigenous gas for another ten (10) years after the expiry of GSA on September 11, 2019, the ECC of the Cabinet, Government of Pakistan has decided that no long term firm commitment of supply of indigenous gas to HCPCPL could be offered in view of the depletion of indigenous gas and the widening gap between demand and supply. However, in the larger interest of Balochistan and the Country, indigenous gas may be allowed for an interim period of three (3) to six (6) months, purely on 'as and when available basis' with no LDs attached, during which period the supply of RLNG can be evaluated together with commercial terms, if CPPA-G agrees to switch the plant on RLNG and extend the PPA accordingly. In view of the decision of ECC mentioned above, SSGC cannot extend the expired GSA based on supply of indigenous gas for another ten (10) years. Hence, it is between CPPA-G and HCPCPL to first decide and agree upon change of fuel from indigenous gas to RLNG for the next ten (10) years, as envisaged in the ECC decision. If both the parties agree on supply of RLNG, only then, SSGC will endeavor to agree and finalize the commercial terms of a new long term GSA with HCPCPL based on supply of RLNG. However, the modalities for treating the No/reduced supply of gas for 652 days during the term of the GSA to be treated as Other Force Majeure Event (OFME) in connection with the settlement of waiver of LDs as allowed by the ECC of the Cabinet has yet to be finalized between all the stakeholders; and



(e). CPPA-G commented that as the future operation of HCPCPL is on RLNG, which is costly as compared to indigenous gas, therefore commercially this plant will cost more and will increase the basket price of the power sector. However, System Operator (NPCC)/NTDC has conveyed to CPPA-G that operation/availability of HCPCPL is important for National Grid in many perspectives (as mentioned at Para-D(i)(b) above). Further, there is a dispute between HCPCPL and SSGC for non-supply of Gas during the period from September 2010 to September 2017. Power Purchaser invoiced LDs to HCPCPL amounting approx. 2.90 billion, which were subsequently claimed by HCPCPL from SSGC along with interest. HCPCPL referred the dispute to International Chamber of Commerce (ICC) for resolution. ICC issued the award in favor of HCPCPL. However, SSGC approached ECC and proposed that LDs on HCPCPL may be waived by Power Purchaser till June 30, 2017 by treating the gas non-supply period as OFME. In this regard, ECC in its meeting dated January 23, 2018 approved in principle the said proposal with direction to Petroleum Division to work out modalities in consultation with stakeholders. SSGC vide letter dated April 05, 2019 showed willingness to extend GSA on mutually agreed terms with HCPCPL for another 652 days w.e.f. September 12, 2019 subject to: (i). reconciliation of back to back LDs by WAPDA/CPPA-G in consultation with HCPCPL and SSGC; (ii). amendment in the PPA with reference to (a). treating unavailability of gas by SSGC as OFME; and (b). extending the term of the PPA without any capacity payment to HCPCPL during OFME; (iii). prior to expiry of the existing GSA between SSGC and HCPCPL on September 11, 2019, extending the GSA on mutually agreed terms. Finally, if gas supply to HCPCPL is arranged then Generation Licence of HCPCPL may be extended for its operation on "take and pay" basis.

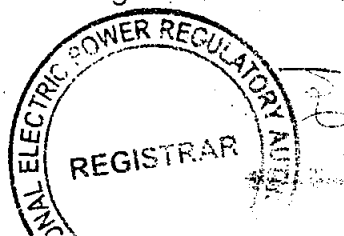


(ii). The Authority examined the above comments of the stakeholders

and observed that PDMoE, PPIB, SSGC and CPPA-G have highlighted certain observations regarding the communicated LPM of HCPCPL. In view of the said, the Authority considered it appropriate to seek perspective of HCPCPL in the matter. Accordingly, HCPCPL was directed for submitting its rejoinder to the observations of the said stakeholders.

(iii). In reply to the comments of PDMoE, the company/Licensee/HCPCPL submitted that the relevant agencies i.e. PPIB and CPPA-G have recognized the strategic significance of the plant for Quetta and its requirement. Recognizing the importance of ensuring continued operation of the plant post-expiry of the existing GSA while concerned parties are finalizing the modalities of proposed settlement approved by the ECC in February 2018. PDMoE (at the request of Power Division) approved continuous supply of indigenous gas to HCPCPL after expiry of GSA on as-and-when-available basis, which was ratified by ECC in October 2019. CPPA-G and HCPCPL also agreed and finalized an interim PPA on take-and-pay basis for the supply of power during said interim arrangement period and the parties will resume on the original PPA once settlement is agreed between all stakeholders, including extension of gas allocation. As for the fuel of the complex, although PDMoE suggested to consider RLNG over indigenous natural gas subject to the consent by CPPA-G, both HCPCPL and CPPA-G are of the view that it would be preferable to keep the plant on indigenous gas due to its special circumstances and location. The matter is under discussion with the relevant stakeholders and expected to be finalized soon. On the observations of PPIB, HCPCPL submitted that it appreciates the supportive comments of PPIB and its recognition of role of HCPCPL as energy backbone of Quetta.

(iv). Regarding the issues raised by SSGC, it was submitted by HCPCPL that the proposed settlement of (i) waiver of LDs between CPPA-G and HCPCPL during 652-day gas curtailment period, (ii) the consequential reversal of the claim of HCPCPL against SSGC under the GSA for said gas curtailment events and (iii) treating the period as OFME till June 2017, was submitted by Petroleum Division after the concurrence of Power Division, CPPA-G and SSGC. After subsequent meetings between stakeholders where it was clarified that such 652 days only covered agreement years under GSA and PPA till September 2016. Further, it was agreed to include subsequent gas curtailment periods under



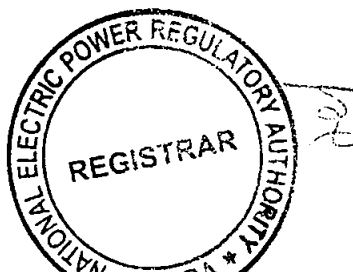
the PPA/GSA while finalizing the modalities of the proposed settlement. Pursuant to the proposal of the ECC, the company/HPCPL is in the process of finalizing the modalities for resolution of its dispute with SSGC according to the spirit of ECC decision.

(v). On the observations of CPPA-G, the Licensee/HPCPL submitted that the contention of CPPA-G that the plant will cost more if operated on RLNG is based on the variable cost and it will benefit the power purchaser to continue plant operation. While the parties are discussing and finalizing the modalities of the proposed settlement, including extension of the gas curtailment period by the period considered in the decision of ECC dated February 2018, it is understood that such a settlement is important for SSGC and CPPA-G. Once agreed between parties and approved by ECC, the settlement will eventually extend both the existing PPA and GSA as a function of OFME treatment. Accordingly, it is important that all the underlying consents of HPCPL, including the Generation Licence, remain valid for a period that would, at least, allow HPCPL to honor its obligations under the PPA for such extended period. Although it is not immediately relevant to the subject modification, HPCPL does intend to supply energy on "take and pay" basis under the interim arrangement. Following the arrangement of gas and finalization of the above mentioned modalities, it is anticipated that HPCPL will continue its operation on standard terms. Later on, HPCPL through its communication dated August 24, 2020 informed that CPPA-G has agreed to sign an interim PPA with it. Further, SSGC has also agreed to provide hybrid gas (65% Natural Gas and 35% RLNG) for the remaining term of the PPA.

(vi). The Authority considered the above submissions/replies of HPCPL to the comments of stakeholders and considered it appropriate to proceed further with the communicated LPM as stipulated in the Licensing Regulations and the NEPRA Licensing (Generation) Rules, 2000 (the "Licensing Rules").

(E). Evaluation/Findings

(i). The Authority examined the entire case in detail including the already granted Generation Licence of HPCPL, Modification-I dated December 05,



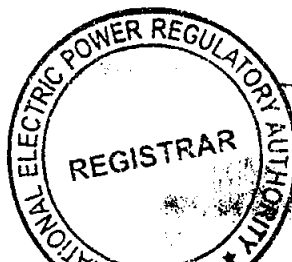
2016, communicated LPM, comments of stakeholders, rejoinders from the Licensee and provisions of relevant rules & regulations.

(ii). In this regard, the Authority has observed that originally the Authority granted a Generation Licence (No. IPGL/012/2003, dated August 26, 2003 and subsequently modified through Modification-I dated December 05, 2016) to HCPCPL for its 140.00 MW thermal generation facility located at Sheikh Manda, Quetta, in the province of Balochistan.

(iii). According to the communicated LPM under consideration, the Licensee/HCPCPL intends to extend the term of its Generation Licence for another ten (10) years. Regarding LPM in the Generation Licence, the Authority has observed that Regulation-10(2) of the Licensing Regulations stipulate that a licensee may, at any time during the term of a licence, communicate to the Authority an LPM setting out (a). the text of the proposed modification; (b). a statement of the reasons in support of the modification; and (c). a statement of the impact on the tariff, quality of service and the performance by the licensee of its obligations under the licence.

(iv). In this regard, the Authority in terms of Section-26 of the NEPRA Act read with Regulation-10(5) of the Licensing Regulations is empowered to modify an existing licence of a licensee 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.

(v). As explained above, the Authority granted a Generation Licence (No. IPGL/012/2003 dated August 26, 2003) to HCPCPL with an installed capacity of 140.00 MW for a period of thirteen (13) years, which was valid up to August 25, 2016. Accordingly, HCPCPL filed LPM in its Generation Licence for extension of



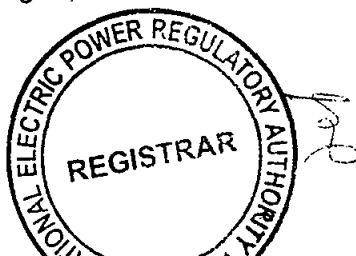
term. In this regard, through Modification-I dated December 05, 2016 the term of the Generation Licence of HCPCPL was extended till September 10, 2019 aligned with the term GSA of HCPCPL with SSGC.

(vi). In view of the expiry of revised/extended term of the Generation Licence, HCPCPL filed the current LPM for extension of another ten (10) years in its Generation Licence. As to discharge its contractual obligations under the PPA, the Company/HCPCPL is required to obtain and maintain a Generation Licence which remains valid for the life of the PPA (which is valid up to September 10, 2029) and any failure in this regard will trigger default in provisions of the PPA.

(vii). Considering the inability of supply of gas by SSGC under OFME during the period 2010 to 2017, extension of another 652 days in the GSA has been agreed between the relevant parties. CPPA-G and HCPCPL have signed an interim PPA dated February 27, 2020 and subsequent amendment dated August 25, 2020 on 'take and pay' basis which is valid till March 10, 2021. In addition to the said, the Company/HCPCPL is also in advanced stage of processing with SSGC, and other competent authorities to extend the GSA and the Gas allocation for another ten (10) years to align the term of the GSA with the PPA i.e. 30 years.

(viii). Through the current LPM, HCPCPL intends to extend/renew the term of its Generation Licence. Regarding renewal of term of a Generation Licence, the Authority has observed that Rule-5(2) of the Generation Rules stipulates that upon the expiry of the term of the Generation Licence, unless revoked earlier in accordance with these rules or the terms of the Generation Licence, the Generation Licence may be renewed by the Authority for such further term as it may deem appropriate in the manner provided in the Generation Licence keeping in view the remaining maximum expected useful life of the units comprised in the generation facility, the performance of the licensee during the then expiring term and the interests of the consumers and the electric power industry as a whole.

(ix). The Generation Facility/Power Plant of HCPCPL consists of thermal generating units (3x37 MW gas turbines and 1x39 MW steam turbine) with 41.88% net efficiency. According to the International benchmarks available and general practice in vogue, the useful life of a thermal generating unit is normally



taken as thirty (30) years from its Commercial Operation Date (COD). The useful life of the units has also been considered as 30 years in the PPA and original Generation Licence of the HCPCPL. The said units of HCPCPL were commissioned in September 1999 and can safely be operated up to 2029 i.e. for the proposed extension in the term of the Generation Licence. Further, the performance of the Licensee/HCPCPL during the expiring term i.e. from 2003-2019 remained satisfactory.

(x). The Authority has further observed that the System Operator (i.e. NPCC) and concerned distribution company (i.e. QESCO) have informed that the voltage problem in the areas being fed through 220 kV Quetta and Sibbi has been aggravated with the outage of HCPCPL generation. PPIB and CPPA-G have also endorsed the said importance of the plant of HCPCPL. In view of the said, the Authority considers that the operation of HCPCPL is very important for the Voltage Regulation, Grid Stability, availability of Black Start facility in the region of QESCO and power supply to Quetta city area in island mode in case of any disturbance on the networks of NTDC and QESCO. Therefore, the proposed modification in Generation Licence for further operation of the HCPCPL is in the interests of the consumers and the electric power industry as a whole.

(xi). Foregoing in view, the Authority considers that the proposed LPM will not have any adverse effect on the performance of HCPCPL of its obligations, instead its performance will be improved. Further, the LPM will 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 the NEPRA Act. The LPM will be beneficial to the consumers in general as a reliable electricity will remain available to the power starved consumers of QESCO. The LPM is reasonably necessary for the Licensee/HCPCPL to effectively and efficiently perform its obligations under the Licence and PPA. The LPM is 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.

(F). Approval of LPM.

(i). In view of the above, the Authority is satisfied that the Licensee has complied with all the requirements of the Licensing Regulations pertaining to the



modification. Therefore, the Authority in terms of Section-26 of the NEPRA Act read with Regulation-10(11) of the Licensing Regulations approves the communicated LPM in the Generation Licence HCPCPL to the extent of change of expiry date of the Generation Licence from September 10, 2019 to September 10, 2029.

(ii). Accordingly, the Generation Licence (No. IPGL/012/2003, dated August 26, 2003 and Modification-I dated December 05, 2016) granted to HCPCPL is hereby modified. The changes made in the Generation Licence are attached as annexure to this determination. The approval of the LPM is subject to the provisions contained in the NEPRA Act, relevant rules framed there under, terms & conditions of the Generation Licence and other applicable documents.

Authority

Rafique Ahmed Shaikh
(Member)

(Did not Attend the meeting-Away)

Rehmatullah Baloch
(Member)

Engr. Bahadur Shah
(Member)

Saif Ullah Chattha
(Member/Vice Chairman)

Tauseef H. Farooqi
(Chairman)



**National Electric Power Regulatory Authority
(NEPRA)**

Islamabad – Pakistan

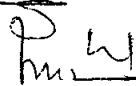
Generation Licence

IPGL/012/2003

In exercise of the Powers conferred under Section-26 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, the Authority hereby modifies the Generation Licence (No. IPGL/012/2003, dated August 26, 2003 subsequently modified on December 05, 2016) of Habibullah Coastal Power Company (Private) Limited to extent of following changes.

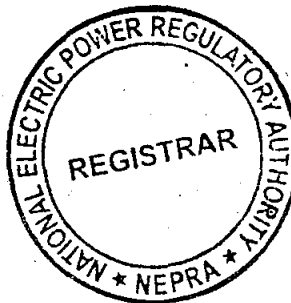
- (i). The changes made in the Generation Licence regarding term of the Licence are described in the attached **Annexure-A.**

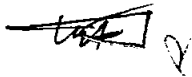
This **Modification-II** is given under my hand on 05th day of **November Two Thousand & Twenty**



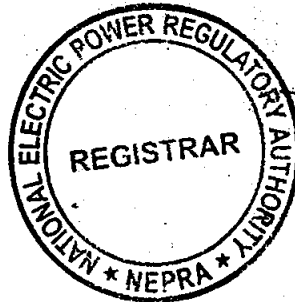
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Registrar





Annexure-A



Modification-II
in Generation Licence (No. IPGL/012/2003, dated August
26, 2003 and subsequent Modification-I dated December
05, 2016) of Habibullah Coastal Power Company (Private)
Limited

- (i). In Para-A of the Annexure-A of Modification-I dated December 05, 2016 in the Generation Licence, the expiry date of the Generation Licence may be read as September 10, 2029 instead of September 10, 2019.
- (ii). In Para-B of the Annexure-A of Modification-I dated December 05, 2016 in the Generation Licence, is rephrased as "the term of this Licence is valid up to September 10, 2029 subject to provisions of Section-14B of the Act."

