National Electric Power Regulatory Authority

Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad.
Ph: 9206500, 9207200 Fax : 9210215
E-mail: office@nepra.org.pk

Registrar

No. NEPRA/LAG-92/2268-69 08 05 2007

Company Secretary
Gujranwala Energy Ltd.
58, Main Gulberg,
Lahore

Subject: **Generation Licence No. IGSPL/11/2007**
Licence Application No. LAG-92
Gujranwala Energy Ltd. (GEL)

Please refer to your letter No. nil dated 16.01.2007 to NEPRA for a Generation Licence.

2. Enclosed here is Generation Licence No. IGSPL/11/2007 granted by the Authority to Gujranwala Energy 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. Please quote above mentioned Generation Licence No. in your future correspondence with the Authority.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY ★ NEPRA ★ REGISTRAR

DA/as above.

08.05.07.
(Mahjoob Ahmad Mirza)

Copy for information to Director General, Pakistan Environmental Protection Agency, House No. 311, Main Margalla Road, F-11/3, Islamabad.

National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan

GENERATION LICENCE

No. IGSPL/11/2007

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:

GUJRANWALA ENERGY LIMITED

Incorporated under the Companies Ordinance, 1984
Under Certificate of Incorporation

No. 00000017069/20060902, Dated September 14, 2006

For its Plant Located at Sangowali, 6-Kilometer from Ghakhar, District, Gujranwala, Punjab
(Installed Capacity: 200 MW Gross ISO)

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

Given under my hand this 7th day of MAY, Two Thousand & Seven, and expires on 30th day of MARCH, Two Thousand & THIRTY FOUR.

Registrar

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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NEPRA

Article-1
Definitions

1.1 In this Licence

(a) "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997);

(b) "Authority" means the National Electric Power Regulatory Authority constituted under section 3 of the Act;

(c) "Licensee" means Gujranwala Energy Limited;

(d) "Rules" mean the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000.

1.2 Words and expressions used but not defined herein bear the meaning given thereto in the Act or in the Rules.

Article-2
Application of Rules

This Licence is issued subject to the provisions of the Rules, as amended from time to time.

Article-3
Generation Facilities

3.1 The location, size (capacity in MW), technology, interconnection arrangements, technical limits, technical functional specifications and other details specific to the power generation facilities of the Licensee are set out in Schedule-I to this Licence.

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3.2 The net capacity of the Licensee's generation facilities is set out in Schedule-II hereto.

3.3 The Licensee shall provide the final arrangement, technical and financial specifications and other details specific to generation facilities before commissioning of the generation facilities.

Article-4
Term of Licence

4.1 The Licence is granted for a term of twenty five (25) years after the Commercial Operation Date.

4.2 Unless revoked earlier, the Licensee may ninety days (90) days prior to the expiry of the term of the Licence, apply for renewal of the Licence under the Licensing (Application and Modification Procedures) Regulation, 1999

Article-5
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-6
Tariff

The Licensee shall charge only such tariff which has been approved or specified by the Authority.

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Article-7
Competitive Trading Arrangement

7.1 The Licensee shall participate in such measures as may be directed by the Authority from time to time for development of a Competitive Trading Arrangement. The Licensee shall in good faith work towards implementation and operation of the aforesaid Competitive Trading Arrangement in the manner and time period specified by the Authority. Provided that, any such participation shall be subject to any contract entered between the Licensee and another party with the approval of the Authority.

7.2 Any variation or modification in the above-mentioned contracts for allowing the parties thereto to participate wholly or partially in the Competitive Trading Arrangement shall be subject to mutual agreement of the parties thereto and such terms and conditions as may be approved by the Authority.

Article-8
Maintenance of Records

For the purpose of sub-rule (1) of Rule 19 of the Rules, copies of records and data shall be retained in standards and electronic form and all such records and data shall, subject to just claims of confidentiality, be accessible by authorized officers of the Authority.

Article-9
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.

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Article-10
Compliance with Environmental Standards

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

Article-11
Provision of Information

11.1 The obligation of the Licensee to provide information to the Authority shall be in accordance with Section 44 of the Act.

11.2 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.

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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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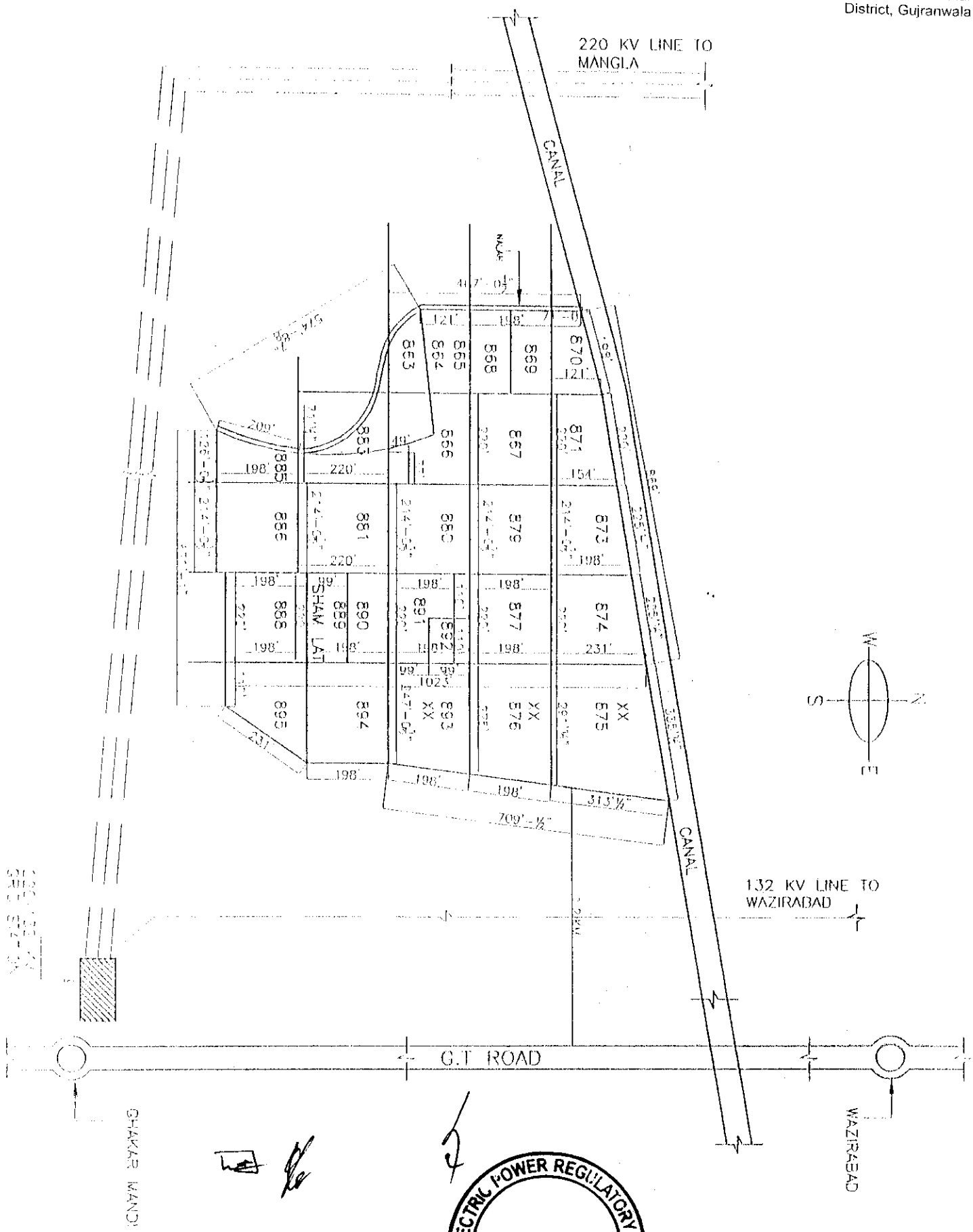

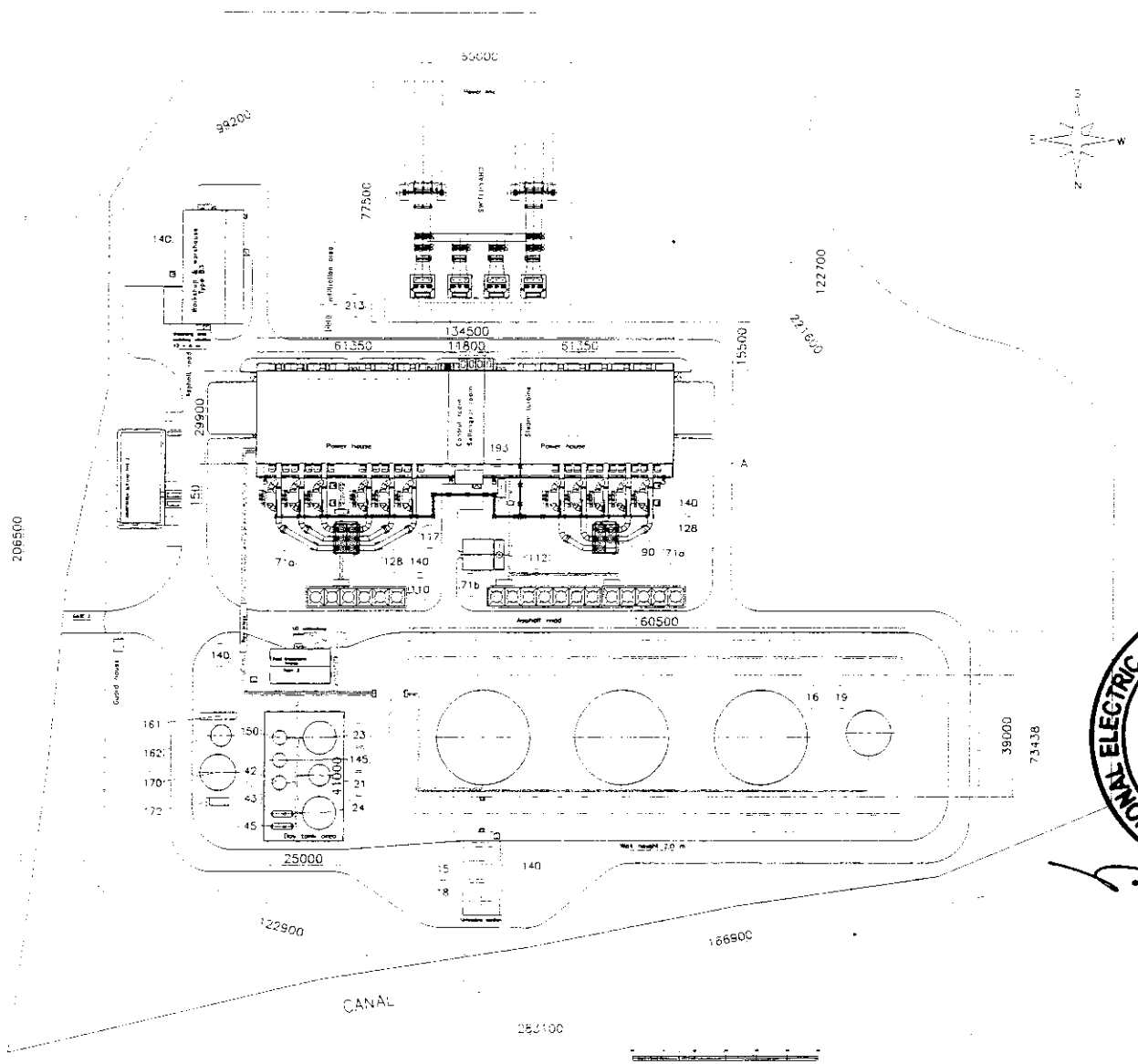

DAY / STORAGE TANK / UNLOADING AREA

Item No	Pcs.	Code (First)	DESCRIPTION	WEIGHT incl. liquids kg	lb	MOUNTING LEVEL (Floor level) mm	inch
15	1	PAA	HFO unloading pump unit				
16	3	PAB	HFO storage tank (10000m3)				
18	1	PAC	LFO unloading pump unit				
19	1	PAE	LFO storage tank (2000m3)				
21	1	PBA	HFO buffer tank 200m3				
23	1	PBC	HFO day tank 700m3				
24	1	PBF	LFO day tank 700m3				
42	1	DAC	Clean LO tank 100m3				
43	1	DAD	Used LO tank 70m3				
45	1	DAH	Lube oil service tank 20m3				
145	1	DDB	Sewage tank 100m3				
150	1	DBB	Oily water buffer tank 15m3				

FUEL TREATMENT HOUSE, TYPE3

Item No	Pcs.	Code (First)	DESCRIPTION	WEIGHT incl. liquids kg	lb	MOUNTING LEVEL (Floor level) mm	inch
17	1	PAC	HFO transfer pump unit				
20	1	PAE	LFO transfer pump unit				
22	1	PBB	HFO separator unit				
25	1	PCA	LFO & HFO feeder pump unit				
40	1	DAA	LO unloading pump unit				
44	1	DAF	Lube oil transfer pump unit				
51	1	TCB	Instrument air skid-0e				
141	1	DAD	Oily water feed pump unit				
143	1	DBB	Oily water treatment unit				
145	1	DDC	Sludge loading pump unit				

SITE INFORMATION

SITE AREA (estate fence)	61 434 m2
BUILDING AREA (FOOTPRINT WITH 150MM THICK WALLS)	4 020 m2
Gross floor area, Engine hall	3 668 m2
Utility block	
Floor area, level ±0.000	352 m2
Floor area, level +5.000	352 m2
Gross floor area	704 m2
DAY TANK AREA (FOOTPRINT WITH 200MM THICK WALLS)	1 052 m2
STORAGE TANK AREA	11 080 m2
OUTSIDE PERIMETER OF DAY TANK AREA	134 m
OUTSIDE PERIMETER OF STORAGE TANK AREA	466 m
SWITCHYARD AREA	4 650 m2
ASPHALT ROADS	10 401 m2
GRAVEL SPACE/CRASHED STONE	11 171 m2
GREEN SPACE/GRASS	13 786 m2

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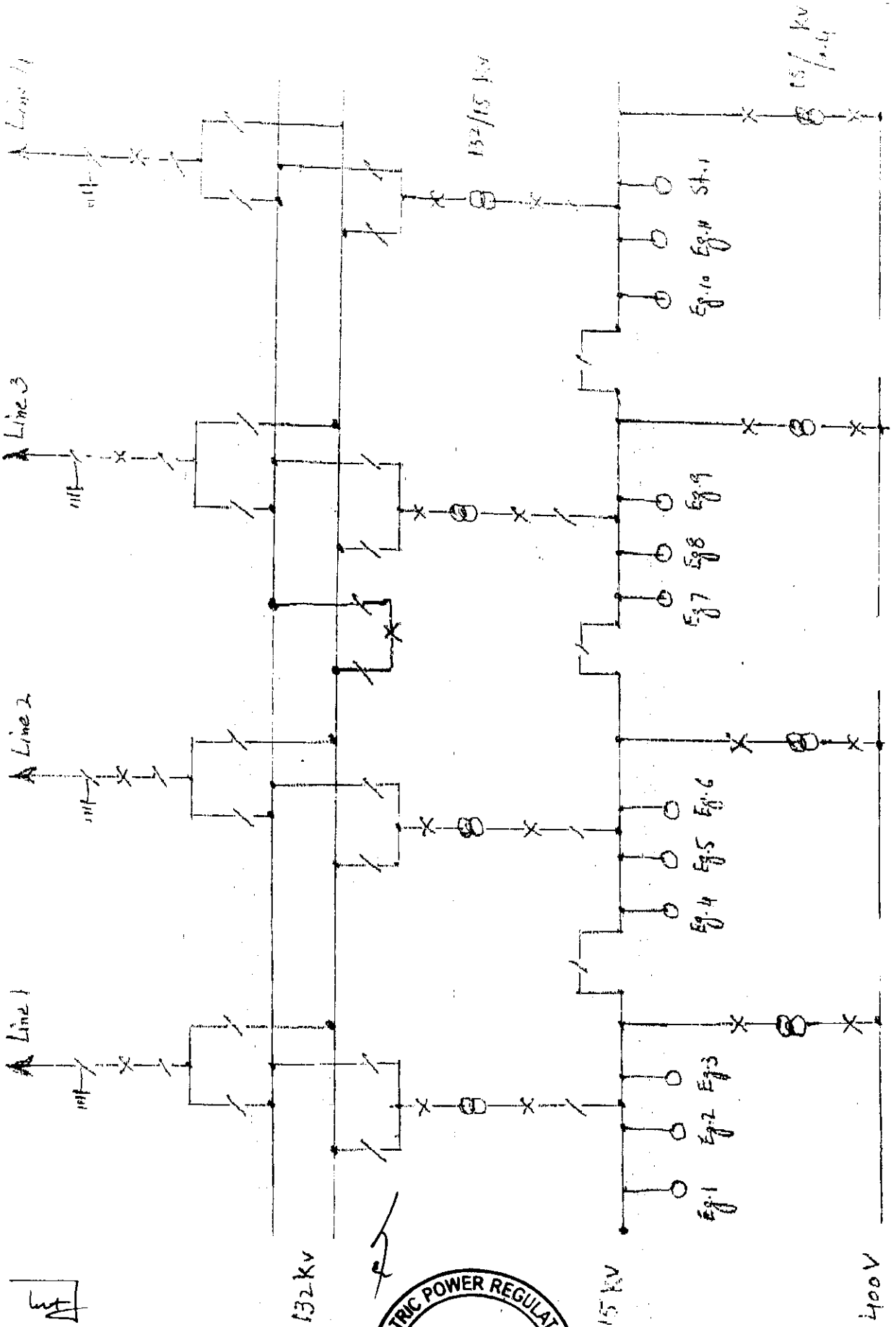
PRELIMINARY

WÄRTSILÄ

Single Line Diagram of Complex



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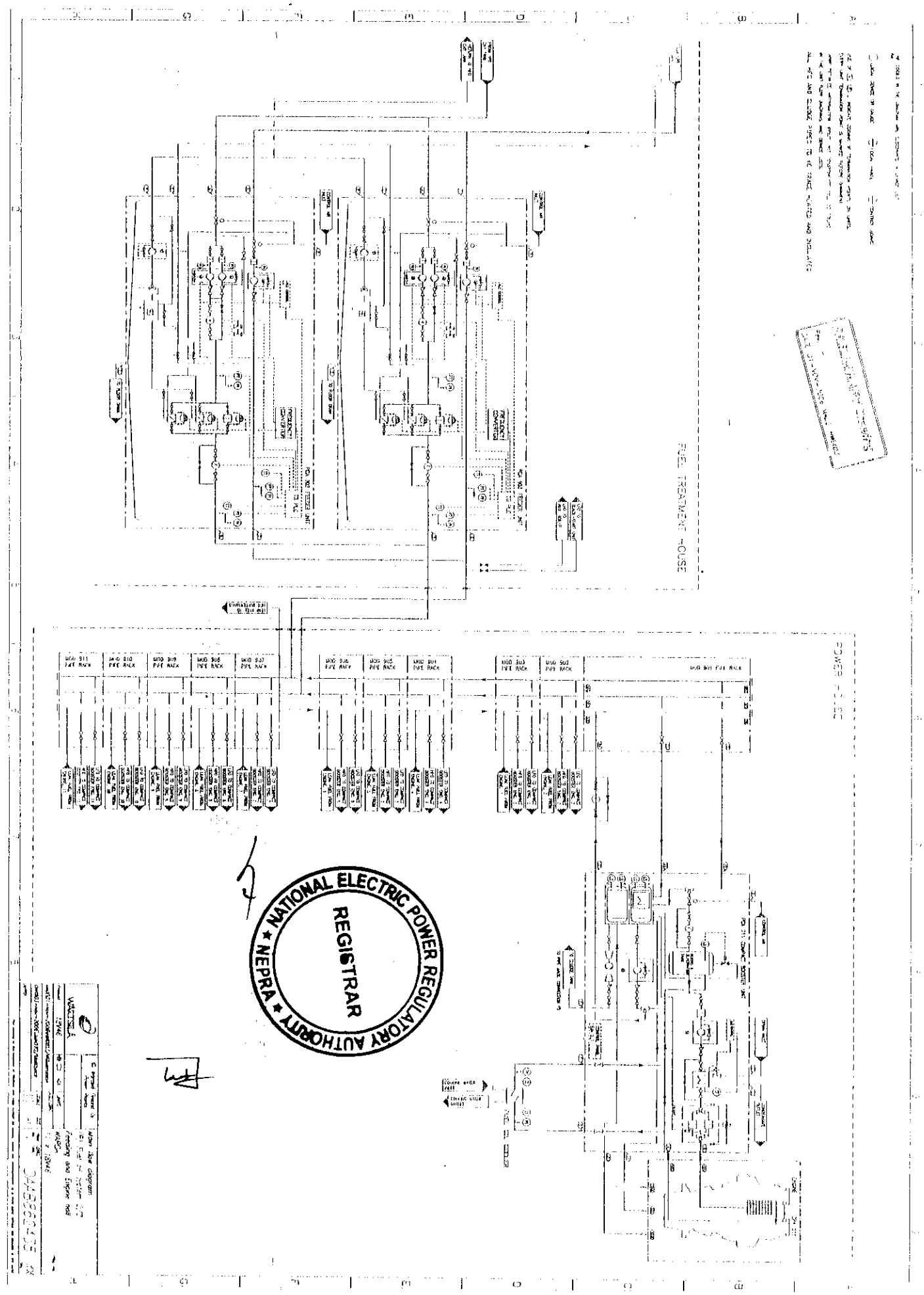

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Plant Details*

1. General Information

i.	Name of Applicant	Gujranwala Energy Limited
ii.	Registered/Business Office	58-Main Gulberg, Lahore
iii.	Plant Location	Mouza Sangowali, Tehsil Wazirabad, District Gujranwal
iv.	Type of Generation Facility	Thermal (Combined Cycle)

2. Plant Configuration

i.	Plant Size Installed Capacity (Gross ISO)	201.451 MW
ii.	Type of Technology	Reciprocating Engines
iii.	Number of Units/Size (MW)	Reciprocating Engines : 11x17.076 MW Steam Turbine : 1x13.615 MW
iv.	Unit Make & Model	WARTSILA/ 18 V 46
v.	De-rated Capacity at Mean site conditions	200 MW
vi.	Auxiliary Consumption	4.74 MW
vii.	Commissioning and Commercial Operation date	March 31, 2009
viii.	Expected Life of the Facility from Commercial Operation Date	30 Years

* As provided by the Applicant

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3. Fuel Details

i.	Primary Fuel	High Sulphur Furnace Oil (HSFO)	
ii.	Back-up Fuel	High Speed Diesel (HSD)	
iii.	Fuel Source (Imported/Indigenous)	Indigenous/Imported	
iv.	Fuel Supplier	TOTAL (PARCO)/SHELL/Oversees Oil Trading Company Limited (OOTCL)	
v.	Supply Arrangement	Delivery at site through Tankers	
vi.	No of Storage Tanks	Primary Fuel	Back-up Fuel
		3 Tanks	1 Tank
vii.	Storage Capacity of each Tank	Primary Fuel	Back-up Fuel
		10,000 m^3	2,000 m^3
viii.	Gross Storage	Primary Fuel	Back-up Fuel
		30,000 m^3	2,000 m^3

4. Emission Values

i.	SO_x	HSFO	HSD
		2.03 gm/m^3 (Max)	To be provided later
ii.	NO_x	2.00 gm/m^3 (Max)	-do-
iii.	CO	To be provided later	-do-
iv.	PM_{10}	0.11 gm/m^3 (Max)	-do-

5. Cooling System

i.	Cooling Water Source/Cycle	Underground water (Tube wells)/ Closed type cooling tower

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6. Plant Characteristics

i.	Generation Voltage	15 KV
ii.	Frequency	50 Hz
iii.	Power Factor	0.8
iv.	Automatic Generation Control	Yes
v.	Ramping Rate	3 MW/Minutes
vi.	Time required to Synchronize to Grid and loading the complex to full load.	Time from cold start to full load = 76 minutes

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SCHEDULE-II

The net capacity of the Licensee's Generation Facilities

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SCHEDULE-II*

1.	Installed Capacity Gross ISO	201.451 MW
2.	De-rated Capacity at Site Conditions	200 MW
3.	Auxiliary Consumption	4.74 MW
4.	Net Capacity of the Plant at Site Conditions	195.26 MW

Note

All the above figures are indicative as provided by the Licensee. The Net Capacity available to NTDC for dispatch and other purchasers will be determined through procedures contained in the Agreements or Grid Code.

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* As provided by the applicant

INTERCONNECTION SCHEME FOR THE POWER DISPERSAL OF THE PLANT*

The electrical energy generated from the power plant shall be dispersed to the system directly within the load center of GEPCO by constructing a two 132 KV D/C transmission Line by making double In-Out arrangement from the existing 132 KV D/C Transmission Line from Ghakhar to Wazirabad/Gujrat at the location of the power plant.

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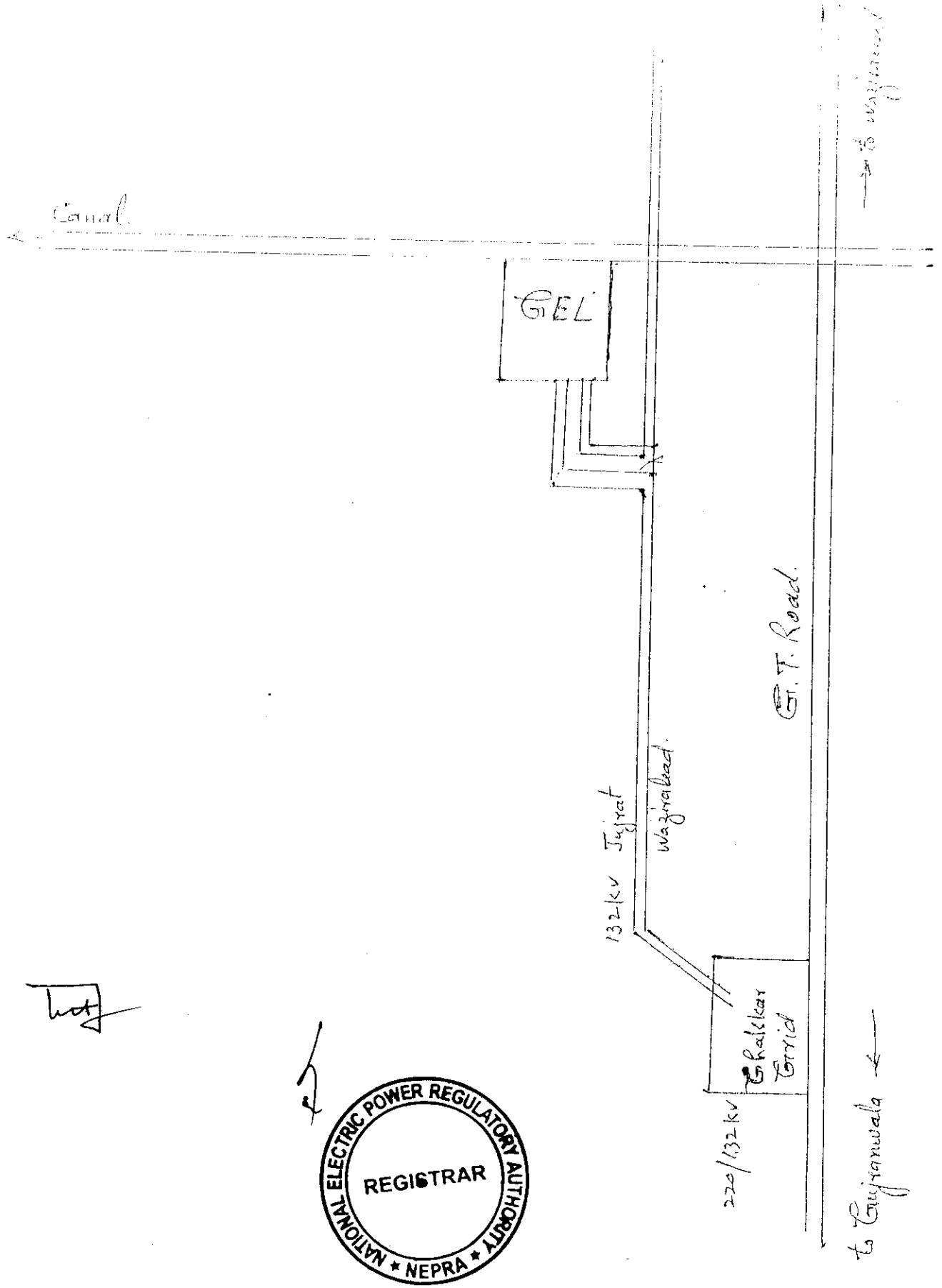
* As provided in the Power Acquisition Request of Central Power Purchasing Agency of NTDC vide letter no. COO/CPPA/CE-II/AP/4975-76, Dated April 23, 2007

Interconnection Arrangement of Gujranwala Energy Limited
with NTDC System



National Electric Power Regulatory Authority
NEPRA

Determination in the Matter of Grant of Generation Licence to Gujranwala Energy Limited

May 7, 2007
Application No. LAG-92

Background

A number of Independent Power Generation Projects (IPPs) were initiated under "Policy for Power Generation 2002". The potential IPPs being set up under the Policy of 2002, based on indigenous fuel resource (i.e. Natural Gas) include Orient Power Limited (Balloki, Punjab), Star Power Limited (Dharki, Sindh), Saif Power Limited (Sahiwal, Punjab), Sapphire (Muridkee, Punjab), Foundation Power Limited (Dharki, Sindh), Halmore Power Limited (Bhakhi, Punjab). Tariff has been determined and Licences granted in respect of these IPPs.

2. Shortage of committed Gas expected for future projects and unusual growth in demand for electricity was creating a gap between supply and demand for electricity during 2007 to 2009. Government of Pakistan (GoP), consequently allowed the gap to be met through Furnace Oil based projects for expeditious acquisition of generation capacity to cover the anticipated shortage.

3. In order to expeditiously process the induction of new capacity, the Economic Coordination Committee (ECC) approved a fast track based plan to allow PPIB to implement "Thermal fuel based Projects", including Residual Fuel Oil (RFO) based Reciprocating Engine Technology, to the extent of bridging the shortage of 2225 MW between demand and supply. Pre-qualification, submission of feasibility study and issuance of Letter of Interest (LOI) required under the Power Policy of 2002 was allowed to be relaxed for these Fast Track projects.

4. Under the Fast Track initiative, PPIB recommended the proposal of Gulistan Group of Companies (GGC) for setting up a 225 MW power plant based on Residual Fuel Oil (RFO) to be located near Ghakhar, Punjab. In order to, carry out the project implementation, GGC incorporated a separate company in the name of Gujranwala Energy Limited (GEL). PPIB advised GEL to approach NEPRA for the grant of Generation Licence.

Filing of Generation Licence Application

5. GEL, in accordance with Section 15 of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997), filed an application on January 16, 2007, with NEPRA requesting for the grant of Generation Licence. NEPRA Authority admitted the application on April 3, 2007.

6. Pursuant to Regulation-8 of the NEPRA Licensing (Application and Modification Procedure) Regulation, 1999, a brief of Prospectus and Notice of Admission were published in daily newspapers of April 6, 2007, for seeking comments from the interested/affected parties and general public.

7. After considering the received comments, the Authority decided to hold a hearing/conference on April 24, 2007, which was attended by the representatives of the applicant and other organizations including representatives of PPIB, NTDC and Environmental Protection Agency (EPA-Punjab).

Proceedings of Hearing

8. During the hearing, GEL presented salient features of the project and explained that the proposed plant would be consisting of eleven (11) Reciprocating Engines with each having a Capacity (ISO) of 16.934 MW, one (01) Heat Recovery Steam Generator (HRSG) and one (1) Steam Turbine (1x14.2 MW) with a total installed capacity of 200.274 MW (gross) at ISO conditions. Further, it was clarified that the electricity generated from the

proposed power plant would be acquired by Central Power Purchasing Agency (CPPA) of National Transmission and Dispatch Company (NTDC) on behalf of the Ex-WAPDA DISCOs. It was informed that the project was expected to be commissioned by March 31, 2009.

9. The applicant presented its case and other participants/interested persons were also heard during the hearing. The participants proffered their comments and submitted arguments supporting their stance. The following relevant salient points were discussed during the hearing and commented on by other participants:

- Site location, availability/procurement of land for the plant and confirmation of suitability by Central Power Purchasing Agency (CPPA) in the absence of Feasibility study of the power plant.

- Confirmation of the Supplier to make available the Main and Back up fuel.

- Selection of the Specific Technology (i.e. WARTSILA Diesel Engines) for the Power Plant.

- De-rated Capacity of the Power Plant, as given in the Generation Licence Application.

- Availability/Reliability of Plant Operation.

- Interconnection and Transmission arrangement for dispersal of power from the power plant and the cost of the dispersal arrangement.

- Project Implementation Plan to comply with the Commercial Operating date, to qualify for a Fast Track Project.

- Useful Life of the Power Plant Equipment and Term of the Licence.

- Availability of Water for the Power Plant.

- Compliance with Environmental Standards.

10. GEL informed that the location of the site of the proposed power plant would be located at about 6-Kilometer from the Ghakhar city near village of Sangowali. It was also stated that the proposed location of the power plant already had the entire necessary infrastructure available, including access to main road, availability of water and access to existing electrical network for dispersal of power. It was also informed that CPPA had already confirmed the suitability of the location and accordingly, GEL had purchased measuring 25 acres of land for the power plant.

11. GEL further elaborated that they were in contact with the entire potential supplier regarding the availability of the Main and Back up fuel arrangement and it was expected that a long term fuel supply agreement, for supply of HSFO and HSD would be reached.

12. Regarding the selection of the WARTSILA technology for the proposed power plant, GEL informed that WARTSILA was one of the leading suppliers of power plants for power generation. It had offered power plants for base load, peaking and industrial purposes. In all the above mentioned categories, WARTSILA had held a strong position worldwide.

13. Further, WARTISAL also had a major share of the power market based on reciprocating engine technology in Pakistan. WARTSIAL had formulated a comprehensive network of sales and services making it one of the best choices for the proposed power plant. The performances of the WARTISAL engines could be gauged from the fact that existing Independent Power Plants based on reciprocating technology, working in Pakistan, were based on WARTISAL engines. GEL was confident that WARTSILA technology was much superior to

its competitors in terms of operation and reliability. On account of all these factors GEL decided to select these engines being one of the best in the world.

14. GEL further elaborated that installed capacity of the power plant at ISO conditions would be 201.451 MW which would be de-rated to 200 MW at mean site conditions and the net capacity of the plant would be 195.26 MW after allowing the auxiliary consumption of 4.74 MW.

15. The issue of the plant availability and reliability was discussed at length during the hearing. The representative of the Central Power Purchasing Agency (CPPA) informed that GEL has indicated a plant availability of 88% whereas NEPRA in its Tariff determination had earlier mentioned it the same as 90%. Representative of CPPA also informed that recently PPIB has sent the minutes of the 64th Board Meeting held informing that the availability of the Reciprocating engines running on RFO had been fixed at 88% instead of 90%. Representative of CPPA further clarified the position of CPPA on the issue and informed about the financial impacts of the reduction in plant availability which would result in extra payments to the IPP on account of less availability. It was also informed that on account of discrepancies in the plant availability, CPPA was finding it difficult to negotiate the PPA in pipeline with different IPPS. NEPRA Consultant (Regulatory Law), pointed out the standard PPA approved by ECC had a provision of plant availability of 90%. Further, he also pointed out that since the reduction in plant availability from 90% to 88% had financial implications, therefore only it was prerogative ECC to change this limit and other forum was competent to make such and approve such a change. It was decided at present the plant availability would be 90% however any revision in this factor would be made on case to case basis in the light of the GoP guidelines and technology offered. The representative of GEL emphasized that no discrimination should be made with GEL on the issue and any decision on the issue should be applied across the board as the technology was the reciprocating engines was almost identical in all the proposed power plants.

16. GEL further clarified that the NTDC would construct and maintain the Interconnection and Transmission facilities for the dispersal of power from the

proposed power plant. It was further clarified the power generated by the proposed power plant would be disbursed by making double In-Out arrangement from the existing 132 KV D/C Transmission Line from Ghakhar to Wazirabad/Gujrat at the location of the power plant for which a provision of four line bays had been made at the power plant side. It was also informed that CPPA vide its letter No. COO/CPPA/CE-II/3433, dated March 22, 2007 had already requested for authorization of procurement of power from GEL to the extent of 200 MW on behalf of Ex-WAPDA DISCOs. The Authority granted the permission to acquire power from GEL on May 2, 2007.

17. GEL also informed that a comprehensive Project Implementation Plan had already been develop and all efforts were being made that all the time limits were adhered to so that the plant would be achieving the Commercial Operation Date (COD) by the end of March 2009. Further, it was also informed that GEL was trying its utmost effort to complete the project on a Fast Track Basis and make the plant available for commercial operation by March 31, 2009, however, some technical difficulties were being faced in the project implementation and due to these reasons, GEL had requested the date to be extended by June 30, 2009. It was informed that project being under the "Fast Track" was required to be available for commercial operation maximum by March 31, 2009, as decided by ECC. Due to these facts, ECC dispensed the requirements of the LOI and Feasibility study. Therefore, being the Fast Track Project, GEL should make all out efforts to complete the project within the stipulated time as agreed.

18. Regarding the plant equipment, it was informed that the entire project equipment would be completely new. It was also informed that GEL would be requesting the term of the Licence for a period of 25 years, commensurate with the life of the PPA to be negotiated with CPPA.

19. Regarding the availability of water, GEL informed that Tube wells would be installed in the premises of the proposed project site to meet the water requirement of the power plant. The effluent from the power plant would be disposed in accordance with World Bank and Environmental Protection Agency

Guidelines making the project completely compliant with Environmental standards.

Comments of Applicant on Draft Gen. Licence.

20. Draft Generation Licence proposed to be granted to GEL was circulated to all stakeholders including the applicant (i.e. GEL). No objections were received earlier or proffered during the hearing with respect to the Terms and Conditions of the proposed Draft Generation Licence by any of the stakeholders. The grant of Generation Licence was supported by all the stakeholders who provided comments to NEPRA.

Grant of Generation Licence.

21. ECC vide its decision of October 31, 2006 had decided to allow thermal (Fossil Fuel) based power generation on a fast track basis to meet the imminent demand of 2007/2008 in order to avoid outages/blackouts. The PPIB had been directed to issue LOIs to the extent of meeting the gap in supply/demand. In view of the absence of a firm commitment of gas availability PPIB had included Reciprocating Engine technology in the basket of procurement to meet the immediate demand. The instant case had been referred by PPIB vide its communication of 1(102) PPIB-1031/05/PRJ, dated December 29, 2005.

22. In view of the prevailing situation of non-availability of natural gas for any of new power projects, the imminent shortage of Generating Capacity with respect to Peak Demand, lesser construction/commissioning lead time of reciprocating engines compared to other technologies, the reluctance of sponsors to employ Gas Turbine for burning RFO fuel due to vanadium deposition on turbine blades, the Authority considers the proposed project as acceptable under the given circumstances.

23. The Authority has already determined the tariff for GEL vide its decision of March 9, 2007 and April 19, 2007; the net capacity has accordingly been established as 195.26 MW after allowing de-rating at Mean site conditions

of 0.274 MW and auxiliary consumption of 4.74 MW from an Installed Capacity Gross ISO of 200.274 MW.

24. In view of the above the Authority hereby decides to approve the grant of Generation Licence to Gujranwala Energy Limited, in the terms set out in the attached Licence as annexed to this determination. The grant of such a licence would be subject to the provisions contained in the NEPRA Act and relevant rules framed there under.

Authority

Zafar Ali Khan
Member

Nasiruddin Ahmed
Member

Abdul Rahim Khan
VC/Member

Lt. Gen. (R) Saeed uz Zafar
Chairman

National Electric Power Regulatory Authority
NEPRA

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8. During the hearing, GEL presented salient features of the project and explained that the proposed plant would be consisting of eleven (11) Reciprocating Engines with each having a Capacity (ISO) of 16.934 MW, one (01) Heat Recovery Steam Generator (HRSG) and one (1) Steam Turbine (1x14.2 MW) with a total installed capacity of 200.274 MW (gross) at ISO conditions. Further, it was clarified that the electricity generated from the

proposed power plant would be acquired by Central Power Purchasing Agency (CPPA) of National Transmission and Dispatch Company (NTDC) on behalf of the Ex-WAPDA DISCOs. It was informed that the project was expected to be commissioned by March 31, 2009.

9. The applicant presented its case and other participants/interested persons were also heard during the hearing. The participants proffered their comments and submitted arguments supporting their stance. The following relevant salient points were discussed during the hearing and commented on by other participants:

- Site location, availability/procurement of land for the plant and confirmation of suitability by Central Power Purchasing Agency (CPPA) in the absence of Feasibility study of the power plant.

- Confirmation of the Supplier to make available the Main and Back up fuel.

- Selection of the Specific Technology (i.e. WARTSILA Diesel Engines) for the Power Plant.

- De-rated Capacity of the Power Plant, as given in the Generation Licence Application.

- Availability/Reliability of Plant Operation.

- Interconnection and Transmission arrangement for dispersal of power from the power plant and the cost of the dispersal arrangement.

- Project Implementation Plan to comply with the Commercial Operating date, to qualify for a Fast Track Project.

- Useful Life of the Power Plant Equipment and Term of the Licence.

- Availability of Water for the Power Plant.

- Compliance with Environmental Standards.

10. GEL informed that the location of the site of the proposed power plant would be located at about 6-Kilometer from the Ghakhar city near village of Sangowali. It was also stated that the proposed location of the power plant already had the entire necessary infrastructure available, including access to main road, availability of water and access to existing electrical network for dispersal of power. It was also informed that CPPA had already confirmed the suitability of the location and accordingly, GEL had purchased measuring 25 acres of land for the power plant.

11. GEL further elaborated that they were in contact with the entire potential supplier regarding the availability of the Main and Back up fuel arrangement and it was expected that a long term fuel supply agreement, for supply of HSFO and HSD would be reached.

12. Regarding the selection of the WARTSILA technology for the proposed power plant, GEL informed that WARTSILA was one of the leading suppliers of power plants for power generation. It had offered power plants for base load, peaking and industrial purposes. In all the above mentioned categories, WARTSILA had held a strong position worldwide.

13. Further, WARTISAL also had a major share of the power market based on reciprocating engine technology in Pakistan. WARTSIAL had formulated a comprehensive network of sales and services making it one of the best choices for the proposed power plant. The performances of the WARTISAL engines could be gauged from the fact that existing Independent Power Plants based on reciprocating technology, working in Pakistan, were based on WARTISAL engines. GEL was confident that WARTSILA technology was much superior to

its competitors in terms of operation and reliability. On account of all these factors GEL decided to select these engines being one of the best in the world.

14. GEL further elaborated that installed capacity of the power plant at ISO conditions would be 201.451 MW which would be de-rated to 200 MW at mean site conditions and the net capacity of the plant would be 195.26 MW after allowing the auxiliary consumption of 4.74 MW.

15. The issue of the plant availability and reliability was discussed at length during the hearing. The representative of the Central Power Purchasing Agency (CPPA) informed that GEL has indicated a plant availability of 88% whereas NEPRA in its Tariff determination had earlier mentioned it the same as 90%. Representative of CPPA also informed that recently PPIB has sent the minutes of the 64th Board Meeting held informing that the availability of the Reciprocating engines running on RFO had been fixed at 88% instead of 90%. Representative of CPPA further clarified the position of CPPA on the issue and informed about the financial impacts of the reduction in plant availability which would result in extra payments to the IPP on account of less availability. It was also informed that on account of discrepancies in the plant availability, CPPA was finding it difficult to negotiate the PPA in pipeline with different IPPS. NEPRA Consultant (Regulatory Law), pointed out the standard PPA approved by ECC had a provision of plant availability of 90%. Further, he also pointed out that since the reduction in plant availability from 90% to 88% had financial implications, therefore only it was prerogative ECC to change this limit and other forum was competent to make such and approve such a change. It was decided at present the plant availability would be 90% however any revision in this factor would be made on case to case basis in the light of the GoP guidelines and technology offered. The representative of GEL emphasized that no discrimination should be made with GEL on the issue and any decision on the issue should be applied across the board as the technology was the reciprocating engines was almost identical in all the proposed power plants.

16. GEL further clarified that the NTDC would construct and maintain the Interconnection and Transmission facilities for the dispersal of power from the

proposed power plant. It was further clarified the power generated by the proposed power plant would be disbursed by making double In-Out arrangement from the existing 132 KV D/C Transmission Line from Ghakhar to Wazirabad/Gujrat at the location of the power plant for which a provision of four line bays had been made at the power plant side. It was also informed that CPPA vide its letter No. COO/CPPA/CE-II/3433, dated March 22, 2007 had already requested for authorization of procurement of power from GEL to the extent of 200 MW on behalf of Ex-WAPDA DISCOs. The Authority granted the permission to acquire power from GEL on May 2, 2007.

17. GEL also informed that a comprehensive Project Implementation Plan had already been develop and all efforts were being made that all the time limits were adhered to so that the plant would be achieving the Commercial Operation Date (COD) by the end of March 2009. Further, it was also informed that GEL was trying its utmost effort to complete the project on a Fast Track Basis and make the plant available for commercial operation by March 31, 2009, however, some technical difficulties were being faced in the project implementation and due to these reasons, GEL had requested the date to be extended by June 30, 2009. It was informed that project being under the "Fast Track" was required to be available for commercial operation maximum by March 31, 2009, as decided by ECC. Due to these facts, ECC dispensed the requirements of the LOI and Feasibility study. Therefore, being the Fast Track Project, GEL should make all out efforts to complete the project within the stipulated time as agreed.

18. Regarding the plant equipment, it was informed that the entire project equipment would be completely new. It was also informed that GEL would be requesting the term of the Licence for a period of 25 years, commensurate with the life of the PPA to be negotiated with CPPA.

19. Regarding the availability of water, GEL informed that Tube wells would be installed in the premises of the proposed project site to meet the water requirement of the power plant. The effluent from the power plant would be disposed in accordance with World Bank and Environmental Protection Agency

Guidelines making the project completely compliant with Environmental standards.

Comments of Applicant on Draft Gen. Licence.

20. Draft Generation Licence proposed to be granted to GEL was circulated to all stakeholders including the applicant (i.e. GEL). No objections were received earlier or proffered during the hearing with respect to the Terms and Conditions of the proposed Draft Generation Licence by any of the stakeholders. The grant of Generation Licence was supported by all the stakeholders who provided comments to NEPRA.

Grant of Generation Licence.

21. ECC vide its decision of October 31, 2006 had decided to allow thermal (Fossil Fuel) based power generation on a fast track basis to meet the imminent demand of 2007/2008 in order to avoid outages/blackouts. The PPIB had been directed to issue LOIs to the extent of meeting the gap in supply/demand. In view of the absence of a firm commitment of gas availability PPIB had included Reciprocating Engine technology in the basket of procurement to meet the immediate demand. The instant case had been referred by PPIB vide its communication of 1(102) PPIB-1031/05/PRJ, dated December 29, 2005.

22. In view of the prevailing situation of non-availability of natural gas for any of new power projects, the imminent shortage of Generating Capacity with respect to Peak Demand, lesser construction/commissioning lead time of reciprocating engines compared to other technologies, the reluctance of sponsors to employ Gas Turbine for burning RFO fuel due to vanadium deposition on turbine blades, the Authority considers the proposed project as acceptable under the given circumstances.

23. The Authority has already determined the tariff for GEL vide its decision of March 9, 2007 and April 19, 2007; the net capacity has accordingly been established as 195.26 MW after allowing de-rating at Mean site conditions

of 0.274 MW and auxiliary consumption of 4.74 MW from an Installed Capacity Gross ISO of 200.274 MW.

24. In view of the above the Authority hereby decides to approve the grant of Generation Licence to Gujranwala Energy Limited, in the terms set out in the attached Licence as annexed to this determination. The grant of such a licence would be subject to the provisions contained in the NEPRA Act and relevant rules framed there under.

Authority

Zafar Ali Khan
Member

Nasiruddin Ahmed
Member

Abdul Rahim Khan
VC/Member

Lt. Gen. (R) Saeed uz Zafar
Chairman