



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad

Ph: 9206500, 9207200, Fax : 9210215

E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/R/LAG-176/160-162

January 07, 2011

Khawaja Nimr Majid
Director Operations
Naudero Energy (Pvt.) Limited
1st Floor, Block-3,
Hockey Club of Pakistan Stadium,
Liaquat Barracks, Karachi

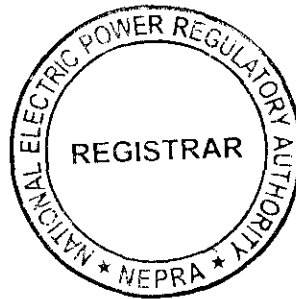
Subject: **Generation Licence No. SGC/68/2011**
Licence Application No. LAG-176
Naudero Energy (Pvt.) Limited (NEPL)

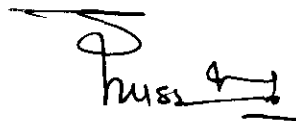
Reference: *Your letter No. nil, dated September 30, 2010*

Enclosed please find herewith Generation Licence No. SGC/68/2011 granted by National Electric Power Regulatory Authority (NEPRA) to Naudero Energy (Pvt.) Limited for its 17.66 MW thermal power plants located at Deh Naudero, Taluka Ratodero, District Larkana, Sindh pursuant to Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997). Further, the determination of the Authority in the subject matter is also attached.

2. Please quote above mentioned Generation Licence No. for future correspondence.

Enclosure: **Generation Licence**
[No. SGC/68/2011]




(Syed Safer Hussain)

Copy to:

1. Chief Executive Officer, Hyderabad Electric Supply Company (HESCO), WAPDA Water Wing Complex, Hussainabad, Hyderabad
2. 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. SGC/68/2011

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:

NAUDERO ENERGY (PVT.) LIMITED

**Incorporated under the Companies Ordinance, 1984
Under Certificate of Incorporation**

No. 0073157, dated July 20, 2010

**For its Plant located at Deh Naudero, Taluka Ratodero, District
Larkana, Sindh**

(Installed Capacity: 17.66 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 January, Two Thousand & Eleven, and expires on 29th day of November, Two Thousand & Thirty Six.


Registrar





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 Naudero Energy (Pvt.) Limited;
- (d) "Power Purchaser" means a distribution licensee or a bulk power consumer purchasing electricity from the Licensee, pursuant to a power purchase agreement;
- (e) "Rules" mean the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000.

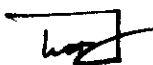

1.2 Words and expressions used but not defined herein bear the meaning given thereto in the Act or in the Rules.

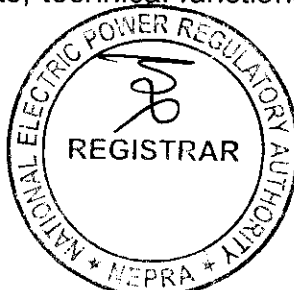
Article-2 **Application of Rules**

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.

3.2 The net capacity of the generation facilities of the Licensee 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 This Licence is granted for a term of twenty five (25) years from the Commercial Operation Date (CoD) of the generation facility.

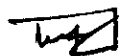
4.2 Unless suspended or revoked earlier, the Licensee may within ninety (90) days prior to the expiry of the term of the Licence, apply for renewal of the Licence under the Licensing (Application and Modification Procedures) Regulation, 1999 as amended or replaced from time to time.

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 is allowed to charge such tariff which is agreed between the Licensee and the Power Purchaser, pursuant to a power purchase agreement and approved, determined, adjusted or specified by the Authority.



Article-7
Competitive Trading Arrangement

7.1 The Licensee shall participate in such measure 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 into 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

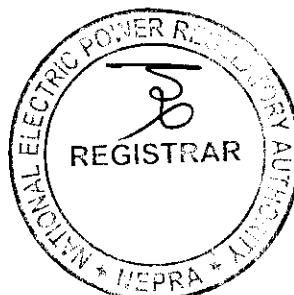

For the purpose of sub-rule (1) of Rule 19 of the Rules, copies of records and data shall be retained in standard and electronic form and all such records and data shall, subject to just claims of confidentiality, be accessible by authorized officers of the Authority.

Article-9
Compliance with Performance Standards

The Licensee shall comply with the relevant provisions of NEPRA rules on Performance Standards as may be prescribed by the Authority from time to time.

Article-10
Compliance with Environmental Standards

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



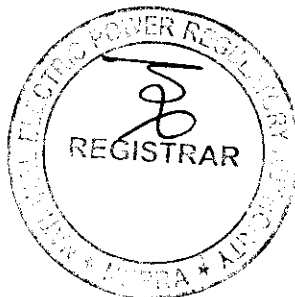
Article-11
Provision of Information

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 has been in the control or possession of the Licensee.

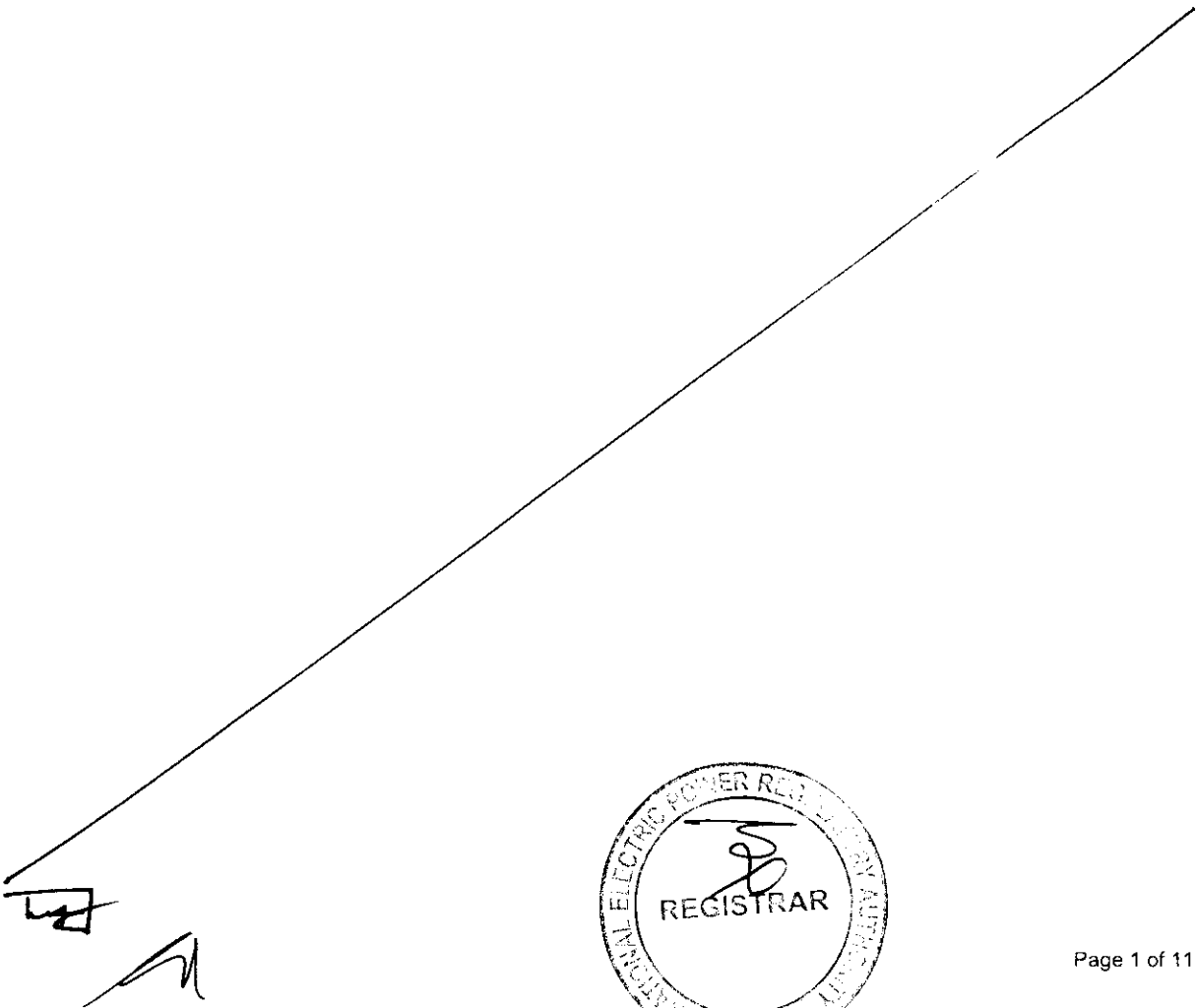
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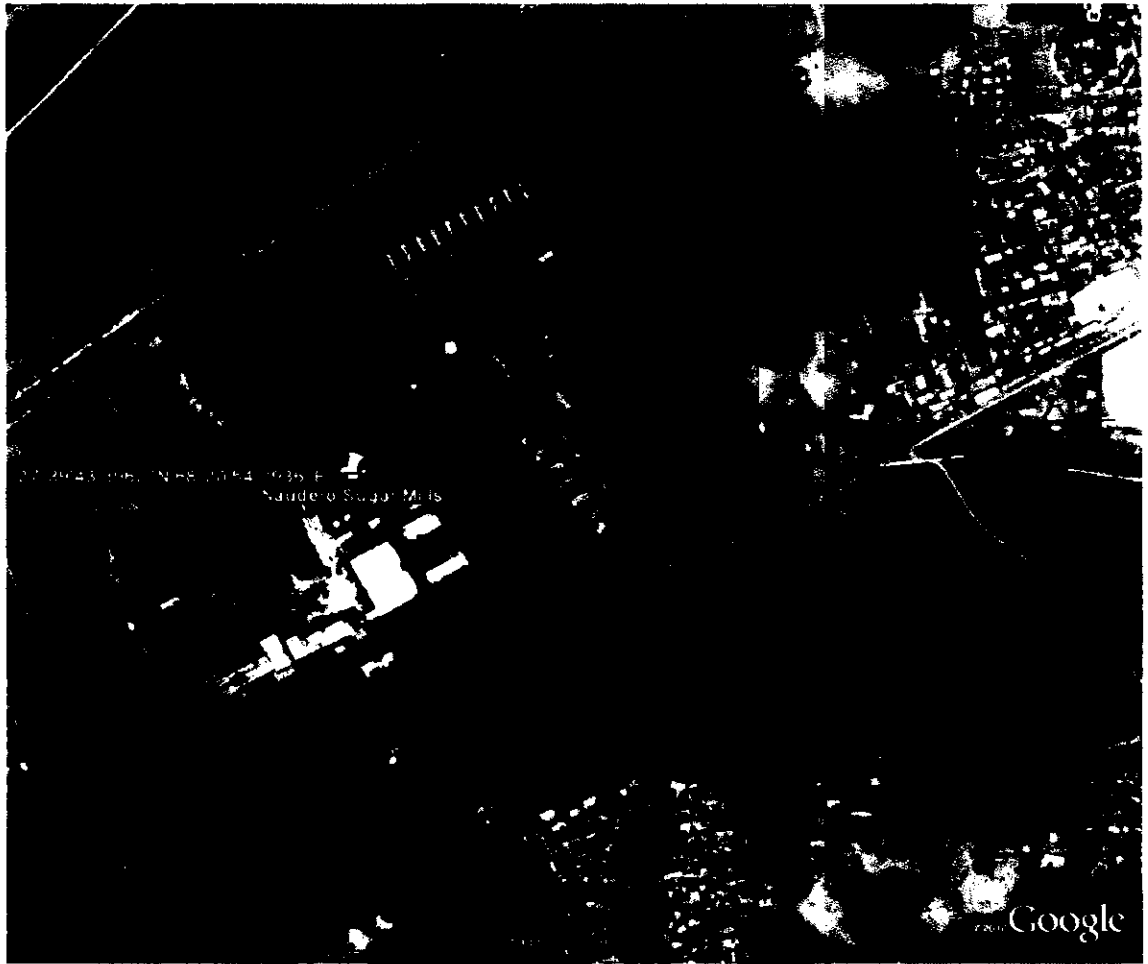


SCHEDULE-I

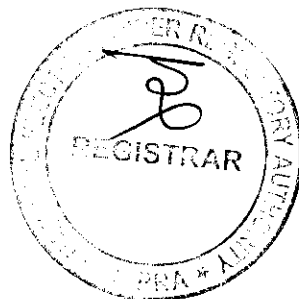
The location, size (capacity in MW) technology, interconnection arrangements, technical limits, technical functional specifications and other details specific to the Generation Facilities of the Licensee.

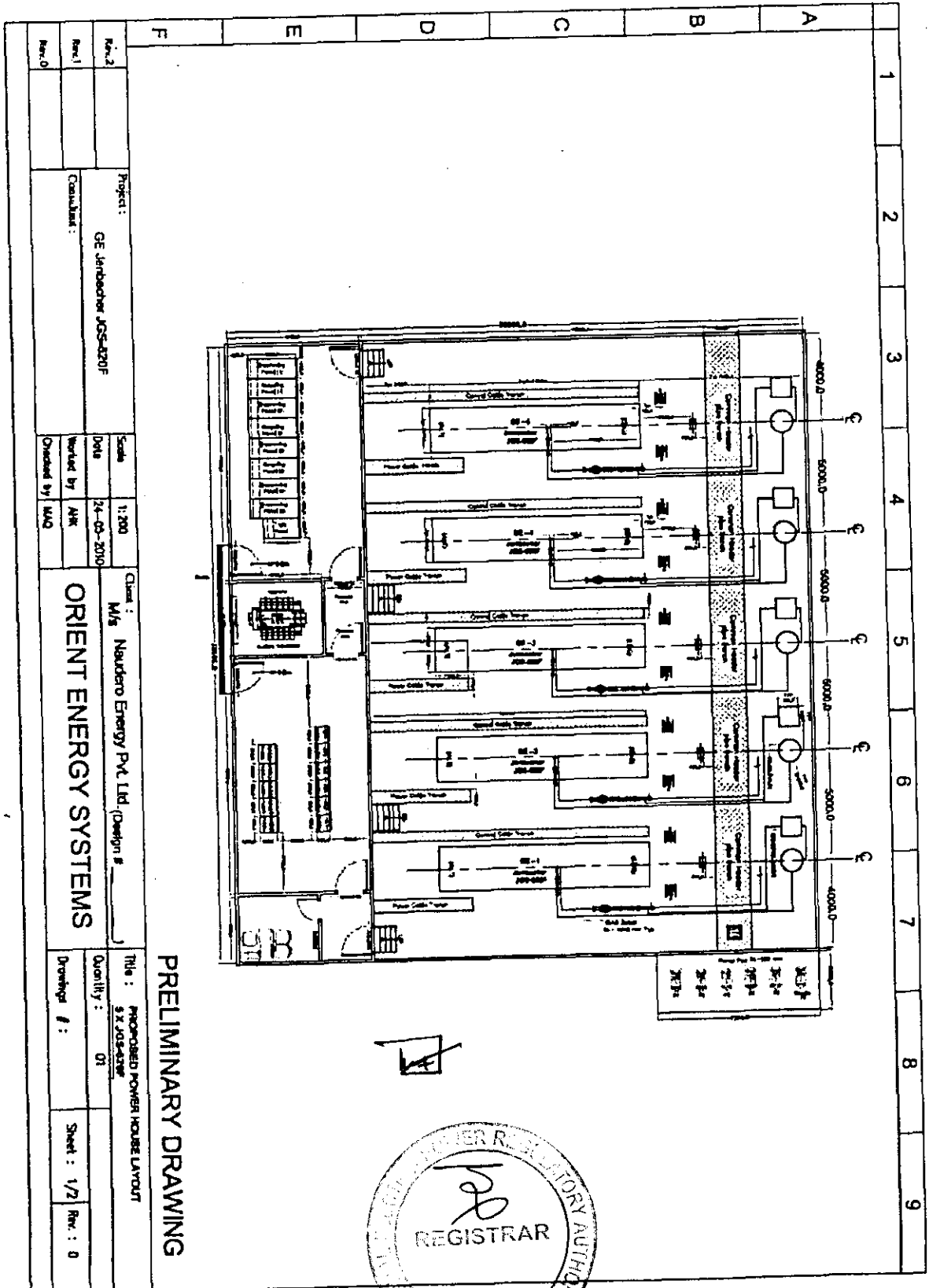


Location: Naudero Energy Private Limited
Naudero, Sindh, Pakistan



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PRELIMINARY DRAWING

Rev. 2	Project :	Scale :	Client :	Title :
Rev. 1	GE Jambhaer JGS-420F	1:200	M/s Naudero Energy Pvt. Ltd. (Design #	PROPOSED POWER HOUSE LAYOUT
Rev. 0	Consultant :	Date :	M/s	S.X. JGS-420F
		24-03-2010		01
		Worked by :	Drawing / :	
		AMK	Sheet : 1/2 Rev. : 0	
		Checked by :		
		MAQ		


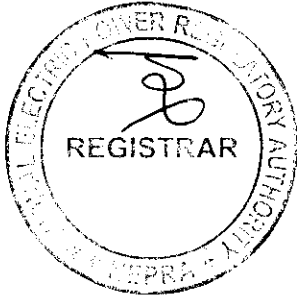


**INTERCONNECTION/TRANSMISSION
ARRANGEMENT FOR THE DISPERSAL OF
POWER FROM THE POWER PLANT**

The Power generated by Naudero Energy (Pvt.) Limited (NEPL) from its proposed Natural Gas operated Thermal Power Generation facility shall be dispersed to the Load Center of Hyderabad Electric Supply Company Limited (HESCO).

The Interconnection/Transmission Arrangement for the above mentioned facilities will be at 11 KV voltage; connecting the generation facility of NEPL to 132/66 KV Naudero Grid Station of HESCO through four overhead feeders.

The final Interconnection and Transmission Arrangement(s), for the dispersal of power, as agreed by NEPL and HESCO shall be communicated to NEPRA in due course of time.

Plant Details*

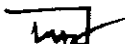

(A). General Information

(i).	Name of Applicant	Naudero Energy (Pvt.) Limited
(ii).	Registered/Business Office	1 st Floor, Block-3, Hockey Club of Pakistan Stadium, Liaquat Barracks, Karachi-75350
(iii).	Plant Location	Deh Naudero, Taluka Ratodero, District Larkana, Sindh
(iv).	Type of Generation Facility	Thermal Generation

(B). Plant Configuration

(i).	Plant Size Installed Capacity (Gross ISO)	17.66 MW	
(ii).	Type of Technology	Combine Cycle Power Plant (with Gas Engines, Heat Recovery Steam Generators and Steam Turbines)	
(iii).	Number of Units/Size (MW)	Gas Engine	5 x 3.332 MW Gas Engines
		Steam Turbine	1 x 1.00 MW
(iv).	Unit Make & Model	Gas Engines	General Electric Jenbacher/JGS 620F GS – N.L F01
		Steam Turbine	General Electric/Harbin Electric China/Siemens/Equivalent
(v).	Commissioning /Commercial Operation Date (CoD)	November 30, 2011	
(vi).	Minimum Expected Life of the Facility from Commissioning/ CoD	25 Years	

* As provided by the Licensee



(C). Fuel Details

(i).	Main Fuel	Natural Gas (Pipeline Quality)
(ii).	Alternative/Back Up-Fuel	Not Applicable (N/A)
(iii).	Start-Up Fuel	Same as Main fuel
(iv).	Fuel Source (Imported/Indigenous)	Indigenous
(iii).	Fuel Supplier	Sui Southern Gas Company Limited
(iv).	Supply Arrangement	Through Pipeline

(D). Emission Values (Main Fuel)

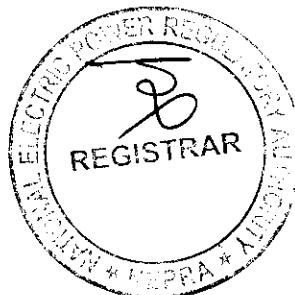
(i).	SO _x	0 mg/Nm ³
(ii).	NO _x	200 mg/Nm ³
(iii).	CO	500 mg/Nm ³
(iv).	PM ₁₀	10 mg/Nm ³

(E). Cooling System

(i).	Cooling Water Source/Cycle	Tube Wells installed at Site/Closed Loop
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(F). Plant Characteristics

(i).	Generation Voltage	11 KV
(ii).	Frequency	50 Hz
(iii).	Power Factor	0.8
(iv).	Automatic Generation Control (AGC)	NA
(v).	Ramping Rate	9.8 KW/Sec
(vi).	Time required to Synchronize to Grid and loading the complex to full load.	131 Sec



Licensee-Performa for Information regarding Distribution issues.

Network Facts

Part-A

A.	No. of Feeders	One (01)
B.	Length of Each Feeder (Meter)	250 Meter
C.	Length of Each Feeder to each Consumer	-Do-
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 premises of customer, whether they cross-over or pass near the DISCO lines.	The 11 KV Underground Cable supplying power to Naudero Sugar Mills (Pvt.) Limited (NSMPL) is located on private property owned by NSMPL, without any crossing etc.
E.	Whether owned by NEPL, Consumer or HESCO -(deal with each Feeder Separately)	
	- If owned by HESCO, please furnish particulars of contractual arrangement	N/A
	- Operation and maintenance responsibility for each feeder	The Operation and Maintenance is the responsibility of NEPL.
F.	Whether connection with network of HESCO exists (whether active or not)- If yes, provide details of connection arrangements (both technical and contractual)	N/A
G.	Any other network information deemed relevant for disclosure to or consideration by NEPRA.	N/A

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Licensee-Performa for Information regarding Distribution issues.

Consumer Facts

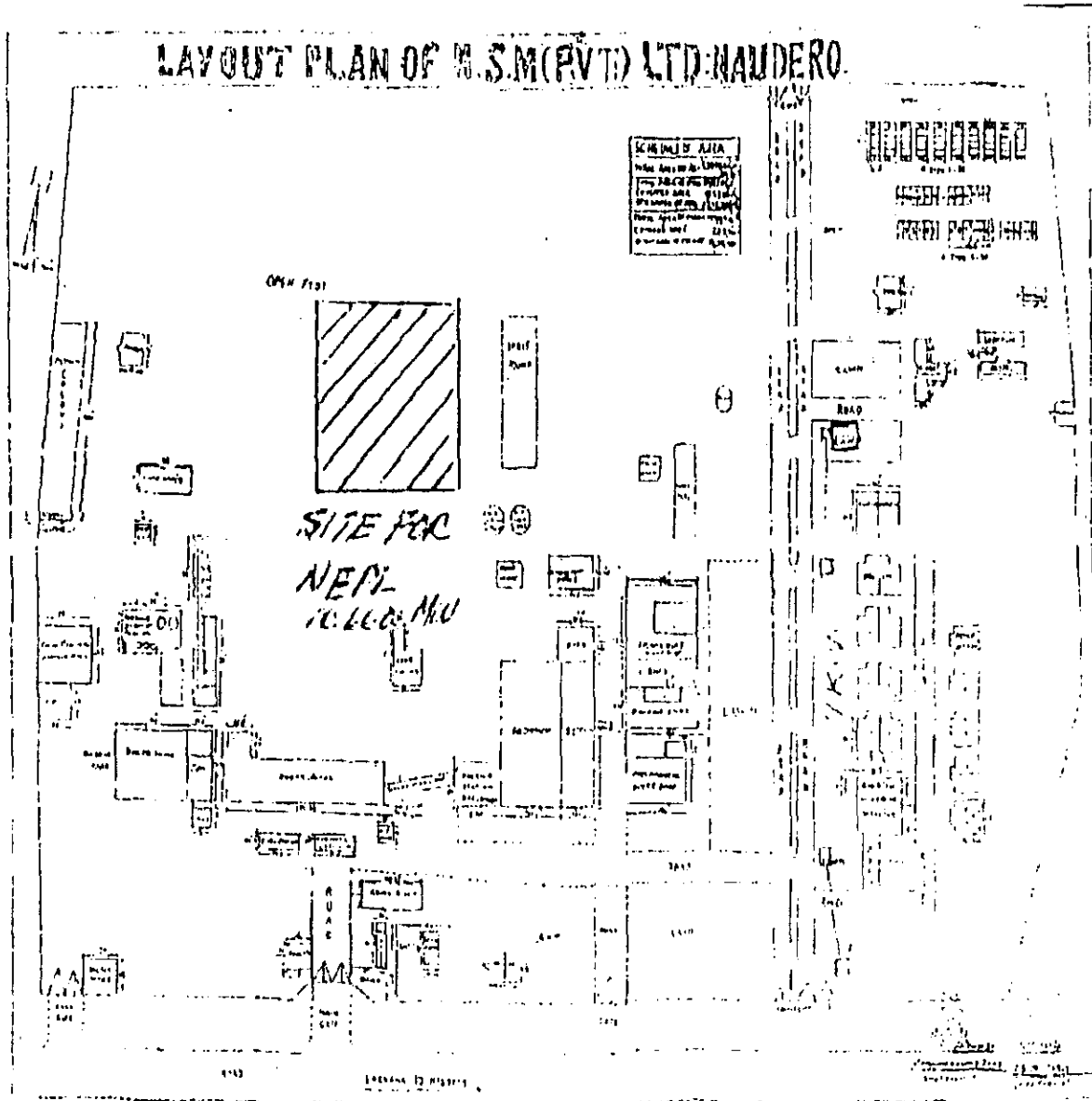
Part-B

A.	No. of Consumers	One (01)	
B.	Location of consumers (distance and/or identity of premises)	Naudero Sugar Mills (Pvt.) Limited (NSMPL), Deh Naudero, Taluka Ratodero, District Larkana, Sindh	
C.	Contracted Capacity and Load Factor for consumer	Naudero Sugar Mills (Pvt.) Limited (NSMPL)	1.00 MW
D.	Specify Whether		
	(i)	The consumer is an Associate undertaking of the NEPL- If yes, specify percentage ownership of equity;	Yes/5%
	(ii)	There are common directorships:	Yes
	(iii)	Either can exercise influence or control over the other.	Only contractually
E.	Specify nature of contractual Relationship		
	(i)	Between each consumer and NEPL.	Firm Supply of Electricity on Continuous basis
	(ii)	Consumer and HESCO.	No
F.	Any other network information deemed relevant for disclosure to or consideration by NEPRA.	N/A	

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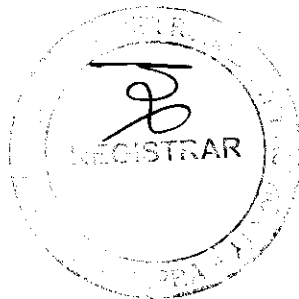
Layout Plan of Sugar Site Map of Naudero Energy Private Limited
Naudero Sindh Pakistan



SCHEDULE-II

The Installed, De-Rated, Auxiliary and Net Capacity of the Licensee's
Generation Facilities

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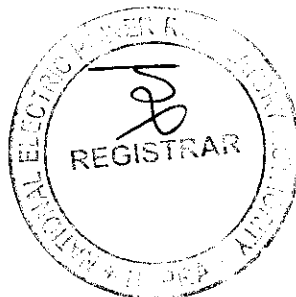

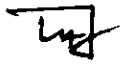
SCHEDULE-II*

1.	Installed Capacity Gross ISO	17.660 MW
2.	De-rated Capacity at Mean Site Conditions	17.660 MW
3.	Auxiliary Consumption	00.750 MW
4.	Net Capacity at Mean Site Conditions	16.910 MW

Note

All the above figures are indicative as provided by the Licensee. The Net Capacity available to HESCO for dispatch will be determined through procedure(s) contained in the Bi-lateral Agreement(s), Grid Code or any other applicable document(s).

* As provided by the Licensee



Authorization
By National Electric Power Regulatory Authority (NEPRA) to
NAUDERO ENERGY (PVT.) LIMITED

Incorporated under the Companies Ordinance, 1984
Under Certificate of Incorporation

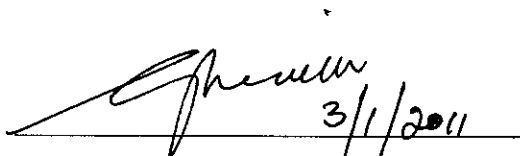
No. 0073157, dated July 20, 2010

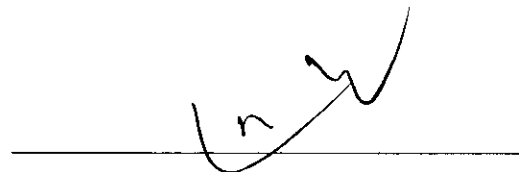
NEPRA GENERATION LICENCE No. SGC/68/2011

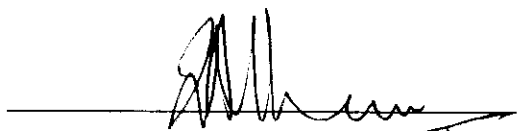
For
Sale to Bulk Power Consumer(s)

Pursuant to Section 22 of the Act and Rule 7 of the NEPRA Licensing (Generation) Rules-2000, the Authority hereby authorize Naudero Energy (Pvt.) Limited (Licensee) to engage in second-tier supply business, limited to the following consumers also mentioned in Schedules-I of the Generation Licence No. SGC/68/2011.

1. Naudero Sugar Mills (Pvt.) Limited.


3/1/2011
(Ghiasuddin Ahmed)
Member

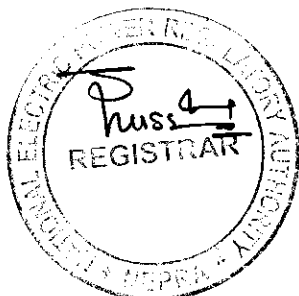

(Maqbool Ahmad Khawaja)
Member


(Zafar Ali Khan)
Member 4/1/11

Meeting Not attended
(Shaukat Ali Kundi)
Member/Vice Chairman

on Leave

(Khalid Saeed)
Chairman



National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
In the Matter of Generation Licence Application of
NAUDERO ENERGY (PVT.) LIMITED

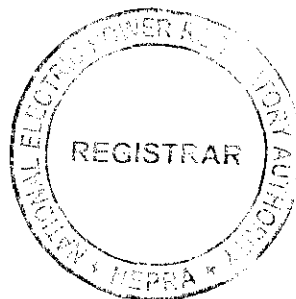
January 03, 2011
Application No. LAG-176

(A). Background

(i). In view of the severe shortage of electricity in the country, Government of Pakistan has adopted certain short term measures whereby surplus and redundant power available from Captive Power Plants (CPPs) is being acquired for National Grid.

(ii). In view of the reasonable success of the above measures, PEPCO formulated "Policy Framework For New - Captive Power Producers (N-CPPs)" under which new Captive Power Plants (CPPs) are proposed to be established with new investment on new machines in the jurisdiction of DISCOs.

(iii). HESCO under the above mentioned Policy of N-CPPs issued a Letter of Intent (LOI) to Naudero Energy (Pvt.) Limited (NEPL) for setting up a new CPP, for supplying surplus power to HESCO.



(B). Filing of Generation Licence Application

(i). NEPL in accordance with Section 15 of NEPRA Act filed an application on October 04, 2010 for the project consisting of the following three phases:-

- (a)** Installation of 5 x 3.332 MW (cumulative capacity 16.660 MW) Gas Engines (Phase-I);
- (b)** Installation of Five (05) Heat Recovery Steam Generators (HRSG) on each gas engine, producing steam to drive a 1.00 MW Steam Turbine (S.T.), converting phase-I to Combined Cycle Power Plant-CCPP (Phase II);
- (c)** Installation of 9 x 3.332 MW (29.988 MW) additional Gas Engines along with Nine HRSGs on each gas engine for producing steam to drive a 1.8 MW steam turbine, operating the power plant as CCPP (Phase-III).

(ii). NEPL requested for the grant of the Generation Licence for all three phases of the project as mentioned above. The Authority admitted the application for the consideration of the Generation Licence on October 14, 2010.

(iii). Pursuant to Regulation-8 of the NEPRA Licensing Application & Modification Procedure Regulation, 1999 (the Regulations), a Notice of Admission (NOA) along with the brief of the prospectus and other salient features of application, was advertised in the daily news paper of October 17, 2010 seeking comments from the general public and other interested






/affected parties, in favor or against the Grant of Generation Licence to NEPL.

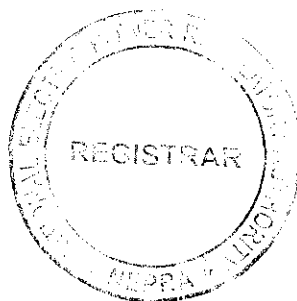
(iv). Apart from the NOA in the press, separate notices were also sent to Experts, Government Ministries and Representative Organizations etc. for submitting their views and comments in the matter.

(C). Comments of Stakeholders

(i). In reply to the above mentioned NOA in the press, NEPRA received comments from Sui Southern Gas Company Limited (SSGC), Orient Energy System (Private) Limited (OESPL), Central Power Purchasing Agency (CPPA) of National Transmission and Despatch Company (NTDC), Hyderabad Electric Supply Company Limited (HESCO) and Ministry of Water and Power (MoW&P).

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

(a). SSGC while offering its comments stated “We would like to inform that Sui Southern Gas Company Limited (SSGC) has allocated NEPL 4.10 MMCFD of gas on co-generation basis. The technical feasibility submitted comprises of 5 x 3332 kW Gas generator along with 1.00 MW Steam Turbine and hot water absorption chiller. The Turbine will be operated on Steam which shall be produced from the exhaust flue gases (by utilizing waste heat recovery steam generator) of all the engines. SSGC has also issued NOC to sell surplus power to HESCO under Ministry of Petroleum and Natural Resources directives.”



- (b). OESPL remarked that “We hereby confirm our support for the grant of Generation Licence to NEPL.”
- (c). CPPA in its comments stated that “HESCO issued LOI dated September 08, 2010 to NEPL only for Phase-I of the project i.e. 16.66 MW of gas based power at 11 kV from its Generation Facility situated at Deh Naudero, Taluka Ratodero, District Larkana, Sindh under Policy Framework for N-CPPs, duly approved by BOD PEPCO and endorsed by Ministry of Water & Power, Government of Pakistan. Pursuant to LOI both the parties have entered into bilateral PPA on September 24, 2010 for supply/purchase of 15.8 MW (net) Gas-Based power under Policy Framework for N-CPPs. However, no application of Phase-II & III has been submitted by the applicant as yet to the concerned DISCO/CPPA. HESCO has already given its consent to the Company vide its letter dated October 01, 2010 for availing Generation Licence under the NEPRA policy and guidelines. It will be more appropriate that NEPRA may also obtain views/comments of HESCO being the Power Purchaser on the subject Application of NEPL, which will help NEPRA in arriving at an informed decision. CPPA has no objection for the grant of Generation Licence to the sponsors subject to the meeting of all the conditions laid down in the NEPRA Licensing (generation) Rules-2000. Keeping in view the above, CPPA supports Application of NEPL for grant of a Generation Licence, with the remarks that the proposed Generation Facility would provide a level of comfort to HESCO’s network during prevailing power crunch in the country.”






(d). HESCO while offering its comments remarked “HESCO has signed a Power Purchase Agreement (PPA) for the supply of 15.80 MW (Net) with NEPL at Naudero, under policy guidelines of N-CPP. HESCO has no objection if the Generation Licence is granted to NEPL as per the PPA.”

(e). MoW&P submitted “NEPRA may process the application for the grant of Generation Licence in accordance with the provisions of NEPRA Act. However, availability of gas for the project life may be ensured from the respective gas company.”

(iii). As explained above, all the above stakeholders supported the grant of generation Licence to NEPL including CPPA and SSGC. However, CPPA and SSGC also raised certain observations about the project scope. CPPA observed that HESCO had issued LOI for the Phase-I only and the sponsors had not informed about the Phase-II and III of the project. Similarly, SSGC also restricted its comments to the Phase-I of the project, raising apprehensions about the commitment of SSGC for allocation of gas for the subsequent phases of the project.

(iv). The perspective of NEPL on the aforesaid position of CPPA and SSGC was sought. NEPL submitted that “it is true that the proposed project comprises of three phases as mentioned in our application. It is also true that HESCO has only issued an LOI for phase-I (16.66 MW) and PPA is also executed for the same capacity. It is also true that LOI is issued based on our application for the Phase-I only without mentioning Phase-II and Phase-III. The reason being the amount of gas allocated by SSGC which is only for Phase-I. As in the absence of gas allocation for Phase-III, the application for Phase-III would not have been approved by

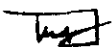


CPPA/HESCO and LOI issued. Phase-II is for the conversion to Combined Cycle and does not require any further allocation of gas. Further, the amount of electricity produced through Combined Cycle will be utilized for in-house consumption and will not be sold to HESCO. It is true that gas allocation by SSGC is only for Phase-I. We do not intend to comment further resources at this point of time and wish to restrict ourselves for the implementation of Phase-I and Phase-II, which does not require changes in gas allocation and/or LOI from CPPA/HESCO. However, if the gas is allocated for Phase-III after the successful implementation of Phase-I and II, we will certainly proceed with Phase-III of the project. Our application for Generation Licence was based on proactive planning envisaging possible implementation of Phase-III in future. We would appreciate if the Authority issues Generation Licence for the future implementation of the Phase-III as well however, if the Rules do not allow the Authority to issue such a Licence, we would settle for the grant of Generation Licence for 17.66 MW (Phase-I & II) at this point of time and apply for modification when further gas is allocated by SSGC and LOI/PPA is amended to accommodate Phase-III.”

(v). In view of the above clarification of NEPL on the observations of CPPA and to encourage the sponsors to expeditiously set up CPP under the Policy of N-CPPs, it was considered appropriate to process the application of NEPL for the Phase-I & II of the project only, without holding any Public Hearing.

(D). Grant of Generation Licence

(i). The Authority considers that availability of sufficient electricity at affordable prices with a reasonable mix of Hydel and Thermal is imperative for the development of the economy of the country. In view of the fact that country is facing a severe shortage of electricity, efforts



should be made to develop all indigenous resources of energy including Gas, Coal and Hydel etc.

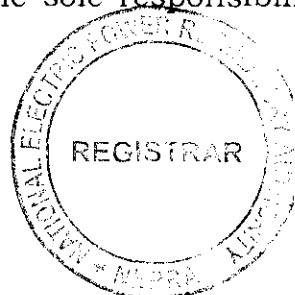
(ii). The initiative of induction of new power plants at the level of the DISCO is considered important as such induction always results in better voltage regulation, better voltage profile of the area and stability of the electric system. Further, being located close to the load center such projects normally involve relatively small length of Transmission and Interconnection facilities. This will not only result in less upfront expenditure pertaining to laying of the transmission lines infrastructure but will result in less Transmission Losses.

(iii). In the particular case of NEPL, the project has confirmed gas availability for a longer period of time as compared to other upcoming projects based on pipeline quality gas, which have gas allocation till the year 2011 only. Resultantly, the NEPL project will generate gas based cheaper electricity for a longer period than other projects. Therefore, the project will be extremely beneficial as its tariff will be significantly lower than other upcoming projects. Being located close to the National Grid (which is about 4.50 KM) from the proposed project location, the project will involve relatively low upfront cost for the construction of the Interconnection facilities and will result in lesser line losses. Further, the Project will also be beneficial to the environment as it will be using environmental friendly resource for the generation of power. The project will help in enhancing energy security of the country not only by using the locally available Natural Gas for power generation but also reducing dependence on imported furnace oil. In consideration of this, the Authority considers that the efforts of NEPL for the setting up of the Natural Gas based Power Plant near Deh Naudero, Taluka Ratodero, District Larkana, Sindh, as a positive step and is acceptable.



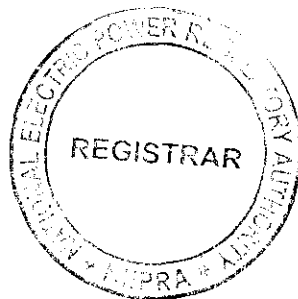
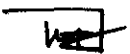
(iv). NEPL has informed that it will be selling power 16.50 MW to HESCO. Apart from supplying power to HESCO, NEPL will also supply power to Naudero Sugar Mills (Pvt.) Limited (NSMPL), located within the same premises to the tune of 1.00 MW at mutually agreed rates. About the supply to NSMPL by NEPL, it has been confirmed that NSMPL and NEPL are located within the same premises. NSMPL will be supplied through an 11 KV underground cable (measuring about 250 meters) not involving any public or third party. Further, the load level for NSMPL is above the minimum level (1.00 MW) to qualify as a Bulk Power Consumer (BPC) under the Act. Pursuant to Section 22 of the Act, the Authority is allowed to permit a Generation Company to sell to BPC. Therefore, the Authority agrees to the proposed arrangement and allows NEPL to sell electricity to NSMPL. Further, 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 the consumer (NSMPL) is located within the same premises and no public area is involved, the supply of power to NSMPL by NEPL 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 NEPL and its BPC (i.e. NSMPL), does not affect any other consumer or third party. Therefore for the purpose of tariff, the Authority considers it appropriate asking NEPL and NSMPL to agree on a bilateral agreement and accordingly NEPL will be allowed to charge the agreed tariff subsequent to the grant of the generation licence.

(v). About the approval of tariff for supply of electric power to HESCO, neither HESCO nor NEPL has approached the Authority for the same. It is clarified that the determining of tariff, rate and charges etc. for supply of power to HESCO is the sole responsibility of the Authority as



stipulated in Section 7(3)(a) of the NEPRA Act. Although, Section 9 of the Policy under which the proposed project is being set up stipulates an upfront tariff however, NEPL has not approached the Authority for its approval. NEPL has reported that Power Purchase Agreement (PPA) has been negotiation and a draft PPA in this regard with HESCO including the proposed tariff, rate and charges etc. has been signed. The Authority therefore directs HESCO to file the draft PPA signed with NEPL for approval as stipulated in the NEPRA Interim Power Procurement Regulations 2005.


(vi). The Term of the Generation Licence is fixed according to the NEPRA Generation Rules 2000 (the Rules). According to Rule 5 of the Rules, except where an applicant for a generation licence consents to a shorter term, the term of the Generation Licence is to be commensurate with maximum expected life of the units comprised in a generation facility. According to the information provided by NEPL the proposed Gas Engines will be brand new and will have a useful life of about 200,000 running hours which translates into 25 years if 8000 running hours is assume annually. It is therefore requested that the term of the Generation License may be fixed for 25 years. The Authority considers that estimation of the useful life of the Gas Engines comprising the facility of NEPL is reasonable considering the fact that the plant on the basis of the nine (09) months allocation of Natural Gas will operate for 245 days per year which comes out to be 5880 hours. Based on the useful life of 200,000 hours, these Gas Engines may last for a period of approximately thirty four (34) years. However, considering the fact that the NEPL has consented to a shorter term of twenty five (25) years, it is therefore proposed that the term of the Generation Licence may be fixed to twenty five (25) years from the Commercial Operation Date (i.e. November 30, 2011) of the project (i.e. uptill November 29, 2036).



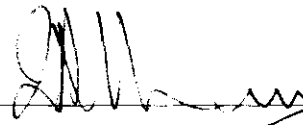
(vii). In consideration of the above, the Authority hereby decides to approve the grant of Generation Licence to NEPL for its proposed thermal generation facility in the terms set out in the attached Licence as annexed to this determination. The grant of such a licence will be subject to the provisions contained in the NEPRA Act and relevant Rules framed there under.

Authority

Ghiasuddin Ahmed
Member (Licensing)


3/1/2011

Zafar Ali Khan
Member (Tariff)


4/1/2011

Maqbool Ahmad Khawaja
Member (Standards &
Privatization)



Shaukat Ali Kundi
Member (CA)/V. Chairman

Meeting Not attended

Khalid Saeed
Chairman

ON LEAVE ABROAD

