



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/DL/LAG-39/16050-54

November 28, 2016

Mr. Faisal Zia Siddiqui,  
Business Head Energy Projects,  
Sapphire Power Generation Limited,  
7 A/K, Main Boulevard, Gulberg II,  
Lahore, Pakistan.

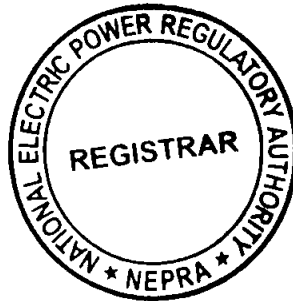
Subject: **Modification-III in Generation Licence No. 002/SGC/2001  
Sapphire Power Generation Limited (SGPL)**

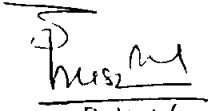
Reference: *Your letter No. SPGL/NEPRA/001, dated August 22, 2016 (received on August 25, 2016)*

It is intimated that the Authority has approved "Licensee Proposed Modification" in Generation Licence No. 002/SGC/2001 (issued on August 27, 2001 and subsequent Modification-I & II dated July 02, 2008 and July 13, 2015 respectively) in respect of Sapphire Power Generation Limited pursuant to Regulation 10(11)(a) 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 SPGL along with Modification-III in the Generation Licence No. 002/SGC/2001, as approved by the Authority.

Encl:/As above



  
28.11.16  
(Syed Safer Hussain)

Copy to:

1. Chief Executive Officer, Lahore Electric Supply Company Limited (LESCO), 22-A, Queens Road, Lahore.
2. Chief Executive Officer, NTDC, 414-WAPDA House, Lahore
3. Chief Operating Officer, CPPA, 107-WAPDA House, Lahore
4. Director General, Environmental Protection Department, Government of Punjab, National Hockey Stadium, Ferozpur Road, Lahore.

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

**Determination of Authority**  
**in the Matter of Licensee Proposed Modification of**  
**Sapphire Power Generation Limited in Respect of its Generation**  
**Licence**

**November 23, 2016**  
**Case No. LAG-39**

**(A). Background**

(i). The Authority granted generation licences to Small Power Producers (SPPs) for a term of fifteen (15) years from the date of grant of generation licence. SPP is defined as owner of a generation facility of below 100 MW gross capacity, who was engaged in generation and sale of electric power as on 22<sup>nd</sup> April 2000 and who has not signed any power purchase agreement with WAPDA or KESC or an implementation agreement with the Government of Pakistan.

(ii). The Authority, in terms of Section-15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as "the NEPRA Act") granted a generation licence (No.002/SGC/2001 dated August 27, 2001 and subsequent Modification-I & II dated July 02, 2008 and July 13, 2015 respectively) to SPP in the name of Sapphire Power Generation Limited (SPGL). The said generation licence was granted to SPGL for its two distinct generation facilities with accumulative installed capacity of 56.80 MW located at District Sheikhpura and Kasur, in the province of Punjab.

(iii). Further, the Authority had allowed SPGL to supply power to nine (09) different Bulk Power Consumers (BPCs) under a Second Tier Supply Authorization (STSA) as stipulated in Section 21 & 22 of the NEPRA Act and Rule-7 of the NEPRA Licensing (Generation) Rules, 2000 ("the Generation Rules"). In addition to the generation licence, the Authority also granted SPGL a



distribution licence (No. 11/DL/2006, dated October 20, 2006) pursuant to the Article-7 of its generation licence.

**(B). Communication of Modification**

(i). In accordance with Regulation-10(2) of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 ("the Licensing Regulations"), SPGL communicated a Licensee Proposed Modification (LPM) in its above mentioned generation licence on August 25, 2016.

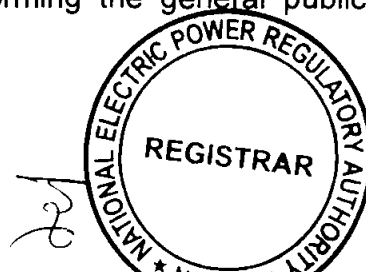
(ii). In the "text of the proposed modification", SPGL submitted that the term of SPGL's generation license No. 002/SGC/2001 is only valid for fifteen (15) years, ending on August 26, 2016. However, after the modification-II dated July 13, 2015 approved by the Authority the remaining life of the power generation facility is twenty five (25) years from the modification date. Therefore, SPGL requires further extension in the generation license, in order to make it consistent with the modification and term of the bilateral agreements.

(iii). Regarding the "statement of the reasons in support of the modification", SPGL stated that the requested modification would benefit BPCs, as it would ensure that generation capacity continues to be available and maintained.

(iv). Regarding the "statement of the impact on the tariff, quality of service and the performance by the licensee of its obligation under the licence", SPGL stated that the proposed extension in the term of licence would not have any adverse impact on the tariff, quality of service and its performance under the granted generation licence.

**(C). Processing of the Modification**

(i). After completion of all the required information as stipulated under the Regulation-10(2) and 10(3) of the Licensing Regulations by SPGL, the Registrar published the communicated LPM in one English and one Urdu daily newspaper on September 02, 2016, informing the general public and other



stakeholders about the LPM under the Regulation-10(4) of the Regulations. Further, the Registrar invited the said stakeholders for submitting their views/comments on the LPM.

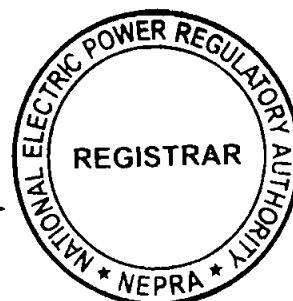
(ii). Apart from the above, separate letters were also sent to government ministries/their attached departments and various representative organizations. Through the said letters, the stakeholders were informed about the communicated LPM and publication of its notice in the press. Further, the said stakeholders were invited to submit their views and comments for the assistance of the Authority.

**(D). Comments of Stakeholders**

(i). In reply to above, the Authority received comments from Board of Investment only. The salient points of the comments offered by the said stakeholder are summarized in the following paragraphs:-

(a). Board of Investment in its comments submitted that energy sector is the priority sector of the Government to cater the short fall in the country. Board of Investment being an investment promoting and facilitating agency has also been making its efforts to attract investors in the energy sector. Board of Investment understands that affordable and smooth supply of energy is the backbone for industrial growth as well as attracting foreign direct investment in the country. All such proposals are supported subject to consumer friendly and competitive tariff and completion of all codal/technical formalities under rules and regulations.

(ii). The above comments of Board of Investment were examined and found to be supportive to the LPM. Therefore, it was considered appropriate to proceed further with the communicated LPM as stipulated in the Licensing Regulations and the Generation Rules.



**(E). Analysis of the Authority**

(i). The Authority examined the entire case in details including the already granted generation licence, the communicated LPM, comments of the stakeholder, relevant rules and regulations.

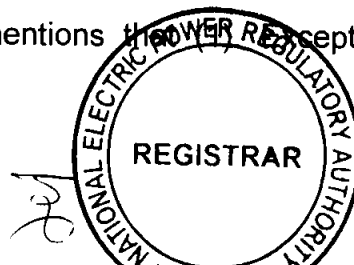
(ii). The main features of the application under consideration are that the licensee/SPGL has communicated the LPM for extension of term of its generation licence (No.002/SGC/2001 which was granted by the Authority on August 27, 2001, for a period of fifteen (15) years. The term of generation licence expired on August 26, 2016. The said generation licence was granted to SPGL for its two distinctly located power plants (with accumulative installed capacity of 25.80 MW) located at 1-Km Warburton Road, Feroze Wattwan, District Sheikhpura (Plant-I) and 64-Km Multan Road, Jamalabad Jumber Khurd, District Kasur (Plant-II).

(iii). The generation licence was modified (through the modification-I dated July 02, 2008) by excluding 1x5.30 MW of the diesel engines and addition of 2x2.70 MW gas engines in the licenced capacity thereby changing the total installed capacity of the generation facilities from 25.80 MW to 25.90MW. The said addition/deletion of units was carried out in plant-I of the licensee/SPGL.

(iv). The generation licence was further modified (through the modification-II dated July 13, 2015) for installation of 4x6.4 MW Wartsila made diesel engines at plant-I of the licensee. Through the modification-II the capacity of the generation facilities of the licensee/SPGL was enhanced from 25.90 MW to 56.80 MW;

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(v). Regarding the current LPM communicated by the licensee/SPGL, it is observed that the licensee has sought 24 years extension in the term of its generation licence based on the useful life of the latest installed units (i.e. Unit No. 7-10 of plant-I) which were commissioned in 2015.

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(vi). The Authority considers that the communicated LPM is in line with Rule-5 of the Generation Rules which mentions the ~~POWER RECEIPT~~ where an



applicant for a generation licence consents to a shorter term, the term of a generation licence shall commensurate with the maximum expected useful life of the units comprised in a generation facility demonstrated to the satisfaction of the Authority and (2). 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 for 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. In this regard, it is observed that unit 7-10 of plant-I of the licensee having twenty five (25) years of useful life were commissioned in 2015 and the maximum expected remaining useful life of these units is twenty four (24) years.

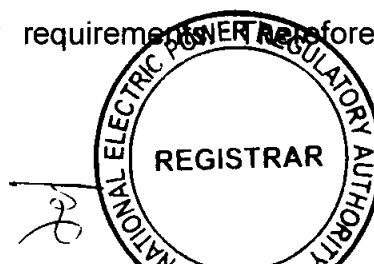
(vii). In terms of Regulation-10(5) of the Licensing Regulations, the Authority is entitled to modify a licence subject to and in accordance with such further changes as the Authority may deem fit if, in the opinion of the Authority such modification (a). does not adversely affect the performance by 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.

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**(F). Approval of LPM**

(i). The Authority is well aware that presently there is a severe shortage of electricity in the country and there is huge supply-demand gap. In view of this, the distribution companies are facing difficulties in serving their consumers. Due to the prevailing situation, the industrial units are forced to make their own arrangements to meet their electricity requirements. Therefore, to provide

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uninterrupted electric power to the designated BPCs/industrial concerns, extension in the term of generation licence of SPGL is necessary. In view of the said, the Authority considers that the LPM communicated by of the licensee/SPGL for extension of the term of its generation licence is plausible.

(ii). The Authority is of the considered view that proposed extension in the term of generation licence will not have any adverse effect on the performance of the licensee of its obligations under the existing generation licence. Further, the LPM has not caused 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 communicated LPM will be beneficial to the BPCs as reliable electric power will be available to them for a longer period of time. The Authority considers that the communicated LPM is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the generation licence to ensure the continuous, safe and reliable supply of electric power to its BPCs keeping in view the financial and technical viability of the licensee.

(iii). About the impact on the tariff of the communicated LPM, it is clarified that the tariff between the licensee/SPGL and its designated BPCs is a bi-lateral arrangement without affecting any third party. The communicated LPM will not have adverse impact on the tariff as the same is to be dealt under the provisions of the bi-lateral agreement which is not linked with the communicated LPM. In this regard, it is further clarified that under Section-7(3)(a) of the NEPRA Act, determining tariff, rate and charges etc. is the sole prerogative of the Authority and SPGL is directed to charge the power purchasers/BPCs only such tariff which has been determined, approved or specified by the Authority. In view of the said, the Authority is satisfied that the communicated LPM will not have any adverse impact on the tariff. Further, the Authority is convinced that the extension in the term of licence will not have any adverse impact on the quality of service of the licensee under its existing generation licence.

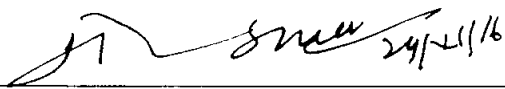
(iv). The Authority is satisfied that the licensee/SPGL has complied with all the requirements of the Licensing Regulations and Generation Rules pertaining to the modification. Therefore, the Authority hereby approves the




communicated LPM in terms of Regulation-10(11)(a) of the Licensing Regulations, without any changes. Accordingly, the generation licence (No. 002/SGC/2001, dated August 27, 2001, Modification-I dated July 02, 2008 and modification-II dated July 13, 2015) in the name of SPGL is hereby modified. The changes in "Face Sheet" of the generation licence are attached to this determination. The grant of the LPM will be 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**

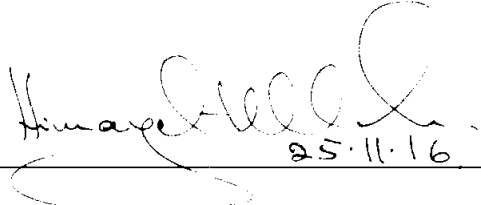
Maj. (R) Haroon Rashid  
(Member)

  
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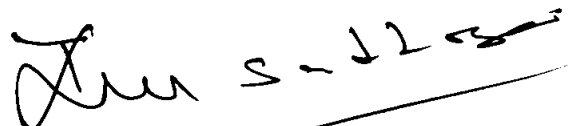
Syed Masood-ul-Hassan Naqvi  
(Member)

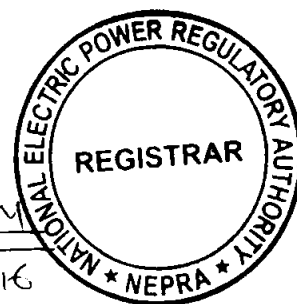
  
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Himayat Ullah Khan  
(Member/Vice Chairman)

  
25.11.16

Tariq Saddozai  
(Chairman)

  
28.11.16





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

Islamabad – Pakistan

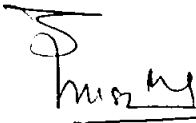
**GENERATION LICENCE**

**No.002/SGC/2001**

In exercise of the Powers conferred upon under Section-26 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, the Authority hereby **modifies** the Generation Licence (No.002/SGC/2001 dated August 27, 2001) granted to Sapphire Power Generation Limited, to the extent of changes mentioned as here under:

- (i). The term of the Generation Licence originally fixed for fifteen (15) years from the **date of issuance is hereby extended** for a period of twenty five (25) years from the date issuance of Modification-II (i.e. July 13, 2015) and is valid up to July 12, 2040.

This **Modification-III** is given under my hand on 28<sup>th</sup> **day** of **November Two Thousand & Sixteen**

  
28.11.16  
**Registrar**



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