



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/TRF-402/LCM-2017/26671-75

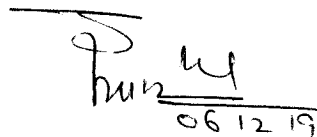
December 6, 2019

Chief Executive Officer
Lake City Management (Private) Limited
13-KM. Main Raiwind Road,
Lahore.

Subject: **Decision of the Authority in the matter of Tariff Petition filed by Lake City Management (Pvt.) Ltd. for Determination of Generation Tariff for its 3.76 MW RFO Based Power Plant located at Lahore (Case No. NEPRA/TRF-402/LCM-2017)**

Enclosed please find herewith the subject decision of the Authority (03 Pages) in the matter of Tariff Petition filed by Lake City Management (Pvt.) Ltd. for determination of Generation Tariff for its 3.76 MW RFO Based Power Plant located at Lahore in Case No. NEPRA/TRF-402/LCM-2017, for information, record and further necessary action, if any.

Enclosure: As above


(Syed Safer Hussain)

CC:

1. Secretary Ministry of Energy (Power Division), 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
4. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.

DECISION OF THE AUTHORITY IN THE MATTER OF TARIFF PETITION FILED BY LAKE CITY MANAGEMENT (PVT.) LIMITED FOR DETERMINATION OF GENERATION TARIFF FOR ITS 3.76 MW RFO BASED POWER LOCATED IN LAHORE

1. INTRODUCTION

- 1.1. Lake City Holdings Housing Society (hereinafter referred as "the Sponsor") was established in 2005 and is spread over 16,834 kanals, 13km on the outskirts of Lahore. The Sponsor has setup Lake City Management (Pvt.) Limited to develop a 3.76 MW RFO based power plant in the vicinity of the housing society. The generation facility shall supply electricity to the Lake City Holdings Housing Society.
- 1.2. The 2 x 1.88 MW RFO based power plant shall fulfill the initial electricity demand of the residents. However, the total estimated design load of the housing society is 68.7 MW. Therefore, the plant shall be upgraded with units of 1.88 MW each in phases as per the load requirements of the housing society in future. According to the Petitioner, a number of units with 1.88 MW capacity shall be added depending on the electricity load requirement till the economies of running the system on self-generation and subsequent provision of securing additional power through wheeling arrangement as per NEPRA mechanism.

2. FILING OF TARIFF PETITION

- 2.1. Lake City Management (Pvt.) Limited (the Petitioner) vide letter dated July 13, 2017, submitted petition pursuant to Rule 3 of NEPRA Tariff Standards and Procedure Rules, 1998 for approval of reference generation tariff.
- 2.2. The Authority admitted the petition on August 8, 2017. Notice of admission/hearing was published in leading newspapers on October 14 – 15, 2017, inviting stakeholders to become party to the proceedings through filing of intervention requests or by filing comments in the matter within 7 days of publication.

3. SALIENT FEATURES OF THE PETITION

- 3.1. The salient features of the Tariff Petition are as follows:
- The Petitioner proposed the following project costs:

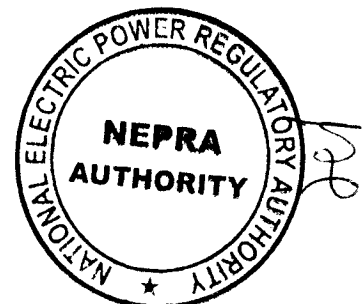
Description	Rs. in Millions
EPC Cost	460.1
Non EPC Cost	10.0
Project Development & Advisors Cost	10.0
Land Cost	3.3
Owners Engineers	15.0



LTSA Spares	8.4
Insurance During Construction	5.7
Startup Fuel	1.8
Duties and Taxes	25.0
Financial Fee & Charges	12.0
Interest During Construction	18.3
Total Project Cost	569.6

- The proposed debt to equity ratio is 70:30
- Debt shall be repaid biannually in 10 years
- The proposed interest rate is 6.17 (6-month KIBOR) + 3% premium
- The requested return on equity is 17%
- Exchange rate of Rs. 105/US\$ has been assumed
- Main fuel shall be RFO with gas as backup fuel and HSD as alternate fuel
- Net plant efficiency of 38% (225grams/kWh) has been assumed
- The proposed annual plant availability is 85%
- The estimated annual generation is 26,500,000 kWh
- Gross capacity of the project is 3.76 MW
- Auxiliary consumption is 5 kVa
- The requested annual fuel cost is Rs. 303.85 million
- The requested annual O&M cost is Rs. 38.5 million
- The requested annual insurance cost is Rs. 4.15 million on the basis of 1% EPC cost
- Tariff control period shall be 25 years
- The proposed tariff is as under:

Description	Tariff
Energy Charge (Rs./kWh):	
Fuel Cost Component	11.4660
Variable O&M Foreign	0.9434
Variable O&M Local	0.1887
Total	12.5981
Capacity Charge (Rs./kW/hour):	
Fixed O&M Foreign	0.1918
Fixed O&M Local	0.0799
Cost of Working Capital	0.0584
Insurance	0.1315
Return on Equity	0.8737
Debt Servicing (1 – 10 years only)	1.9736



Total 1 – 10 Years	3.3088
Total 11 – 25 Years	1.3353
Total Tariff 1 – 10 Years @85% (Rs. kWh)	16.5051
Total Tariff 13 – 25 Years @ 85% (Rs. kWh)	14.1747
Levelized Tariff (Rs./kWh)	15.7522
Levelized Tariff (Cents/kWh)	15.0021

3.2. The Petitioner vide letter dated November 20, 2017 revised the land cost from Rs. 3.3 million to Rs. 33 million. As a result, the requested project cost increased to Rs. 599.30 million.

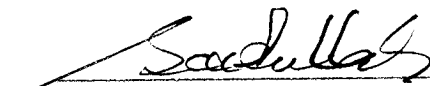
4. HEARING

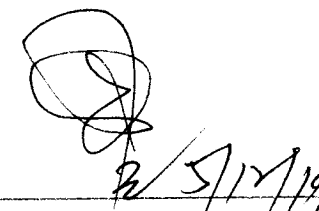
4.1. The hearing in the matter was held on October 30, 2017 in Lahore which on petitioner's request was adjourned/deferred for two times. Finally the hearing was fixed for March 1, 2018 at NEPRA Tower Islamabad; accordingly notice in this regard was published on February 17, 2018. Individual notices were also issued to the stakeholders on February 16, 2018. The hearing was held as per schedule on March 1, 2018. Representatives from the Petitioner and Lahore Electric Supply Company (LESCO) were present during the hearing.


5. DECISION

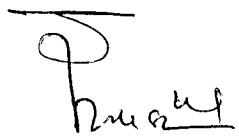
5.1. The Authority has heard the Petitioner and also examined the record made available during the course of proceedings. The sole purpose of the Petitioner to set up the instant power generation facility is to produce electricity to serve the residents of Lake City Holding Housing Society. Therefore in the opinion of the Authority, there is no need to determine generation tariff in the instant case. Since another petition for determination of consumer end tariff is pending before the Authority; therefore tariff issues pertaining to end consumers will be addressed while deciding that petition. Subject to the issuance of generation License, the Petitioner will be free to generate electricity for supply to residents of Lake City Holding Housing Society. The Petitioner will also be free to improve its generation mix by adding low cost generation through renewable or any other sources.

AUTHORITY


Saif Ullah Chattha
Member 5.12.2019


Rehmatullah/Baloch
Member


Rafique Ahmed Shaikh
Member


06.12.19.

