



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No.NEPRA/PAR-101/11554-11556
September 24, 2013

Subject: **Approval of the Authority in the matter of Power Acquisition Request filed by Faisalabad Electric Supply Company Ltd. (FESCO) for Purchase of 4-6 MW from Shakarganj Energy (Pvt.) Limited (SEPL) under NEPRA Interim Power Procurement (Procedures and Standards) Regulations, 2005 [Case # PAR-101] - Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)**

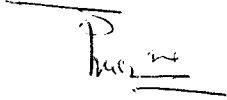
Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (05 pages) in Case No. NEPRA/PAR-101.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official gazette in accordance with the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
3. Please note that only Order of the Authority at para 10 of the Decision relating to the reference tariff etc. needs to be notified in the official gazette.

Enclosure: As above

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad


(Syed Safer Hussain)

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.

National Electric Power Regulatory Authority
(NEPRA)

Approval of

Power Acquisition Request filed by

Faisalabad Electric Supply Company Limited (FESCO)

Purchase of 4-6 MW from Shakarganj Energy (Pvt) Limited (SEPL)

under

Interim Power Procurement (Procedures & Standards) Regulations 2005

(NO: NEPRA/PAR-101)

Islamabad



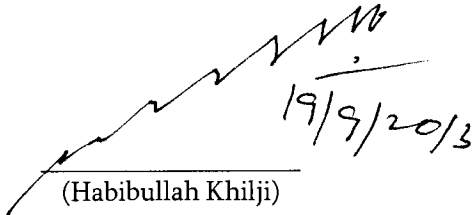
Approval of the Authority in the Matter of Power Acquisition Request filed by Faisalabad Electric Supply Company Limited (FESCO) for Purchase of 4-6 MW from Shakarganj Energy (Pvt) Limited (SEPL) under Interim Power Procurement (Procedures & Standards) Regulations 2005

CASE NO. NEPRA/PAR-101


FILED BY

Faisalabad Electric Supply Company Limited (FESCO)

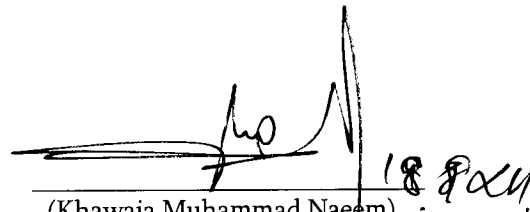
Authority


19/9/2013

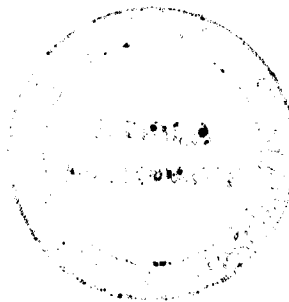
(Habibullah Khilji)
Member

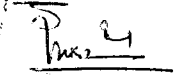

23/9/2013

(Maj (R) Haroon Rashid)
Member


18/9/2013

(Khawaja Muhammad Naeem)
Vice Chairman





25.09.13

1. Filing of the Power Acquisition Request

- 1.1 Faisalabad Electric Supply Company Limited (hereinafter "FESCO") filed Power Acquisition Request (PAR) dated 30th October 2012 in respect of purchase of 14-18 MW bagasse based power on take and pay basis from Shakarganj Energy (Pvt) Limited (hereinafter "SEPL") under NEPRA's Interim Power Procurement (Procedures & Standards) Regulations 2005 (hereinafter "IPPR 2005") along with copy of the signed Power Purchase Agreement (PPA). The Power Acquisition Request was admitted by the Authority on 19th January 2013.
- 1.2 FESCO stated that after signing of the agreement and erection of the proposed 132 kV Grid at the power producer premises, 14-18 MW power will be immediately available for dispersal into 132 kV system of FESCO being the redundant/surplus power available with SEPL. The interconnectivity setup of 132 kV voltage with 132 kV proposed Grid will be through in/out arrangement from 132 kV Bamb Kadhali Circuit. Cost of interconnectivity arrangement including 132 kV Grid Station will be initially borne by the power producer which will be paid back by the power purchaser in 5 years through 10 equal half yearly installments, without markup commencing after one month from the commercial operation date. Cost of synchronization arrangement will be borne by the power producer.
- 1.3 SEPL intends to sell 4-6 MW power immediately through the existing 11 kV system till such time 132 kV Grid Station is constructed which requires approximately one and half year for its completion. FESCO will also appreciate if interim /provisional tariff is allowed in the PAR for purchase of 4-6 MW power on existing 11 kV system for the period required in construction of interconnectivity arrangements with 132 kV Grid.
- 1.4 FESCO vide its letter No. 50/DMT/CCO dated 15-7-2013 stated that M/s Shakarganj Energy Limited vide its letter dated 20-6-2013 has intimated that it is not interested to construct 132 kV grid station for 14-18 MW power and has offered to sell only 4-6 MW power through 11 kV voltage level. FESCO requested that in view of the changed scenario, the PAR for 14-18 MW may please be amended to 4-6 MW.
- 1.4 The PAR is also accompanied by a draft Power Purchase Agreement (PPA) between the parties based on PEPCO's approved sample PPA for bagasse based power plants. The proposed term of the agreement is two years from the signing of the agreement which can be extended by mutual consent of the parties.
- 1.5 FESCO in respect of tariff has submitted that the tariff was introduced by CPPA. The mutually agreed tariff (subject to the approval of NEPRA) consists of fixed cost component of Rs. 1.53/kWh and reference fuel cost component of Rs. 3.62/kWh based on reference gas price of Rs. 238.38/MMBtu (HHV) excluding GST and as adjusted from time to time for gas price movement only according to the following formula:

$$FCC_{(Rev)} = GP_{(Rev)} / GP_{(Ref)} \times FCC_{(Ref)}$$

Where:

$FCC_{(Rev)}$ = Revised fuel cost component applicable for the billing cycle

$GP_{(Rev)}$ = Revised gas price, excluding general sales tax applicable for the billing cycle as notified by OGRA for WAPDA Power Stations





GP_(Ref) = Reference gas price i.e. Rs. 238.38/MMBtu (HHV)
FCC_(Ref) = Rs. 3.62/kWh

- 1.6 The fixed cost component will remain at par with fixed cost component allowable to other generation facilities already supplying power to distribution companies through bilateral agreements.
- 1.7 FESCO is of the view that tariff determination is the prerogative of NEPRA and it will appreciate if permission for power acquisition is allowed along with endorsement of tariff adopted by CPPA/DISCOs or new tariff determination be made by NEPRA.

3. Facts of the Case

- 3.1 SEPL is a captive power plant having generation licensee No. SGC/46/2009 for 20 MW installed capacity. The license was issued on 28th April 2009 for a term of 20 years. The plant is located at 56 KM Jhang Sargodha Road, Bhone, District Jhang, Punjab.

6. Powers to Determine Tariff

- 6.1 Section 7(3)(a) of the NEPRA Act confers exclusive power on the Authority for determination of tariff, rates and charges for supply of electric power and these powers under section 12 of NEPRA Act cannot be delegated to any other agency/person. Under Rule 17(3) of the Tariff Standards & Procedure Rules 1998, tariffs should allow licensees the recovery of any and all costs prudently incurred to meet the demonstrated needs of their customers.

7. Proceedings

The Authority in the similar cases of bagasse based captive power plants carried out the detailed analysis and due diligence, therefore, the Authority decided not to conduct the hearing in the instant case.

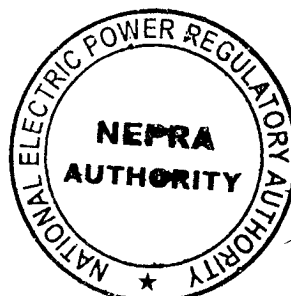
8. Fuel Cost Component

- 8.1 FESCO and SEPL agreed fuel cost component of Rs. 3.62/kWh. The fuel cost component is subject to gas price indexation on the basis of reference gas price of Rs. 238.38/MMBtu.
- 8.2 The Authority in similar cases of bagasse based CPPs has already carried out due diligence. The Authority approved fuel cost component of Rs. 3.62/kWh for these plants and the same is being adopted and approved in the instant case. The fuel cost component will be subject to gas price variation as notified by OGRA from time to time according to the following mechanism:

$$FCC(Rev) = FCC(Ref) \times GP(Rev) / GP(Ref)$$

Where:

FCC(Rev) = Fuel cost component applicable for the billing cycle
GP(Rev) = Revised gas price, excluding General Sales Tax applicable for the



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billing cycle as notified by OGRA for captive power plants
GP(Ref) = Rs. 238.38/MMBtu(HHV)
FCC(Ref) = Rs. 3.62/kWh

9. Fixed Cost Component

9.1 FESCO and SEPL agreed fixed cost component of Rs. 1.53/kWh. The Authority in similar case has approved fixed cost component of Rs. 1.53/kWh and the same is being adopted and approved in the instant case.

10. Order

10.1 In pursuance of the Regulation 4(1) of the NEPRA Interim Power Procurement (Procedure & Standards) Regulations 2005, Faisalabad Electric Supply Company Limited (FESCO) is granted permission for acquisition of 4-6 MW power from Shakarganj Energy (Pvt) Limited (SEPL) on take and pay basis. In pursuance of Regulation 5 of the NEPRA Interim Power Procurement (Procedure & Standards) Regulations 2005 read with Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, the proposed power acquisition contract is hereby approved.

Reference Tariff

Description	Rs./kWh
Fuel Cost Component (Gas Price Rs. 238.38/MMBTU)	3.62
Fixed Cost Component	1.53
Total Generation Cost of delivered unit	5.15

10.2 Adjustment on account of Gas Price Variation

In future the fuel cost component will be subject to gas price variation as notified by OGRA or any other body for captive power producers from time to time according to the following mechanism:

$$FCC(Rev) = FCC(Ref) \times GP(Rev) / GP(Ref)$$

Where:

FCC(Rev) = Fuel cost component applicable for the billing cycle

GP(Rev) = Revised gas price, excluding General Sales Tax applicable for the billing cycle as notified by OGRA for captive power plants

GP(Ref) = Rs. 238.38/MMBtu(HHV)

FCC(Ref) = Rs. 3.62/kWh

10.3 The above Order is to be notified in the official gazette in accordance with the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

