



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/PAC-141/17700-17702
December 14, 2015

Subject: Approval of the Authority in the matter of Power Acquisition Contract filed by Hyderabad Electric Supply Company Ltd. (HESCO) for Purchase upto 3 MW from Habib Sugar Mills Limited (HSML) under NEPRA Interim Power Procurement (Procedures and Standards) Regulations, 2005 [Case # PAC-141]


Dear Sir,

Please find enclosed herewith the subject Approval of the Authority (07 pages) in Case No. NEPRA/PAC-141.

2. The Approval 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. Order of the Authority's Approval needs to be notified in the official Gazette.

Enclosure: As above


(Syed Safeer Hussain) 14.12.15

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



National Electric Power Regulatory Authority
(NEPRA)

Approval of

Power Acquisition Contract filed by

Hyderabad Electric Supply Company (HESCO)

For Purchase upto 3 MW from Habib Sugar Mills Limited (HSML)

Under

Interim Power Procurement (Procedures & Standards) Regulations 2005

(NO: NEPRA/PAC-141)

Islamabad

December 14 , 2015



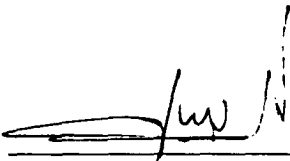
Approval of the Authority in the Matter of Power Acquisition Contract filed by Hyderabad Electric Supply Company (HESCO) for Purchase upto 3 MW from Habib Sugar Mills Limited (HSML) under Interim Power Procurement (Procedures & Standards) Regulations 2005

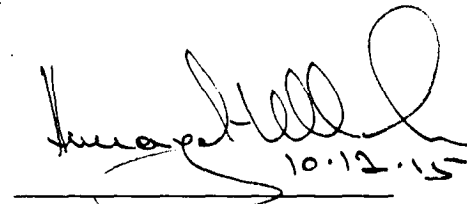
(NO: NEPRA/PAC-141)

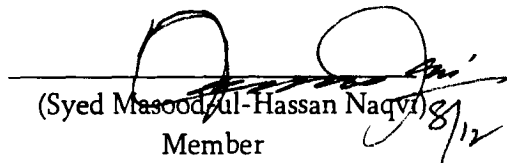
FILED BY

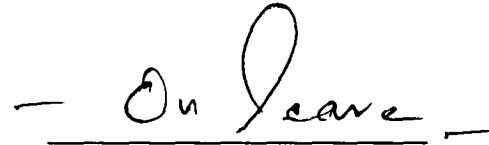
Hyderabad Electric Supply Company (HESCO), WAPDA Offices Complex, Hussainabad, Hyderabad


AUTHORITY

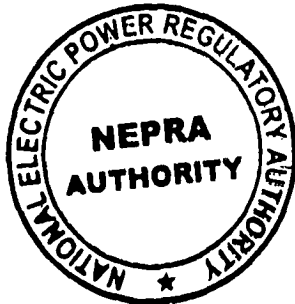

(Khawaja Muhammad Naeem)
Member

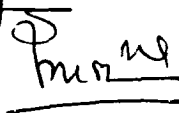

(Himayat Ullah Khan)
Member


(Syed Masoodul-Hassan Naqvi)
Member


(Maj. Rtd. Haroon Rashid)
Vice Chairman


(Brig. (R) Tariq Saddozai)
Chairman




14.12.15

Based on the Power Acquisition Request of the Hyderabad Electric Supply Company Limited (HESCO) NEPRA in accordance with the Regulation 4(1) of the Interim Power Procurement (Procedure & Standards) Regulations – 2005 (hereinafter "IPPR-2005"), had granted permission to HESCO for negotiating Power Acquisition Contract for procurement of upto 3 MW with the Habib Sugar Mills Limited (hereinafter "HSML"). In accordance with the provision of Regulation 5(1) of the IPPR-2005, HESCO now submitted the draft Power Acquisition Contract (PAC) for approval.

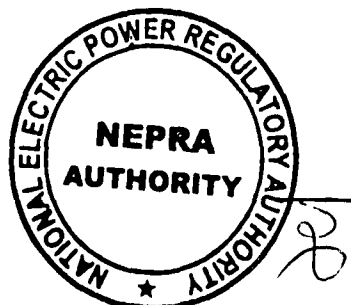
2. Under Regulation 5 (3) of IPPR-2005 a statement to be submitted providing justification of the rates, terms and conditions proposed to be agreed with the sponsor under the proposed power acquisition contract.
3. It was noted that no information was provided with respect to above referred legal requirement however, HESCO vide letter dated 10-3-2015 has stated as below:

"Furthermore, as per provision of Regulation 5(3) of the Interim Power Procurement (Procedure & Standards) Regulation (IPPR) – 2005 vide which NEPRA Authority required a statement providing justification of the rates, terms and conditions proposed to be agreed with the sponsor under the proposed power acquisition contract. In this regard:

"HESCO view that tariff / rate determination is the prerogative of NEPRA, and both the parties Power Producer (Habib Sugar Mills Limited) & Power Purchaser (HESCO) has not objection on the tariff / rate approved by the NEPRA as NEPRA Authority has also approved that rate for similar bagasse based power producer i.e. Tando Allahyar Sugar Mills and Bandhi Sugar Mills by revising the PAR."

For your convenience the undertaking from Habib Sugar Mills Limited is enclosed here, which is showing that Habib Sugar Mills Limited will settle the claim of its sold electricity as per the rate, terms and conditions approved by the NEPRA. This is for your kind information and necessary action, please."

3. HESCO has enclosed an undertaking dated 06-03-2015 of HSML with the above letter whereby it is stated as below:
 - *Habib Sugar Mills Limited will accept the NEPRA approved tariff, terms and conditions PPA, and also hereby confirm that the tariff rate whenever approved by NEPRA even at the reduced rate than existing for bagasse or any change in mechanism of fuel will be acceptable to our company.*
 - *Habib Sugar Mills Limited will not claim any amount as well as advance payment from HESCO for the units to be supplied after COD till the Power Purchase Agreement is signed between Habib Sugar Mills Limited & HESCO after approval of Power Acquisition Request (PAR) by NEPRA.*
 - *Habib Sugar Mills Limited will not challenge the approved Power Acquisition Request (PAR) or Power Purchase Agreement (PPA) in any Court of Justice.*



- This undertaking is being given to HESCO by our Company with our full senses and maturity and on our Company's request to HESCO for COD of power.

4. Proceedings:

- 4.1 The subject request for approval of PAC was considered by the Authority on 8.7.2015 and it was admitted for consideration.
- 4.2 In view of the statement of petitioner referred vide Paragraph 3 above, the Authority waived the requirement of filing of justification of rates. Accordingly the Authority approves the draft PPA with the following tariff components:

(i) Fuel Cost Component

The Authority in similar cases of bagasse based Captive Power Plants allowed the fuel cost component of Rs. 6.29/kWh subject to indexation mechanism prescribed for the co-generation power plants which is as under:

Fuel cost component of tariff will be adjusted on account of variation in price of fuel (bagasse) on yearly basis in advance (w.e.f. 1st of October of each applicable year) as per the formula given hereunder.

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

Where;

$FCC_{(Rev)}$ = Revised fuel cost component of tariff for the applicable year.

$FCC_{(Ref)}$ = Reference fuel cost component of tariff of Rs. 6.29/kWh.

$BFP_{(Rev)}$ = Revised price of bagasse in Rs/ton as determined in accordance with mechanism set out below.

$BFP_{(Ref)}$ = Reference price of bagasse for the relevant year. Current reference price is Rs. 2861.12/ton

$BFP_{(Rev)}$ = $CPCIF_{(Rev)} \times 6905/23810$

Where;

$CPCIF_{(Rev)}$ = $\{CPFOB_{(Rev)} + MF_{(Rev)} + MI_{(Rev)}\} \times ER_{(Rev)}$

Where;

$CPCIF_{(Rev)}$ = Revised CIF price of coal in Rs/ton for the applicable year.

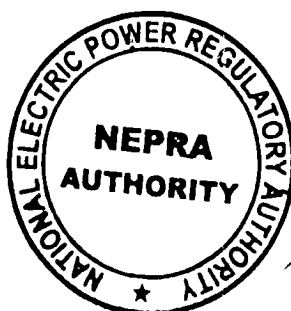
$CPFOB_{(Rev)}$ = Revised FOB price of coal expressed in US\$/ton based on monthly average of prices published in the Argus McCloskey's API4 index for relevant year.

$MF_{(Rev)}$ = Revised marine freight of coal per ton as worked out below.

$MF_{(Rev)}$ = $US\$ 19.19 \times BIX_{(Rev)} / BIX_{(Ref)}$

Where;

$BIX_{(Rev)}$ = Revised monthly average of the daily Bunker Index price for 380-CST published by the Bunker Index for the relevant year.



BIX(Ref)	=	Reference monthly average of the daily Bunker Index price of 380-CST published by the Bunker Index. Current reference for the month of April 2013 is US\$ 641.8219/ton.
MI(Rev)	=	CPFOB(Rev) x 0.1%
ER(Rev)	=	Revised monthly average PKR/US\$ exchange rate for the relevant month.

The constants such as 6905, 23810 and US\$ 19.19 are fixed values representing LHV value of bagasse in btu/kg, LHV value of coal in btu/kg and fixed value of marine freight charges per ton of coal respectively.

The CIF coal price of US\$ 100.67/ton on which the bagasse price of Rs. 28,61/M.Ton has been calculated shall be considered as floor / minimum price for the purpose of the Fuel Cost Component. The Authority may review the fuel pricing mechanism stipulated below in accordance with NEPRA Rules and after consultation with the affected parties if it is deemed that there is exorbitant/unreasonable increase in international coal prices.

(ii). Fixed Cost Component

The Authority in other similar cases allowed fixed cost component of Rs. 1.53/kWh. The same is allowed in the instant case for the contractual term. A part from approval of above stated tariff; it is also directed to amend the draft PPA to the following effect:

- delete the reference of the GM/CPPA in line 3 of the preamble. HESCO being licensee of NEPRA is aware with the fact that in pursuance to Section 7(3)(a) of the NEPRA Act, the determination of rates, charges, tariff is the prerogative of NEPRA.
- HESCO is further directed to amend the 1st paragraph starting from word "Whereas the Company will sell and the Power Purchaser with the following paragraph:

Whereas the Company will sell and the Power Purchaser will purchase from the Company electrical energy on the terms and conditions set herein forth pursuant to the terms and conditions approved by the Authority under this PAC."

- The para (h) needs to be amended as "the agreed tariff duly approved by NEPRA is as under".
- The clause g on page 5 needs to be amended as under:

"The Power Purchase shall charge industrial tariff from the Habib Sugar Mills during the period when electricity is supplied by the power purchaser."

- The para "Y" to be deleted.





- f) Para "X" to be amended with the provision that any dispute arises out of the contract shall be referred for resolution to NEPRA whose decision shall be final and binding. In addition to the aforesaid instead of using NEPRA, the word Authority be used.

5. **ORDER**

- 5.1 For the foregoing reasons, the draft Power Acquisition Contract (PAC) submitted by HESCO for procurement of 3 MW power from Habib Sugar Mills Limited (HSML) is hereby approved under Regulation 5 of NEPRA Interim Power Procurement (Procedure & Standards) Regulations 2005 with the following modifications and terms and conditions. The procurement of power shall be on take and pay basis.

Reference Tariff

Description	Rs. / kWh
Fuel Cost Component	6.29
Fixed Cost Component	1.53
Total Generation Cost of delivered unit	7.82

- 5.2 The CIF coal price of US\$ 100.67/ton on which the bagasse price of Rs. 28,61/M.Ton has been calculated shall be considered as floor / minimum price for the purpose of the Fuel Cost Component. The Authority may review the fuel pricing mechanism stipulated below in accordance with NEPRA Rules and after consultation with the affected parties if it is deemed that there is exorbitant/unreasonable increase in international coal prices. The fuel cost component adjustment mechanism is given hereunder:

Fuel cost component of tariff will be adjusted on account of variation in price of fuel (bagasse) on yearly basis in advance (w.e.f. 1st of October of each applicable year) as per the formula given hereunder.

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

Where;

- $FCC_{(Rev)}$ = Revised fuel cost component of tariff for the applicable year.
 $FCC_{(Ref)}$ = Reference fuel cost component of tariff of Rs. 6.29/kWh.
 $BFP_{(Rev)}$ = Revised price of bagasse in Rs/ton as determined in accordance with mechanism set out below.
 $BFP_{(Ref)}$ = Reference price of bagasse for the relevant year. Current reference price is Rs. 2861.12/ton
 $BFP_{(Rev)}$ = $CPCIF_{(Rev)} \times 6905/23810$

Where;



$$\text{CPCIF(Rev)} = \{\text{CPFOB(Rev)} + \text{MF(Rev)} + \text{MI(Rev)}\} \times \text{ER (Rev)}$$

Where;

CPCIF(Rev) = Revised CIF price of coal in Rs/ton for the applicable year.

CPFOB (Rev) = Revised FOB price of coal expressed in US\$/ton based on monthly average of prices published in the Argus McCloskey's API4 index for the relevant year.

MF(Rev) = Revised marine freight of coal per ton as worked out below.

MF(Rev) = $\text{US\$ } 19.19 \times \text{BIX(Rev)} / \text{BIX(Ref)}$

Where;

BIX(Rev) = Revised monthly average of the daily Bunker Index price for 380-CST published by the Bunker Index for the relevant year.

BIX(Ref) = Reference monthly average of the daily Bunker Index price of 380-CST published by the Bunker Index. Current reference for the month of April 2013 is US\$ 641.8219/ton.

MI(Rev) = $\text{CPFOB(Rev)} \times 0.1\%$

ER(Rev) = Revised monthly average PKR/US\$ exchange rate for the relevant month.

The constants such as 6905, 23810 and US\$ 19.19 are fixed values representing LHV value of bagasse in btu/kg, LHV value of coal in btu/kg and fixed value of marine freight charges per ton of coal respectively.

5.3 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.

