



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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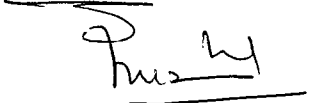
No. NEPRA/R/SA(Tariff)/PAR-111/32581-32583  
September 28, 2020

**Subject: Decision of the Authority in the matter of Power Acquisition Request filed by Hyderabad Electric Supply Company Ltd. (HESCO) for Procurement of Power from M/s. Bandhi Sugar Mills Limited (BSML) under NEPRA Interim Power Procurement (Procedures and Standards) Regulations, 2005 [Case # PAR-111]**

Dear Sir,

Enclosed please find herewith Decision of the Authority (04 Pages) in the matter of Power Acquisition Request filed by Hyderabad Electric Supply Company Ltd. (HESCO) for Procurement of Power from M/s. Bandhi Sugar Mills Limited (BSML) under NEPRA Interim Power Procurement (Procedures and Standards) Regulations, 2005 for information, in Case No. PAR-111.

Encl: As above

  
28 09 20

( Syed Safeer Hussain )

Secretary  
Ministry of Energy (Power Division)  
'A' Block, Pak Secretariat  
Islamabad

CC:

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

**Decision of the Authority in the matter of Power Acquisition Request filed by Hyderabad Electric Supply Company Limited (HESCO) for Procurement of Power from M/s Bandhi Sugar Mills Limited (BSML) under NEPRA Interim Power Procurement Regulations, 2005**

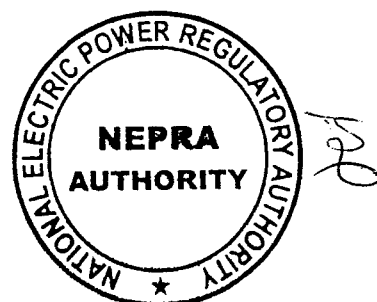
National Electric Power Regulatory Authority ("NEPRA" or "the Authority") vide decision dated February 07, 2014 approved the Power Acquisition Contract ("PAC") filed by Hyderabad Electric Supply Company ("HESCO") for purchase of 10 MW power from bagasse captive power plant namely M/s Bandhi Sugar Mills Limited (BSML). Later, the Authority vide decision dated December 14, 2014 modified the fuel pricing and indexation mechanism of FCC earlier approved for BSML. Following tariff on take-and-pay basis was approved in the aforesaid decision of the Authority:

Description	Rs./kWh
Fuel Cost Component	6.29
Fixed Cost component	1.53
<b>Total Generation Cost of delivered Unit</b>	<b>7.82</b>

2. HESCO vide letter dated January 28, 2020 filed subject Power Acquisition Request ("PAR") under NEPRA Interim Power Procurement Regulations, 2005 ("IPPR-2005"), seeking permission of the Authority to procure power from BSML for another period of five (5) years i.e. from February 03, 2020 to February 02, 2025. In the said PAR, HESCO submitted that prior to filing the instant PAR with the Authority, HESCO vide a series of letters sought the consent from Central Power Purchasing Agency Guarantee Limited ("CPPAGL") for the renewal of power purchase agreements from BSML. Along with the subject PARs, HESCO submitted comments advanced by CPPAGL on January 20, 2020 which are given hereunder:

"... It is clarified that CPPA-G don't accept any debit for power purchase by HESCO until it is procured under the applicable legal, policy and regulatory framework and approved by NEPRA. It is pertinent to mention that NEPRA has withdrawn the tariff for existing sugar mills operation under captive mode due to availability for surplus generation in the system, therefore, HESCO cannot renew/extend the PPAs without following the procedures as stated in the legal, policy and regulatory framework. Moreover, HESCO cannot purchase power on behalf of CPPA-G as CPPA-G is agent of DISCOs not vice versa."

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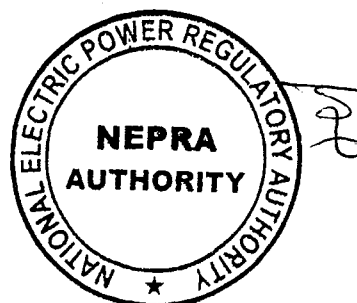


3. Additionally, HESCO with its subject PARs also provided CPPAGL's letter dated October 26, 2018 addressed to NEPRA stating, inter alia, that the quantum of Small Power Plants/Captive Power Plants below 132KV may be frozen at the existing level and the future procurement shall be subject to the evaluation of demand projections, overall generation plans and concomitant financial implications.
4. HESCO has requested the Authority to decide the fate of the subject PAR in light of CPPAGL's aforementioned comments.

**Proceedings:**

5. The aforesaid PAR was admitted by the Authority for further processing. The Authority decided to hold hearing on the subject matter which was scheduled for July 16, 2020 via Zoom Platform. Accordingly, notices of hearing were sent to HESCO, CPPAGL, National Transmission & Despatch Company Limited ("NTDCL"), Ministry of Energy ("MOE") and BSML on July 09, 2020. Following issues were framed and approved for hearing:
  - i. Whether the present demand-supply situation warrants such power acquisition?
  - ii. NEPRA understands the DISCOs will be directly responsible for future power acquisition contracts. HESCO is required to demonstrate its capability and procedures to discharge such roles.
  - iii. How would HESCO ensure the dispatch of these power plants? Whether the online demand-supply situation in specific areas will be analyzed?
  - iv. What is the rate of procurement of power and whether the instant requests would effectively reduce the power purchase cost of HESCO?
  - v. Whether the power purchase cost of these power plants will be compared with DISCOs power purchase cost from the pool? and whether this instant request would specify IPPR requirements of procurement of energy at the 'best effective price obtainable' in the present demand-supply situation?
  - vi. Whether the procurement from these power plants would reduce the transmission constraints from transmitting power from EHV system?

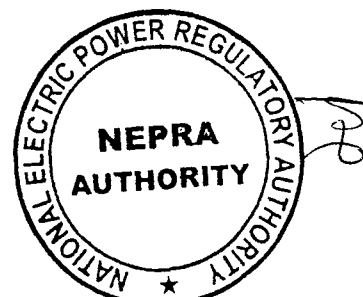
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- vii. Provide historical data & analysis in view of energy/demand procured from subject plants in previous years and its benefits to the system.
6. The hearing was held as per above schedule which was attended by the representatives of HESCO, CPPAGL and BSML. HESCO submitted its response on the above issues framed for the hearing vide letter dated July 16, 2020. During the hearing, HESCO reiterated its request that the Authority may decide the fate of the subject PAR in the light of CPPAGL's letters dated January 20, 2020 and October 26, 2018. HESCO also requested the Authority to keep in view the Indicative Generation Capacity Expansion Plan ("IGCEP") to determine whether there is a requirement for such power acquisition by HESCO. No comments were advanced by HESCO with respect to rate of electricity to be procured from these CPPs.

#### **Analysis and Decision of the Authority**

7. It is noted that as per IPPR-2005, the distribution company has to examine the offer for the sale of power by a generating company to satisfy itself about the price of proposed procurement. Further, it is provided in IPPR-2005 that the Authority is to grant power acquisition permission to a distribution company for negotiating a power acquisition contract to meet its load growth or reduction in power purchase cost, after satisfying itself in respect of prudence of procurement.
8. HESCO in the PAR asked the Authority to decide about the fate of the case on the basis of the comments of CPPAGL. During the hearing, HESCO requested the Authority to consider the IGCEP also while approving the subject PAR. In addition, the expected rate of power to be acquired from BSML was not submitted by HESCO. Moreover, the board resolution as submitted by HESCO along with PAR mentions the requirement of obtaining consent from Ministry of Energy on which HESCO during the hearing responded that it has written to MOE, however, no response has been received in this regard yet.
9. The Authority is of the view that electricity from captive bagasse is one of the cheapest sources of power generation. It is based on indigenous fuel which results in savings of foreign exchange. Further, the procurement terms of these sources, i.e. on take and pay is in line with market reforms the country is moving toward. However, these features do not absolve the distribution company for the fulfilment of its duties stipulated in the IPPR-2005. It is noted that HESCO was neither clear about whether it requires energy from BSML nor it communicated the proposed rates for the procurement. Therefore, the Authority is of the view that with above shortcomings, it would not be appropriate to approve subject PAR. HESCO may consider filing the subject request again after



fulfilling the requirements stipulated in IPPR-2005 for the consideration and approval of the Authority.


**Order:**

10. The Authority considers that the subject Power Acquisition Request does not fulfill the requirements as stipulated under Interim Power Procurement Regulations, 2005. In view thereof, the subject PAR is hereby disposed of as dismissed.

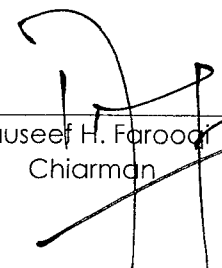
**AUTHORITY**

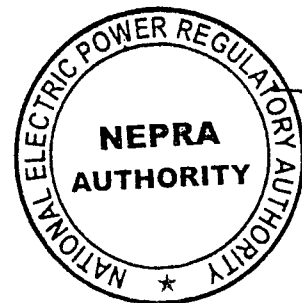
  
(Saif Ullah Chattha)  
Member 10-9-2020

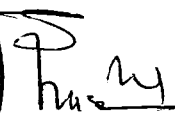
  
(Rafique Ahmed Shaikh)  
Member

  
(Rehmatullah Baloch)  
Member 21/4/9/2020

  
(Eng. Bahadur Shah)  
Member

  
Tauseef H. Farooq  
Chairman



  
28/09/20