



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No.NEPA/TRF-106/NPGCL-2008/1492-94
April 13, 2009

Subject: Intimation of Decision of the Authority Pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) with respect to the Application for Approval of Rental Tariff for Gulf Rental Power (62 MW Net at Site on RFO) at Eminabad Gujranwala Grid Station and Independent Power (Pvt.) Ltd. (200 MW Net at Site on RFO) at Gojra-Faisalabad Grid Station submitted by Northern Power Generation Co. Ltd. (NPGCL) [Case No. NEPRA/TRF-106/NPGCL-2008(4)]

Dear Sir,

Please find enclosed the subject Decision of the Authority along with Annexure-I, II & III (06 pages) in Case No. NEPRA/TRF-106/NPGCL-2008(4).

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

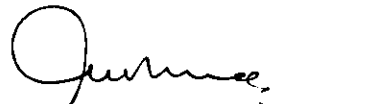
3. Please note that only Annex-I, II & III need to be notified in the official Gazette.

Enclosure: As above

The Secretary
Cabinet Division
Government of Pakistan
Cabinet Secretariat
Islamabad

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.


(Arshad Mehmood)





**DECISION OF THE AUTHORITY WITH RESPECT TO TARIFF PETITION FILED BY
NORTHERN POWER GENERATION CO. LTD. (NPGCL) FOR GULF RENTAL
POWER (62 MW NET AT SITE ON RFO) AT EMINABAD GUJRANWALA GRID
STATION AND INDEPENDENT POWER (PVT.) LTD. (200 MW NET AT SITE ON
RFO) AT GOJRA-FAISALABAD GRID STATION**

Northern Power Generation Company Ltd. (NPGCL) filed request on February 25, 2009 for approval of Generation Tariff for the following two additional rental power plants for sale of rental power to the Central Power Purchasing Agency (CPPA) of National Transmission and Despatch Company Ltd. (NTDC):

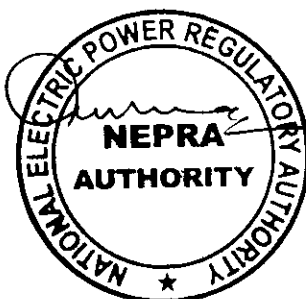
- i) Gulf Rental Power 24, Peshawar Block, Fortress Stadium Lahore Cantt for 80.50MW (Gross ISO) and Net 62 MW (Net site conditions);
- ii) Independent Power (Pvt.) Limited 44,45-B Korangi Creek Road, Karachi for 220.97 MW Gross at ISO conditions and 200 MW Net at Mean Site Conditions

2. The current request is in addition to NPGCL's earlier request filed on June 7, 2008 for determination of Bulk Supply Tariff for two rental power plants located at two different locations pending before the Authority under Case No. NEPRA/TRF-106/NPGCL-2008. According to NPGCL it was informed by the Private Power & Infrastructure Board (PPIB) vide letter No. 1(102) PPIB-2030/09/PRJ dated 24th January 2009 that pursuant to the decision of the Economic Coordination Committee of the Cabinet dated 10th September 2008 PPIB invited bids from private sector for developing "Fast Track Private Power Projects" within the jurisdiction of PEPCO on 26th September 2008 under the following packages:

- i) Package-I (IPP/Rental Power Projects to be commissioned by end of 2009)
- ii) Package-II (IPP Projects to be commissioned by the end of 2010)

3. PPIB also informed that the competent Authority approved the rental projects as per the following details:

Sr. #	Name	Rental Term (Years)	Site	Net Capacity at Site on RFO	Total Tariff (US Cents/kWh)	COD from Issuance of LOA
1.	Gulf Rental Power	5	Eminabad Gujranwala Grid Station	62 MW	14.2233	8 months
2.	Independent Power (Pvt.) Ltd.	5	Gojra Faisalabad Grid Station	200 MW	15.9999	8 months





4. The petitioner was accordingly advised by PPIB to approach NEPRA within one week for approval of aforesaid tariff and requisite amendments in Generation Licence issued to GENCO-III. The petitioner's application however was not duly supported with the acceptance of rental tariff from the GOP which in the instant case is Ministry of Water & Power, as required under Section 1.10 of the Guidelines of the Tariff Determination for Independent Power Producers (IPPs) (hereinafter "Tariff Guidelines"). Subsequently the Ministry of Water & Power conveyed the acceptance of the rental tariffs of the aforementioned rental power projects. *vide no: 1(102)PPIB-2030/51/PR dated 20.02.09.*

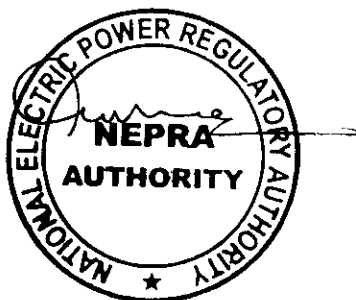
5. In terms of Section 1.10 of the Tariff Guidelines for IPPs, the tariff arrived at through competitive bidding is not subject to further review by NEPRA but the Authority still needs to consider the provisions of Section 31(2)(a)(c)(d) of the NEPRA Act 1997 which requires NEPRA to:

- i) Protect consumers against monopolistic and oligopolistic prices;
- ii) Encourage efficiency in licensees operations and quality of service.
- iii) Encourage economic efficiency in the electric power industry.

6. However, the Authority is also aware of the prevailing acute power shortage in the country and recognizes the importance of fast track projects and supports the endeavor of the Ministry of Water & Power for induction of additional power in this regard. But the Authority feels that in the process of inducting additional power, the objectives envisaged while adopting the process of ICB bidding to attract projects at lower or similar rates as determined by NEPRA, are not being achieved. This is mainly due to poor response from IPPs and thereafter PPIB had to accept more rental power plants with lower efficiencies. Since the rental tariff of these projects have been accepted by the GOP to meet the situation arising out of the power crises, the Authority considers that denying approval in the instant case would not only further delay the additional power capacity induction but also would give wrong signal to the private investors; the Authority has, therefore, decided to approve the rental tariff of Gulf Rental Power and Independent Power (Pvt.) Ltd. along with assumptions indicated at Annex-I, II & III.

7. While approving the rental tariff in the instant case the Authority recommends that in future;

- a) The induction of rental power projects on furnace oil with very low thermal efficiency should be discouraged. This becomes even more critical in view of the fuel cost component, which forms a major component of overall tariff.
- b) Before initiating ICB, the RFP should be got approved by NEPRA.

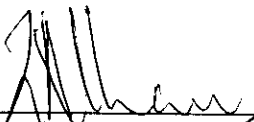


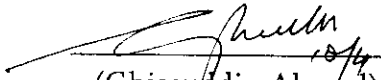


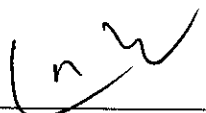
- c) During evaluation of bids NEPRA's earlier tariff determinations be considered as reference.
- d) The rental power plants more than 10 years old or more than 60,000 operating hours may not be accepted.

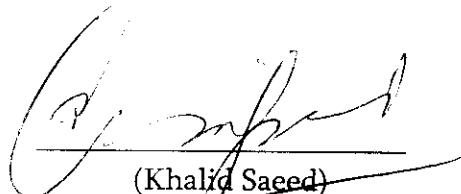
8. The Authority hereby recommends to the Federal Government for Notification of the tariff attached as **Annex-I, II & III** of Gulf Rental Power and Independent Power (Pvt.) Ltd. in the Official Gazette in accordance with the provisions of section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of) 1997, read with Rule 16 (11) of the NEPRA Tariff Standards and Procedure Rules, 1998.

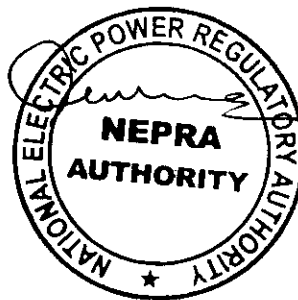
AUTHORITY


(Zafar Ali Khan)
Member


(Ghiasuddin Ahmed)
Member


(Maqbool Ahmad Khawaja)
Vice Chairman


(Khalid Saeed)
Chairman

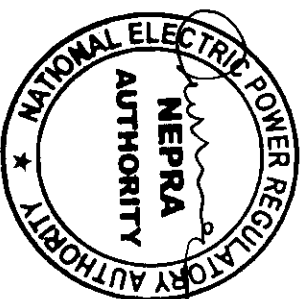


Tariff for Rental Power Projects

Ranking	Name of Bidder	Net Capacity at Site on RFO	Rental Term	Guaranteed Availability	Lumpsum Rental Charges for the Term	Fuel Cost on RFO (Rs./kWh)	Total Tariff (in Eq. US Cent/kWh)	Reference Tariff for Ranking on RFO (in Eq. US Cent/kWh)	Commercial Operations Date from Issuance of LOA
1 st	Gulf Rental Power (Gulf)	62 MW	5 Years	90%	65,000,000 US \$	6.6622	14.2233	16.3724	8 Months
2 nd	Independent Power (Pvt.) Limited (IPL)	200 MW	5 Years	93.97%	423,211,862 US \$	6.7324	15.9999	18.1717	8 Months

Assumptions for Tariff :

- 1 - An exchange rate of 1 US\$ = Rs. 62.0 has been used.
- 2 - Fuel Cost Component is based on a Total Fuel Price for RFO of Rs. 28,350 per metric ton including RFO Price of Rs. 26,000 per metric ton ex-Karachi and Freight Charge of Rs. 2,350 per metric ton, as provided in the RFP.
- 3 - Lumpsum Rental Charges are fixed and Indexation, Adjustment, etc. will not be applicable.
- 4 - Indexation of the Fuel Cost Component due to variations in price of RFO will be applicable as per the provisions of Rental Services Contract.
- 5 - Lumpsum Rental Charges will be paid in 60 equal monthly instalments in US \$, as per the provisions of Rental Services Contract.
- 6 - Other assumptions are as per RFP dated 27th September 2008, issued by PPFB.

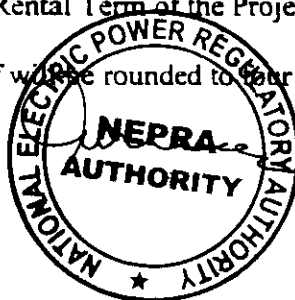


ASSUMPTIONS TO REFERENCE TARIFF

1. Lump sum Rental Charges are fixed and no indexation in Rental Charges will be provided.
2. Rental charges will be paid in 60 equal monthly installments in US \$, as per Rental Services Contract.
3. Exchange Rate of 1 US \$ = PKR 62.00 has been assumed.
4. Fuel cost component is based on a total fuel price of Rs.28,350/- per metric ton which includes RFO price of Rs.26,000/- per metric ton and Freight charges of Rs.2,350/- per metric ton.
5. Indexation in fuel cost component due to variations in price of RFO will be applicable as per the provisions of Rental Services Contract.
6. Installed and Net Generation capacity is assumed to be as under.

Description	Eminabad- Gujranwala	G/S	Gojra-Faisalabad G/S	Additional
	Additional Block	Block	Block	Block
Gross Capacity (ISO)	80.50 MW		220.97 MW	
Gross Capacity (Mean Site Conditions)	70.00 MW		205.50 MW	
Net Capacity (ISO)	72.45 MW		215.47 MW	
Net Capacity (Mean Site Conditions)	62.00 MW		200.00 MW	
Guaranteed Availability of Plant		90%		93.97%
Guaranteed Available Electric Output	55.80 MW		187.94 MW	

7. The Modification of Generation License and Tariff Determination will be the responsibility of Northern Power Generation Company Ltd.
8. Insurance cost has not been assumed, however, the same is included in pass-through items on actual basis.
9. Arrangement of Import License and payment import duties will be the responsibility of Northern Power Generation Company Ltd.
10. No return has been assumed by Northern Power Generation Company Ltd.
11. Any payment of tax by NPGCL has been included in the pass-through items, and will be passed through on actual basis.
12. Working Capital shortfall, if any, shall be financed at competitive market rates.
13. Reference Tariff will be calculated on the basis of Constant Contract Capacity and Heat Rate (Efficiency) throughout the Rental Term of the Projects.
14. All entries in the Reference Tariff will be rounded to four Decimal Points.



ADJUSTMENTS TO REFERENCE TARIFF

Variations to the Fuel Cost Components shall be calculated as provided in the following formula as and when fuel prices are changed and notified by the relevant Authority / Oil Company(ies).

$$FCC_c = FCC_{(REF)} * \text{Fuel Price Factor}$$

Where

$$FCC_c = \text{Fuel Cost Component on relevant date, c}$$

$$FCC_{(REF)} = \text{The value of the Fuel Cost Component as given at Annexure-IV \& VI, expressed in Rupees;}$$

$$\text{Fuel Price Factor} = \frac{\text{Fuel Price}_p}{\text{Fuel Price}_{REF}}$$

$$\text{Fuel Price}_p = \text{The per unit delivered price of fuel HHV at the plant as established by GoP (after correction for standard and expressed in Rupees), at date "P" and}$$

$$\text{Fuel Price}_{REF} = \text{The per unit delivered price of fuel at the plant (after correction for standard and expressed in Rupees), at reference date which is Rs.28,350/- per metric Ton HHV in case of RFO fuel (including transportation charges). This price is without GST.}$$

