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National Electric Power Regulatory Authority

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No. NEPRA/TRF-342/CPHGCL-2016/14436-14438
August 7, 2019

Subject: Decision of the Authority in the matter of Approval of Jetty O&M Tariff for China Power Hub Generation Company (Private) Limited (CPHGCL) [Case No. NEPRA/TRF-342/CPHGCL-2016]

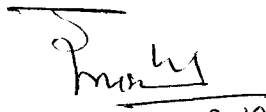
Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (15 pages) in Case No. NEPRA/TRF-342/CPHGCL-2016.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

3. Order of the Authority's Decision shall be notified in the official Gazette.

Enclosure: As above


07 08 19
(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.



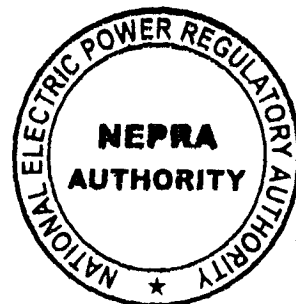
**DECISION IN THE MATTER OF APPROVAL OF JETTY O&M TARIFF FOR CHINA
POWER HUB GENERATION COMPANY**

1. BACKGROUND

- 1.1. China Power Hub Generation Company (Private) Limited (hereinafter referred as "CPHGC" or the "Petitioner") is in the process of establishing a 2x660 MW imported coal based power plant at Hub, Balochistan. CPHGC was awarded tariff on February 12, 2016.
- 1.2. While approving the upfront tariff in the favor of CPHGC, the Authority decided that since the project is based on dedicated coal jetty, the cost of dedicated jetty will be added to the respective components of tariff. Further, as per para 49 of the upfront tariff decision dated June 26, 2014, the Authority allowed that the Jetty cost including its O&M cost per ton will be subject to adjustment on the basis of verifiable documentary evidence.
- 1.3. The Authority vide its decision dated July 28, 2017, approved the Jetty CAPEX cost along-with the coal transshipment service cost. While requesting for the approval of jetty cost, CPHGC also requested Jetty Operation and Maintenance (O&M) cost of USD 4.16 million per annum on account of fixed cost and USD 0.19/ton on account of variable cost for the O&M of Jetty. Since the requested O&M cost was not based on competitive bidding, therefore, the Authority directed CPHGC vide its above decision to carry out transparent and competitive bidding for the selection of Jetty O&M Contractor subject to the maximum of USD 4.16 million per annum for fixed cost and USD 0.19/ton for variable O&M of the Jetty.

2. FILING OF REQUEST

- 2.1. CPHGC vide letter No. CPHG-NEPRA/ZY/18-0070, dated May 14, 2018, requested the Authority to approve the 5-year Jetty O&M tariff. According to CPHGC, a transparent and international competitive bidding process was conducted for the finalization of the O&M operator as demonstrated in the detailed Evaluation Report submitted along-with the request.
- 2.2. Based on this bidding process, CPHGC has requested five years jetty O&M cost of US\$ 26.927 million comprising fixed cost of US\$ 19.717 million (US\$ 3.94 million/annum), variable cost of US\$ 3.8 million (US\$ 0.19/ton) and taxes of US\$ 3.4 million (US\$ 0.68 million/annum). CPHGC requested before tax a tariff of Rs. 0.0372/kW/h for fixed charge and Rs. 0.0069/kWh for variable charge before taxes and Rs. 0.0412/kW/h for fixed charge and Rs. 0.0079/kWh for variable charge with taxes along with 100% indexation for variation in Rs./US\$ for both fixed and variable charge.
- 2.3. CPHGC vide letter No. CPHG-NEPRA/ZJ/19-0044, dated March 4, 2019, revised before tax Jetty variable O&M component to Rs. 0.0074/kWh. CPHGC vide its letter No. CPHG-NEPRA/ZJ/19-0061, dated March 20, 2019, requested to consider Jetty O&M tariff without





tax implication. According to CPHGC, all taxes will be borne by the Jetty O&M Contractor.

3. BRIEF OF BIDDING PROCESS

3.1. The bidding process carried out by CPHGC, as provided in the detailed Tender Evaluation report, is summarized hereunder:

- i) According to CPHGC, advertisements were published in the local daily DAWN and Dubai based daily Khaleej Times on October 29, 2017 and November 3, 2017, respectively. The bids were available for purchase from October 29, 2017 till the bid submission deadline, i.e., November 30, 2017. In order to give bidders more time to develop detailed proposals, the bid submission deadline was later extended till December 15, 2017.
- ii) The following companies purchased the RFP:
 1. International Marine & General Services (IMGS)
 2. China Energy TEPC and Imperial International Pvt. Ltd (TEPC)
 3. China Harbour Engineering Limited (CHEC)
 4. Rizhao Port Fuhua International Terminal Management Co. Ltd
 5. Qingdao Old Captain & Jiaozuo Creation Heavy Industry CPHGC Limited
 6. PIBT
 7. ChongShu Hengtong Port Co.
 8. Jiangsu Seng er Chang Port Services Co.
- iii) According to CPHGC, the following companies submitted the proposals by December 15, 2017:
 1. China Energy TEPC and Imperial International Pvt Ltd (TEPC)
 2. China Harbour Engineering Limited (CHEC)
 3. Rizhao Port Fuhua International Terminal Management Co. Ltd
 4. Qingdao Old Captain & Jiaozuo Creation Heavy Industry CPHGC Limited

4. BID EVALUATION

- 4.1. According to the bid evaluation criteria, bids shall be evaluated on the basis of Technical proposals, unpriced and priced commercial proposals with weightage of 45%, 20% and 35%, respectively. The bidder with highest total score shall be ranked as the successful bidder.
- 4.2. According to CPHGC, the bids were opened in the presence of all the bidders. The Technical proposals were evaluated by a team of 5 experts of CPHGC including the Jetty's



Owner Engineer. A comparison of the results of the Technical proposals of the bidders is as follows:

Technical Evaluation

No.	Head	Max. Score	RizhaoPort	CHEC	TEPC	Qingdao Old Captain
1	CPHGC Information	5	4.8	4.8	4.86	4.1
2	CPHGC O&M Experience	6	5.74	4.7	4.48	4.24
3	Overall O&M Plan	12	11.08	8.96	10.1	8.18
4	Project Manager Information and Project Experience	5	4.64	4.12	4.24	3.86
5	Quality Assurance	15	11.74	10.9	13.9	13.12
6	HSE Management	12	11.22	9.2	10.6	9.6
7	Emergency Management	8	6.48	5.62	7.32	6.7
8	Personnel Setting Plan	10	9.1	9	9.2	7.5
9	Spare Parts and Tools	8	7.7	7.7	7.7	7.7
10	Operations Preparation and Training Plan	12	11.06	9.26	9.52	8.88
11	Evaluation Plan	4	3.48	2.7	3.24	3.42
12	Response to Bidding	3	2.92	2.58	2.76	2.3
	Total	100	89.96	79.54	87.92	79.6

- 4.3. According to CPHGC, the commercial evaluation was carried out by commercial and finance experts from CPHGC with support from Legal and Audit departments. A comparison of the unpriced commercial proposals is as under:

Unpriced Commercial Evaluation

No.	Head	Max. Score	Rizhao Port	CHEC	TEPC	Qingdao Old Captain
1	Financial Strength	40	35.5	34.2	32.95	34.3
2	Contractor Securities & LDs	30	29.5	29.4	28.5	29.4
3	General Terms & Conditions	30	28.95	28.1	26.15	28.9
	Total	100	93.6	91.7	87.6	92.6

- 4.4. According to the evaluation criteria, the priced bids were to be opened for only those bidders whose technical and unpriced commercial cumulative score was above 80. The cumulative scores after technical and unpriced evaluations are as under:



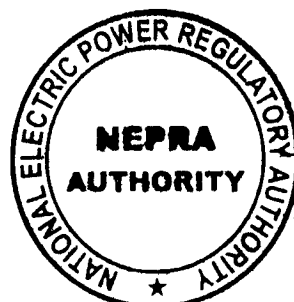
Evaluation	Weightage	Rizhao Port	CHEC	TEPC	Qingdao Old Captain
Technical	70%	62.97	55.68	61.54	55.72
Unpriced Commercial	30%	28.08	27.51	26.28	27.78
Cumulative Score	100%	91.05	83.19	87.82	83.50

4.5. Since the cumulative scores of all of the technical and unpriced bids were more than 80, all of the priced bids were opened and the following is the price of each:

No.	Head	Rizhao Port	CHEC	TEPC	Qingdao Old Captain
1	Mobilization & Demobilization Fee	1,900,600	507,816	1,320,805	916,725
1.1	Mobilization Fee (Non-Pak)	1,137,200	483,316	1,125,989	734,297
1.2	Mobilization Fee (Pak)	96,000	2,900	194,816	182,428
1.3	De-Mobilization Fee (Non-Pak)	586,400	21,600	-	-
1.4	De-Mobilization Fee (Pak)	81,000	-	-	-
2	Operation & Maintenance Fee	12,752,000	5,293,558	1,508,572	6,912,740
2.1	Major overhaul fee	2,500,000	2,062,200	-	1,604,394
2.2	Minor overhaul fee	1,600,000	260,000	-	1,023,111
2.3	Routine Maintenance Fee (Non-Pak)	7,122,000	2,124,615	942,099	4,285,235
2.4	Routine Maintenance Fee (Pak)	1,530,000	846,743	566,473	-
3	Tool, Consumable & Material Costs	4,356,000	870,769	1,641,025	2,996,949
3.1	Tools	341,000	870,769	279,310	434,449
3.2	Consumables	1,465,000	-	1,361,715	-
3.3	Material	2,550,000	-	-	2,562,500
4	Spare Part Cost	4,656,000	2,039,935	3,177,335	764,665
5	Training Fee	400,000	11,200	59,736	426,750
6	Other fee	11,800,000	7,627,240	1,601,685	1,920,000
Total Fixed Cost		35,864,600	16,350,518	9,309,159	13,937,829
9	Operations Fee Variable	3,800,000	428,138	4,456,808	4,102,325
Total Variable Cost		3,800,000	428,138	4,456,808	4,102,325
10	Total without taxes	39,664,600	16,778,656	13,765,966	18,040,154
8	Taxes	7,951,000	4,194,664	3,691,213	2,525,622
Total Cost (5 years)		47,615,600	20,973,320	17,457,179	20,565,776
US\$ Fixed + US\$ Variable/ Ton per year		\$8.62 Mn. + \$0.23/Ton	\$4.08 Mn. + \$0.03/Ton	\$2.36 Mn. + \$0.28/Ton	\$3.17 Mn. + \$0.23/Ton

4.6. According to CPHGC, dredging cost was not included as separate line item in the price sheet. However, it was mentioned as part of the scope of the O&M contractor in clause 3.3.29 of Vol. – II of the RFP, which states as “the bidder shall be responsible for Jetty channel dredging within the agreement scope.”

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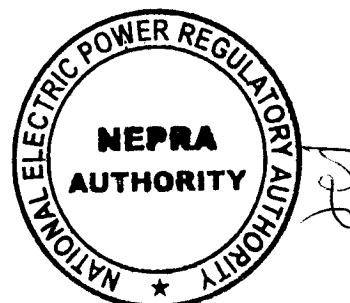


- 4.7. Upon further investigation of the matter the Hydraulic and Sediment Numerical Model Study Report conducted by EPC Contractor and reviewed by Independent Engineer "Royal Haskoning DHV" was assessed. Sections 4.5, 4.6 and 5 of this report are of particular importance and highlight that during the 5 year O&M period, the terminal would need to be dredged twice, the first time at the end of year 2 and second at the end of year 4. The Basin and Turning Circle has to be dredged to -6.8m CD, with an allowance of 200mm for siltation. Given siltation is estimated to be 90 to 190mm, it can be assumed that this area needs to be dredged every year
- 4.8. According to the evaluation report, all bidders quoted the price of dredging as an additional price item.
- 4.9. However, upon scrutiny of documents, it was revealed that at first, only TEPC and Rizhao Port incorporated dredging costs in the submitted bids. Therefore, CPHGC vide clarifications dated January 16, 2018, requested China Harbour Engineering and Qingdao Old Captain to provide the optional price of dredging works for five years.
- 4.10. According to CPHGC, the dredging requirement was also laid down by the EPC Contractor in its hydraulic and sediment numerical model study report which was also reviewed by the Independent Engineer; Royal HaskoningDHV. According to this report, dredging shall be required twice within a period of 5 years. Once at the end of 2nd and 4th years each.
- 4.11. Therefore, based on the above, CPHGC has decided to include the cost of dredging in the final price. After addition of dredging cost, the final prices of each bidders is as follows:

Head	Rizhao Port	CHEC	TEPC	Qingdao Old Captain
Total Fixed Cost	5,955,000	6,350,518	9,309,159	13,937,829
Total Variable Cost	3,800,000	428,138	4,456,808	4,102,325
Total without taxes	39,664,600	16,778,656	13,765,966	18,040,154
Taxes	7,951,000	4,194,664	3,691,213	2,525,622
Total Cost (5 years)	47,615,600	20,973,320	17,457,179	20,565,776
Dredging Price	1,005,588	3,750,000	13,396,036	3,600,000
Grand Total	48,711,888	24,723,320	30,853,216	24,165,776
USD Fixed + USD Variable/ Ton Per year (After taxes)	\$ 8.83 Mn.+ \$ 0.23/ Ton	\$ 4.83 Mn. + \$ 0.03/ Ton	\$ 5.04 Mn. + \$ 0.28/ Ton	\$ 3.89 Mn. + \$ 0.23/ Ton

- 4.12. For the purpose of evaluation of the priced bids, CPHGC provided an average price of USD 4.16 million + USD 0.19/ Ton or USD 24,600,000 for 5 years in the RFP, which was the benchmark approved by the Authority in the decision dated July 28, 2017. The priced bids were scored as per follows:

Average Price - 50% = 10
Average Price - 40% = 9



Average Price	- 30%	= 8
Average Price	- 20%	= 7
Average Price	- 10%	= 6
Average Price		= 5
Average Price	+ 10%	= 4
Average Price	+ 20%	= 3
Average Price	+ 30%	= 2
Average Price	+ 40%	= 1
Average Price	+ 50%	= 0.5

4.13. Based on the above criteria, the following scores were awarded to the priced bids:

Priced Commercial Evaluation

Description	Bidders Name			
	Rizhao Port	CHEC	TEPC	Qingdao Old Captain
Allocated Score (1-10)	0.5	4	3	6
Total Score (allocated score*10)	5	40	30	60

4.14. Based on the overall evaluation criteria of Technical, Unpriced and Priced commercial bids of 45%, 20% and 35%, respectively, the following results were compiled by CPHGC:

Description	Weighted Average (%)	Rizhao Port		CHEC		TEPC		Qingdao Old Captain	
		Allocated Score (1-100)	Weighted Avg. Score	Allocated Score (1-100)	Weighted Avg. Score	Allocated Score (1-100)	Weighted Avg. Score	Allocated Score (1-100)	Weighted Avg. Score
Technical Score	45%	89.96	40.482	79.54	35.793	87.92	39.564	79.60	35.82
Unpriced Commercial Score	20%	93.60	18.72	91.7	18.34	87.60	17.52	92.60	18.52
Price Score	35%	5.00	1.75	40.00	14.00	30.00	10.50	60.00	21.00
Cumulative Score	100%		60.952		68.133		67.584		75.34
RANK		4th		2nd		3rd		1st	

5. O&M CONTRACT NEGOTIATION & EXECUTION.

5.1. According to CPHGC, after evaluation stage, negotiations were carried out with the 1st ranked bidders with consortium of Qingdao Old Captain & Jiaozuo Creation Heavy Industry and CPHGC for O&M Contract. According to CPHGC, the variable O&M Fee was brought down from USD 0.23/Ton to USD 0.19/Ton after negotiations. However, within fixed cost, CPHGC, during negotiations phase increased the duration of stay for the production manager and 3 HSE monitors from 6 month to 12 months. As a result, the fixed cost increased by USD 60,465 for each year, resulting in total increase of USD 302,325.

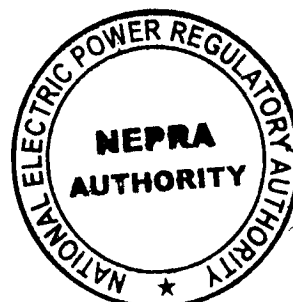


- 5.2. Based on the above negotiations, the the parties signed a Memorandum on March 30, 2018 along with initialed draft O&M Contract for a term of 5-years with a total after-tax contract price of US\$ 24,165,777. The before tax contract price is US\$ 20,966,984 which includes fixed cost of US\$ 17,166,984 and variable O&M of US\$ 3,800,000. The fixed cost portion also includes before tax dredging cost of US\$ 2,926,829.
- 5.3. Besides the O&M Contract, CPHGC has also requested an amount of US\$ 2,550,378.76 (before tax) on account of CPHGC Admin/ Management cost. Accordingly, the requested total after-tax cost is US\$ 26,926,814 for a period of 5 years, details of which is as under:

Description	Contract Price US\$ million	CPHGC Request US\$ million
Fixed Cost + Dredging Cost	17,166,984	17,166,984
CPHGC Admin/ Mgt. Cost	-	2,550,379
Variable Cost	3,800,000	3,800,000
5-year total without tax	20,966,984	23,517,363
Taxes	3,198,793	3,409,451
5-year total with taxes	24,165,777	26,926,814

6. SCOPE OF WORK OF O&M CONTRACT

- 6.1. According to schedule 1 of the O&M Contract, the scope of work covers the Jetty, trestle and its ancillary facilities, including but not be limited to the following facilities, equipment and related systems:
- Jetty building structure, unloading berth, causeway and its ancillary facilities, breakwater and its ancillary facilities, trestle and its ancillary facilities, navigation aid, public building, bridge type grabbing ship-unloader, coal conveyor equipment from the Jetty to Transfer Tower and etc.
 - Jetty transformer, diesel generator, water supply and drainage system, firefighting system, fire alarming system, lighting system, communication system, control system, metering system, oil spillage emergency treatment system, sewage treatment system, utility room and office, lifeboat, etc.
- 6.2. According to the initialed O&M Contract, during the mobilization period, the O&M operator shall:
- carry out the operations preparation and training during the Mobilization Period
 - responsible for the fault detecting of the equipment installed at Site and prepare the punch list to the Owner;
 - Assist the Owner in reviewing the commissioning plan and participate in the commissioning;
 - Participate in the equipment acceptance.





6.3. According to the definitions provided in the draft O&M Contract, the Guaranteed Performance Level is defined to be the average unloading rate of no less than 1,500 MT per hour per berth for each WWD SSHINC per barge from the time the relevant barge is safely berthed.

- i) The O&M Contract further defines WWD (Weather Working Day) as each day or part of the day where weather and sea conditions are within the Weather Operating Margin wherein the Max HS is 1.5 meters and max wind speed is 25 knots.
- ii) The O&M Contract also defines SSHINC as seven days a week, including Saturdays, Sundays and public holidays in Pakistan.

7. NO OBJECTION CERTIFICATE

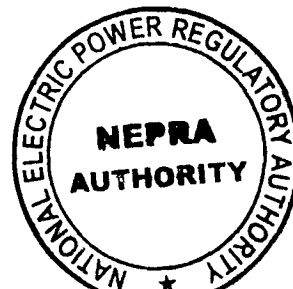
7.1. CPHGC also obtained a NOC from the PPIB/GoP in relation to the appointment of the O&M Contractor. Government of Pakistan (GOP)/ Private Power Infrastructure Board (PPIB) vide letter dated May 23, 2018, granted No Objection to CPHGC pursuant to Section 6.2(d) of the Implementation Agreement dated January 25, 2017 (IA) in relation to appointment of Qingdao Old Captain Shipping CPHGC Limited & Jiaozuo Creation Heavy Industry CPHGC Limited both incorporated in China as the O&M Contractor for the coal unloading jetty with the condition that no objection shall not:

- i. Increase or affect GoP obligations or liabilities under the IA and the PPA dated January 25, 2017;
- ii. Relieve CPHGC of its obligations under the IA or PPA;
- iii. Waive or vary any requirements under the applicable Laws of Pakistan including tax laws; and
- iv. Be constructed as an approval of the O&M Contract/ Agreement

8. BREAKUP OF COSTS

8.1. The breakup of the requested cost is as follows:

No.	Items	Year 1	Year 2	Year 3	Year 4	Year 5	Total
A	Fixed Cost:	3,009,221	2,767,436	2,767,436	2,767,436	2,928,626	14,240,155
1	Mobilization & Demobilization	344,535	102,750	102,750	102,750	263,940	916,725
2	Maintenance Fee:	1,443,013	1,443,013	1,443,013	1,443,013	1,443,013	7,215,065
2.1	Major Overhaul Fee	320,879	320,879	320,879	320,879	320,879	1,604,395
2.2	Minor Overhaul Fee	204,622	204,622	204,622	204,622	204,622	1,023,110
2.3	Routine Maintenance Fee	917,512	917,512	917,512	917,512	917,512	4,587,560
3	Tool, Consumable and Material Costs:	599,390	599,390	599,390	599,390	599,390	2,996,950
3.1	Tools	86,890	86,890	86,890	86,890	86,890	434,450
3.2	Consumables	-	-	-	-	-	-
3.3	Material	512,500	512,500	512,500	512,500	512,500	2,562,500
4	Spare Part Cost	152,933	152,933	152,933	152,933	152,933	764,665
5	Training Fee	85,350	85,350	85,350	85,350	85,350	426,750



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6	Others Fee	384,000	384,000	384,000	384,000	384,000	1,920,000
B	Variable Cost (Operation Fee)	760,000	760,000	760,000	760,000	760,000	3,800,000
C	Dredging Cost (excluding taxes)	506,576	611,629	611,629	611,629	585,366	2,926,829
D	Taxes	644,203	634,516	634,516	634,516	651,042	3,198,793
1	Tax on Fixed Cost	421,291	387,441	387,441	387,441	410,008	1,993,622
2	Tax on Variable Cost	106,400	106,400	106,400	106,400	106,400	532,000
3	Tax on Dredging	116,512	140,675	140,675	140,675	134,634	673,171
E	Total O&M Contract Cost	4,920,000	4,773,581	4,773,581	4,773,581	4,925,034	24,165,777
F	CPHGC Admin/ Mgmt cost	510,076	510,076	510,076	510,076	510,076	2,550,379
G	Tax on CPHGC Adm/ Mgmt cost	42,132	42,132	42,132	42,132	42,132	210,658
H	Requested Jetty O&M Cost	5,472,207	5,325,788	5,325,788	5,325,788	5,477,241	26,926,814

9. BREAKUP AND JUSTIFICATION OF REQUESTED COSTS

Mobilization & Demobilization Cost

- 9.1. CPHGC requested USD 0.92 million on account of mobilization and demobilization cost for a period of 5 years. According to CPHGC, this cost covers the yearly travelling and visa fees for the operator personnel especially the non-Pakistani manpower. According to CPHGC, Labor Protection Equipment and Living allowance are also part of this cost. Staff salaries for 10 non-Pakistani workers and 25 Pakistani workers for 3 months during first year and 2 months during fifth year also included in this cost. According to CPHGC, the Operator will assist the Owner in reviewing the commissioning plan and participate in the commissioning, shall be responsible for the fault detecting of the equipment installed at site and prepare the punch list to the Owner and shall carry out the operations preparation and training during the Mobilization Period.

Maintenance Fee

- 9.2. CPHGC requested USD 7.22 million on account of Maintenance Fee, which shall cover major overhaul of USD 1.6 million, minor overhaul of USD 1.0 million and routine maintenance costs USD 4.6 million. According to CPHGC, the O&M Operator will mainly be responsible for the maintenance, repair and the test of the equipment and systems, daily maintenance, regular adjustment and inspection of the equipment and facilities, fault clearance and emergency maintenance of equipment, complete the daily inspection work and improve the standard, record and work plan, carry out the rectification as per the standards developed by the owner and the civil engineering related to maintenance and fault clearance of the interior of building (including anti-corrosion of stair railing and maintenance of the water pipes, steel structure, windows and ground).
- 9.3. According to the breakup provided by the CPHGC within the initialed price sheet of the contract, Major Overhaul Fee of USD 1.6 million pertains to the main spares of Ship Unloader and Belt Conveyor. An amount of USD 320,879 has been requested on an annual basis for 5 years. In support, CPHGC submitted the contract price sheet which provides

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the details of the same. Item numbers 89 to 95 fall under this head. Similarly, USD 1.0 million (USD 20,4622 per annum) requested on account of Minor Overhaul Fee and item numbers Minor Overhaul pertain to the same in the Contract Price Sheet.

- 9.4. CPHGC also requested USD 4.6 million on account of Routine Maintenance Fee, which primarily pertains to personnel cost that is required to be hired for the smooth operations of the Jetty. As per the price list provided by CPHGC, the total number of personnel cost of 86 persons has been requested which is spread into fixed and variable costs. Within the Routine Maintenance Fee (which is part of fixed cost) includes the cost of 24 Chinese and 5 Pakistani workers. The total annual cost of Chinese personnel is USD 884,640 and for Pakistani personnel is USD 32,872.

Tool, Consumable and Material Costs

- 9.5. CPHGC requested USD 2.99 million on account of tool, consumable and material costs for 5 years. According to CPHGC, this includes cost for necessary labor protection appliances, necessary tools, equipment and materials for housekeeping, all the common O&M tools and instruments required to perform the O&M Services, qualified transport for the residual coal delivery and all tools, materials and consumables as listed out in the price sheet. Material cost includes electricity and water and accounts for US\$ 2.5 million. The remaining cost pertains to tools, a detail list of which is provided in the price list.

Spare Parts Cost

- 9.6. CPHGC requested USD 0.76 million on account of spare parts cost for a period of 5 years. In support, CPHGC submitted the contract price sheet which provides the details of the same. According to this, item number 1 – 71 pertains under this head which amount to annual cost of USD 152,933 per annum. According to CPHGC, the O&M operator shall be responsible to provide spares. The consumption of the spares shall be according to the inventory time order and the timely supplementation shall also be ensured. According to CPHGC, the materials or spares that in urgent need or required long delivery period shall be given priority to be procured. Spares broadly include main spares for Ship Unloaders, main spares for Belt Conveyor and routine maintenance spares.

Training Fee

- 9.7. CPHGC requested USD 0.43 million on account of training fee for a period of 5 years. According to CPHGC, this includes training fee for operation & maintenance personnel on site before and after the commissioning of Jetty. According to CPHGC, for Operation personnel it shall not be less than 3 months, and the key maintenance personnel having experience on similar equipment shall receive at least 2 months onsite training. According to CPHGC, this also includes the safety training for both Pakistani and Non-Pakistani personnel and that Operator's O&M personnel shall be examined before performing the

services, and the Owner shall be entitled to supervise the examination and have the examination results recorded.

Other Fees

- 9.8. The Petitioner also requested USD 1.92 million on account of other fees which pertain to accommodation, office space, air conditioning and other office related supplies. A breakup of the same, as provided by CPHGC, is reproduced hereunder:

Item	Quantity	Cost (USD)	Total
Accommodation	30	9,000	270,000
Office	6	6,000	36,000
Air Conditioning	36	500	18,000
Office related supplies cost	12	5,000	60,000
Total			384,000

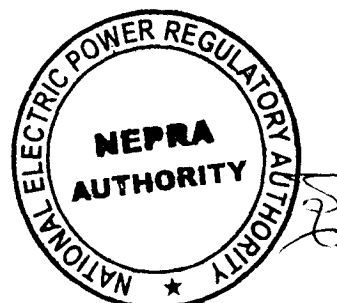
Dredging cost

- 9.9. The Petitioner requested USD 2.93 million on account of dredging for a period of 5 years. It was noticed that out of 4 bidders, TEPC and Rizhao Port incorporated dredging costs in the submitted bids. CPHGC vide clarifications dated January 16, 2018, requested China Harbour Engineering and Qingdao Old Captain to provide the optional price of dredging works for five years. Accordingly, the dredging cost incorporated by CPHGC in the fixed portion of the Jetty O&M cost. According to CPHGC, dredging cost shall include cost for ship rental costs (dredger, barges, tugs and measuring ships), ship fuel cos, ship mobilization, manpower fee, (including ship crew and administration staff).

Variable Operation Fee

- 9.10. CPHGC requested variable O&M fee of USD 3.8 million calculated @ USD 0.19/ton on the basis of 4 million tons per annum of coal. According to CPHGC, this cost shall include fee for periodical operation adjustment and inspection of the equipment and facilities within the scope of work, the operation, daily maintenance, regular adjustment and inspection of the equipment and facilities, timely clean and transfer the spillage coal and the residual coal to the coal yard, responsible for the cabin clearance (including the craning of the clearance equipment). According to the Petitioner, pictures shall be taken for records after the clearance of each cabin, Start-up and shut-down of the coal unloading equipment and coal conveyor equipment; electrical operation and inspection in the substation and complete the measuring and mapping of components and parts within the scope of work.
- 9.11. According to CPHGC, the variable O&M fee includes cost of 57 personnel, as per the following details:

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Year	Pakistani		Non-Pakistani		Total	
	Number	Cost (USD)	Number	Cost (USD)	Number	Cost (USD)
1	38	332,200	19	649,000	57	981,200
2	47	463,430	10	365,420	57	828,850
3	53	570,999	4	162,382	57	733,381
4	57	598,817	0	0	57	598,817
5	57	658,699	0	0	57	658,699

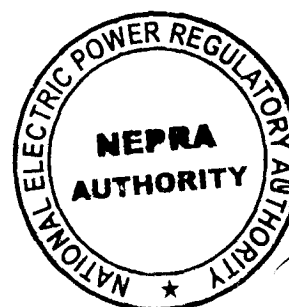
CPHGC Admin/ Management Cost

- 9.12. CPHGC requested USD 2.76 million including taxes for a period of 5 years (annual USD 552,207) on account of land and marine security, fuel, water and management cost including staff salaries of CPHGC and travelling cost over and above the jetty O&M contract price. The breakup of the same, as provided by CPHGC, is as follows:

Description	USD
Fuel	13,908
Water	6,909
Management Cost:	
Salaries	274,909
Travelling	30,000
Visa	2000
Security	
Site Security	110,113
Maritime Security	114,368
Total	552,207

Taxes

- 9.13. The Jetty O&M contract price also includes USD 3,198,793 on account of withholding and sales tax on fixed cost including dredging and variable cost as the bidder was made responsible for all taxes and dues and other charges. In addition to that, CPHGC also requested USD 210,658 on account of tax on CPHGC Admin/ Management cost. According to the Section 1.47 of the RFP, the contract price shall be inclusive of all tax, fee and insurance cost incurred in Pakistan or outside Pakistan. Accordingly, as per Section 26.1(a) of the draft O&M Contract, the Operator shall be responsible for the payment of, and the fees shall be deemed to include, all taxes and all other fees, dues, levies, customs duties and charges which are or may be imposed by any Governmental Authority as of the Agreement Date upon or in relation to any aspect of the Services.
- 9.14. CPHGC vide emails dated September 10, 2018 and August 2, 2018, provided the detail of taxes and according to which the Contractor has assumed 14% Sales Tax on fixed, variable jetty O&M costs and CPHGC's Admin/Mgmt cost. Further, the O&M Contractor has



applied Balochistan Sales Tax at the rate of 15% and withholding tax at the rate of 8% on the requested dredging cost.

- 9.15. CPHGC vide letter dated March 20, 2019, requested the Authority to consider the Jetty O&M tariff without tax implication as all taxes will be borne by the Jetty O&M Contractor.

10. DECISIONS OF THE AUTHORITY

- 10.1. Pursuant to the para 49 of decision of the Authority dated June 26, 2014, and in pursuance of para 106 of the decision on the Review Motion dated November 21, 2014, any coal power project opting to build a dedicated jetty was required to ensure transparency and competitiveness of its O&M bidding process. Further in the case of CPHGC, while approving the Jetty CAPEX and CTS cost vide decision dated July 28, 2017, the Authority directed to carry out a transparent and competitive bidding process for the finalizing the O&M cost for approval of the Authority with a maximum cap of USD 4.16 million per annum and USD 0.19/Ton for fixed and variable O&M, respectively. Based on the above, CPHGC submitted its application for approval of Jetty O&M tariff.
- 10.2. In this regard, the Authority noted that the Invitation for Bids was published in a widely circulated Pakistani daily DAWN and Dubai based daily Khaleej Times. The Authority also considered that the requested O&M cost is within the maximum limit approved by the Authority in its earlier decision dated July 28, 2017.
- 10.3. Further, the Authority considered that as per the requirements of the Implementation Agreement (IA), CPHGC has fulfilled the requirement of obtaining a NOC from the GOP/ PPIB for the appointment of the coal unloading jetty O&M Contractor.
- 10.4. Regarding Mobilization, Demobilization Fee and Training Fee, the Authority considers that this cost item is part of Non-EPC cost and sufficient amount has been provided under the CAPEX cost in the upfront tariff to cater for such type of costs. It would be pertinent to mention that Mobilization fee requested by a similar project for O&M of jetty was disallowed by the Authority. Accordingly, the Authority has decided not to consider mobilization fee while approving the O&M cost in the instant case.
- 10.5. Regarding the requested cost of USD 426,750 on account of Training Fee, the Authority noted that it also typically forms part of mobilization and de-mobilization and as per the description or scope provided by CPHGC, it is evident that part of the training is intended to be imparted to personnel before commissioning of the Jetty. In the opinion of the Authority, the upfront tariff sufficiently covers these costs, therefore, the same has not been considered.
- 10.6. Regarding the requested Other Fees of USD 1.92 million, it has been noted from the breakup provided by CPHGC that Other Fees are not actually any fees but costs that should have been part of the maintenance fee for which the Authority has approved sufficient amount above. The Petitioner did not provide any supporting documents to



- justify the requested cost. Therefore, the Authority has not considered the requested amount under this head.
- 10.7. Regarding CPHGC Admin/ Management Cost of USD 2.76 million, the Authority is of the opinion that the requested cost pertains to costs associated with CPHGC's staff which do not form part of the Jetty O&M contract, therefore, the same has not been considered.
- 10.8. As submitted by CPHGC vide its letter dated March 20, 2019, the impact of tax has not been considered in the approved tariff.
- 10.9. The Petitioner requested indexation of 100% variation in Rs./ US\$ for both fixed and variable cost components of the Jetty O&M. In a similar case, the Authority allowed exchange rate indexation of 50% and 60% for fixed and variable O&M components, respectively, in line with the exchange rate indexation approved in the upfront tariff. Accordingly, the Authority has decided to approve 50% variation in Rs./ US\$ for fixed O&M and 60% variation in Rs./ US\$ for variable O&M in the instant case.
- 10.10. On the basis of the above decisions, the Authority has decided to approve total Jetty O&M Cost of 17,703,509 (without taxes), comprising of USD 13,903,509 and USD 3,800,000 on account of fixed and variable O&M costs, respectively. This translates in fixed cost of USD 2.78 million per annum and variable cost of USD 0.19/ton. Accordingly, the tariff components for Jetty O&M shall be as under

Component	Tariff	Indexation
Fixed O&M Fee Jetty (Rs./kW/h)	0.0254	50% variation in Rs./ US\$
Variable O&M Fee Jetty (Rs./kWh)	0.0074	60% variation in Rs./ US\$

*for calculation of Variable O&M, upper limit of design coal LHV 5,500 kCal/kg has been used.

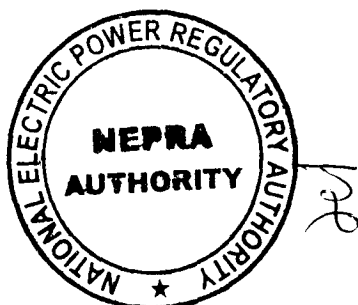
**Reference exchange rate is Rs. 97.1/USD

11. ORDER

- 11.1. The Authority hereby approves the following tariff for operation & maintenance of coal unloading jetty for China Power Hub Generation Company Private Limited (CPHGC) along-with the below mentioned terms and conditions. This Order of the Authority may be read with the decision of the Authority in the matter of approval of upfront tariff to CPHGC dated February 12, 2015, and decision of the Authority dated July 28, 2017, in the matter of Application by China Power Hub Generation Company (Private) Limited for Approval of Cost of Dedicated Jetty along with Coal Transshipment Services.

Component	Tariff	Indexation
Fixed O&M Fee Jetty (Rs./kW/h)	0.0254	50% variation in Rs./ US\$
Variable O&M Fee Jetty (Rs./kWh)	0.0074	60% variation in Rs./ US\$

*for calculation of Variable O&M, upper limit of design coal LHV 5,500 kCal/kg has been used.





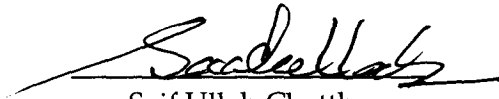
12. TERMS AND CONDITIONS

- i In-line with the O&M indexation allowed for the power plant, 60% of the variable O&M and 50% of fixed O&M shall be considered foreign.
- ii Foreign component shall be adjusted on account of variation in PKR/ USD exchange rate quarterly on the basis of reference exchange rate of PKR 97.1/USD.
- iii The contract shall be applicable for five years. For further extension of the contract, the Authority's approval shall be mandatory.
- iv As submitted by CPHGC, all taxes shall be borne by the Jetty O&M Contractor.

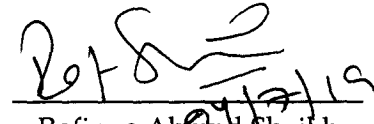
13. NOTIFICATION


- 13.1. The above Order of the Authority shall be notified in the official Gazette in accordance with Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

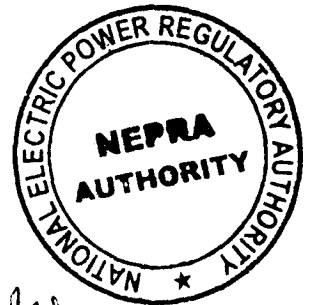
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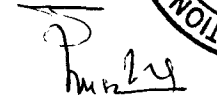

Saif Ullah Chattha
(Member)

24.6.2019


Rafique Ahmed Shaikh
(Member)


Rehmatullah Baloch
(Vice Chairman)




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