



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/R/ADG(Trf)/TRF-369/LEPCL-2015/1862-1864
February 7, 2022

Subject: Decision of the Authority in the matter of Procurement of Imported Coal using ICI-5 Index for Lucky Electric Power Company Ltd. [Case No. NEPRA/TRF-369/LEPCL-2015]


Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (02 pages) in Case No. NEPRA/TRF-369/LEPCL-2015.

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 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision or refer the matter to the Authority for reconsideration, within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

3. The Order of the Authority Decision is to be notified in the official Gazette.

Enclosure: As above

 7/2/22
(Iftikhar Ali Khan)

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 PROCUREMENT OF IMPORTED COAL USING ICI-5 INDEX FOR LUCKY ELECTRIC POWER COMPANY LIMITED

INTRODUCTION

1. Lucky Electric Power Company Limited (hereinafter refer as "LEPCL") has established 660 MW coal fired power plant at Port Qasim Karachi. LEPCL was granted Generation License No. IGSPL/66/2016 on March 3, 2016. LEPCL was granted upfront coal tariff vide decision dated April 6, 2015 for 660 MW imported coal on foreign financing.
2. LEPCL, in supersession of the earlier approved tariff submitted an application vide letter dated September 29, 2016 under Upfront Tariff Regulations for unconditional acceptance of upfront local coal tariff on local financing determined by the Authority vide Upfront Tariff Determination for its proposed coal power plant on Thar coal as non-mine mouth power plant. The Authority acceded the request of LEPCL and granted upfront local coal tariff vide its decision dated October 20, 2016.

REQUEST OF LEPCL FOR USING ICI-5 INDEX

3. LEPCL vide its letter No. LEP/PD/876 dated November 18, 2021 submitted that its power plant is designed on Lignite Coal and will be using the indigenous coal from Phase III of Thar Block II which is expected to be completed in 2nd Quarter of 2023. However, as per Clause 5.14(a) of the PPA, LEPCL can use imported coal till the completion of Phase III of Thar Block-II being operated by the Sindh Engro Coal Mining Company Limited (SECMC).
4. Accordingly to LEPCL, based on the plant's specification, company has approached a list of reputable coal suppliers for the coal supply arrangement for the intervening period i.e. from Plant Commercial Operation to the completion of Phase III of Block II and it has been established that required imported coal with specifications similar to Thar coal, shall be sourced from Indonesia. LEPCL executed the agreements with two suppliers of international repute i.e. Messrs. Avro International DMCC and Yongtai Energy PTE. According to LEPCL, as per the provisions of the Power Purchase Agreement (PPA), CPPAG has communicated its 'No Objection' on the Company's submitted draft CSA.
5. LEPCL further submitted that international buyer of low CV [GAR 3400/ NAR 3000 and below] coal across the Asian countries use ICI 5 which is the nearest and proximity of all other available indices. Low CV are traded taking ICI 5 as the anchor index. All other indices (i.e. ICI 1, ICI 2, ICI 3, ICI 4, and HBA-based formula) result in much higher prices if prorated to equivalent CV coal. Due to these reasons, it was assessed, that ICI 5 is the most reflective index for the determination of the price of low CV coal and it results in the most economical price if compared with other available indices. LEPCL provided following comparison with other indices:

Average of Oct 2021			Prorates to NAR 3000
ICI 1	\$ 206.42	NAR 6200	\$ 99.88
ICI 2	\$ 195.14	NAR 5500	\$ 106.44
Mac NAR 4700	\$ 177.92	NAR 4700	\$ 113.57
ICI 3	\$ 180.84	NAR 4600	\$ 117.94
ICI 4	\$ 132.40	NAR 3800	\$ 104.53
ICI 5	\$ 68.37	NAR 3000	\$ 68.37
HBA	\$ 161.63	NAR 3000	\$ 82.38

6. According to LEPCL, based on that rationale, it has agreed with the Coal Supplier for coal price based on monthly average ICI 5 index price prior to the month of bill of lading (BL). LEPCL also submitted that company will also be using the local coal from SECMC to the extent of its availability.



DECISION

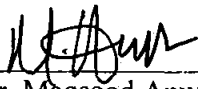
7. The submissions of LEPCL have been examined. Under clause 5.14 of the PPA, LEPCL can procure imported coal in case of non-availability of Thar coal. As informed by LEPCL, Thar coal will be available after commissioning of Phase III of Block II which is expected in the second quarter of 2023. LEPCL has submitted that it will be using the local coal from SECMC to the extent of its availability. The term of the coal supply agreement with Yongtai Energy PTE Limited is 1 year extendable for a further period of 12 months. Similar agreement has also been executed with M/s Avro International DMCC.
8. For Indonesian coal, the Authority specified ICI3 5000GAR/4600NAR index price in its coal pricing mechanism which is relatively of higher CV as compared to ICI5 3400GAR/3000 NAR. As provided in the above table, the linear adjustment of ICI3 to 3000NAR is equivalent to \$ 117.94/ton while the same coal can be procured at \$ 68.37/ton at ICI5 which is in the interest of the consumers. Accordingly, the Authority has decided to adopt the same.
9. The request of the LEPCL for average index price prior to the bill of lading month is not in line with the decisions of the Authority in case of other coal fired power plants. Accordingly, the Authority has decided that the applicable average index price shall be of the bill of lading month.

ORDER

10. Lucky Electric Power Company Limited is hereby allowed to use average ICI 5 price of bill of lading month for lignite coal imported from Indonesia. In case of procurement on discount from ICI 5 index price, the same shall be passed on to the consumers
11. The above order is to be notified in the official gazette in accordance with the provision of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

AUTHORITY

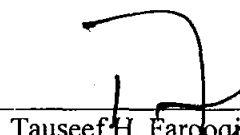
Rehmatullah Baloch
Member



Engr. Maqsood Anwar Khan
Member



Engr. Rafique Ahmed Shaikh
Member 6/10/22



Tauseef H. Farooqi
Chairman

