



**National Electric Power Regulatory Authority**  
Islamic Republic of Pakistan

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Registrar

No.NEPRA/TRF-214/OEPL-2012/10929-10931  
December 14, 2012

Subject: **Determination of the Authority in the Matter of Tariff Petition filed by Olympus Energy (Pvt.) Ltd. for Determination of Feasibility Stage Reference Tariff in respect of 20 MW Hydropower Project at Marala Barrage, Gujrat, Punjab [Case # NEPRA/TRF-214/OEPL-2012]**

Dear Sir,

Enclosed please find the Determination of the Authority (04 pages) in the matter of Tariff Petition filed by Olympus Energy (Pvt.) Ltd. for determination of feasibility stage reference tariff in respect of 20 MW Hydropower Project to be set up at Marala Barrage, Gujrat, Punjab, for information please.

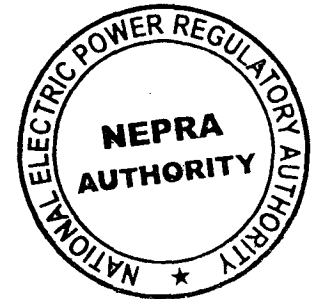
Encl: As above

( Syed Safer Hussain )

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

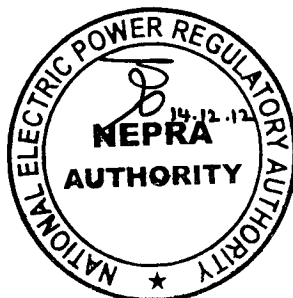
CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.



**DETERMINATION OF THE AUTHORITY IN THE MATTER OF TARIFF PETITION**  
**FILED BY OLYMPUS ENERGY (PRIVATE) LIMITED**

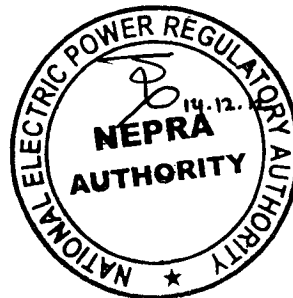
1. Olympus Energy (Pvt.) Ltd. (hereinafter referred to as the “petitioner”) filed a tariff petition (hereinafter referred to as the “petition”) under rule 3 of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998 (hereinafter referred to as the “the Tariff Rules”) on July 05, 2012 for determination of feasibility stage reference tariff in respect of 20 MW hydropower project envisaged to be set up at Marala Barrage, Gujrat, Punjab. The petitioner had earlier filed a tariff petition for the same project in 2010, which was dismissed by The National Electric Power Regulatory Authority (hereinafter referred to as “the Authority”) vide its determination dated January 03, 2011 for lack of reliable information.
2. In accordance with sub-rule 3 of rule 4 of the Tariff Rules, the petition was admitted for hearing by the Authority on July 24, 2012. Consequent to the admission, notice of admission/public hearing was published in the national newspapers on August 01, 2012 inviting thereby all the stakeholders, interested/affected persons or parties to participate in the tariff setting process through filing of comments / intervention requests. Further, in accordance with sub-rule 5 of rule 4 of the Tariff Rules, the Authority also gave directions for service of notices to the respondents and other parties which in the opinion of the Authority were likely to be affected or interested or may be of assistance to the Authority in arriving at a just and informed determination, for filing comments, replies or communications in opposition or in support of the petition. In accordance with section 7 (5) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 the Authority also sought recommendations of the Government of Punjab on this petition. In response to the aforesaid notices, no intervention request was filed. However, comments were received from the National Transmission and Despatch Company regarding return on equity, owner’s engineer cost and interest rate which have been considered by the Authority. Public hearing in this regard was held on September 05, 2012 at Islamabad, which was attended by the petitioner, SHYDO, Ministry of Water & Power, Punjab Power Development Board (hereinafter referred to as “PPDB”) and various other stakeholders.
3. The petitioner’s hydropower project was issued Letter of Interest by the PPDB and its feasibility study was approved by the PPDB appointed panel of experts. Summary of the technical and financial information provided by the petitioner is as follows:



Capacity	20 MW
Average annual plant capacity factor	50%
Annual generation	85.85 GWh
Total project cost	US \$ 43.720 million
Debt equity ratio	80 : 20
Loan period	10 years
Mode of financing	50% local and 50% foreign
Interest rate on loan	Local financing : 6 months KIBOR + 3.50% Foreign financing : 6 months LIBOR + 4.75%
Return on equity	20% IRR based net of withholding tax
Construction period	36 months
Tariff control period	30 years
Levelized tariff	7.904 PKR/kWh (9.410 cents/kWh)

4. During processing of the tariff petition, it was observed by the Authority that the tariff petition had self contradictory statements/data. The petitioner on an inquiry rectified/clarified some of these issues vide letter no. LHP/2012/AJCL/NEPRA/02 dated: August 18, 2012.
5. During public hearing, the petitioner was asked justification for claiming higher project cost in the petition compared to project cost estimated in the feasibility study, reasons for non-inclusion of hydrological data after 2007 in the feasibility study, etc. The petitioner submitted that there have been some omissions in the feasibility study, however, PPDB did not agree with this submission of the petitioner. The Authority noted that the petitioner has doubted the credibility of the feasibility study in its tariff petition as well as during the public hearing. In the tariff petition the petitioner has stated that:

*"The Feasibility Report was showing an overstated EPC cost due to the fact that the costs for Land Acquisition & Resettlement and Environmental Costs were in EPC and consequently cost calculated based on percentage were also escalated. Moreover, the Feasibility Report did not cater for some admissible costs which occurred during the development process of the Project activity that includes O & M mobilization, owner's advisors costs, financial charges imposed by lenders for*



*financing and charges related to legal fee etc. and these costs have been allowed to the other hydropower projects which are under construction phase in private sector.”*

6. The Authority on perusal of the feasibility study found number of inconsistencies and errors in it. Some of the errors noted by the Authority are as follows:

Project cost

- As per Table 8 abstract of cost - Rs. 3,285.099 million plus cost of transmission line Rs. 164.935 million (total Rs. 3,450.034 million).
- As per summary of cost - Rs. 3,483.151 million.
- As per Table 11-4 abstract of cost - Rs. 3,195.688 million.

Interest during construction

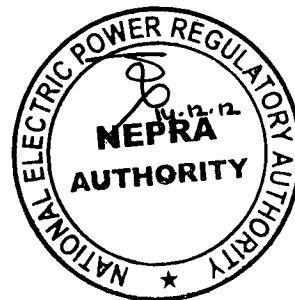
- As per Table 8 abstract of cost - Rs. 453.578 million.
- As per summary of cost - Rs. 474.709 million.
- As per Table 11-4 abstract of cost - Rs. 598.484 million.
- As per Table 11-7 annual phasing – US \$ 7.481 million i.e. Rs. 628.404 million.

Land requirement

- Paragraph 9.3 land requirement – “ ----- approximately 65 acres land will be required for the project -----”
- As per Table 8-1 land and compensation cost estimate - 56.71 acres and 21 acres (total 77.71 acres )

Further, the Authority also observed that hydrological data after 2007 has not been considered in the feasibility study, although the feasibility study has been updated in June 2011.

7. The Authority has observed that according to the “Mechanism For Determination Of Tariff For Hydropower Projects” it has been provided that only such feasibility studies will be accepted by the Authority which are complete and accurate. The Authority noted that the submitted feasibility study fails to meet this criterion. The Authority here by places on record its concerns regarding the role of PPDB and its panel of experts in the approval of feasibility study of the project.





8. The Authority has concluded that the feasibility study submitted by the petitioner was sub-standard and therefore cannot form the basis for a tariff determination. In view thereof the petition does not merit further consideration and is therefore dismissed for lack of reliable information. The petitioner may file a fresh tariff petition based on a complete and accurate feasibility study and complying with the requirements of law.

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AUTHORITY

*[Handwritten signature]*  
12/11/2012

(Khawaja Muhammad Naeem)

Member

*[Handwritten signature]*  
10/12/2012

(Habibullah Khilji)

Member

*[Handwritten signature]*  
13/12/12

(Shaukat Ali Kundi)

Member

(Retired)

(Ghiasuddin Ahmed)

Acting Chairman/ Member

