



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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21 - 5 - 2013

Mr. Niaz Ali Shaikh
Director / Project Manager
Power Development Cell, Energy Department
Government of Sindh
Barrack No. 8-A, Sindh Secretariat No.4-A
Court Road,
Karachi.

Subject: - **Decision of the Authority in the Matter of Government of Sindh Request with respect to Development of 2.5 - 3 MW Power Project – Existing Fall Regulator RD 15 at Rohri Canal**

Reference: Power Development Cell, Energy Department, Government of Sindh's letter dated 29.11.2013.

Enclosed please find herewith Decision of the Authority in the matter of Government of Sindh Request, made vide above referred letter, with respect to Development of 2.5 – 3 MW Power Project- Existing Fall Regulator RD 15 at Rohri Canal for information and further necessary action accordingly.

Encl: **As Above**

(Syed Safer Hussain)



**DECISION OF THE AUTHORITY IN THE MATTER OF GOVERNMENT OF SINDH REQUEST
WITH RESPECT TO DEVELOPMENT OF 2.5 – 3 MW POWER PROJECT – EXISTING FALL
REGULATOR RD 15 AT ROHRI CANAL**

Office of the Director Power Development Cell, Energy Department, Government of Sindh vide letter No. DIR / PDC / (SHPP)/ 2012/177 dated 29th December 2012 stated that given the context of an acute shortage of electricity in Pakistan in general and in the Province of Sindh in particular, and realizing the need for adequate power availability of economic development, the Energy Department, Government of Sindh (the "GoS") decided to explore the possibility of generating electricity by tapping the vast network of barrages and canal in Sindh. An advisory consortium comprising technical, legal and financial consultants – namely WS Atkins International, Techno Consult International, Norton Rose LLP, RIAALAW and Ernst & young Ford Rhodes Sidat Hyer (the "Consultants") had been engaged to undertake a study of the river flows in the province to identify sites with potential for development of run of the river hydroelectric power generation projects and to do technical / legal / commercial feasibility analysis of the most viable site that can immediately be developed. The consultants have identified RD 15 at Rhoiri Canal as the first site upon which it aims to develop a 2.5 MW – 3 MW run of the river hydroelectric power generation project (the "Project"). GOS stated that the project has been initiated under public private partnership wherein GOS equity share is 49% and GOS will also ensure the timely completion of the technical and feasibility studies. GOS further stated that the potential private sector developers have already been invited which are able to demonstrate (i) financial strength; and (ii) past power plant related experience, to invest, develop, operate and maintain the project pursuant to the policy for development of Renewable Energy for Power Generation 2006 and relevant NEPRA laws. GOS also stated that in due course the project SPV will be approaching NEPRA in relation to (i) the issuance of a generation license; and (ii) determination of tariff.

2. Subsequently, GOS vide letter No. dir/pdc/(SHPP)/2012, dated 29th November 2012, stated that the deadline for receipt of pre-qualification documents was 5th January 2013. The pre-qualification documents have been evaluated and the pre-qualified bidders will be notified accordingly. GoS further stated that it intends to invite the pre-qualified parties to submit their competitive proposals for the tariff for onward sale to SEPCO or a bulk power consumer. It is being contemplated that the tariff for such sale of electricity shall be determined through a competitive bidding process which would be structured along either of the following two options:-
 - i. Bidders may be required to submit their competitive proposals for the tariff; or
 - ii. A benchmark tariff may be offered up-front, and bidders invited to quote a discount thereon.
3. GOS stated that the consultants are in the process of preparing the bidding documents (including various formula, formats, etc.), along with the evaluation criteria so as to define a common standard for the comparison of quotations.

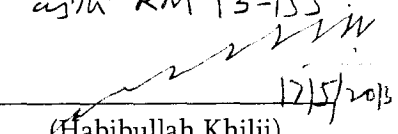


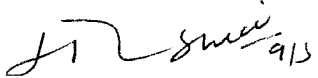


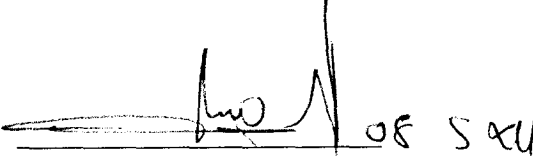
4. GOS stated that given the nature of the Project, the same will be facilitated entirely by the GoS and there shall be (a) no involvement of AEDB/PPIB or any other federal facilitator through any power policy; (b) no implementation agreement with the GOP; (C) no off-take arrangement with NTDC/CPPA; and (d) no requirement of a guarantee by the GOP for payment obligations of the off-take. Further, the GoS, understands that, once a tariff has been arrived at through competitive bidding based on either of the processes mentioned above, determination of the tariff by NEPRA is not required pursuant to NEPRA laws; and instead the lowest evaluated levelized tariff would be recommended by the Energy Department GoS / SEPCO to NEPRA for acceptance.

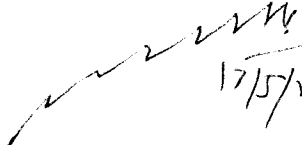
5. The Authority through carefully gone through the referred letter of GOS and is of the view that the terms of the innovations of NEPRA's Regulation of Generation, Transmission & Distribution of Electric Power Act 1997, NEPRA is empowered to determine tariff, rates, charges and other terms and conditions for supply of electric power services by the generation, transmission and distribution companies in Pakistan. The Authority considers that the electricity generated through the proposed Canal shall be connected to the national grid. The Authority further considers that the sale purchase of electricity would require generation license and approval / determination of tariff under NEPRA Act and Rules, therefore, the GOS's understanding in this regard is not based upon correct interpretation of NEPRA Act and is in conflict with the express provisions of NEPRA Act, 1997 and specifically Section 7 of the Act read with Rule 6 of the Generation Rules, 2000. The Authority considers that GoS, before undertaking any such bidding, have to submit feasibility study, technical and financial proposals and other benchmarks for consideration and review of the Authority. In addition to that GoS may submit the feasibility study and other relevant documentary and information of determination of feasibility stage tariff by NEPRA.

AUTHORITY

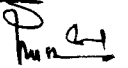
* My note attached with RM 13-155.

 17/5/2013
 (Habibullah Khilji)
 Member


 9/5
 (Maj. Rtd. Haroon Rashid)
 Member


 OF SQU
 (Khawaja Muhammad Naeem)
 Vice Chairman

* The ICB by provinces need to be recognized by NEPRA

 17/5/2013




 21.5.13

Additional note by Member (M&E)

I feel that the letter of Government of Sindh for setting up hydro plants should have been addressed in view of the competitive bidding regulation, by NEPRA which were notified to streamline the Policy Guidelines by the GoP for Determination of Tariff for Independent Power Producers (IPPs).

The Provincial Governments have been the stakeholders in all the GoP policies on alternative and renewable energy resources and it is surprising that the Authority members have not recognized Government of Sindh as a genuine agency for carrying out competitive bidding. I recommend that NEPRA should facilitate and participate in framing of Request for Proposal (RFP) and bidding modalities in the spirit of GOP policy document, or alternatively the Authority may announce an upfront/base tariff for the proposal by GoS. Any other procedure would result in delaying the whole process. —

28/3/2013

(Habibullah Khilji)
Member (M&E)