



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-222/SECL-2012/3567-3569
April 16, 2013

Subject: Decision of the Authority in the matter of Petition filed by Sapphire Electric Company Ltd. (SECL) for Revision / Modification of the Generation Tariff

Dear Sir,

Enclosed please find herewith the Decision of the Authority (06 pages) in the matter of petition filed by Sapphire Electric Company Ltd. for revision / modification of the generation tariff, for information.

Encl: As above

(Syed Safeer Hussain)

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(NEPRA)**

PETITION NO: NEPRA/TRF-222/SECL-2012

**DECISION OF THE AUTHORITY
IN THE MATTER OF PETITION FILED BY
SAPPHIRE ELECTRIC COMPANY LIMITED (SECL)
FOR
REVISION / MODIFICATION OF THE GENERATION TARIFF**

ISLAMABAD

April 16, 2013



**DECISION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY
SAPPHIRE ELECTRIC COMPANY LIMITED (SECL) FOR REVISION / MODIFICATION OF
GENERATION TARIFF**

CASE NO. NEPRA/TRF-222/SECL-2012

PETITIONER

Sapphire Electric Company Limited (SECL), 7-AK, Main Boulevard, Gulberg-II, Lahore

INTERVENER

Nil.

COMMENTATOR

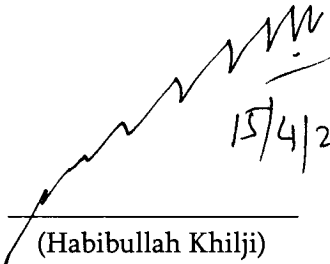
Nil.

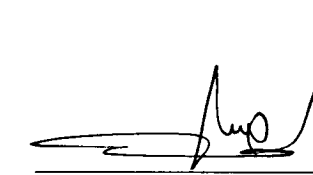
REPRESENTATION

1. Mr. Hanan Gulzar, CFO as Representative of the Petitioner
2. Mr. Javed Iqbal Consultant of Ministry of Water & Power
3. Mr. Tariq Mansoor, Representative of Central Power Purchasing Agency
4. Mr. Abdul Hayee, Representative of IESCO
5. Raja Usman from Samaa TV

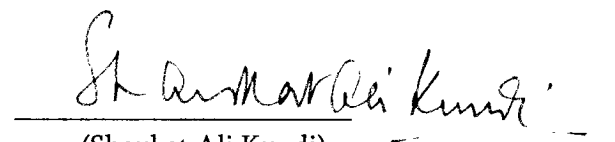


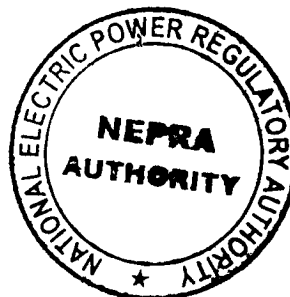
The Authority, in exercise of the powers conferred on it under Section 7(3) (a) read with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and Rule 16 of NEPRA Tariff Standards and Procedure Rules, 1998 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by the parties, issues raised, evidence/record produced during hearings, and all other relevant material, hereby issues this decision.



15/4/2013.
(Habibullah Khilji)
Member


04.04.13
(Khawaja Muhammad Naeem)
Member


(Major Rtd. Haroon Rashid)
Member


(Shaukat Ali Kundi)
Vice Chairman
16.04.13




16.4.13

Sapphire Electric Company Limited (SECL) hereinafter referred as "the Petitioner" vide letter dated 28-8-2012, submitted the subject tariff petition in pursuance of Section 31 of the NEPRA Act read with Rule 3 of NEPRA (Tariff Standards and Procedure) Rules, 1998, for revision/modification of the Generation Tariff determined on 15th June 2006 with respect to 235 MW (Gross ISO) Combined Cycle Power Plant located at Sheikhpura-Muridke Road, District Sheikhpura, Punjab.

- 1.1 The Petitioner stated that the Company's operations, its rights and obligations are governed by the Implementation Agreement (IA), Power Purchase Agreement (PPA), Gas Supply Agreement (GSA) and Fuel Supply Agreement (FSA). The Petitioner stated that the aforementioned documents are structured and were executed based upon the Guidelines of the Power Generation policy of the Government of Pakistan 2002. The Petitioner further submitted that the tariff determination for the Company is issued in the light of 2002 policy, NEPRA Act & Rules and such tariff determination also takes into account the provisions of the above core agreements. According to the Petitioner, under the 2002 Policy Guidelines and with special reference to Guidelines for Tariff Determination, Section 1.4 (a) states;

"Tariff should be determined allowing reasonable Internal Rate of Returns (IRR) on equity investment"

- 1.2 Section 1.13 continues to say;

"As fuel cost is a pass through, prices of different fuels e.g gas, oil, coal, etc., tend to distort the evaluation. Therefore, levelized tariff be evaluated on the basis of capacity purchase price, efficiency (taking into account fuel cost) and O&M costs."

- 1.3 Therefore, as Authority has already determined the IRR for the Company, any additional operations cost for the Company in current operation regime that is imposed by an external situation (relating to GOP) and is beyond Company's control and is not covered under the existing tariff determination for the Company is a pass through item and needs to be treated as such to ensure that Company's determined IRR is not diluted. According to the Petitioner, the revised tariff petition is submitted on the basis of Amended Operating Regime as authorized by the Economic Coordination Committee (ECC) of GoP which requires changes in tariff component of energy. The Petitioner has also enclosed a copy of PPIB letter no. 1(102)PPIB/11/PRJ dated July 15, 2011 which contained the aforementioned ECC Decision dated 30.06.2011 which is reproduced as under:

- "i. Firm gas allocation of 76 MMCFD to IPPs namely Saif, Sapphire, Orient and Halmore till 30th November 2011.
- ii. Cost differential on account of use of alternate fuel (HSD) by the four IPPs should be equally shared by the SNGPL and the Government; and





- iii. Modification of Tariff by NEPRA allowing operation of gas based IPPs on backup fuel (HSD) with full cost recovery for whatever period gas was not made available to them."

1.4 The Petitioner requested the Authority for the following:

- Adjustment on HSD O&M variable component to make it 2.11 times the cost of O&M Gas component as against existing cost factor of 1.443 times.
- HSD heat rate test after each major maintenance
- Specific gravity of HSD fuel may be adjusted to reflect the actual position
- Adjustment for item No. 1 and 3 may be made effective from 1st July 2011.

2. PROCEEDINGS

In terms of rule 4 of the Tariff Standards and Procedure Rules 1998 (hereinafter referred to as "Rules"), the Petition was considered by the Authority. In order to arrive at a just and informed decision, the Authority while admitting the petition on 13th September 2012 also decided to conduct a hearing into the matter on 16th October 2012. In terms of the provisions of rules 5 of the Rules, notice of admission and hearing along with the title and brief description of the petition was published on 4th October 2012 in the leading newspapers. Individual notices were also sent to the major stakeholders.

3. Filing of Objections/ Comments:

Comments/replies and filing of intervention petition was desired by any interested/affected person/parties within 7 days of the publication. In response thereof, no intervention request or comments were received.

4. Hearing

4.1 The Petitioner vide letter dated 8th October 2013 stated that their technical consultant is unable to attend the hearing due to visa problems. Further the Petitioner is also considering adding additional grounds to its subject petition, therefore the Petitioner requested that the petition may kindly be held in abeyance / put on hold, till further communication from our side.

4.2 The Authority considering the Petitioner's request decided to provide ample time to the Petitioner for substantiating its claim. However SECL did not file the information or revised petition till February 2013. As per Rule 16(2) of the Tariff Rules – 1998, the petition has to be decided in the stipulated time period and cannot be put on hold for indefinite period. Accordingly the Petitioner and other stakeholders were intimated with respect to the hearing scheduled on 21st March 2013 at NEPRA main office.





- 4.3 In response the Petitioner vide letter No. SECL/NEPRA/722 dated 8th March 2013 informed that they intend to withdraw the subject petition due to inability to add additional grounds. The Petitioner further stated that the Company reserves the right to file a fresh petition for tariff modification as and when additional grounds are available.
- 4.4 The Authority however did not accept the Petitioner's request and directed it to present its case personally or through representative in the intimated schedule hearing. Accordingly hearing was conducted on 21st March 2013 in NEPRA main office which was attended by the CFO of the Petitioner along with Technical Director, representative from Saif Power Limited and others.
5. Decision
- 5.1 The representative of the Petitioner during the hearing stated that it was in the process of obtaining all the relevant details and intended to file comprehensive petition by justifying their claim with documentary evidence. In view thereof the representative of the Petitioner requested the Authority to allow withdrawal of the instant petition.
- 5.2 Having considered the submission of the Petitioner, the Authority is of the view that filing incomplete petition is wastage of the Authority's precious time as well as of the stakeholders. The Authority therefore decided to issue warning to the Petitioner for filing incomplete information and documents. The Authority, however, considering the Petitioner's request has decided to dismiss the petition as withdrawn.

