Quaid-e-Azam Thermal Power (Pvt.) Ltd.

BEFORE
THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

MOTION FOR LEAVE FOR REVIEW

PURSUANT TO RULE 16(6) NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998
READ WITH THE PROVISIONS OF
THE REGULATION FOR GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT
(XL OF) 1997 & THE RULES AND REGULATIONS MADE THEREUNDER

ON BEHALF OF

QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

IN RELATION TO THE DETERMINATION OF NATIONAL ELECTRIC POWER REGULATORY AUTHORITY IN THE MATTER OF UPFRONT TARIFF FOR RLNG BASED POWER PLANTS DATED 03 APRIL 2015.

DATED: 10 APRIL 2015

QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED
ADDRESS : 3RD FLOOR, 83 A-E1,GULBERG III, MAIN BOULEVARD, LAHORE, PAKISTAN
PHONE # : +92 42 35790363-5
FAX # : + 92 42 35790366

Copy of Quaid-e-Azam Thermal Power (Private) Limited Board Resolution

QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

8th Floor, EFU House, 6-D, Main Gulberg, Jail Road, Lahore

EXTRACT OF THE MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED HELD AT 02:00 PM AT 8TH FLOOR, EFU HOUSE, 6D, MAIN GULBERG, JAIL ROAD, LAHORE ON APRIL 10, 2015

BOARD RESOLUTIONS:

The following resolutions were discussed in detail by the Board and approved unanimously:

"**RESOLVED THAT** Quaid-e-Azam Thermal Power (Private) Limited, a company incorporated under the laws of Pakistan with its registered office located at 8th Floor, EFU House, 6-D, Main Gulberg, Jail Road, Lahore (the "**Company**"), be and is hereby authorized, to file tariff petition, or to file review petition and ancillary applications for any announced upfront or determined tariff issued by National Electric Power Regulatory Authority (**NEPRA**) in respect of its around 1,000 to 1,500 MW Re-gasified Liquefied Natural Gas (RLNG) based Combined Cycle Power Plant to be located at Bhikki, Punjab (the "**Project**"), and in relation thereto enter into and execute all required documents, make all filings and pay all applicable fees, in each case, of any nature whatsoever as required."

"**FURTHER RESOLVED THAT** Mr. Najam Ahmad Shah, Chief Executive Officer of the Company, be and is hereby authorized to sign all documents including tariff petitions, review petitions if any, pay all filing fees, appear before NEPRA and provide any information required by NEPRA in respect of the Project, and do all acts and things necessary, processing, completion and finalization of the aforementioned petition."

"**AND FURTHER RESOLVED THAT** Mr. Najam Ahmad Shah as Chief Executive Officer, be and is hereby authorized to delegate all or any of the above powers in respect of the foregoing to any other officials of the Company as deemed appropriate."

FOR AND ON BEHALF OF
QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

Syed Salman Hassan
Company Secretary

APRIL 10, 2015

COPY OF AFFIDAVIT

B913815

100
Rupees

١٠٠
روپیہ

HAFIZ ... KHAN
OATH COMMISSIONER
LAHORE.
ADVOCATE HIGH COURT LAHORE.

BEFORE
THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

AFFIDAVIT

AFFIDAVIT of **Najam Ahmad Shah, Chief Executive Officer** and authorized representative of Quaid-e-Azam Thermal Power (Private) Limited, 8th Floor, EFU House, 6-D, Main Gulberg, Jail Road, Lahore.

I, the above-named Deponent, do hereby solemnly affirm and declare that:-

1. I am the **Chief Executive Officer** of Quaid-e-Azam Thermal Power (Private) Limited, 8th Floor, EFU House, 6-D, Main Gulberg, Jail Road, Lahore.

2. The contents of the accompanying motion for leave for review, by the full strength of the Authority under Rule 16(6) of the Tariff Standards and Procedure Rules, 1998, including all supporting documents are true and correct to the best of my knowledge and belief, and nothing material or relevant thereto has been concealed or withheld therefrom.

3. I also affirm that all further documentation and information to be provided by me in connection with the aforesaid motion for leave for review shall be true and correct to the best of my knowledge and belief.

DEPONENT

VERIFICATION

It is hereby verified on solemn affirmation at Lahore on 10 April 2015, that the contents of the above Affidavit are true and correct to the best of my knowledge and belief, and that nothing material or relevant thereto has been concealed or withheld therefrom.

DEPONENT

100/5

[illegible]

بیان حلفی NEPRA

عمر فاروق

943

28/01/2015

TABLE OF CONTENTS

1. DETAILS OF THE PETITIONER

NAME AND ADDRESS

Quaid-e-Azam Thermal Power (Private) Limited
ADDRESS : 3RD FLOOR, 83 A-E1,GULBERG III, MAIN BOULEVARD, LAHORE, PAKISTAN
PHONE # : +92 42 35790363-5
FAX # : + 92 42 35790366

AUTHORIZED REPRESENTATIVE OF QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

NAME: MR. NAJAM AHMAD SHAH
DESIGNATION: CHIEF EXECUTIVE OFFICER

2. GROUNDS FOR MOTION FOR LEAVE FOR REVIEW

2.1 Quaid-e-Azam Thermal Power (Private) Limited (the **"Company"**), a company wholly owned by the Government of Punjab, is the establishing a RLNG based Power Plant in Bhikki, Punjab with a capacity in the range of 1000 MW-1400MW (the **"Project"**).

2.2 Pursuant to the proposal/petition submitted by the Private Power Infrastructure Board in respect of development of an Upfront RLNG Tariff, the National Electric Power Regulatory Authority (**"NEPRA"**), in exercise of its powers under Rule 3 of the NEPRA (Tariff Standards and Procedure) Rules, 1998 (**"Tariff Standards and Procedure Rules"**) read with Regulation 3 of the NEPRA Upfront Tariff (Approval & Procedure) Regulations, 2011 initiated proceedings for development of the same. NEPRA issued its Determination in the Matter of Upfront Tariff for RLNG Based Power Plants bearing reference No. NEPRA/UTRLNG-01/4824-4826 dated 03 April 2015 (**"RLNG Determination"**).

2.3 Pursuant to Rule 16(6) of the Tariff Standards and Procedure Rules, read with the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (**"NEPRA Act"**) and the Rules and Regulations made thereunder and for the grounds given below, the Company is filing this Motion for Leave for Review (**"Motion for Leave for Review"**), before NERPA, to object to certain key points stated in the RLNG Determination. We ask for the Authority's reconsideration in respect of the same (discussed below).

2.4 We will take this opportunity to direct NEPRA's attention to Regulation 3(2) of the National Electric Power Regulatory Authority (Review Procedure) Regulations, 2009 (**"Review Procedure Regulations"**). The said Regulation states that "any party aggrieved from any order of NEPRA and who from the discovery of new and important matter of evidence **or** on account of some mistake or error apparent on the face of record **or** from any other sufficient reasons may file a motion seeking review of such order". It is arguable that Regulation 3(2) of the Review Procedure Regulations is open to challenge, in that, it restricts operative provision, namely, Rule 16(6) of the Tariff Standards and Procedure Rules, by limiting the grounds for review. Nonetheless, if NEPRA considers Regulation 3(2) of the Review Procedure Regulations as acceptable, we respectfully submit that the third ground for review (i.e. "any other sufficient reasons") is wide enough to provide the basis for this Motion for Leave for Review.

2.5 Each of the grounds for the Motion for Leave for Review have been elaborated upon in Sections 3 to 9 below, and consist of the following heads:

(a) Construction Period;

(b) Simple Cycle Operation;

(c) Financial Close;

(d) Back-up Fuel;

(e) Increased Costs not catered for in the Tariff ;

(f) Calculation of LNG Price; and

(g) O&M Costs.

2.6 We request that the Company be allowed, during the proceedings, to take additional grounds, submit additional evidence and make further submissions in relation to this Motion for Leave for Review.

2.7 Further, we would be pleased to provide any further information, clarification or explanation that may be required by NEPRA during the evaluation process.

3. CONSTRUCTION PERIOD

(Ref: Paragraph 19 (*Order*) V (*Terms & Conditions*) (xii) of the RLNG Determination).

The Authority has allowed a period of 26 months for achievement of combined cycle operations for plants having a capacity greater than 250 MW. This is not a realistic period.

The Authority will be aware that the Government of Punjab is aggressively pursuing investment in the power sector to ensure early induction of new capacity to the national grid. Project timelines therefore, are critical and are being closely watched. It is not, therefore, without careful consideration that we have raised objection to the proposed construction period.

Based on the feedback received by the Company from potential contractors during the PPRA Prequalification Process (currently underway), a reasonable construction time for a typical combined cycle power plant having plant capacity of 1000MW is 36 months. Needless to say, the Government of Punjab will be strictly monitoring the project activities to reduce timelines wherever feasible and safe. To this end, the Company intends to commence works prior to financial close with equity and bridge-financing.

It is therefore, respectfully submitted that the construction time for a combined cycle power plant having capacity greater than 800 MW be set at 36 months.

4. SIMPLE CYCLE OPERATION

(Ref: Paragraph 17.4 (*Simple Cycle Operation*) of the RLNG Determination).

The upfront tariff for a simple cycle operation has not been considered. Considering the worsening electricity crisis in Pakistan, the addition of electric power to the national grid as soon as possible is the priority of the Federal Government and the Provincial Governments. The simple cycle operation is the quickest way to make the additional capacity available to provide much needed relief to industry and our citizens.

Due to the shorter construction time required for simple cycle operation (as compared to combined cycle operation), operation could be commenced about 10 months earlier than combined cycle operation. It is estimated that during the simple cycle phase 4432 GWhrs will be evacuated from the Plant – if this is not injected to the national grid the estimated GDP loss will USD 460, 184, 000.

Additionally, in view of the fact that the envisaged large gas turbines for the Project are characterized by higher thermal efficiencies of the order of around 40%, their simple cycle operation would still be affordable.

It is respectfully submitted that the Authority allow plants of capacity of 800MW and above the option to operate on simple cycle. In doing so, the Authority is requested to determine an upfront tariff for simple cycle operation that takes account of, *inter alia*, early commencement of O&M.

5. FINANCIAL CLOSE

(Ref: Paragraph 19 (*Order*) V (*Terms & Conditions*) (ix) of the RLNG Determination).

The timeline to achieve financial close has been determined as six (6) months from the date of opting for the tariff. This is not feasible. Financial close (under the Implementation Agreement) requires that all conditions for initial disbursement of debt have been completed. Notably, standard conditions include execution of concession agreements, which in the case of R-LNG based plants are not available. Based on the recent experience in renewable energy and coal based plants, finalisation of the concession documents is a lengthy process.

Added to the above, lenders require minimum 10 to 12 months to (a) carry out necessary due diligence (legal, financial and technical), (b) negotiate and execute financing documents and (c) reach a point when first disbursement can be made.

The Company would also highlight that the Authority should not concern itself with financial close under the Implementation Agreement, but rather the activities on-ground at the site. The Government of Punjab may well commence works immediately following award of the EPC contract once the PPRA selection process is complete. This has already been done in the recent

100MW Solar project, which is now complete but yet to achieve financial close (in the traditional sense) since the concession documents are still under discussion.

Therefore, it is respectfully submitted that:

(a) the 'trigger' to financial close be changed from the date of opting for the Upfront Tariff to a point in time when the R-LNG Upfront Tariff concession documents have been approved by the Economic Coordination Committee of the Federal Cabinet;

(b) for the purposes of the RLNG Determination, financial close should be linked to the earlier of (i) commencement of works under the EPC Contracts by the Contractor based on a transparent and easily accessible criteria, which may be confirmed by PPIB and NTDC; and (ii) financial close under the IA; and

(c) the timeline to achieve financial close should be increased to allow a period of 10 to 12 months.

6. BACK-UP FUEL

(Ref: Paragraph 11.4 and 13.2 of the RLNG Determination).

The upfront tariff determined for the RLNG based combined cycle power plants is based on a mandatory inventory / storage of HSD to be used as a backup fuel for 7 days generation at full load. For a combined cycle power plant having a plant capacity of 800 MW or above, the back-up fuel cost is estimated to be PKR 3.26 Billion and added infrastructure cost for HSD operations is estimated at USD 15 Million. Therefore, it is not commercially viable for a combined cycle power plant having a capacity of 800 MW or above to have back-up fuel.

It is respectfully submitted that the requirement for dual-fuel operations and storage of back-up fuel be made optional for projects having a plant capacity of 800 MW or above.

7. INCREASED COSTS NOT CATERED FOR IN THE TARIFF

Respectfully, the Authority would appear to have omitted key components of the project costs, namely:

(a) Gas Connection

The chosen project site for the 1000MW plant is Bhikki. At this location, a connection line from the SNGPL grid to the site will be required. SNGPL does not have the finances available for constructing the pipeline. This Company will need to finance the pipeline from its own resources thereby increasing the overall project cost. This amount (once agreed to with SNGPL) will need to be a pass-through item under the RLNG Determination.

(b) Gas Compressor

A gas compressor station will need to be installed to ensure the gas at the plant matches the technical requirements. The compressor cost would be part of the EPC Contract and is expected to exceed USD 12 Million.

Therefore, it is respectfully submitted that the Authority consider the aforementioned costs and revise the project costs as currently stated in the RLNG Determination.

8. CALCULATION OF LNG PRICE

(Ref: Paragraph 9.6 of the RLNG Determination).

PPIB has proposed the LNG price at USD 10 to 12/MMBTU. Firstly, a detailed break-down of the price is required and secondly, confirmation is required from OGRA that the proposed LNG price is acceptable. The Authority will appreciate that the fuel price will directly impact the working capital requirement for the plants – a question which lenders are particularly focusing on.

9. O&M COSTS

(Ref: Paragraph 12.7 of the RLNG Determination).

The O&M costs (fixed and variable) determined by the Authority do not account for the advanced technologies to be installed at the plant. It is expected that the refurbishing facilities will be more costly and the refurbishing cycle longer, additionally larger inventories and LTSA costs will need to be incorporated.

It is estimated that the O&M costs should be increased by Rs.0.15/kWh to Rs.0.2/kWh.

The Authority has determined that 57% of the fixed O&M costs will be foreign and 43% will be local. This is not in line with the ground realities. Chemicals, other major parts / inspection / consumable / refurbishment of GTGs is a foreign currency component. A more accurate representation of O&M costs would be 15% local and 85% foreign.

Therefore, it is respectfully submitted that (a) the estimated O&M cost should be increased by Rs.0.15/kWh to Rs.0.2/kWh.; and (b) O&M costs should be split 15% local and 85% foreign.

FOR AND BEHALF OF
QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

....

Najam Ahmad Shah
Chief Executive Officer