



National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad.
Tel: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

Registrar

No. NEPRA/DG(Lic)/LAG-95/ 38506-12

December 18, 2023

Mr. Shahab Qader

Chief Executive Officer

Engro Powergen Qadirpur Limited

16th Floor, The Harbor Front Building

HC#3, Marin Drive, Block-4, Clifton, Karachi

**Subject: Modification in Generation Licence No. IGSP/13/2007 (Modification-II)
Licence Application No. LAG-95
Engro Powergen Qadirpur Limited**

Reference: EPGQL's LPM submitted vide letter No. nil dated 31.10.2022 (received on 01.11.2022)

It is intimated that the Authority has approved Modification-II in Generation Licence No. IGSP/13/2007 dated July 26, 2007 in respect of Engro Powergen Qadirpur Limited pursuant to Section 26 of the NEPRA Act read with Regulation 10(11) of the NEPRA Licensing Regulations.

2. Enclosed please find herewith Determination of the Authority in the matter of Licensee Proposed Modification of EPGQL alongwith Modification-II in the Generation Licence No. IGSP/13/2007, approved by the Authority.

Enclosure: As Above

(Syed Zavar Haider)

Copy to:

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Petroleum Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
3. Managing Director, Private Power & Infrastructure Board (PPIB), Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
4. Managing Director, NTDC, 414 WAPDA House, Lahore
5. Chief Executive Officer, CPPA(G), 73 West, A.K. Fazl-ul-Haq Road, Blue Area, Islamabad
6. Director General, Environmental Protection Department, Government of Sindh, Plot No ST2/1, Sector 23, Korangi Industrial Area, Karachi

National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Licensee Proposed Modification in the Generation
Licence of Engro Powergen Qadirpur Limited

December 18th, 2023
Case No. LAG-95

(A). Background

(i). The Authority in terms of Section-15 (now Section-14B) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act"), granted a Generation Licence (No. IGSP/L/13/2007 dated July 26, 2007), to Engro Powergen Qadirpur Limited (EPGQL).

(ii). The Authority granted the above-said Generation Licence to EPGQL for its 226.52 MW generation facility located at Qadirpur, district Ghotki, in the province of Sindh. The generation facility is operated on the Flare gas of the Qadirpur gas field as the main fuel whereas, it has the option of operating on High-Speed Diesel (HSD) as the alternate fuel.

(B). Communication of Modification

(i). EPGQL in accordance with Regulation-10 of the NEPRA Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 (the "Licensing Regulations"), communicated a Licensee Proposed Modification (LPM) in its existing Generation Licence on November 01, 2022.

(ii). In the "Text of the Proposed Modification", EPGQL submitted that it is proposing to include the Low BTU Natural Gas which Petroleum Exploration Limited (PEL) extracts from its Badar gas field at Ghotki as its primary fuel to supplement, *inter alia*, the supplies from the Qadirpur Gas Field.

(iii). Regarding the "Statement of the Reasons in Support of the Modification", EPGQL, *inter alia*, remarked that the Qadirpur gas fields, from where it has been receiving the permeate gas, have entered the insufficiency phase. In this



regard, EPGQL has explored indigenous gas options that can supplement the use of RLNG and Qadirpur Gas for the generation facility. The Low BTU gas extracted from the Badar Gas Field provides an alternative and viable option to supplement the supply from the Qadirpur Gas field. The use of the proposed gas from the Badar field will have several benefits including: (a). avoiding excessive dispatch on HSD; (b). lessening pressure on forex reserves due to the use of local gas; (c). utilization of permeate gas with minor modification in infrastructure; and (d). the power purchaser has, in principle, agreed to the proposal to utilize the gas from the Badar field.

(iv). About the “Statement of the Impact on the Tariff, Quality of Service and the Performance by the Licensee of its obligations under the License”, EPGQL *inter alia*, stated that Company shall be seeking amendments in its Tariff to reflect the amendments to the mechanism of its fuel cost component. Further, the modification shall not have any adverse impact on the quality of service and performance of the generation facility under its License.

(C). Processing of LPM

(i). After completion of all the required information as stipulated under Regulation-10(1) and 10(2) of the Licensing Regulations, by EPGQL, the Registrar under Regulation 10(3) of the Licensing Regulations published the communicated LPM on November 04, 2022, in one (01) English and one (01) Urdu newspaper, informing the general public about the communicated LPM and inviting their comments within fourteen (14) days from the date of publication of the notice in the press.

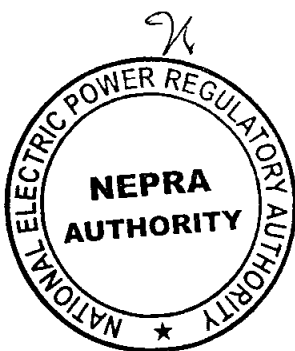
(ii). Apart from the above, separate letters were also sent to various other stakeholders including Government Ministries and their attached departments, various representative organizations, individual experts, and others on November 04, 2022. In this regard, the said stakeholders were informed about the communicated LPM and the publication of its notice in the press. Further, the said entities were invited to submit their views and comments on the matter, for the assistance of the Authority.



(D). Comments of Stakeholders

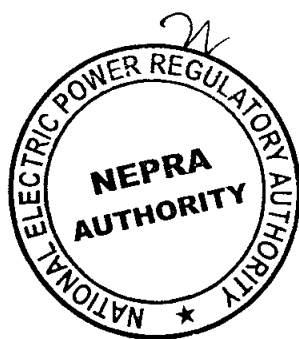
(i). In reply to the above, the Authority received comments from four (04) stakeholders, namely Oil & Gas Development Company Limited (OGDCL), Central Power Purchasing Agency (Guarantee) Limited (CPPAGL), Private Power & Infrastructure Board (PPIB) and Energy Department, Government of Sindh (EDGoS). The salient points of comments offered by the said stakeholders are summarized in the following paragraph.

- (a). OGDCL submitted that it carries 50% stakes in the Badar Gas Field and has serious concerns on intent and purpose. PEL, the operator of the field is in violation of the Joint Operating Agreement (JOA)/Petroleum Concession Agreement (PCA), and the same has been conveyed to all the relevant stakeholders. Further, PEL has not sought approval from OGDCL on the commercial proposal received from EPGQL and the same is likely to result in potential litigation between the parties. Given the said, the Authority is requested to turn down the request of EPGQL for the use of natural gas from the Badar Gas Field.
- (b). CPPAGL commented that EPGQL in its LPM has proposed to include the low BTU natural gas extracted from the Badar Gas field as the primary fuel to supplement, *inter alia*, the supplies from the Qadirpur Gas field. Through its correspondence No. CTO/DGMT-C/MT-R&G/EPQL/18060-63, dated October 17, 2022, CPPAGL has acknowledged the efforts of the Company to explore possibilities of arranging local gas options for its generation facility as it will reduce the pressure on national foreign exchange reserves. Moreover, if any change is required in the existing tariff of EPGQL because of the proposed use of gas from PEL, the Authority should be approached with complete details and relevant comparative analysis for the purpose of determining of tariff afresh on comingling principles. Further, CPPAGL remarked that the determination of gas price for the aforesaid purpose is the prerogative of OGRA for which EPGQL may coordinate the requisite regulatory formalities. CPPAGL expressed that the

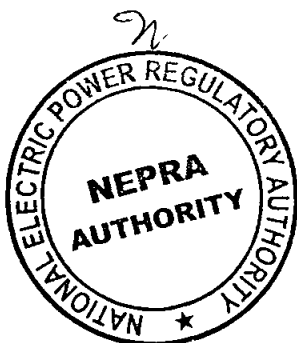


possible supply from the Badar Gas field is to be considered indigenous therefore, making a comparison with imported RLNG may not be an "apple to apple" comparison as EPGQL has done and the same is misleading considering the fact RLNG requires payment in US\$ whereas payment for local gas is always made in local currency. Therefore, establishing a correlation between indigenous gas and RLNG may be somewhat misleading. The proposed price that EPGQL has indicated for the indigenous gas is too high compared to its technical specifications provided. If the technical parameters of the gas from PEL are considered, the price should be around Rs. 831.44/MMBTU being an indigenous fuel whereas the proposed contracted price that EPGQL has confirmed is Rs. 2,514.53/MMBTU which is on the higher side however, a premium may be considered being operated in the private sector but that should not be too high to defeat the purpose of savings. According to Regulation-10(5)(c) of the Licensing Regulations, the Authority is empowered to modify a licence subject to the condition that if in its opinion such modification is or is likely to be beneficial to the consumers. The revised tariff on a comingling basis should, therefore, be in the vicinity of the existing price of the low BTU gas fuel of Rs. 950.64/MMBTU. In view of the above, it would be appropriate to decide on the price mechanism issue before issuing the proposed modification in the licence of EPGQL. Accordingly, the LPM in the Generation Licence of EPGQL is supported subject to fulfillment of the above-mentioned requirements.

- (c). PPIB remarked that the project of EPGQL was commissioned in 2010 to produce electricity using low BTU Permeate Gas (PG) from the Qadirpur Gas field. Initially, it was conceived that the PG would start declining from 2015 and reach the minimum level by 2017, however, the actual production of Qadirpur Gas and the resultant PG has been higher than projected. At present, the EPGQL plant is being operated in mixed mode using HSD to the extent of shortfall in PG. The Implementation Agreement (IA), Power Purchase Agreement (PPA), and the determination of the Authority



for Tariff provide elaborated mechanisms for mitigation actions and alternate gas supply options i.e. Gas Depletion Mitigation Option (GDMO) and Gas Depletion Mitigation Plan (GDMP). Under the IA, the Company/EPGQL is required to submit GDMO/GDMP, and the Govt. of Pakistan (GOP) and/or the Authority and the Company shall use their reasonable endeavors to agree on a mutually acceptable GDMP/GDMO. In case GOP disagrees with GDMP, it can terminate the IA in its sole discretion, after paying the compensation amount to EPGQL. In this regard, EPGQL submitted the initial draft of GDMP in April 2019, revised GDMP in November 2019, and an updated version in September 2020. The GDMP of EPGQL was discussed in a number of meetings of the stakeholders in which various options were deliberated in detail. The GDMP/GDMO was finalized by the stakeholders on March 16, 2021, with R-LNG as the most viable option. The Board of PPIB discussed the GDMP/GDMO on September 27, 2021, and June 21, 2022, with R-LNG as comingling fuel with PG for a period up to December 31, 2025, no provision of minimum dispatch or guaranteed offtake, all CAPEX to be incurred by EPGQL with no liability on GOP or Power Purchaser, etc. PPIB Board has constituted a Committee to evaluate the GDMP/GDMO, the findings of which will be discussed in the next meeting of the Board. In the meantime, EPGQL through its various communications of August 10, September, and October 25, 2022, has informed PPIB that EPGQL is exploring additional local gas sources to supplement the depleting PG, like Kandhkot and PEL Gas. EPGQL has requested the Petroleum Division for allocation of (30-50 MMCFD) Kandhkot Gas from PPL. Moreover, EPGQL has identified the availability of 8-13 MMCFD low BTU gas supply from the Badar Gas field of PEL, initially for 3 years. EPGQL has submitted that due to gas depletion, it will be difficult to operate the plant at a minimum 40% load factor beyond 2022. Moreover, PEL gas being an economical fuel as compared to costly HSD, could be used to supplement the PG to continue plant operations at a minimum load factor. EPGQL has highlighted that compared to R-LNG the fuel



cost component (FCC) using PEL gas would be significantly less. EPGQL would require corresponding tariff determination/approval from the Authority for the proposed change/mixing of fuel. PPIB supports the utilization of locally available low-BTU gas for power generation. EPGQL may utilize PEL Gas to supplement the depleting PG volume under the GDMO/GDMP subject to obtaining approvals on usage, allocation, and pricing of the PEL gas from relevant forums.

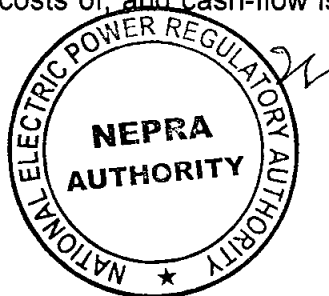
- (d). EDGoS stated that EPGQL in its LPM has proposed to include the low BTU natural gas extracted from Badar Gas Field which PEL operates at Ghotki to supplement the primary fuel, *inter alia*, the supplies from Quadirpur Gas Field. It is highly appreciated that the company is putting extraordinary efforts into exploring indigenous fuel options for its project of power generation being proposed as it will create multiple benefits for the Government and eventually for the people of the country. In view of the current economic challenges, it will certainly reduce the burden on the economy due to forex outflow associated with power generation from imported fuels. The proposition will also encourage the Exploration Companies to come forward and utilize idle reservoirs of low BTU Gas in the province of Sindh generating revenue for the Government and the same can be utilized for the welfare of the common people. EDGoS supports the LPM in the Generation License.

(ii). The Authority examined the above comments of stakeholders and in view of the observations of CPPAGL and OGDCL, considered it appropriate to seek the perspective of EPGQL on the same. EPGQL on the observations of the OGDCL submitted that PEL has obtained all the necessary consents, approvals, and licences required to enter into the commercial arrangement. In this regard, as represented by the executed Heads of Terms between the parties and the PEL, in particular, has already obtained the consents required by it under law to perform its obligations herein. The allegations of OGDCL of violations of the JOA/PCA are not germane to the matter of the submitted LPM and, accordingly, such allegations should not be



permitted to prevent the Authority from exercising its regulatory function in granting the requested LPM. Even otherwise, EPGQL considers that any grievance that OGDCL may have against PEL is required to be resolved in accordance with the dispute settlement provisions contained in the JOA/PCA and that the Authority is not the right forum or the relevant authority before which such grievances are required to be addressed. In this regard, the Authority has observed that OGDCL through its letter No.PPK.8110.230518/1464 has inter alia, supported the gas sale transaction between PEL and EPGQPL.

(iii). About the comments/observations of CPPAGL, it was submitted that the Company/EPGQPL is of the view that the power purchaser/CPPAGL has misconstrued its rationale for discussing RLNG in the context of the application for LPM. It is true that EPGQL has entered in Gas Insufficiency Phase as defined in the IA of the project. The IA has very clearly set out the steps that are required to be taken by both the Company/EPGQL and the Federal Government, through PPIB, when a Gas Insufficiency Phase has occurred. It is pursuant to this contractually regulated mechanism that the Projects Committee of the PPIB has recommended the utilization of RLNG as a GDMO/GDMP for the complex of the company. Accordingly, EPGQL has been informed about the consent of the Federal Government for such a recommendation is forthcoming. The Company notes that reference has only been made to RLNG in order to apprise the Authority of the background and the efforts that EPGQL is making in exploring alternative sources of procuring local gas. The application for LPM does not, in any way, indicate comparison or correlation between the use of RLNG and the use of gas as procured from PEL, especially the fact that the procured amount of gas (8 to 13 MMCFD) from PEL would not be sufficient to cover the operations of the generation facility and is only meant to supplement the existing gas supply the Company is receiving from the Qadirpur gas field (approximately 75 MMCFD). The Authority and CPPAGL are aware of the fact that the generation facility is a dual fuel project, with gas functioning as its primary fuel and its secondary fuel is HSD. The gas reserves of the Qadirpur field are depleting and are no longer sufficient to ensure that the operation of the complex at its base load on the basis of its primary fuel alone and resultantly the complex is dispatched on the secondary fuel of HSD resulting in an increase in tariff. It is noted that CPPAGL has not been able to pay the company for those months when the complex was dispatched on HSD which, in turn, has raised the operating costs of, and cash-flow issues for, the company. In view of



the said, EPGQL has been assessing the situation, and in particular, the fact that dispatching its Complex on HSD would raise the costs for the end consumers as well and the Federal Government had acted upon its own initiative in ensuring that a practical solution could be achieved. Accordingly, it had explored local gas options, with the most feasible option being the gas from PEL. In light of the foregoing, the price proposed for the procurement of PEL Gas is a price that has been commercially agreed upon between EPGQL and PEL. Further, as the Authority has indicated in its earlier determinations, it is the prerogative of OGRA to approve the prices for specific products, including *inter alia*, the price of gas. Accordingly, EPGQL has noted that the price of PEL gas has been agreed keeping in mind the restrictions and applicable conditions as imposed by OGRA, including conditions that are applicable to bilateral commercial contracts for the sale and purchase of gas. In addition, EPGQL would like to draw attention to the fact that the price of PEL Gas has been pegged at 70% percent of the RLNG price that has been allowed under the PPA of National Power Parks Company (Private) Limited with CPPAGL. In the event that the RLNG price drops, the price of PEL Gas will also drop and the Company will be pleased to provide additional details as and when the Authority requires. Pursuant to Regulation 9(2)(a) to (c) of the Licensing Regulations, the Authority can modify a licence in accordance with the proposed modification a Licensee has put forward if it "... (a). will not adversely affect the performance of the Licensee of its obligations; (b). is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the license; (c) is likely to benefit consumers..." In the LPM it has been made clear to allow the addition of PEL Gas as an additional fuel in the use of the complex, EPGQL will be able to provide cheaper power to end consumers, particularly in peak demand months as the generation facility could be dispatched on its primary fuel, rather than on HSD. The performance of the company will not be adversely affected but will, instead, be enhanced. Further, the company has attempted to set an example by exploring indigenous options of fuel, which would provide a cheaper source of energy, reduce the pressure on Pakistan's depleting foreign exchange reserves as well and safeguard the energy security of the country. The Company is of the view that ensuring that its Complex operates on its primary fuel of gas, rather than its expensive secondary fuel of HSD, would be of great financial benefit to consumers as well as to the GOP. In addition to the foregoing, it is submitted that CPPAGL vide its earlier letters CTO/DGMT-C/MT-R&G/EPQL/18060-63, dated October 17, 2022, and DGMT-C/MT-R&G/EPQL/19529-39, dated November 21, 2022 had supported the LPM. It is



therefore clear that, as per its own communications, CPPAGL is cognizant of the advantages that would be brought about by allowing for the addition of PEL gas as fuel for the complex of EPQL. In light of the foregoing, EPGQL requested the Authority that the comments of OGDCL and CPPAGL be closed and that its LPM be allowed.

(iv). The Authority reviewed the above submissions/rejoinders of EPGQL and found the same plausible. Accordingly, the Authority considered it appropriate to proceed further in the matter as stipulated in the Licensing Regulations and the NEPRA Licensing (Generation) Rules, 2000 (the "Generation Rules").

(E). Evaluation/Findings

(i). The Authority has examined the entire case in detail, including the already granted Generation License, the relevant provisions of the Power Policy 2002, PPA, IA, the communicated LPM, comments of the stakeholder, rejoinder by the Licensee/applicant and the provisions of the NEPRA Act and relevant rules & regulations framed thereunder.

(ii). In this regard as explained in the preceding paragraphs, the Authority granted a Generation Licence (No. No. IGSP/13/2017 dated July 26, 2007) to EPGQL for its 226.52 MW generation facility located at Qadirpur, district Ghotki, in the province of Sindh. The main fuel of the generation facility is the Flare gas of the Qadirpur Gas field and HSD as the alternate fuel.

(iii). The Authority in its tariff determination dated July 19, 2007, and grant of Generation Licence on July 26, 2007, has duly deliberated the matter of peculiarities involved in the project about the availability of Permeate Gas from the Qadirpur Gas field and its subsequent depilation of the same. The said aspect was duly acknowledged in the PPA as well as IA and accordingly, the GDMO/GDMP was also envisaged.

(iv). In consideration of the above, EPGQL has now proposed to use the gas from the Badar Gas field which PEL operates to mingle the same with the permeate gas of the Qadirpur Gas field. In this regard, EPGQL has submitted the LPM in terms

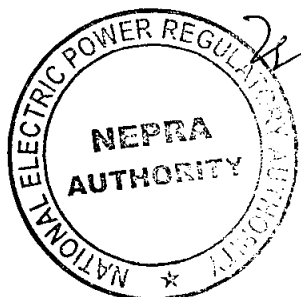


of relevant provisions of the Licensing Regulations for the inclusion of the gas from the Badar Gas field as an alternate fuel and PEL as its supplier.

(v). In this regard, in terms of Section 26 of the NEPRA Act read with Regulation-9(2) of the Licensing Regulations, the Authority is empowered to modify any License. Further, the Authority is also empowered to make any such further changes as it may deem fit, if in the opinion of the Authority such modification (a). will not adversely affect the performance by the licensee of its obligations; (b). reasonably necessary for the licensee to effectively and efficiently perform its obligations under the License; (c). is likely to be beneficial to the consumers; or (d). is reasonably necessary to ensure the continuous, safe, and reliable supply of electric power to the consumers keeping in view the financial and technical viability of the licensee.

(vi). Regarding the impact of the communicated LPM on the tariff, it is clarified that under Section-7(3)(a) of the NEPRA Act, determining tariff, rate and charges, etc. is the sole prerogative of the Authority. The Authority had granted a generation tariff to EPGQPL through the determination dated July 19, 2007. EPGQPL has filed a new tariff petition for modification which has already been admitted by the Authority and the decision thereon shall be made following due process while applying the check of prudence as prescribed in the relevant rules. Therefore, this LPM shall not create any right to any specific type/rate of tariff.

(vii). Regarding the proposed change in the fuel to allow the use of low BTU Natural Gas from the Badar Gas Field in Ghotki, the Authority considers that same will not adversely affect the performance by the Licensee of its obligations and in fact, it will improve the performance of the Licensee considering the fact that the proposed alternate will result in higher dispatch of the generation facility and lower generation tariff as compared to RLNG or HSD. Further, the proposed LPM is reasonably necessary for the licensee to effectively and efficiently perform its obligations under the License. The proposed LPM is likely to be beneficial to the consumers as the cost of the Natural Gas from the Badar field of PEL will be lower than the alternate fuel of RLNG and HSD. Further, in order to ensure the continuous, safe, and reliable supply of electric power to the consumers, the proposed LPM for allowing alternate fuel is necessary and the same is also essential keeping in view the financial and technical viability of the licensee.




(F). Decision of the Authority

(i). In view of the above, the Authority is satisfied that EPGQPL has complied with all the requirements of the Generation Rules and Licensing Regulations pertaining to the LPM in its Generation Licence therefore, it has a case for it to be considered. In view of the said, the Authority in terms of Section-26 of the NEPRA Act, read with Regulation-10(11) of the Licensing Regulations, approves the communicated LPM in the Generation Licence.

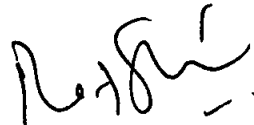
(ii). Accordingly, the Generation Licence (No. IGSPL/13/2007 dated July 26, 2007) of EPGQL is modified to the extent of inclusion of low BTU/Flare Gas of Badar Gas Field as alternate fuel and PEL as the alternate fuel supplier. The changes made in the Generation Licence are attached as an annexure to this determination. The modification in the Generation Licence is subject to the provisions contained in the NEPRA Act, relevant rules and regulations framed there under, terms & conditions of the Generation Licence, and other applicable documents.

Authority:

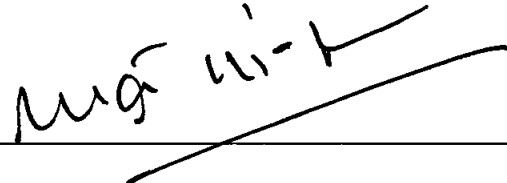
Maqsood Anwar Khan
(Member)




Rafique Ahmed Shaikh
(Member)



Mathar Niaz Rana (nsc)
(Member)



Amina Ahmed
(Member)



Waseem Mukhtar
(Chairman)



**National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan**

GENERATION LICENCE

No. IGSPL/13/2007

In exercise of the powers conferred under Section-26 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997), the Authority hereby modifies the Generation Licence (No. IGSPL/13/2007 dated July 26, 2007), to Engro Powergen Qadirpur Limited, to the extent of changes mentioned hereunder:

- (a). The changes made in Schedule-I of the Generation Licence are attached as **Annexure-A**.

This **Modification-II** is given under my hand on this 18th **day** of **December Two Thousand & Twenty Three**.



Registrar






Annexure-A



**Changes made in Schedule-I of the Generation Licence of
Engro Powergen Qadirpur Limited**

“At Para-3 under the “Plant Details” the information related to
“Fuel Detail” is revised/modified to the extent of the following:

(i).	Primary Fuel	Low BTU Permeate Gas from Qadirpur Gas Field; and Low BTU Gas from Badar Gas Field¹
(ii).	Fuel Supplier	SNGPL (from Qadirpur Gas Field; and PEL (Badar Gas Field)²



¹ Added through this Modification-II

² Added through this Modification-II

