

TERMS OF REFERENCE/SCOPE OF WORK

I. BRIEF HISTORY

i- National Electric Power Regulatory Authority (NEPRA) was established as an independent Regulatory Authority under section 3 of Generation, Transmission and Distribution of Electric Power, Act 1997 for regulating the provision of electric power services in Pakistan.

ii- The core functions of NEPRA are (i) issuing licenses for generation, transmission and distribution of electric power; (ii) establish and enforce Standards to ensure quality and safety of operation and supply of electric power to consumers; (iii) approve investment and power acquisition programs of the utility companies; and (iv) determine tariffs for generation, transmission and distribution of electric power.

iii- The Pakistan power sector is quite new to coal based power generation as less than 1% of power generation comes from coal. In order to ensure transparency in the pricing of coal — a deregulated fuel, the Authority through its decision dated September 23, 2016 determined a pricing mechanism with the aim to establish benchmark and check and balance to have a price that is not only transparent but also reflective of the market. For instance, FoB coal price is linked with international indices such as API4, ICI-3 & NEWC and freight cost has been linked with Time Charter (TC) rates of vessels that is published by an independent agency Baltic Dry Index. The mechanism was based on inputs from the stakeholders that took place over the course of many months, which involved public hearing and notices in print media. For details the decision can be downloaded from this [this link](#)

II. OBJECTIVES

i- There are at least three 1320 MW coal projects based on imported coal that are under construction and will soon achieve COD in the next 2 years. Further some bagasse based co-generation based power plants are also importing coal when bagasse is not available. The Pakistan Coal market is destined to increase many fold —from current about 5 million tons to more than 15 million tons per annum. There is going to be an enormous load of work on a periodic basis with regards to revision in fuel cost component of the above mentioned power plants. Therefore, the Authority desires to hire an individual consultant or firm to prepare manual for periodic fuel price adjustment and based on which to verify the coal price of each cargo delivered to these power plants and

independently recommend a final coal price of each coal cargo shipment received during the month.

III. TERMS OF REFERENCE

i- The Consultant will be required to work according to the following Terms of Reference:

- a. The consultant will be required to carry-out detailed review of the pricing mechanism as stipulated in NEPRA's determination and accordingly, prepare a Manual/guidelines which shall have a mechanism to fix different parameters, including but not limited to the following :
 - a.1. To identify the origin and date of coal cargos/shipments through relevant shipping documents including invoices, L/C, bill of lading etc.
 - a.2. To verify the FoB requested price with that of approved benchmark index price of that particular coal origin and to recommend a prudent FoB price keeping in view the applicable approved FoB Benchmark index, quality of coal (benchmark index CV vs. actually imported coal CV) and discounts if any of each cargo/shipment.
 - a.3. To verify and recommend a prudent Marine Insurance cost of each cargo based on the reliable documentary evidence and keeping in view the approved benchmark marine insurance rate.
 - a.4. To verify the requested freight charges with all relevant documents and compare it with the benchmark freight rate to be calculated based on the approved formula. To recommend the final freight of each cargo/shipment.
 - a.5. To verify and check prudence of other charges such as port charges, terminal charges, L/C charges etc.
 - a.6. To verify any other charge not included above such as inland transportation cost based on documentary evidence and keeping in view the current practice in the market
- b. The consultant will seek prior approval of NEPRA for using Manual in working out different coal price adjustments.

IV. DELIVERABLES:

- i- Upon provision of relevant record by NEPRA the successful Consultant shall complete the tasks within 4 weeks and shall submit the required coal pricing adjustment Manual to NEPRA.
- ii- The successful Consultant will be required to give detailed presentation to NEPRA Professionals and the Authority within one week of submission of the coal pricing adjustment Manual.
- iii- Individual Consultant shall ensure its presence during the tenure of the project, if required for clarifications/ in-house discussions and also advise on the reviews if any filed by the aggrieved parties in pursuance to the fuel price adjustment decisions made thereof.

V. QUALIFICATION OF THE CONSULTANT:

- i- Individual Consultant or firm shall have a minimum of 15 years of relevant industry experience in commodity trading, preferably in coal and well aware of the local and international import laws, port dynamics and charges etc. along with relevant qualification. To avoid any possible conflict of interest, the consultant(s) or firm shall certify that while bidding for this assignment, he/she is not representing any other client for any assignment who are licensees of NEPRA. The consultant(s) or firm shall inform the Authority in case such conflict arises during the course of this assignment.
- ii- The Consultant shall in his application demonstrate his knowledge of using various indices and the information about spot market, short term market and long term coal contracts. The Manual will outline the necessary steps for fixing various parameters stipulated by NEPRA in the Terms of Reference.

VI. TERM/DURATION OF ASSIGNMENT:

- i- This will be an on-going consultancy and the consultant will be engaged on as need basis.

VII. PROPRIETY RIGHTS

- i- All documents prepared by the consultant(s) shall become and remain the sole property of the Authority. Consultant(s) shall not, during the term of the contract or after expiration, disclose any propriety or confidential information relating to the services, or the Authority's business or operations.

VIII. LOCATION:

- i- All relevant correspondence and meetings will be convened in the office of NEPRA, currently located at NEPRA Tower, Ataturk Avenue, G-5/1, and Islamabad, Pakistan.