



**Registrar**

# **National Electric Power Regulatory Authority**

## **Islamic Republic of Pakistan**

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No. NEPRA/DG (Lic)/LAG-491/ 19183-91

December 13, 2024

**Chief Executive Officer**

Nestle Pakistan Limited  
308-Upper Mall, Lahore

**Subject: Grant of Generation Licence No. SGC/174/2024  
Licence Application No. LAG-491  
Nestle Pakistan Limited (NPL)**

*Reference: Your letter No. & dated nil (received on 05.11.2020)*

Enclosed please find herewith Determination of the Authority in the matter of application of Nestle Pakistan Limited (NPL) for the grant of generation licence along with Generation Licence No. SGC/174/2024 annexed to this determination granted by the National Electric Power Regulatory Authority (NEPRA) to NPL for its 12.50 MW thermal power generation facility located at Khanewal-Kabirwala Road, Tehsil Kabirwala, District Khanewal in the province of Punjab, pursuant to Section-14B of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended or replaced from time to time

2. Please quote above mentioned Generation Licence No. for future correspondence.

Enclosure: As Above

(Wasim Anwar Bhinder)

**Copy to:**

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Energy Department, Government of Punjab, EFU House, 8th Floor, 6-D Jail Road, Lahore
3. Managing Director, National Transmission & Despatch Company (NTDC), 414 WAPDA House, Lahore
4. Chief Executive Officer, CPPA(G), 73 West, Shaheen Plaza, A.K. Fazl-ul-Haq Rd, Blue Area, Islamabad
5. Managing Director, Private Power & Infrastructure Board (PPIB), Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
6. Chief Executive Officer, Multan Electric Power Company (MEPCO), MEPCO Headquarters, Khanewal Road, Multan
7. General Manager (System Operation), National Power Control Center – NTDC, H-8/1, Islamabad
8. Director General, Environmental Protection Department, Government of the Punjab, National Hockey Stadium, Ferozpur Road, Lahore

**National Electric Power Regulatory Authority**  
**(NEPRA)**

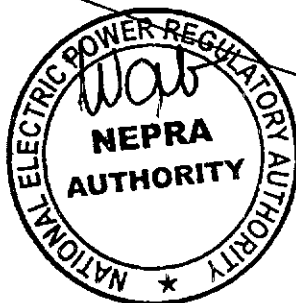
**Determination of the Authority**  
**in the Matter of Application of Nestle Pakistan Limited for**  
**the Grant of Generation Licence**

**December 13<sup>th</sup>, 2024**  
**Case No. LAG-491**

**(A). Filing/Processing of Application**

(i). Nestle Pakistan Limited (NPL) submitted an application on November 05, 2020 for the grant of generation licence in terms of Section-14B of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act") read with the relevant provisions of the NEPRA Licensing (Application and Modification Procedure) Regulations, 1999 (the "Licensing Regulations").

(ii). The Registrar examined the submitted application and found that application was deficient in terms of the Licensing Regulations. Accordingly, the Registrar directed NPL for submitting the missing information/documents as required under the said regulations. NPL completed the submission of missing information/documentation by December 08, 2020. The Registrar submitted the matter before the Authority to decide the admission of the application or otherwise. The Authority considered the matter and found the form and content of the application in substantial compliance with Regulation-3 of the Licensing Regulations. Accordingly, the Authority admitted the application on December 09, 2020 for consideration of the grant of the generation licence as stipulated in Regulation-7 of the Licensing Regulations. The Authority approved an advertisement to invite comments of general public, interested and affected persons in the matter as stipulated in Regulation-8 of the Licensing Regulations.



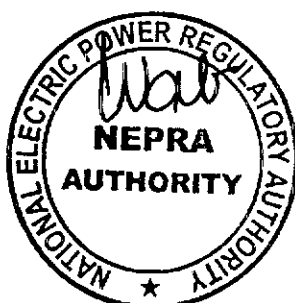
Accordingly, notices were published in one (01) Urdu and one (01) English newspapers on December 11, 2020.

(iii). In addition to the above, the Authority also approved a list of stakeholders for seeking their comments for its assistance in the matter in terms of Regulation-9(2) of the Licensing Regulations. Accordingly, letters were sent to different stakeholders as per the approved list on December 11, 2020, soliciting their comments for assistance of the Authority.

## **(B). Comments of Stakeholders**

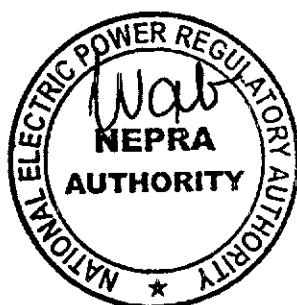
(i). In reply to the above, the Authority received comments from three (03) stakeholders including Central Power Purchasing Agency (Guarantee) Limited (CPPAGL), Ministry of Planning, Development and Special Initiatives (MPD&SI) and Multan Electric Power Company Limited (MEPCO). The salient points of the comments offered by stakeholders are summarized below: -

- (a). CPPAGL submitted that in order to have sustainable development of the power sector of the country certain fundamentals are to be considered including (a). The Quantum of power required to be added/allowed should be in line with the demand projections envisaged under IGCEP; (b). A uniform tariff required to be introduced (in the existing end consumer tariff setting framework) for the Grid Connected Distributed Generator Consumer (be it for Net-Metering or Self-Consumption) by incorporating a new tariff category in the Schedule of Tariff (SOT); (c). A separate Category for Grid-Connected Distributed Generation (be it for Net-Metering or Self-Consumption) needs to be introduced through a Central Planning Mechanism in order to ensure proper registration and charge of respective tariff;



(d). Under the current tariff structure, large consumers pay higher tariff to cross-subsidize the small consumers. Cross-subsidization is a policy/regulatory decision and is applicable to all consumers irrespective of purchase of electricity from DISCO(s) or having bilateral contract with generators. The Cross subsidy is a policy/regulatory decision and as such big consumers cannot be discriminated on the basis that if the consumers opt for self-generation, it can avoid cross subsidy while the same category of consumers of DISCOs continue to pay cross subsidy. If this practice is not discontinued, this in turn will become an undue incentive for the remaining regulated BPCs to leave DISCOs. Therefore, cross-subsidy charges should accordingly be charged to all the BPC(s) irrespective of the fact that they are consumers of DISCO or doing bilateral trade. (e). Long term contracts with take-or-pay capacity regime are already committed resulting in capacity adequacy for the next few years. It is apprised that DISCOs are charged Capacity Charges (as fixed cost) which is independent of their end-consumer sales. However, DISCOs charge almost all of their Energy and Capacity Charges through a volumetric rate structure (i.e. per kWh basis) to the end consumers. Therefore, the regulator shall provide for recovery of stranded costs arising on account of open access/off-grid operation in the consumer-end tariff. (f). The demand/supply planning cycle starting from demand projections to the approval of IGCEP should be adjusted to account for the key factors. (i). Advance notices by the BPCs to exit the DISCOs and intimation to the planner to incorporate its planned





generation capacity in the generation planning exercise as firm commitment; (ii). Recognition by DISCO(s) in demand forecasting that the demand of the BPC(s) will only be utilized for wires planning and not for sales; (iii). Rationalization of timing of exit and return to the grid by the BPC(s). These changes are also very important for determining not only the period of stranded costs but also reducing further firm commitments for the pool to the extent of advance notices given by BPCs opting for bilateral trade. If the stranded costs issue is not accounted for, the tariffs of different classes of remaining consumers of DISCO will tremendously increase in case of reduction in different levels of sales;

- (b). MPD&SI stated that it supports the indigenous renewable resources of power generation which protect the environment by increasing the share of green energy in the overall energy mix as per RE Policy 2019 & 12<sup>th</sup> Five Year Plan. The liquid fuel based power plants need to be discouraged due to their higher costs/tariff, unless the host DISCO makes a compelling case;
- (c). MEPCO expressed that the Authority granted it a Distribution Licence under Section 20 read with Section 21 of the NEPRA Act on April 25, 2002 (the "Distribution Licence"), for a period of twenty (20) years. It is noteworthy that in terms of Section 21 of the NEPRA Act, the legislature expressly conferred an exclusive right to distribute electric power and make sale of electricity within a defined service territory for a defined period. Further, Article-7 of the Distribution Licence reiterated this statutory conferment of



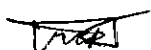
Exclusivity on MEPCO and further affirmed the application of a time-bound qualification thereon, as imposed by the legislature in terms of Section 22 of the NEPRA Act (the "Qualification"). As per express legislative intent embodied in Section 22, the Qualification was set to expire upon lapse of fifteen years from the date of promulgation of the NEPRA Act, i.e. December 16, 2012 (the "Qualification Expiry Date"). Consequently, the Qualification ceased to affect Exclusivity of MEPCO on the Qualification Expiry Date. MEPCO therefore enjoyed and continues to enjoy an exclusive right to distribute and make sale of electric power within the Service Territory enumerated in the Distribution Licence. Therefore, granting the right to NPL to make sale within the Service Territory of MEPCO, shall violate express statutory instructions, the terms of the Distribution Licence and settled principles of law. The Authority initiated sector-wide proceedings for amending Article-7 of the licences of the Distribution Companies including MEPCO, to retract their respective statutory rights of Exclusivity (the "Exclusivity Retraction Proceedings"). The Exclusivity Retraction Proceedings have not been concluded and are still pending adjudication before the Authority. By granting NPL the right to make sale of electricity within the Service Territory of MEPCO, the Authority will effectively prejudice the determination of the Exclusivity Retraction Proceedings and render the same superfluous and redundant, which shall, apart from being illegal, have devastating sector-wide affects. Additionally, two constitutional Courts of Pakistan i.e. the Honourable Lahore High Court and the Honourable Islamabad High Court have independently, in five separate



Writ Petitions under Article 199 of the Constitution of the Islamic Republic of Pakistan (the "Constitution") issued interim reliefs against the decision of the Authority to grant private enterprises rights to make sale of electric power and particularly to such consumers residing in the exclusive service territories of Distribution Companies. Such interim orders have been issued in light of, *inter alia*, the position expressed above. Proceeding forward to grant similar rights to other entities and advancing a position against which the Honourable Constitutional Courts have issued interim reliefs, would be improper, illegal and unwarranted. Without prejudice to the above, it is submitted that pursuant to the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 (the "2018 Amendment Act"), the legislature has introduced numerous amendments in the NEPRA Act (the "Amended NEPRA Act"). More particularly, vide Section-23E read with Section-23F of the Amended NEPRA Act, the legislature has expressly and mandatorily required the Authority to confer rights of sale, only on such Generation Companies, who have been duly licensed thereunder as Electricity Suppliers (the "Supplier Licensing Regime"). Admittedly, NPL has not applied under the Supplier Licensing Regime and no right to make sale of electricity can be legally conferred thereon by the Authority under an inapplicable provision of law. The Application is as such, liable to be rejected. NPL has not presented any evidence, data or information in support of its Application to demonstrate its compliance of the legal and statutory thresholds applicable to generation licences, as sought in terms of the

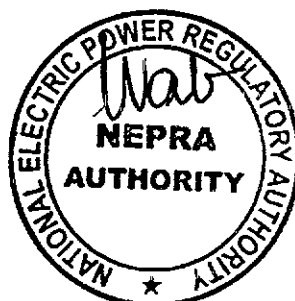


Application, including, *inter alia*, the Amended NEPRA Act, Licensing Regulations and National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000 (the "Generation Rules"). In the absence of requisite information, NPL cannot be presumed to satisfy the applicable legal and statutory thresholds, the Application is deficient in material respects and liable to be dismissed. Without prejudice to the above, it is submitted that by accepting the Application under the existing regime, the Authority shall, *inter alia*, violate express statutory prescriptions including its statutory obligations embodied in the Amended NEPRA Act and laws subordinate thereto, compromise consumer interest, destabilize the market, structurally disadvantage Distribution Companies and thwart competition. In this regard, the following may be noted that (a). NPL has represented its demand for electricity in the Application to be equivalent to amount of 6.2 MW i.e. Captive Units. Oddly, Electricity Demand of NPL has always been 2.20 MW, which has been sufficient to meet its needs. NPL ought to explain how, since the last few years, it has been meeting and/or satisfying the difference between Electricity Demand of NPL and the Captive Units it represents it requires. Absent such explanation, the Authority cannot proceed to grant privileges and rights to delinquent entities, like NPL. (b). It is a matter of fact and record that MEPCO has been regularly meeting demand of electricity of NPL and other BPC(s). In fact, the quantum of such demand for electricity, of NPL and relevant BPC(s) has formed the foundational basis upon which numerous Power Purchase Agreement





and Energy Purchase Agreements (collectively the "Existing Procurement Agreements") have been entered into for and on behalf of Distribution Companies (including MEPCO) and Independent Power Producers (the "IPPs"). The decision of the Authority to sanction a unilateral retraction of the relevant BPC(s) as consumers of MEPCO, shall undermine the very basis of the Existing Procurement Agreements, which were entered into specifically to meet such demand for electricity. (c). By granting NPL the right to make sale to relevant BPC(s), the Authority shall, to the extent of saleable units, effectively authorize/sanction the depletion of revenue generation sources of MEPCO, and pursuant thereto, disempower and incapacitate MEPCO from successfully performing under the relevant Existing Procurements Agreements. (d). Such a decision shall additionally, set a very dangerous precedent and have a cascading effect to the detriment of its consumers, MEPCO, Distribution Companies, and the stability of the national power sector. As BPC(s) cease to procure from the utilities, the payment obligations of Distribution Companies under the Existing Procurement Agreements shall however subsist. With a depleting revenue generation source and its consequent incapacity to make payments thereunder, a new financial burden of stranded costs shall be created. This shall add to and further contribute to the already over-bearing national circular debt. The Authority is well aware that the circular debt now stands at approximately 2.00 trillion rupees and that the government is engaged in efforts to minimize it. Approving NPLs application shall effectively thwart such efforts and further exacerbate the national



circular debt crisis. (e). It is a matter of record that BPC(s) provide an invaluable cross-subsidy to other consumers, the Authority shall deprive the subsidized consumers of the cross-subsidy currently paid by the BPC(s). This will not only be detrimental to the interest of consumers but will result in stranded costs, having a cascade effect on the entire sector; (f). The financial impact/burden of inability of MEPCO to realize its revenue targets shall, as has already been determined, be eventually passed by the Authority onto consumers through the mechanism of Prior Year Adjustment. As a result, the afore-stated new financial burden of stranded costs, created on account of application of NPL, shall be thrust onto the remaining consumers of Distribution Companies, in the following year. It is noteworthy that this treatment is not limited to stranded costs, but also includes the financial impact caused by the quantum loss of cross-subsidy currently paid by the relevant BPC(s). Apart from being unreasonable, unfair and onerous in nature, such impositions would enable private sector enterprises (like NPL) to exact exorbitant profits by shifting the corresponding costs of such profit they cause to Distribution Companies, onto consumers via the consumer end tariff of the following year (through the Prior Year Adjustment Mechanism). The decision to confer rights on NPL, as sought in the Application, is therefore contrary to consumer interest, unwarranted and illegal.

(ii). The Authority considered the above comments of stakeholders and in view of the observations of CPPAGL and MEPCO considered it appropriate seeking the perspective of NPL. On the observations of CPPAGL,



it was submitted that the offered comments related to the policy matter and highlights certain issues of the power sector and do not specifically object to the grant of Generation Licence. In this regard, it is submitted that the generation facility of NPL is a Captive Power Plant (CPP), which is already in existence. The requirement for seeking licence has only arisen only as company intends to supply surplus power to the BPC(s) located in the vicinity of the factory on mutual agreed terms and conditions. In view of the said, the observations of CPPAGL regarding induction of projects through IGCEP do not arise. Further, the suggestion of CPPAGL for introduction of separate tariff category for the Grid connected distributed generator consumer may be considered on merit. About the issue of cross-subsidy to be recovered from the BPC(s), the same is a policy and a regulatory decision on which NPL has no objection. Regarding, the payment of the cross-subsidy by the BPC opting for self-generation, it was submitted that such an assertion is unfounded and cannot be made as same has been omitted through amended NEPRA Act. The BPC pays a rate or tariff which is higher than the cost of service for the welfare or betterment of the poor class of the community. The observation regarding the cross-subsidy is not relevant as NPL has connection from the DISCO and it has no intention to disconnect the same from the relevant utility. About the comments of CPPAGL of long term contracts and recovery charges through volumetric charges of the utilities, it was submitted that the comment related to the policy of the government considering the expansion requirements of the electricity sector. The fixed cost or the capacity charge payment is a sine qua non of the agreement entered by the IPP(s) with the Government. However, in the case of NPL, this comment is also irrelevant as it is a CPP and intends to sell electricity to the BPC(s) and will not have any impact on the tariff of the grid connected power plants.



(iii). The Authority reviewed the above submissions of NPL and in view of the submitted clarification considered it appropriate to process the generation licence application of NPL as stipulated in the Licensing Regulations and the Generation Rules.

**(C). Observations/Findings of the Authority**

(i). The Authority examined the entire case in detail including the information that NPL provided with its application, comments of the stakeholders, rejoinder submitted, the relevant rules & regulations in the matter and the observations in the matter are explained in the following paragraphs.

(ii). The applicant i.e. NPL is an entity incorporated initially in the name of Nestle Milkpak Limited on January 15, 1979 under Companies Act-1913 vide Company Registration No. L-118 of 1978-1979. The name of company was changed from Nestle Milkpak Limited to NPL under Section-40 of Companies Ordinance 1984 (XLVII of 1984) on May 26, 2005. It is a public limited company listed on the stock exchange with the principal line of business relating to live stock farming and dairy products. In this regard, NPL has set up four production facilities across the country including factories at Sheikhpura, Kabirwala, Islamabad and Karachi. The factories at Shiekhupura and Kabirwala are multi-product, whereas the ones in Islamabad and Karachi are water factories. NPL has been consistently placed among the top companies of the Pakistan Stock Exchange for the last many years. The Business Office of the company is located at 308-Upper Mall, Lahore.

(iii). NPL has set up a generation facility of 12.50 MW at its factory located at Khanewal-Kabirwala road, tehsil Kabirwala, district Khanewal in the province of Punjab which is currently being used as CPP. Now, NPL plans to supply to some BPC(s) through the wheeling arrangement. The said generation facility consists of a total of five (05) engines of various make and model

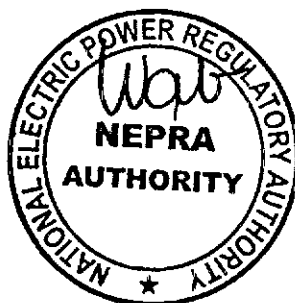


operating on HFO and HSD. The capacities of the various engines are 1 x 6.70 MW (Wartsila installed in 2006 as the main supply operating on HFO), 1 x 0.40 MW (Caterpillar installed in 2008 for use as emergency operation on HSD), 3 x 1.80 MW (Caterpillar installed in 2010 operating as standby use on HSD).

(iv). As explained above, NPL plans to supply from proposed generation facility to different BPC(s) through the wheeling arrangement however, the names of the same are not disclosed. In this regard, NPL has submitted that once an agreement is reached with any BPC/potential buyers, the company/NPL will approach the Authority for approval through modification of licence, if required.

(v). The Rule-5(1) of the Generation Rules stipulates that the term of a generation licence is to be consistent with the maximum expected useful life of the units comprised in a generating facility, except where an applicant consents to a shorter term. According to the information provided by NPL, its generation facility was set up between 2006 and 2010. In this regard, it is clarified that Diesel Generating Engines normally have a useful life of twenty five (25) years. The latest unit of the generation facility was commissioned in 2010 and has operated for almost fourteen (14) years and therefore has a remaining useful life of about eleven (11) years. Therefore, the term of the proposed generation licence may be fixed for eleven (11) years from the date of issuance of the same subject to Section-14B of the NEPRA Act.

(vi). Regarding the tariff, it is hereby clarified that under Section-7(3)(a) of the NEPRA Act, determining tariff, rate and charges etc. is the sole prerogative of the Authority. As the matter of rates, charges and terms and conditions of tariff between NPL and its proposed BPC(s) do not affect any other consumer or third party therefore, for the purpose of tariff, it will be appropriate asking NPL and its BPC(s) agreeing to a bilateral agreement and accordingly, NPL may be allowed to charge the agreed tariff from its BPC(s) subsequent to



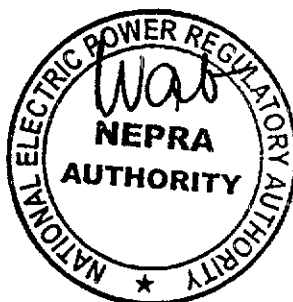
the grant of the generation licence subject to payment of the wheeling charges. In view of the said, a suitable article on tariff in the generation licence is proposed to be included.

**(D). Grant of Licence**

(i). The Authority considers that sustainable and affordable energy/electricity is a key prerequisite for the socio-economic development of any country. In fact, the economic growth of any country is directly linked with the availability of safe, secure, reliable and cheaper supply of energy/electricity. The Authority is of the considered opinion that in order to make the electric power sector sustainable, the intervention of the Govt. is to be minimised whereas the role of private sector is to be enhanced allowing B2B sale and purchase. In consideration of the said, the Authority has approved the design of the electricity market for the whole sale market commonly known as Competitive Trading Bilateral Contract Market (CTBCM) which will allow the Business to Business (B2B) sale between the parties as NPL has envisaged.

(ii). The Authority has observed that in the current case, NPL has approached for the grant of Generation Licence for wheeling of power to different BPC(s) from its oil based CPP located at Kabirwala, district Khanewal in the province of Punjab. In this regard, the Authority has observed that NPL has provided the details of the location, size, technology, interconnection arrangements, technical limits, technical functional specifications and other details including the net capacity of the generation facility/CPP, fulfilling the requirements of the relevant rules and regulations which are being incorporated in the Generation Licence.

(iii). The Authority has observed that the generation facility/CPP of NPL will be used for supplying surplus electric power to different BPC(s). According to Section-2(ii) of the NEPRA Act, a consumer which purchases or receives



electric power at one premises, in an amount of one megawatt or more or in such amount and voltage level and with such characteristics as the Authority may determine/specify is treated as BPC. In this regard, NPL has not confirmed about the names of its proposed BPC(s) but at the same time it has confirmed that all of its BPC will comply with the above mentioned criteria without any exception.

(iv). The term of a Generation Licence under Rule-5(1) of the Generation Rules is required to match the maximum expected useful life of the units comprised in a generating facility. According to the information provided by NPL, its generation facility was set up between 2006 and 2010. The latest unit of the generation facility was commissioned in 2010 and has operated for almost fourteen (14) years and therefore, the term of the generation licence may be fixed as per the previously approved benchmark. In this regard, the Authority hereby clarifies that Diesel Generating Engines normally have a useful life of twenty five (25) years and the term of the licence is fixed accordingly. In light of the above explanation, the Authority considers that generation facility/CPP of NPL has a remaining useful life of about eleven (11) years therefore, it fixes the term of the Generation Licence to eleven (11) years from the date of issuance subject to Section-14B(5) of the NEPRA Act.

(v). Regarding compliance with the environmental standards, NPL has confirmed that it will comply with the required standards during the term of the Generation Licence. In view of the importance of the issue, the Authority has decided to include a separate article in the Generation Licence along with other terms and conditions making it obligatory for NPL to comply with relevant environmental standards at all times.

(vi). Regarding the rates, charges and terms and conditions of tariff between NPL and its BPC(s), it is reiterated that under Section-7(3)(a) of the NEPRA Act, determining tariff, rate and charges etc. is the sole prerogative of



the Authority. However, the Authority observes that the tariff between NPL and its BPC(s), does not affect any other consumer or third party. Therefore for the purpose of tariff, the Authority considers it appropriate to direct NPL and its BPC(s) to agree on a bilateral agreement and accordingly NPL will be allowed to charge the agreed tariff subsequent to the grant of the Generation Licence and Electric Power Supply Licence as stipulated under Section-14D read with Section-23E of the NEPRA Act.

**(vii).** The Authority has duly considered the comments of stakeholders as explained above. In this regard, the Authority has observed that CPPAGL and MEPCO have raised various concerns on the proposal including (a). the quantum of power to be added be in line with the IGCEP; (b). Separate Consumer Category/Tariff for Grid-Connected Distributed Generation; (c). cross-subsidization by large consumers; (d). stranded cost & rising circular debt; (d). notices by the BPCs to exit the DISCO(s); (e). exclusivity of DISCO; (f). requirement of Supplier Licence for NPL.

**(viii).** In consideration of the above, the Authority has observed that NPL has submitted rejoinders to the above observations of CPPA and MEPCO as explained in the preceding paragraphs and the Authority has duly considered the same as plausible. However, the Authority considers it appropriate to give its findings on the above mentioned observations and address the same in the current determination in the matter of application for the grant of Generation Licence of NPL. In this regard, on the observation that the quantum of power to be added be in line with the IGCEP, the Authority clarifies that it has approved the latest iteration of the IGCEP on February 01, 2023 and has made obligatory to NTDC as system planner to submit next iterations on a yearly basis. Also, the Authority has taken a principle decision to allow only those projects falling in the IGCEP. Further to the said, the Authority hereby also clarify that IGCEP is meant for procurement of electric power for consumers utilities for which they will serve as Supplier of Last Resort. Notwithstanding the said, the Authority hereby





clarifies that for any B2B transaction it is not necessary to have the same included in the IGCEP. The Authority once again reiterates its position that any future capacity will only be allowed once it is included either as a committed project or otherwise as an optimised project. About the issues of Separate Consumer Category/Tariff for Grid-Connected Distributed Generation, cross-subsidization by large consumers and stranded cost & rising circular debt, the Authority consider these important aspects however, the same are not directly linked with the current application of NPL which is meant for the grant of Generation Licence only. It is pertinent to mention that the DISCO(s) have submitted their petitions for the determination of charges for wheeling as well stranded and cross subsidization cost, the same are in advance stage of processing and once decided all these observations will be addressed. Regarding the observations of MEPCO that it has an exclusive licence upto April 24, 2022 and in terms of decision of the honourable IHC, the Authority did not allow a generation company to supply to BPC(s) during the term of the licence. In this regard, the Authority clarifies the original Distribution Licence (No.06/DL/2002, dated April 25, 2002) of MEPCO was valid upto April 24, 2022 and in compliance with the decision of IHC, the Authority did not allow NPL for supplying to BPC(S). Further to the said, the Authority has lately granted non-exclusive Distribution Licence and a Licence for Supplier of Last Resort on May 09, 2023 and December 27, 2023 respectively. In view of the said, the Authority may now allow a generation company to supply to BPC(s) in the territory of MEPCO subject to fulfilment of the conditions of the relevant regulations. About the observations of MEPCO for giving required notice, if the BPC(s) plans to move away from it, the Authority directs NPL and its BPC(s) to follow the same as stipulated under the NEPRA Act. About the observation of MEPCO that NPL will be requiring a Supplier Licence under the NEPRA Act if it plans to supply to BPC(s), the Authority considers that the same is binding under the relevant applicable law/NEPRA Act therefore, NPL is directed to adhere to the same. In

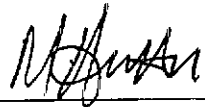


view of the said, the Authority considers that the observations of CPPAGL and MEPCO stand addressed and settled.

(ix). In consideration of the above, the Authority hereby approves the grant of Generation Licence to NPL on the terms and conditions set out in the same annexed to this determination. The grant of Generation Licence will be subject to the provisions contained in the NEPRA Act, relevant rules, regulations framed thereunder and other applicable documents. The grant/approval is restricted to the generation of electric power from the generation facility of NPL and not for sale supply of electric power to the BPC. In order to supply to BPC the Authority further directs NPL to apply for the Electric Supplier Licence under Section-23E of the NEPRA Act within a period ninety (90) days of this determination.

**Authority:**

Engr. Maqsood Anwar Khan  
(Member)

  
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Engr. Rafique Ahmed Shaikh  
(Member)

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Engr. Mathar Niaz Rana  
(Member)

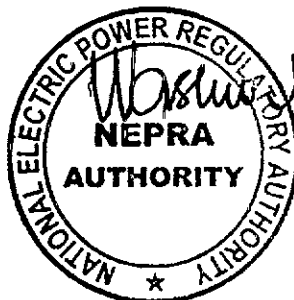
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Ms. Amina Ahmed  
(Member)

  
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Engr. Waseem Mukhtar  
(Chairman)

  
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**National Electric Power Regulatory Authority  
(NEPRA)**

**Islamabad – Pakistan**

**GENERATION LICENCE**

**No. SGC/174/2024**

In exercise of the powers conferred upon the National Electric Power Regulatory Authority (NEPRA) under Section-14(B) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended or replaced from time to time, the Authority hereby grants a Generation Licence to:

**NESTLE PAKISTAN LIMITED**

Incorporated under  
the Companies Act, 1913 (VII of 1913) having Company Registration No. L-  
118 of 1978-1979, dated January 15, 1979

**for its Generation Facility/Power Plant**  
**Located at Khanewal-Kabirwala Road, Tehsil Kabirwala,**  
**District Khanewal in the province of Punjab**

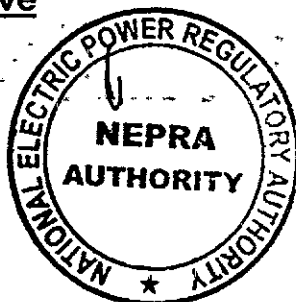
(Installed Capacity: 12.50 MW Gross ISO)

to engage in generation business subject to and in accordance with the Articles of this Licence.

Given under my hand on 13<sup>th</sup> day of December Two Thousand & Twenty Four and expires on 12<sup>th</sup> day of December Two Thousand & Thirty-Five

*Abdul Jauhar*

**Registrar**

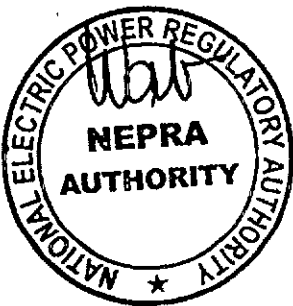


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**Article-1**  
**Definitions**

**1.1 In this Licence**

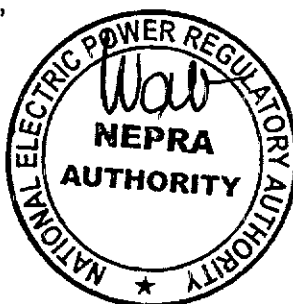
- (a). "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended or replaced from time to time;
- (b). "Applicable Documents" mean the Act, the rules and regulations framed by the Authority under the Act, any documents or instruments issued or determinations made by the Authority under any of the foregoing or pursuant to the exercise of its powers under the Act, the Grid Code, the applicable Distribution Code, the Commercial Code if any, or the documents or instruments made by the Licensee pursuant to its generation licence, in each case of a binding nature applicable to the Licensee or, where applicable, to its affiliates and to which the Licensee or any of its affiliates may be subject;
- (c). "Applicable Law" means the Act and all the Applicable Documents;
- (d). "Authority" means the National Electric Power Regulatory Authority constituted under Section-3 of the Act;
- (e). "Bus Bar" means a system of conductors in the generation facility/thermal power plant of the Licensee on which the electric power from all the generators is collected for supplying to the Power Purchaser or Bulk Power Purchaser;
- (f). "Commercial Code" or "Market Commercial Code" means the commercial code prepared and maintained by the market operator pursuant to Sections-23A and 23B of the Act and



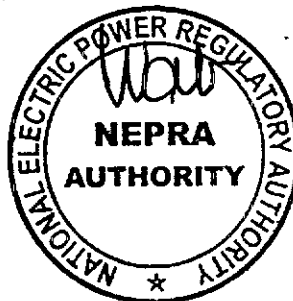
*[Signature]*

approved by the Authority from time to time;

- (g). "CPPA-G" means Central Power Purchasing Agency (Guarantee) Limited or any other entity created for the like purpose for functioning as market operator;
- (h). "Distribution Code" means the distribution code prepared by the concerned XW-DISCO and approved by the Authority, as it may be revised from time to time with necessary approval of the Authority;
- (i). "Distribution Company" means a company to which the Authority has granted a distribution licence under Section 20-21 of the Act and engaged in the distribution of electric power;
- (j). "Energy Wheeling Agreement-EWA" means the energy wheeling agreement, entered or to be entered into by and between NTDC or Distribution Company and the Licensee, for the Wheeling of electrical energy generated by the generation facility/Power Plant, as may be amended by the parties thereto from time to time;
- (k). "Generation Rules" mean the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000 as amended or replaced from time to time;
- (l). "Grid Code" means the grid code prepared and revised from time to time by NTDC with necessary approval of the Authority;
- (m). "Licence" means this licence granted to the Licensee for its generation facility/Power Plant;
- (n). "Licensee" means Nestle Pakistan Limited and its successors or permitted assigns;



- (o). "Licensing Regulations" mean the National Electric Power Regulatory Authority Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 as amended or replaced from time to time;
- (p). "MEPCO" means Multan Electric Power Company Limited and its successors or permitted assigns;
- (q). "NTDC" means National Transmission & Despatch Company Limited and its successors or permitted assigns;
- (r). "Power Purchaser" means the BPC(s) which will be purchasing electricity from the Licensee, pursuant to an Power Purchase Agreement-PPA for procurement of electricity;
- (s). "Power Purchase Agreement-PPA" means the power purchase agreement, entered or to be entered into by and between the Power Purchaser and the Licensee, for the purchase and sale of electrical energy generated by the generation facility, as may be amended by the parties thereto from time to time;
- (t). "Service Territory" means the service territory as defined in the distribution licence of a Distribution Company under the Act;
- (u). "Thermal Power Plant" means a generation facility or power plant using fossil fuel for generation of electric power;
- (v). "Wheeling" means supplying/injecting electrical energy by the Licensee into the Grid System of any Distribution Company (i.e. MEPCO in the current case), at one point and receiving the same amount at any other location located in its Service Territory upon payment of use of system charges as determined by the Authority;



(w). "XW-DISCO" means an Ex-WAPDA distribution company engaged in the distribution of electric power".

1.2 The words and expressions used but not defined herein bear the meaning given thereto in the Act or rules and regulations issued under the Act.

**Article-2**  
**Applicability of Law**

This Licence is issued subject to the provisions of the Applicable Law, as amended or replaced from time to time.

**Article-3**  
**Generation Facilities**

3.1 The location, size (capacity in MW) and other details specific to the generation facility/Thermal Power Plant of the Licensee are set out in Schedule-I of this Licence.

3.2 The de-rated capacity, the axillary consumption and the net capacity of the generation facility/Thermal Power Plant of the Licensee is set out in Schedule-II of this Licence.

**Article-4**  
**Term of Licence**

4.1 This Licence shall become effective from the date of its issuance and will have a term of eleven (11) years from the said date, subject to the provisions of Section-14(B) of the Act.

4.2 Unless suspended or revoked earlier, the Licensee may apply for renewal of this Licence ninety (90) days prior to the expiry of the above term, as stipulated in the Generation Rules read with the Licensing Regulations.



**Article-5**  
**Licence fee**

The Licensee shall pay to the Authority the Licence fee as stipulated in the National Electric Power Regulatory Authority (Fees) Regulations, 2021 as amended or replaced from time to time.

**Article-6**  
**Tariff**

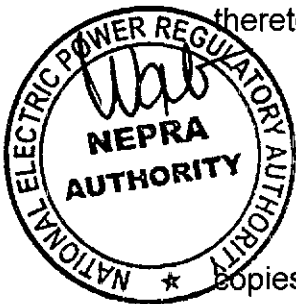
The Licensee is allowed to charge the Power Purchaser/BPC(s) a mutually agreed tariff.

**Article-7**  
**Competitive Trading Arrangement**

7.1 The Licensee shall participate in such manner as may be directed by the Authority from time to time for development of a Competitive Trading Arrangement.

7.2 The Licensee shall in good faith work towards implementation and operation of the aforesaid Competitive Trading Arrangement in the manner and time period specified by the Authority. Provided that any such participation shall be subject to any contract entered into between the Licensee and another party with the approval of the Authority.

7.3 Any variation or modification in the above-mentioned contracts for allowing the parties thereto to participate wholly or partially in the Competitive Trading Arrangement shall be subject to mutual agreement of the parties thereto and such terms and conditions as may be approved by the Authority.



**Article-8**  
**Maintenance of Records**

For the purpose of sub-rule (1) of Rule-19 of the Generation Rules, copies of records and data shall be retained in standard and electronic form



and all such records and data shall, subject to just claims of confidentiality, be accessible by authorized officers of the Authority.

**Article-9**  
**Compliance with Performance Standards**

The Licensee shall comply with the relevant provisions of the National Electric Power Regulatory Authority Performance Standards (Generation) Rules 2009 as amended or replaced from time to time.

**Article-10**  
**Compliance with Environmental & Safety Standards**

**10.1** The generation facility/Power Plant of the Licensee shall comply with the environmental and safety standards as may be prescribed by the relevant competent authority as amended or replaced from time to time.

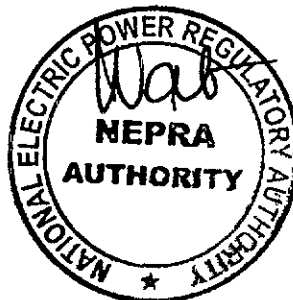
**10.2** The Licensee shall provide a certificate on a bi-annual basis, confirming that the operation of its generation facility/Power Plant is in conformity with required environmental standards as prescribed by the relevant competent authority as amended or replaced from time to time.

**Article-11**  
**Provision of Information**

In accordance with provisions of Section-44 of the Act, the Licensee shall be obligated to provide the required information in any form as desired by the Authority without any exception.

**Article-12**  
**Power off take Point and Voltage**

**12.1** The Licensee shall deliver electric power from its generation facility/Power Plant at the outgoing Bus Bar to MEPCO. The Licensee shall be responsible for the up-gradation (step up) of generation voltage up to the required dispersal voltage level.



**12.2** MEPCO shall transport the above mentioned injected electric power in its system from the generation facility/Power Plant of the Licensee to different BPC(s) through Wheeling arrangement as stipulated in EWA.

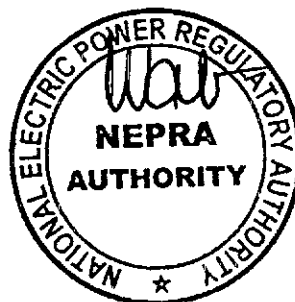
**Article-13**  
**Compliance with Applicable Law**

The Licensee shall comply with the provisions of the Applicable Law, guidelines, directions and prohibitory orders of the Authority as issued from time to time.

**Article-14**  
**Corporate Social Responsibility**

The Licensee shall provide the descriptive as well as monetary disclosure of its activities pertaining to corporate social responsibility (CSR) on an annual basis.

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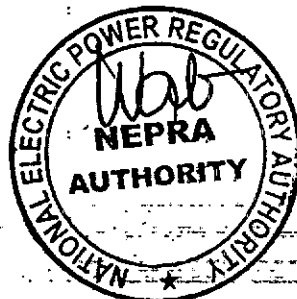
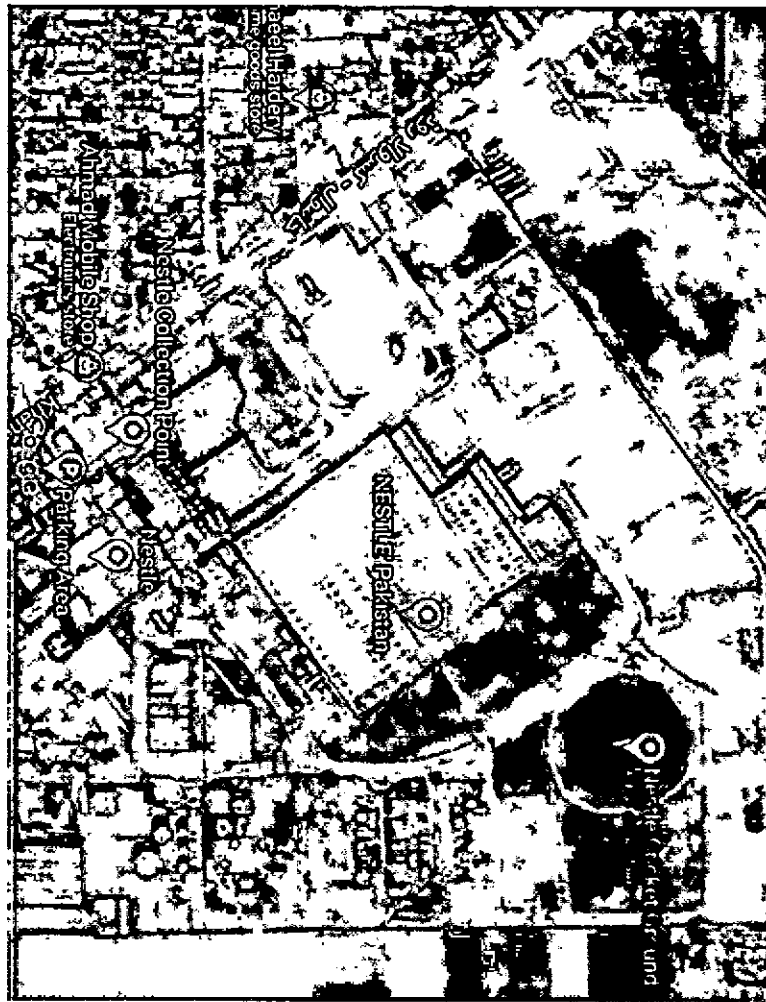


## **SCHEDULE-I**

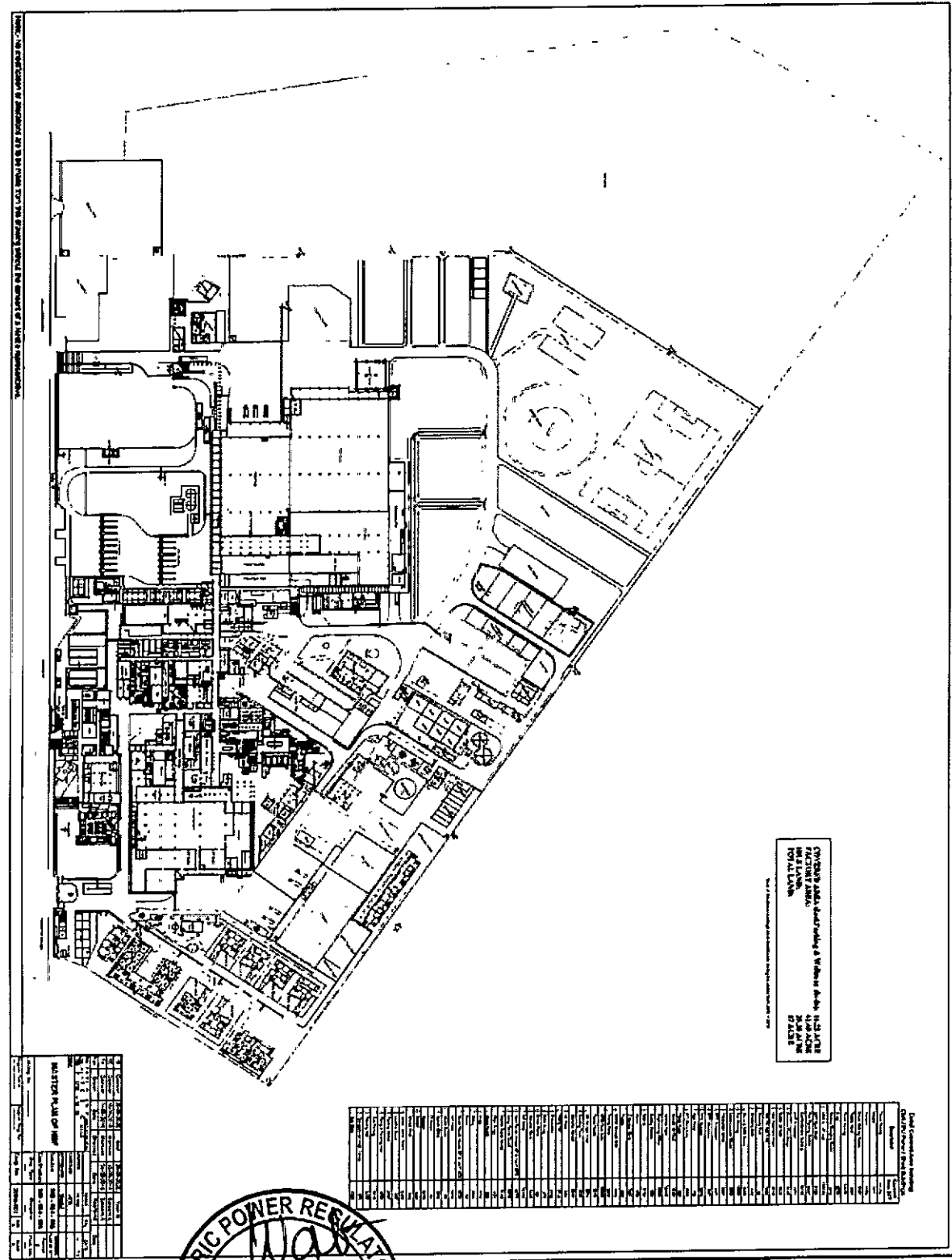
The Location, Size (i.e. Capacity in MW), Type of Technology, Interconnection Arrangements, Technical Limits, Technical/Functional Specifications and other details specific to the Generation Facilities of the Licensee are described in this Schedule.

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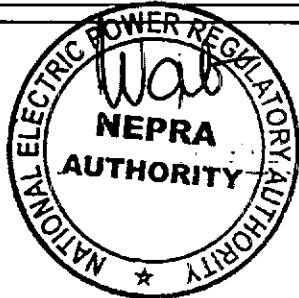
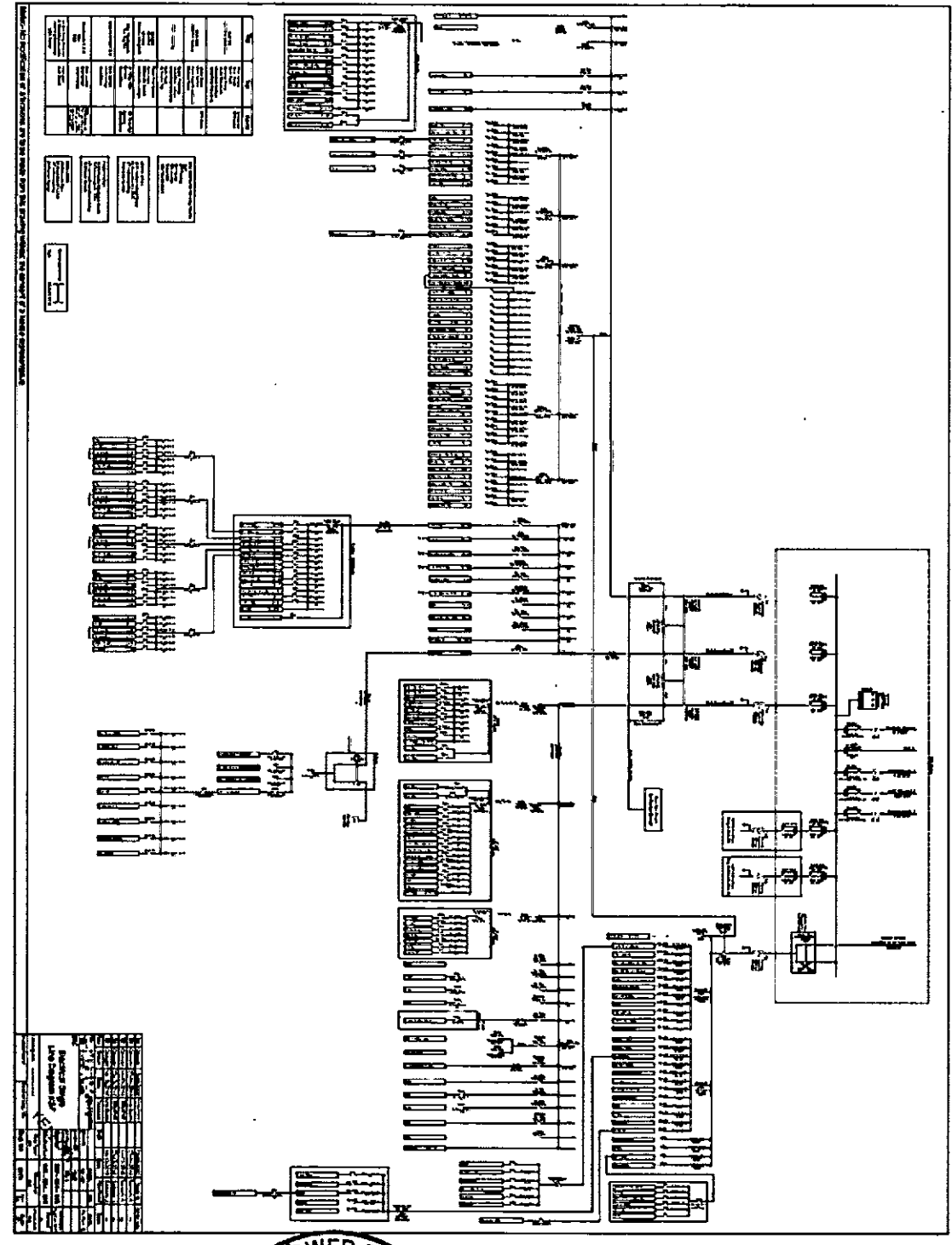




**Layout of the  
Generation Facility/ Thermal Power Plant  
of the Licensee**



**Single Line Diagram**  
**of the Generation Facility/Thermal Power Plant**  
**of the Licensee**

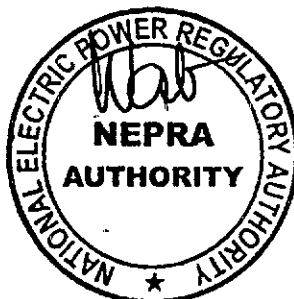


**Interconnection Arrangement/Transmission Facilities  
for Dispersal of Power from the Generation Facility/Solar  
Power Plant/Solar Farm of the Licensee**

The electric power generated from the generation facility/Thermal Power Plant of the Licensee/Nestle Pakistan Limited-NPL shall be dispersed to the load center of MEPCO for wheeling.

(2). The electric power injected by the Licensee in the system of MEPCO will be wheeled for supplying to different BPC(s). In order to wheel the power, MEPCO will be charging the Licensee a Use of System Charge (UoSC) as per the determination of the Authority.





**Details of**  
**Generation Facility/Thermal Power Plant of the**  
**Company/Licensee**

**(A). General Information**

(i).	Name of the Company/Licensee	Nestle Pakistan Limited
(ii).	Registered/ Business office of the Company/Licensee	308-Upper Mall, Lahore, in the province of Punjab
(iii).	Type of the generation facility/Thermal Power Plant	Thermal Power Plant
(iv).	Location(s) of the generation facility/Thermal Power Plant	Khanewal-Kabirwala Road, tehsil Kabirwala, district Khanewal in the province of Punjab

**(B). Technology & Configuration**

(i).	Type of Generation Facility	Thermal Power Plant		
(ii).	Type of Technology	Diesel Engines		
(iii).	Number of Units/Size (MW)	Wartsila	Caterpillar	Caterpillar
		1 x 6.70 MW	1 x 0.40 MW	3 x 1.80 MW
(iv).	Unit Make & Model	Wartsila	Caterpillar	Caterpillar
		W16V32	-	CAT/3516 BHD/2010
(v).	Commissioning/ Commercial Operation date of the Generation Facility	Wartsila	Caterpillar	Caterpillar
		2006	2008	2010





(vi).	Expected Useful Life of the Generation Facility from its Commercial Operation/ Commissioning Date	Wartsila	Caterpillar	Caterpillar
		25 Year	25 Year	25 Year
(vii).	Remaining Useful Life of the Generation Facility from its Commercial Operation/ Commissioning Date	Wartsila	Caterpillar	Caterpillar
		07 Year	09 Year	11 Year

**(C). Fuel Details**

		Wartsila	Caterpillar	Caterpillar
(i).	Primary Fuel	Furnace Oil	Diesel Oil	Diesel Oil
(ii).	Alternative/Secondary Fuel	-	-	-
(iii).	Start Up Fuel	Diesel Oil	Diesel Oil	Diesel Oil
(iv).	Fuel Source for each of the above (i.e. Imported/Indigenous)	Indigenous/ Imported	Indigenous/ Imported	Indigenous/ Imported
(v).	Fuel Supplier	Any OMC	Any OMC	Any OMC
(vi).	Supply Arrangement	Bowser /Tanker	Bowser /Tanker	Bowser /Tanker
(vi).	No. of Storage Tanks	3	2	2
(vii).	Storage Capacity of each Tanks	1000 Tons	500 Tons	500 Tons
(viii).	Gross Storage	3000 Tons	1000 Tons	1000 Tons



**(D). Emission Values**

		Furnace Oil	HSD
(i).	SOx	As per NEQS	As per NEQS
(ii).	NOx	-do-	-do-
(iii).	CO	-do-	-do-
(iv).	PM10	-do-	-do-

**(E). Cooling Water System**

(i).	Cooling Water Source/Cycle	Tube well at Site/Closed Loop
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**(F). Plant Characteristics**

(i).	Generation Voltage	11KV		
(ii).	Frequency	50 Hz		
(iii).	Power Factor	0.85 lagging		
(iv).	Automatic Generation Control	Not Applicable		
(v).	Ramping Rate	Wartsila	Caterpillar	Caterpillar
		To be communicated later		
(vi).	Time required to Synchronize to Grid and loading the complex to full load.	To be communicated later		



## **SCHEDULE-II**

The Installed/ISO Capacity (MW), De-Rated Capacity at Mean Site Conditions (MW), Auxiliary Consumption (MW) and the Net Capacity at Mean Site Conditions (MW) of the Generation Facilities of Licensee are given in this Schedule



## **SCHEDULE-II**

(1).	Total Gross Installed Capacity/Name Plate Rating of the Generation Facility/Power Plant (1 x 6.70 MW DG + 1 x 0.40 MW DG + 3 x 1.80 MW DG)	12.50 MW
(2).	De-rated Capacity of Generation Facility/Power Plant (1 x 5.94 MW DG + 1 x 0.35 MW DG + 3 x 1.60 MW DG) at Reference Site Conditions	≈11.08 MW
(3).	Auxiliary Consumption of the Generation Facility/Power Plant (1 x 0.12 MW DG + 1 x 0.00075 MW DG + 3 x 0.034 MW DG)	≈00.23 MW
(4).	Total Net Capacity of Generation Facility/Power Plant (1 x 5.82 MW DG + 1 x 0.349 MW DG + 3 x 1.566 MW DG) at Reference Site Conditions	≈10.85 MW

**Note**

All the above figures are indicative as provided by the Licensee. The Net Power available to Power Purchaser for dispatch for dispatch will be determined through procedures contained in the Energy Purchase Agreement (EPA) or Energy Wheeling Agreement (EWA) or any other Applicable Document(s).

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