



NORTHERN POWER GENERATION COMPANY LIMITED

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Office Of The
Chief Executive Officer
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Muzaffargarh.

No. CEO/MZG/Dir (Tech.)/ 2130-85

Dated. 12 /02 /2015

The Registrar,
National Electric Power Regulatory Authority,
NEPRA Tower, Ataturk Avenue (East) G-5/1,
Islamabad.

Attention: Mr. Iftikhar Ali Khan (Deputy Registrar)

Subject: EXCLUSION OF UNITS OF SPS AND GTPS FAISALABAD FROM GENERATION LICENSE

Reference: NEPRA Letters No. NEPRA/D(Lic)/LAG-03/8245 and 8247 dated 28/12/2015.

Reference above mentioned letters wherein it has been proposed by the Authority to exclude Units of SPS and GTPS Faisalabad from the Generation License of NPGCL (GENCO-III). It is worth to mention here that the ground realities, legacy issues and legal and regulatory changes are not being taken into consideration for the Authority Proposed Modification (the APM).

The Authority is aware of the fact that since its incorporation, pursuant to the Restructuring Plan approved by the Council of Common Interest in 1993, NPGCL has an in-built legacy of employees. The manpower transition under the Restructuring Plan continued within NPGCL during which the terms and conditions of the employees were secured by law. These employees have a legal and contractual safeguard to their employment, at least till age of superannuation. Even the Decommissioning of plant cannot invalidate their appointment rather at the minimum, owing to the stated affairs, NPGCL has to bear their cost and could neither enter into downsizing nor afford unwanted long litigation particularly when the numbers of working employees are far below the then sanctioned strength.

Besides the above narrated legacy issues, the comments of NPGCL GENCO-III on the "Statement of reasons in support of APM" for GTPS FSD (U#1-9) and SPS FSD (U#1-2) separately are outlined as below please.

GTPS Faisalabad (U#1-9)

The statement of reasons in support of the APM for GTPS FSD (U#1-9) need to be reviewed as some facts & figures are against the ground realities. The same are being narrated for reconsideration at NEPRA's end,

1. **"The alternate fuel for U#1-9 is RFO"**. The alternate fuel is actually HSD.
2. **"The efficiency of units of GTPS is 24%"**. The reality is that these units are performing well. The overall efficiency of these units (open and closed cycle operation) during last operation of plant remained 31.42 %.
3. **"The efficiency of other generation facilities is around 56%"**. According to merit order list issued by NTDC (**Annex-A**), majority of the plants are performing below 48 % efficiency. The plants performing around 56% in merit order list are very rare. Moreover the plants are ranked in the merit order list on the basis of fuel cost and not on the basis of efficiency.
4. **"These units are ranked at the bottom of the merit order ranking at 70th position"**. The exact ranking of these units is 10th on gas fuel, which is higher than many newly installed IPP'S (**Annex-A**). **SNGPL is not supplying gas in spite of valid Gas Agreement. Whenever Gas is made available, the units are run by NPCC.**
5. **"Cost of units of GTPS is Rs 22.20/kWh"**. The actual cost of these units was **Rs.6.38/kWh** during the recent operation in May 2015. This cost would have even more cheaper if these units would be allowed to be operated on continual basis. But unfortunately the gas quota was withdrawn (Despite valid gas agreement between SNGPL and GTPS Faisalabad) and allocated to more expensive IPP'S such as ROUSH, Altern Energy, etc.
6. **"These units are un-economical and un-viable for operation"**. These units are economical and viable for operation because of lower operational cost.

SPS FSD (U#1-2)

The statement of reasons in support of the APM for SPS Faisalabad (Unit 1-2) need to be reviewed as some facts & figures are against the ground realities. The same are being narrated for reconsideration at NEPRA's end,

1. **"The efficiency of units of SPS is 20%"**. The reality is that these units are operating at an average efficiency of 26%. The efficiency of these units during last operation in June 2015 was around 26 %.
2. **"The units of SPS are ranked at the bottom of the merit order and lying at 73rd position"**. The exact ranking of these units is 66 on gas fuel. Which is higher than many newly installed IPP'S such as Hubco Norowal, SABA, Sapphire Electric, Saif, Halmore, Sepcol, etc.
3. **"Cost of the units of SPS is Rs. 24.9445/ kWh"**. The actual cost of these units was Rs 9.98 **on furnace oil** during the recent operation, which is in accordance with GOP Power policy 2013 to bring the cost of electricity from Rupees 14/kWh to Rupees 10/kWh. This cost would have even more cheaper if these units would be allowed to be operated on continual basis and with gas fuel, but unfortunately the gas quota was not provided to these cheaper units (Despite valid gas agreement between SNGPL and SPS Faisalabad) and allocated to more expensive IPP'S.
4. **"These units are un-economical and unviable for operation"**. These units are economical and viable for operation because of lower operational cost.

Maintenance Measures Taken by NPGCL to increase life of Plants:

The life of both GTPS (U# 1-9) and SPS (U# 1-2) has been increased through effective measures and smart investment. The plant wise detail is as under:

GTPS FSD (U#1-9)

- A. Units #5-8 have been upgraded with advance technology parts in recent years due to which the reliability, efficiency and life of these units enhanced.
- B. U#4 was also up rated with advance technology parts in Aug 2014.
- C. The functional group control system of CCP replaced with new distributed control system in 2012. The reliability of CCP is improved.

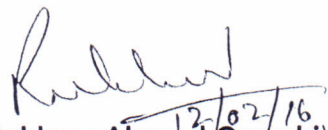
SPS FSD (U #1-2)

- 1) HP heater (U# 1-2) replaced in 2012.
- 2) Overhauling of turbine governor carried out in 2012.
- 3) Partial Boiler re-tubing of the both units carried out.

Recommendation of Directorate General Industries Government of Pakistan (Boiler Inspection Wing)

During recent inspection of HRSG'S and Boiler dated 30-12-2015, boiler inspection declared that all the essential components like HP heater, HP evaporator, Economizer and LP heater air in healthy condition. He advised that these units should remain in operation to maintain healthiness of the boiler. The recommendation of directorate general boiler inspection wing is enclosed here with **(Annex-B)**.

In the light of above narrated facts and figures, it is requested that exclusion of the units of SPS and GTPS Faisalabad may kindly be reviewed. Moreover the System Operator may be directed to run the machines to cope with current energy crisis in the country, keeping in view the economical and viable operation of plants being at 10th position in Economic Dispatch Order issued by NPCC.


(Rukhsar Ahmed Qureshi)
Chief Executive Officer

Copy to:-

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- The CEO GHCL, House No. 22, Street No. 10, F-8/3 Islamabad.
- Finance Director/Company Secretary NPGCL TPS Muzaffargarh.
- Chief Engineer/Technical Director TPS Muzaffargarh.
- Chief Engineer (Thermal) Faisalabad.