



# QUAID-E-AZAM THERMAL POWER (PVT.) LTD.

7-C1, Gulberg-III, Lahore.



December 18<sup>th</sup> 2015

To,

Mr. Iftikhar Ali Khan  
National Electric Power Regulatory Authority  
NEPRA Building, G-5/1, Attaturk Avenue (East)  
Islamabad

Subject:

**APPLICATION OF QUAID-E-AZAM THERMAL POWER (PVT.) LIMITED (QATPL) FOR THE GRANT OF GENERATION LICENSE FOR 1000-1500 MW THERMAL GENERATION FACILITY AT BHIKKI, DISTRICT SHEIKHUPURA, IN THE PROVINCE OF PUNJAB**

Reference to your letter no. NEPRA/D(Lic)/LAG-317/17271 dated December 3<sup>rd</sup>, 2015 on the subject-matter noted above wherein letters containing comments of Energy Department Govt. of Sindh and Energy & Power Department, Govt. of Khyber Pakhtunkhwa were enclosed for rejoinder/clarifications.

2. Please find attached herewith rejoinder/clarifications to the comments in annotated form.

For information & m/a  
— Mr (Lic)  
— SA (Tech)  
— SA T-I  
— Consultant (Lic)  
— M/F  
21.12.15  
con chairman  
m(Lic)

(Ahad Khan Cheema)  
Chief Executive Officer

23/12/15  
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Anty  
TA

Registrar	13293
By No.	21-12-15
Dated	

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**APPLICATION OF QATPL FOR GRANT OF GENERATION LICENSE FOR 1000-1500 MW THERMAL POWER PLANTS  
AT BHIKKI**

**REJOINDER/CLARIFICATIONS**

**OBJECTIONS RAISED BY GOVERNMENT OF SINDH**

(Vide letter to NEPRA dated 23.11.2015)

	<b>Objections</b>	<b>Clarifications / Remarks</b>
1.	<p><b><u>Approval from CCI</u></b>            Subject project has been undertaken without mandatory approval of the Council of Common Interest (CCI). Natural gas, Electricity and all related incidental or ancillary matters appear at entry No. 2, 4 &amp; 18, Part-II, Fourth Schedule of the Constitution respectively.</p>	<p>The subject project, as contended, does not require CCI's approval because, as per the Constitution, CCI is required to formulate and regulate policies in relation to matters in Part II of Federal Legislative List. By no stretch of imagination the same can be inferred that the subject project, or such a project, would be required to first seek CCI's approval. The project is being proceeded and regulated under the existing applicable legal/regulatory framework, under the Constitution, comprising of <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• Regulation of Generation, Transmission and Distribution of Electricity Power Act, 1997</li> <li>• NEPRA (Tariff Standards and Procedure) Rules, 1998</li> <li>• NEPRA (Fee) Rules, 2002</li> <li>• NEPRA (Supply of Electric Power) Regulations, 2015</li> <li>• NEPRA Up-front Tariff (Approval &amp; Procedure) Regulations, 2011</li> <li>• Electricity Act, 1910</li> <li>• Electricity Rules 1937</li> <li>• The Punjab Electricity Act, 1939</li> </ul>

		<ul style="list-style-type: none"> <li>• Private Power Infrastructure Board Act, 2012</li> <li>• The Electricity Control Ordinance, 1965</li> <li>• Offences in Respect of Electricity (Emergency Provisions) Ordinance, 1998</li> <li>• Oil and Gas Regulatory Authority Ordinance, 2002</li> <li>• Power Policy 2015</li> </ul>
2.	<p>RLNG is natural gas and Constitution does not categorize natural gas into indigenous or imported. In pursuance of Article 154 of the Constitution approval of the CCI is mandatory for the formulation and regulation of policies for the transportation, utilization, marketing, allocation and distribution of LNG.</p> <p>In this respect, Government of Sindh (GoS) has already floated a summary to CCI. Moreover, GoS reserves the right to approach superior courts if its concerns are not addressed</p>	<p>At the outset, it is submitted that the Bhikki Power Plant has already got firm allocations of RLNG (Imported) supply from the SNGPL. The Gas Supply Agreement (GSA) between Quaid-e-Azam Thermal Power (Pvt.) Ltd. ("QATPL") and SNGPL has also been finalized. It is pertinent to mention here that unlike natural gas, wherein the province in which a well-head of natural gas is situated shall have precedence over other parts of Pakistan in meeting the requirements from that well-head, there is no such impediment on imported gas/RLNG. The allocation of imported gas/RLNG is merely a commercial decision of the gas supply companies.</p> <p>Specifically with regard to the contention, Ministry of Petroleum has also averred that "the jurisdiction of CCI is limited to natural gas production from the well head situated in the territorial jurisdiction of province while RLNG being an imported product doesn't fall within the jurisdiction of CCI and is a federal matter". QATPL also endorses the afore-said position.</p> <p>Moreover, as per entry 27 of Part I of Federal Legislative List in the Fourth Schedule in the constitution, the import/export across custom frontiers is the exclusive domain of Federal Government. RLNG is imported from abroad and its</p>

		<p>utilization and distribution does not come within the purview of Article 158 of the constitution.</p> <p>Save as aforesaid and even otherwise, the generation license application cannot be objected /rejected on basis of supposedly not seeking CCI's approval, in absence of any applicable provision of rules and regulations of NEPRA in this regard.</p>
3.	<p><b><u>Unconstitutional Swapping through Existing Lines</u></b></p> <p>Currently, there is no dedication transmission line for LNG in country. Instead natural gas from Zamzama field, Dadu, Kandanwari and Sawan fields Khairpur is unconstitutionally and unilaterally being swapped through existing lines and supplied to up country without the consent of GoS.</p> <p>Supply of natural gas from Sindh, under swapped arrangements by gas unilaterally companies, cannot be construed as LNG supply to the project. The swapping arrangement has seriously compromised energy security of Sindh as import of RLNG is highly uncertain and unreliable.</p>	<p>It is submitted that the Bhikki Power Plant will be run on imported RLNG, as confirmed by the relevant agencies, hence, being an internal arrangement of the gas supply companies, the swapping, if any, will be against equivalent import of RLNG and energy security as apprehended will not be compromised. The said matter is commercial decision of the gas supply companies and does not warrant the alleged apprehension.</p>
4.	<p><b><u>Uncertainty of Laying of Transmission Lines within time</u></b></p> <p>The project completion time of 27 months for commercial operations is apparently too optimistic and ambitious especially in the absence of a dedicated LNG transmission line from Karachi to the project site. The entire project is based on the presumption of import of RLNG from Karachi through pipelines and it is highly unlikely that a dedicated transmission line is laid during this period. (Para D, page ES-2)</p>	<p>The existing pipeline from Karachi to project site has spare capacity of 400 MMCFD whereas the maximum gas required of the project is 200 MMCFD.</p> <p>It may also be noted that SNGPL's existing capacity can cater the subject project easily, hence, the firm commitment. However, any addition to the existing network of SNGPL/SSGPL is for overall gas regime and not attributable to the Project.</p>

5.	<b><u>Ability of 200 MMCFD to produce 1500MW</u></b> Reference is invited to Page no. ES-2, Para: (ii) and requested that QATPL may please be advised to provide basis of 200 MMCFD of RLNG would be able to produce 1500MW of power.	QATPL conducted bidding process with estimated capacity of 1500MW, however, subsequently after the bidding process the capacity of the project has been now been determined at 1156MW (Net)/1180MW (Gross). For this capacity the gas required would not exceed 200 MMCFD.
6.	<b><u>Provide Feasibility Study</u></b> QATPL may also be advised to provide the Feasibility Study of the project including project economic studies and project implementation guidelines.	Already submitted with NEPRA.

**OBJECTIONS RAISED BY GOVERNMENT OF KPK**

(Vide letter to NEPRA dated 23.11.2015)

	<b>Objections</b>	<b>Clarifications / Remarks</b>
7.	<b><u>Approval from CCI</u></b> Since LNG falls under the Fourth Schedule Part II; it is questionable whether the CCI approve of use for such power plant? In case CCI approval is granted, it is requested that the sponsor may be director to share the same. Without the approval of CCI any proceedings shall be ultra vires and against the Constitution.  Para B on page ES-1 needs further clarifications, such as the Para starts with 18 <sup>th</sup> Amendment but the listing is fully deviate.	Please see the response at row no. 1 above.
8.	<b><u>Project Cost</u></b> The said NEPRA's public notice hearing states that the total project cost is USD 1,295.8 million while the License Application submitted by QATPL contradicts the figures by	The amount USD 1,295 is as per the NEPRA's upfront tariff while the total amount of USD 1,073 is according to the feasibility study carried out by

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	estimating a total project cost of USD 1,073 million.	the QATPL's consultants, which is much lesser than NEPRA's determination of the project cost, hence, does not warrant any objection.
7.	<b><u>Ability of 200 MMCFD to produce 1500MW</u></b> Reference to page: ES-2, Para; (ii), QATPL shall provide the basis for 200 MMCFD of RLNG will be able to produce 1500 of power.	Please refer to response at the row no. 5 above
8.	<b><u>27 month timeframe not achievable</u></b> Reference to Pare: ES-2, Para: (v) we are of opinion that the 27 month time frame is neither realistic, nor achievable. QATPL is requested to provide the complete project schedule/plan till COD on Primavera P6 to analyze the implementation plan.	Bids from international companies/international companies with local partners were called through open competitive bidding process, subsequently the EPC contractor was finalized and EPC contract executed. The EPC contractor has guaranteed that the construction of the plant would be completed within the stipulated timeframe and in case of any delay the EPC contractor shall be liable to pay heavy LDs and QATPL shall also be entitled to encash the performance guarantee submitted by the contractor.
9.	<b><u>Provide breakup of project cost</u></b> Reference to Page: ES-3, Para: (vi), QATPL may kindly, share the breakup for project cost (USD 600-700 million) and operation cost (27-36.5 million).	The project costs have been estimated, as per feasibility study, including but not limited to EPC costs, non-EPC costs, taxes & duties, financing fees and charges, gas reserve and IDC.
10.	<b><u>Contradiction in COD time period</u></b> Reference to Page: 4-9, Table 4.2, the minimum time period to reach COD is 30 months which contradicts with information on Page ES-3, Para: (v). kindly clarify the actual as the COD will have a direct impact upon the project cost.	Refer to row no. 4 above.

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11.	<b><u>Ambiguity regarding efficiency</u></b> Reference to Page: 4-9, Table 4.2, the Minimum Net Efficiency at ISO is 58% but actually the list of turbines proposed on Page: 4-3, Para: (a) have an efficiency of 62.1% at ISO. Please clarify.	Guaranteed efficiency at reference site conditions as per the EPC contract is 61.59%
12.	<b><u>No proven track record of proposed turbines</u></b> Reference to Page 4-3, Para; (a) the list of proposed turbines have no proven track record in international market. Pakistan being an economically unstable country, can't afford to take risks of such stature. It is proposed that the turbines that have a proven record of at least 5-7 years must be used to avoid any menace.	<p>The contention that the proposed turbines have no proven track record in international market is not true as the 9HA.01 gas turbines have been purchased by large utilities / power generation companies from around the world including but not limited to France, Russia, Argentina and Japan and as many as at least ten firm orders have been placed. As part of verification process, confirmation from customers through relevant Pakistani embassies has been obtained.</p> <p>The gas turbines manufacturers in the world are always under research and development for enhanced performance i.e. power output, and efficiency. It is a continuous improvement process which every world class gas turbine manufacturer has adopted and this process is still ongoing and will continue. Normally, manufacturers design GT and test it in the field for the first time. But in the case of 9HA.01 GT, such test lab investigations have been completed successfully ahead of any commercial application.</p> <p>The H class gas turbine was first manufactured in 2001 and was installed at Baglan Bay, UK. Five other H class (9H &amp; 7H models) gas turbines were subsequently installed in USA and Japan. It is worthwhile mentioning that gas turbine to be used in the subject project is accepted by the world's</p>

		leading insurers including Swiss Re, XL, Munich RE, Talbot etc. However, as further security EPC Contractor/OEM has provided extended warranties for a period of four years (as opposed to normal two year warranty period) in respect of the gas turbines.
13.	<b><u>Efficiency of boilers</u></b> QATPL shall also provide the efficiency of boilers, steam turbines and HRSG along with the plant factor with substantial analysis.	Shall be provided as and when available as the same requires detailed study.
14.	<b><u>Provide Feasibility Study to include FEED study etc.</u></b> QATPL is requested to provide the Feasibility Study to include FEED package, project economic study in detail and project implementation guidelines.	Already provided with the application.
15.	<b><u>Progress Committee</u></b> Suggestion: a "Progress Committee" may be constituted which should take all the Province/Stakeholders on board and monitor the progress.	Needs no reply, however, the suggestion appears to be ultra vires to the applicable legal framework. It may be noted that the project company has its board of directors which is monitoring the progress of the subject project.



**From:** Hammad Altaf Khan /Manager Legal/QATPL [mgr.legal@qathermal.com]  
**Sent:** Saturday, December 26, 2015 6:38 PM  
**To:** Imtiaz Hussain Baloch  
**Cc:** Ahad Cheema; Iqra Ashraf /AM/QATPL; gmtechnical; Adnan Kashif /AM/QATPL; Shams ul Aziz; Hammad Altaf Khan  
**Subject:** Re: Information for Generation License

Dear Mr. Baloch,

Further to your last email, please note that the terms and conditions of the Ministry of Petroleum's said letter are acceptable to QATPL in general. Response on specific points is as below:

Sr.	Ministry of Petroleum's Points	Reply/Comments
i.	The Power Company / IPP will be required to provide a firm guarantee in the form acceptable to RLNG supplier.	QATPL will provide the security to RLNG supplier as per the Gas Supply Agreement (GSA). It has been agreed in the draft GSA that Power Company/IPP shall provide SBLC as a guarantee for payment. The same is also envisaged in NEPRA's tariff determination.
ii.	The Power Company / IPP will execute Gas Sales & Purchase Agreement (GSPA), at least a year before its commissioning / commercial operation, purely on "take or pay" basis. The term & conditions of the GSPA will be negotiated between RLNG supplier and the buyer (Power Company / IPP)	GSA has been negotiated and initialed between the Power Company/IPP and SNGPL. The same shall be signed after approval of OGRA and Company's Board of Directors.
iii.	Any take or pay quantities and obligations related thereto in LNG SPA will be reflected in the GSPA with the Power Company / IPP	The terms and conditions of GSA have been agreed and conditions of LNG SPA are duly reflected in it.
iv.	The price of RLNG will be as per approval of the ECC of the Cabinet for supply of RLNG to power sector.	Noted. The same has been enumerated in NEPRA's tariff determination.

