



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/DL/LAG-166/7065-69

May 12, 2015

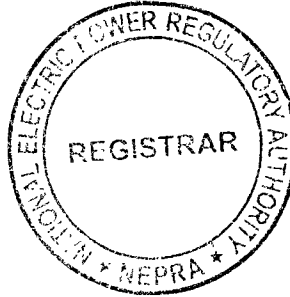
Mr. Nimr Majid
Director
Dadu Energy (Private) Limited
1st Floor, Block-3,
Hockey Club of Pakistan Stadium
Liaquat Barracks,
Karachi-75350

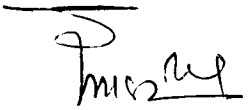
Subject: **Determination of the Authority in the matter of Licensee Proposed Modification of Dadu Energy (Pvt.) Limited**

Reference: Your letter No. nil, dated May 23, 2014

Enclosed please find herewith determination of the Authority in the matter of Licensee Proposed Modification of Dadu Energy (Pvt.) Limited.

Encl:/As above




12.05.15
(Syed Safeer Hussain)

CC:

1. Chief Executive Officer, NTDC, 414-WAPDA House, Lahore
2. Chief Operating Officer, CPPA, 107-WAPDA House, Lahore
3. Chief Executive Officer, Sukkur Electric Power Company Limited, SEPCO Headquarter, Old Thermal Power Station, Sukkur
4. Director General, Sindh Environmental Protection Agency, Plot No. ST 2/1, Sector 23, Korangi Industrial Area, Karachi

National Electric Power Regulatory Authority
(NEPRA)

Determination of the Authority
in the Matter of Licensee Proposed Modification of
Dadu Energy (Pvt.) Limited

April 30, 2015
Case No. LAG-166

(A). Background

(i). The Authority has granted a Generation Licence (No. SGC/62/2010, dated October 13, 2010) to Dadu Energy (Pvt.) Limited (DEPL) for its 49.448 MW Natural Gas based generation facility (to be developed in two phases) located at Piyaro Goth, Mehar District Dadu, in the Province of Sindh.

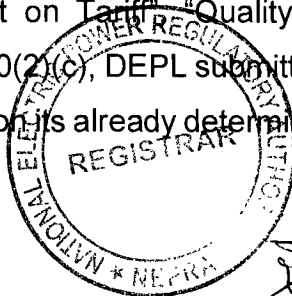
(ii). Further, the Authority also allowed DEPL supplying surplus electric power to the tune of 19.20 MW to Sukkur Electric Power Company Limited (SEPCO) on take and pay basis in terms of NEPRA Interim Power Procurement (Procedure and Standards) Regulations 2005.

(B). Communication of Modification

(i). DEPL in terms of Regulation 10 (2) of the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 ("the Regulations") communicated Licensee Proposed Modification (LPM) on May 27, 2014.

(ii). In the "Text of the proposed Modification" & "Statement of reasons in support of the Modification", DEPL informed that it intends supplying to various departments of Government of Sindh (GoS) as Bulk Power Consumers (BPCs) in terms of Section 22 of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 ("the NEPRA Act").

(iii). Regarding the "Impact on Tariff", "Quality of Service (QoS)" and "Performance" as per Regulation 10(2)(c), DEPL submitted that supplying to GoS would not have any adverse effect on its already determined Tariff for supplying to



SEPCO. Further, QoS and its Performance under the existing Generation Licence will not be effected through the LPM.

(C). Processing of LPM

(i). After completion of all the required information as stipulated under the Regulation 10 (2) and 10 (3) of the Regulations by DEPL, the Registrar accepted the LPM as required under the Regulation 10 (4) of the Regulations.

(ii). A notice about the communicated LPM was published in the newspapers of June 18, 2014, informing the general public and other stakeholders and seeking their comments in favor or against the proposed LPM.

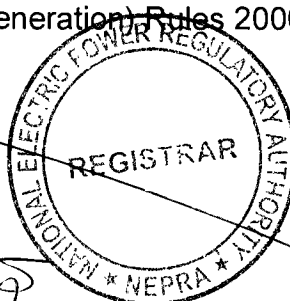
(iii). Apart from the above Notice in the press, separate letters were also sent to experts, Government Ministries/Agencies, attached departments and representative organizations etc. inviting their views for the assistance of the Authority.

(D). Comments of Stakeholders

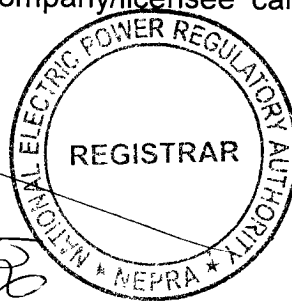
(i). In response to the above, the Authority received comments from seven (07) stakeholders including the Central Power Purchasing Agency (CPPA) of National Transmission and Dispatch Company Limited (NTDC), Ministry of Water & Power (MoW&P), Hyderabad Electric Supply Company (HESCO), SEPCO, Ministry of Petroleum & Natural Resources (MoP&NR), Sui Southern Gas Company (SSGC) and Ministry of Planning Development & Reforms (MoPD&R).

(ii). The salient points of the comments offered by the above mentioned stakeholders are summarized in the following paragraphs: -

(a). CPPA expressed no reservation to the communicated LPM subject to the fulfillment of all the conditions laid in the NEPRA Licensing (Generation) Rules 2000 ("the Rules");



- (b). MoW&P commented that the provisions of NEPRA Act allow the wheeling of electric power by using the network of DISCOs/use of system charge for making sale by the generation companies to the BPCs. However, in the present case any modification in the Generation Licence can only be made in terms of provisions of Power Purchase Agreement (PPA) signed with HESCO, subsequent Novation Agreement with SEPCO and provisions of Gas Sale Agreement (GSA) with SSGC;
- (c). HESCO opposed the LPM of DEPL and remarked that SSGC has allocated the gas for selling the surplus power to DISCOs only. HESCO raised concern that approval of the proposed LPM will open a new venue for generation companies to sell electric power to DISCOs' consumers, especially the industrial consumers, which will affect their business viability;
- (d). SEPCO endorsed the comments of HESCO and informed that it has incurred a total cost amounting to 195.449 million in respect of interconnectivity arrangement on 132 KV transmission line and construction of 132 KV grid station at its premises. Therefore, SEPCO does not support proposed modification;
- (e). MoP&NR in its initial comments did not object to the proposed modification. However, later on it submitted that SSGC has allocated Gas to DEPL for sale of surplus power to DISCO only. Therefore, DEPL may not enter into direct sale of electricity to GoS or any such entity other than DISCO;
- (f). SSGC stated that it has issued No Objection Certificate (NOC) to DEPL under policy, for sale of surplus power to DISCOs only. SSGC clarified that as per directive of GoP and NOC of SSGC, the company/licensee cannot sell surplus power to GoS;



- (g). MoPD&R expressed that the proposed LPM may create competitive environment amongst the generation companies. However, policy framework has no room for proposed modification.

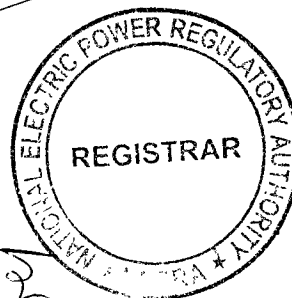
(E). Rejoinder of DEPL

(i). The comments of the stakeholders were examined and were found generally against the LPM. In view of the said the Authority decided to seek the perspective of DEPL in the matter and accordingly, the offered comments of stakeholders were forwarded for filing rejoinder.

(ii). In response to the above, DEPL submitted its point of view to the comments of HESCO only, stating that SSGC has allocated the Gas for self generation and sale of surplus power. Further, DEPL contested that the approach of HESCO is negative and the same will discourage the investment in the power sector of the Country. DEPL did not clarify its position to the objections of other stakeholders including SSGC.

(F). Decision of the Authority

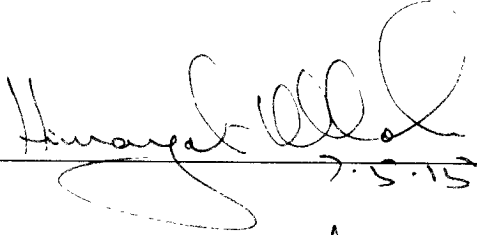
(i). The Authority considered the above rejoinder of DEPL and found the same contrary to the position taken by SSGC. Further, the Authority has observed that SSGC and MoP&NR have objected to the communicated LPM on the premise that Natural Gas is allocated for generating electricity, meant for self-use and sale of surplus power to DISCO only. Moreover, the Authority observed that SSGC has clarified that the proposal of DEPL for supplying to BPC would be in violation of GSA signed between SSGC and DEPL.



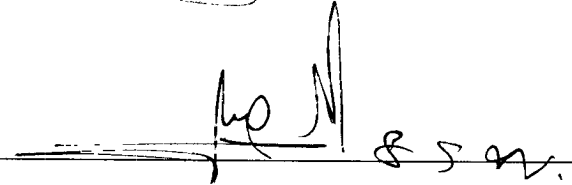
(ii). In view of the above, the Authority decides to reject the communicated LPM of DEPL as the proposal is not in line with the GSA signed with SSGC and same cannot be allowed. In view of the foregoing, the Authority hereby rejects the communicated LPM of DEPL.

Authority

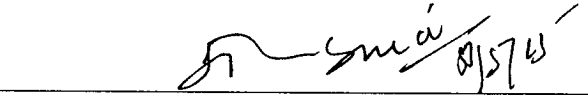
Himayat Ullah Khan
Member


7.5.15


Khawaja Muhammad Naeem
Member


8.5.15

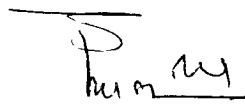
Maj. (R) Haroon Rashid
Member/Vice Chairman


8/5/15

Brig. (R) Tariq Saddozai
Chairman


9/5/15




12.05.15

