



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No. NEPRA/R/DL/LAG-176/7059-83

May 12, 2015

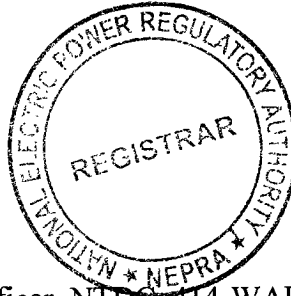
Khawaja Abdul Ghani Majid
Director & Chief Executive
Naudero Energy (Pvt.) Limited
1st Floor, Block-3,
Hockey Club of Pakistan Stadium,
Liaquat Barracks,
Karachi-75350

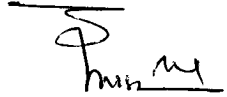
Subject: Determination of the Authority in the matter of Licensee Proposed Modification of Naudero Energy (Pvt.) Limited

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 Naudero Energy (Pvt.) Limited.

Encl:/As above




12.05.2015
(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
Naudero Energy (Pvt.) Limited

April 30, 2015
Case No. LAG-176

(A). Background

(i). The Authority has granted a Licence (No. SGC/68/2011, dated October 13, 2010) to Naudero Energy (Pvt.) Limited (NEPL) for its 17.66 MW Natural Gas based generation facility (to be developed in two phases) located at Deh Naudero, Taluka Ratodero, District Larkana in the Province of Sindh.

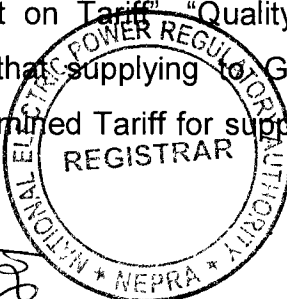
(ii). Further, the Authority also allowed NEPL supplying surplus electric power to the tune of 15.80 MW to Sukkur Electric Power Company Limited (SEPCO) on take and pay basis in terms of NEPRA Interim Power Procurement (Procedure and Standards) Regulations 2005.

(B). Communication of Modification

(i). NEPL 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", NEPL 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", NEPL 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 NEPL, 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 19, 2014, informing the general public and other stakeholders and seeking their comments in favor or against the proposed LPM.

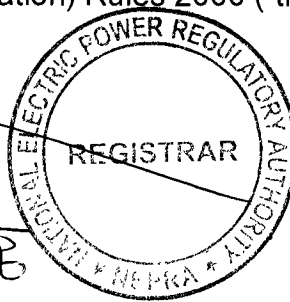
(iii). Apart from the above Notice in the press, separate letters were also sent to experts, Government Ministries/Agencies, attached departments and representative organizations etc. inviting their views for the assistance of the Authority.

(D). Comments of Stakeholders

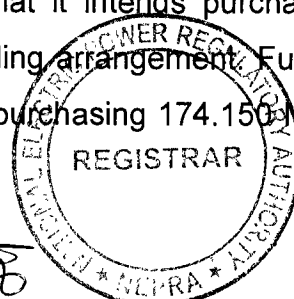
(i). In response to the above, the Authority received comments from nine (08) stakeholders. These included the Central Power Purchasing Agency (CPPA) of National Transmission and Dispatch Company Limited (NTDC), Ministry of Water & Power (MoW&P), Hyderabad Electric Supply Company (HESCO), SEPCO, Ministry of Petroleum & Natural Resources (MoP&NR), Sukkur Chamber of Commerce & Industry (SCC&I), Energy Department Government of Sindh (EDGoS) and Sui Southern Gas Company (SSGC).

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

- (a). CPPA expressed its 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 NEPL 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 DISCO's consumers, specially 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 NEPL for sale of surplus power to DISCO only. Therefore, NEPL may not enter into direct sale of electricity to GoS or any such entity other than DISCO;
- (f). SCC&I supported the communicated LPM and stressed the necessity of facilitating the power producers in the country;
- (g). EDGoS submitted that it intends purchasing electricity from NEPL through wheeling arrangement. Further, EDGoS stated that GoS is already purchasing 174.150 MW of electric power from SEPCO.



- (h). SSGC stated that it has issued No Objection Certificate (NOC) to NEPL 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;

(iii). The Authority examined the comments of the stakeholders and observed that most of the stakeholders have opposed the communicated LPM. In view of the said, the Authority decided to seek the perspective of NEPL on the observations of the above stakeholders.

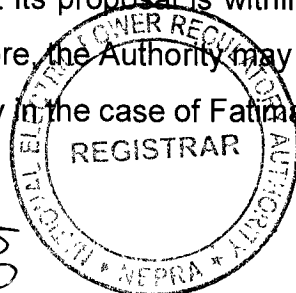
(E). Rejoinder of NEPL

(i). NEPL submitted its point of view on the observations of HESCO and SEPCO only and preferred not replying to the concern raised by rest of the stakeholders.

(ii). In response to the comments of HESCO, the Licensee i.e. NEPL took the position that Gas allocated to it was for generating electric power for self-consumption and for Sale of Surplus. NEPL clarified that the Authority determined a revised Tariff for its project other than that given in the policy of PEPCO and agreed between the parties (i.e. NEPL and DISCO). In view of the said, the sponsors have been left with no option but to either abandon the project or find some other power purchaser(s).

(iii). Luckily, NEPL got an opportunity when GoS floated a Request For Proposal (RFP) for purchase of power from generating companies. NEPL emphasized that its proposal of Wheeling will be beneficial to all the stakeholders. The sponsors will be able to run their generation facility on a sustainable basis whereas the GoS will be saving PKR 532 million per annum. Even the DISCO will not be at loss as it will be getting the wheeling charges for the transportation of the electric power.

(iv). NEPL also contested that its proposal is within the framework of the relevant rules and regulations, therefore, the Authority may allow the same. In this regard, NEPL stated that the Authority in the case of Fatima Energy Limited (FEL)



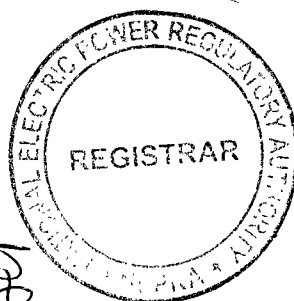
has already approved a similar arrangement where, it was allowed supplying to different BPCs.

(v). NEPRL requested the Authority to accede to its request and approve the communicated LPM for supplying to various departments of GoS through the wheeling arrangement.

(F). Decision of the Authority

(i). The Authority has considered the above submissions of the stakeholders and that of the Licensee/NEPL. In this regard, the Authority is of the considered opinion that in order to open up the Electric Power Sector, it is imperative that concept of wheeling is proliferated.

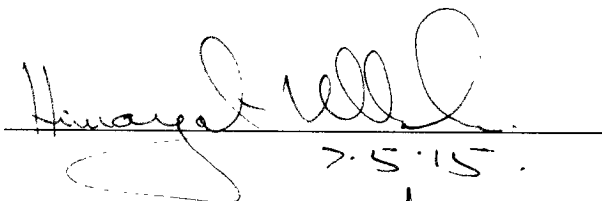
(ii). The Authority would not have any objection allowing the Licensee/NEPL supplying to any BPC but in the present case the Gas Supplier (i.e. SSGC) has not agreed to the proposal. In this regard, SSGC has categorically objected and stated that allocated Natural Gas is meant for generating electric power for self-consumption and for supplying to DISCO only and not to any other BPC. Under the given evidence on record, the Authority is constraint not to allow the communicated LPM. In addition, the Authority would also like to clarify that FEL was allowed to sell to BPCs for the fact that it is generating electricity by using Bagasse and Coal rather than Natural Gas. Therefore, the comparison drawn by NEPL is not relevant. The Authority may have considered the proposal of NEPL if SSGC had not objected to it. Whereas, SSGC has vehemently objected to the communicated LPM as explained above.



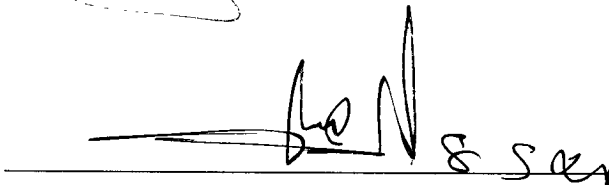
(iii). In view of the above, the Authority decides to reject the communicated LPM as stipulated in Regulation 10 (11) of the Regulations. However, the Licensee/NEPL may communicate a fresh LPM after resolving the matter with SSGC.

Authority

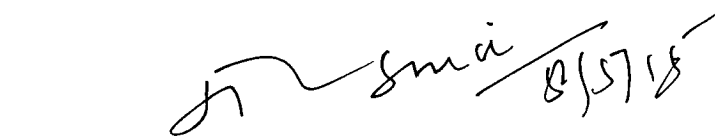
Himayat Ullah Khan
Member


7.5.15

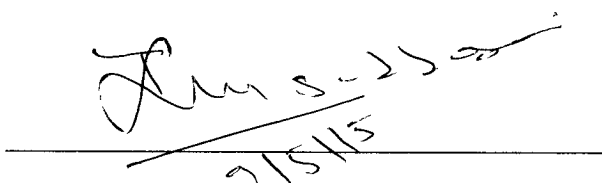
Khawaja Muhammad Naeem
Member

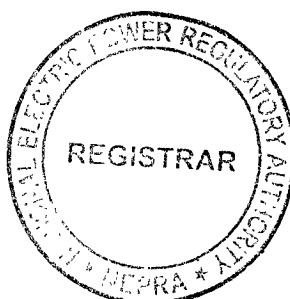

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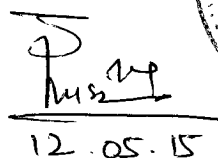
Maj. (R) Haroon Rashid
Member/Vice Chairman


8/5/15

Brig. (R) Tariq Saddozai
Chairman


9/5/15




12.05.15