



Pakistan Power Resources

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August 17, 2009

Mr Syed Adil Gilani,
Chairman, Transparency International Pakistan,
5-C, 2nd Floor, Khayaban-e-Ittehad,
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Dear Sir,

Subject: Request to supply the Evaluation report and Contract Agreements of rental Power Procurements made by PPIB and PEPCO

We are in receipt of your letter dated August 7, 2009, and thank you for the same.

We understand from your correspondence that while the merits and need here in Pakistan of the globally-employed rental power model are not in question, Transparency International Pakistan (TIP) does seek to reconcile often-contradictory press reports on the policy of three successive governments to bridge the power demand and supply gap with rental power plants bid through a transparent, competitive bidding process. As previously stated, we appreciate and support these efforts.

You have asked us to use our good offices with the Ministry of Water & Power, PEPCO and PPIB to urge them to provide the documents you have previously requested from them. We hereby do so through this letter. All such information should be easily and readily available in the public domain. This bona fide information, and not hearsay, must inform public and expert opinion.

We are of the firm belief that the matter must be examined and reviewed dispassionately with the involvement and assistance of relevant representatives of the previous and present governments, and the sponsors of rental power projects, without sanctifying what increasingly appears to be a willful campaign to scuttle power projects for the sake of political point-scoring. You may be well aware of a similar campaign undertaken in the 1990s against the IPPs and the regrettable outcome of that campaign.

We also take this opportunity to refer to a posting on the South Asia Pulse website purportedly by you (attached herewith). The posting states that "Most of the Contracts are being awarded to Mr. Iqbal Z Ahmed." Mr Ahmed is the Chairman of Pakistan Power Resources (PPR), which operates the rental power plant at Bhikhi and which has won two additional rental power projects through a transparent, competitive bidding process.

The posting also states that, "I Z Ahmed is defending the Tendering Process in TV shows, which is the responsibility of WAPDA." For the record, PPR, and Mr Ahmed, feel it essential to counter the misinformation regarding our projects. A copy of a recent advertisement to this effect is attached herewith for your information and review.

The posting also states that the "14% advance payment and exemption of 6% WH T are post tendering relaxations." We shall like to inform you that the contracts signed between state-owned companies and PPR provide that these companies would issue 7 percent of the contract value as mobilization advance against a Bank Guarantee, and a confirmed Standby Letter of Credit to cover any events of default on behalf of the power purchasing companies for the remainder of the contract value. State-owned companies could not honor their commitments after signing contracts. Replacement of a confirmed Standby Letter of Credit with a Sovereign Guarantee, even with a higher mobilization advance secured against a Bank Guarantee, is not a "relaxation," but rather a toughening of conditions for the project sponsors.

We stand by our offer of full cooperation with you in reviewing the rental power policy in general and our projects in particular. We remain available should you require such information from us.

Thanking you,
Sincerely yours,



Fasih Ahmed,
Director

- CC. Federal Minister for Water & Power, Islamabad
- CC. Managing Director, PPIB, Islamabad
- CC. Managing Director, PEPCO, Lahore
- CC. Managing Director, PPR, Islamabad
- CC. Auditor General Pakistan, Islamabad
- CC. Chairman, Public Accounts Committee, National Assembly