



26<sup>th</sup> May, 2014

Mr. Khawaja Muhammad Naeem  
Vice Chairman  
National Electric Power Regulatory  
Authority  
Islamabad

Sub: Complaint against allegation of Rs 1.50/unit heavy hike in the upfront tariff of the coal power plants and lucrative incentives/benefits for installation of coal power plants in the country

Dear Sir,

Transparency International Pakistan has received many complaints against NEPRA for approving against the laid down procedures, on the request of Minister for Water & Power Rs 1.50/unit heavy hike in the upfront tariff of the coal power plants and also offered lucrative incentives/benefits for installation of coal power plants in the country.

The complainants have made following allegations;

1. That non of the following parties who were involved in 6 June 2013 with NERPRA had objected on the upfront tariff of the coal power determined by NEPRA.

M/s ISZAAD Associates, M/s Syed Akhtar Ali Proplan Associates, M/s Engro Power Gen, M/s The Institute of Engineers of Pakistan, M/s National Transmission and Dispatch Company (NTDC), M/s Central Power Purchasing Agency (CPPA), M/s Ettehad Sugar Mills Ltd., M/s Deptt. of Energy Balochistan, M/s Habib Rafiq (Pvt.) Ltd, M/s Riaz Ahmad & Company, M/s Punjab Power Development Board (PPDB), M/s Thar Coal & Energy Board.

2. That Federal Government was not permitted under law to request NEPRA to review the Tariff for coal power plants notified on 6 June 2013, after 6 months of the notification.
3. That NEPRA has violated its own law as it can not condone the period of 15 days leave of appeal allowed to the Federal Government under Regulation 3(2) of NEPRA (Review Procedure) Regulations 2009. The leave of appeal at any time is only allowed to investors and not government.
4. That the Ministry of Water & Power petition of 11 February 2014 to review the tariff notified on 6 June 2013 should not have been entertained by NEPRA.
5. That NEPRA has jacking up the tariff by about 20% , has fixed an upfront tariff of 8 to 9.67cent per unit for coal power plant of 200MW, while 8 to 9.54cent/unit for a power plant of 600MW, and 8 to 9.11 cent/unit for coal power plant of 1,100MW.
6. That according to Table 8 of a recent report published by Engr. Arshad H Abbasi of SDPI the international project cost is much lower than what NEPRA has now approved.

Table 1; Source - IEA, 2014 "Fossil Fuel Power Generation, pg. 37-38"

| Plant Name | Country | Total Capacity | Technology  | Efficiency | USD Cost/MW <sup>1</sup> |
|------------|---------|----------------|-------------|------------|--------------------------|
| RWE Power  | German  | 1000           | Ultra Super | 43.2       | 1.175                    |



|                               | y      |      | Critical             |       |       |
|-------------------------------|--------|------|----------------------|-------|-------|
| Genesee 3                     | Canada | 450  | Super Critical       | 41    | 1.1   |
| Isogo New Unit                | Japan  | 600  | Ultra Super Critical | 42    | 1.8   |
| Younghung Thermal Power Plant | Korea  | 800  | Super Critical       | 43    | 0.993 |
| Wangqu 1 and 2                | China  | 600  | Super Critical       | 41    | 0.58  |
| Jhajjar                       | India  | 1320 | Super Critical       | 42    | 0.78  |
| Adani                         | India  | 1320 | Super Critical       | 41.75 | 1.06  |

The MOW&P suggested Project Cost in Feb 2014, was 30% to 35% higher than June 2013 NEPRA approved cost.

| Project Cost on Foreign Financing |                                   |                             |
|-----------------------------------|-----------------------------------|-----------------------------|
| Capacity                          | Project Cost on Foreign Financing |                             |
|                                   | Announced                         | Requested by GoP            |
| 200 MW                            | US \$ 1.25 Million/MW             | US \$ 1.60- 1.70 Million/MW |
| 600 MW                            | US \$ 1.17 Million/MW             | US \$ 1.45- 1.50 Million/MW |
| 1,000 MW                          | US \$ 1.06 Million/MW             | US \$ 1.35- 1.40 Million/MW |

7. The NEPRA has approved capital cost input increase by 39% higher, within 6 month.  
 Projects cost of 200 MW from US\$ 1.25 M to US\$ 1.50 M  
 Projects cost of 600 MW from US\$ 1.17 M to US\$ 1.45 M  
 Projects cost of 1000 MW & above from US\$ 1.06 M to US\$ 1.45 M
8. That in the MoW & P petition dated 6-2-2014, no revision Tariff on Thar Coal was requested. NEPRA has within the same petition also increased Thar Coal Tariff, which is not allowed under NEPRA Law.
9. That NEPRA has allowed the return on equity has been offered at 30.66 percent for Thar coal, which has so far no example in the world," Instead of increasing the efficiency of the coal power plants for generation purposes NEPRA has decreased by 3 percent only to benefit the investors which has now reached at 42 percent.
10. That NEPRA has favored the investors by increasing the return on equity by 10 percent, which on 6-6-2013 was at 17 percent, and in 2014 it has been increased to 27 percent for the imported coal.
11. That the Plant Factor has been increased from 60% to 85%, i.e, a jump of 41.6%.
12. hat instead of increasing the efficiency of the coal power plants for generation purposes, NEPRA has decreased it by 3 percent only to benefit the investors which has now reached at 42 percent.
13. That Water and Power Secretary Saifullah Chatha himself pleaded the case with the authority during a public hearing of the authority, not allowed under NEPAR Act, rule and regulations.
14. That NEPRA is under the NEPRA Ordinance shall announce its determination within 15 days. But it took after more than 100 days, after MOW&P petition dated 11 February 2013, on 20<sup>th</sup> May 2014, which is an illegal act.



15. That issuing a press release only against a full determination order, is an illegal act by NEPRA. Under Regulation 3(2) of NEPRA (Review Procedure) Regulations 2009, a full determination has to be announced, which NEPRA has failed till date.
16. That NEPRA has bypassed its procedure and not issued the full determination of tariff document, which most probably is the first time in NEPRA history, may be in order to favour some parties, who are already doing 2 Coal Power Plant projects in Thar and already announced setting up 660 MW Coal Power Plants at PQA in April 2014.
17. That the revised Coal Tariff is legally not applicable on plants already approved by government and inaugurated by the Prime Minister prior to 20<sup>th</sup> May 2014, or those projects which were started in Thar on the 2013 Tariff.

The seventeen issues raised by complaints are sent to the Vice Chairman NEPRA, for the purpose of application of Rules and Regulations by NEPRA, and if NEPRA has violated the Law, then the Press Release and the sheet termed as Annex A, shall be canceled, and all those responsible shall be held accountable for committing a corrupt practice under NAO 1999.

Please note that under Section 9 of NEPRA Act, Chairman, members, staff, experts, consultants, advisors and other employees of the Authority, when acting or purporting to act in pursuance of any of the provisions of this Act or the rules and regulations, shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

Kindly note that all POHs (under section 9 of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997) are accountable for committing corruption under NAB Law, NAO 1999, Section 9 subsection v, i. in case it is found that they have misused their authority so as to gain any benefit or favour for himself or any other person, or [renders or attempts to render or willfully fails to exercise his authority to prevent the grant, or rendition of any undue benefit or favour which he could have prevented by exercising his authority.

In view of above, Transparency International Pakistan also request the Vice Chairman NEPRA that no undue favour shall be given at the cost of Exchequer in compliance of the Prime Minister declared policy of "Zero tolerance against Corruption".

TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

Regards,

  
Sohjal Muzaffar  
Chairman

Copies forwarded for information and appropriate action under the mandate vested, to,

1. Secretary to Prime Minister, Islamabad.
2. Mr. Khurshid Shah, Leader of Opposition & Chairman PAC, National Assembly, Islamabad.
3. Chairman, NAB, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.