



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/LAG-05 /930

November 26, 2009

Syed Adil Gilani

Chairman

Transparency International – Pakistan (TIP)

5-C, 2nd Floor, Khayaban-e-Ittehad,

Phase VII, Defence Housing Authority

Karachi

Subject: **SECP to Investigate KESCL Affairs**

Kindly refer to your letter dated 17th October, 2009 addressed to Chairman NEPRA regarding KESCL affairs.

2. Kindly note that NEPRA has already taken action against KESCL for various violations and the detailed order has been passed by the Authority in this respect on the basis of grounds attached as Annex. The said order has been communicated vide NEPRA letter No. NEPRA/R/LAG-05/10046 dated 13.10.2009 wherein the following actions have been conveyed:

- I. In respect of Ground I the Authority hereby imposes a fine of Rs.300,000/- to be paid by the Licensee within 30 days of the issuance of this decision. Furthermore, the Authority directs KESCL to:
 - (a) form a joint team with the NTDC for making and following operating procedures for handling situations like 17 & 18 June 2009 and 18 & 19 July 2009. KESCL shall provide a report on the formation of the joint team and framing of relevant procedures within four weeks of the decision;
 - (b) follow and/or update, if required, a System Operating Procedure Document to restore its system after black out conditions as it appears that on 17 June 2009 either the System Operating Procedure Document though followed could not achieve the desired objectives or the operating procedures were not followed completely by the operators. KESCL is further directed to provide necessary training to its operators/employees;
 - (c) provide a firm time frame for the completion of its load dispatch centre within four weeks of the decision;
 - (d) immediately restore its black start facilities at Korangi Gas Turbine Station and Site Gas Turbine Station and submit detailed report to the Authority in this respect within four weeks of the decision;

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- (e) either conduct in-house studies through its own experts or appoint consultants to carryout detailed system studies (including transient analysis) and the study on its protection schemes, including those at power plants. The relevant study reports shall be submitted to the Authority within twelve weeks of the decision;
 - (f) strengthen its planning functions to satisfy the objectives as outlined under the "Planning Code" of the Grid Code and submit their plan within twelve weeks of the decision; and
 - (g) install sequence-of-event recorders and alarm printers on all of its power plants and 220 kV substations within twelve weeks of the decision.
- (II) In respect of Ground II the Authority hereby imposes a fine of Rs.300,000/- to be paid by the Licensee within thirty days of the issuance of this decision. If KESCL continues with the practice of reducing or underutilizing its generation capacity from IPPs strict punitive action will be taken against it in future.
- (III) In respect of Ground III the Licensee is warned to comply with the orders, instructions and determinations of the Authority and is hereby directed to sign the PPA within four weeks of the decision of the Authority on the issues (delivery/metering points and maximum demand) referred to the Authority by the NTDC and KESCL failing which the Authority shall take appropriate action including but not limited to imposition of fine on the Licensee.
- (IV) In respect of Ground IV, the Authority hereby warns and directs KESCL to make regular and timely payments to NTDC and the matter be resolved at the earliest. The Authority understands that it is the sole responsibility of KESCL to follow and make sure that timely payments are made to NTDC.
- (V) In respect of Ground V, the KESCL is hereby directed to ensure timely payment to IPPs so that the electricity is available with it all the time which shall ultimately result in reduction of load-shedding for the consumers.
- (VI) In respect of Ground VI, the Authority warns KESCL not to draw excess power (beyond 650 MW) from NTDC system and purchase & utilize all the power available in the system through its own generation facilities and/or IPPs i.e. Gul Ahmed Energy Limited and Tapal Energy Limited.
- (VII) In respect of Ground VII, the Licensee is warned to strictly adhere to section 21(f) of the Act and the Performance Standards (Distribution) Rules, 2005 and give accurate and comprehensive information to the Authority as and when demanded. KESCL is further directed to prepare a plan for the enforcement and compliance with Performance Standards (Distribution) Rules, 2005 and submit the same for the approval of the Authority within four weeks.

(VIII) In case the Licensee does not pay the fine within 30 days or does not comply with the orders/instructions of the Authority as given hereinabove separate legal proceedings shall be initiated under section 41 of the Act read with rule 7 & 8 of the NEPRA Fine Rules, 2002 or any action under section 28 of the Act.

3. Please note that the amount of fine, regarded as inadequate by you is the maximum which can be imposed by NEPRA under Section 29 of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and therefore the same could not be compared with fines imposed by any other regulatory authority under provisions of their relevant clause.

4. In so far as the tariff of Walter Power International (a Rental Power Project) is concerned, the same was processed by PPIB under ICB procedures as per Policy Guidelines of Government of Pakistan wherein it is specifically provided that once a tariff has been arrived at through ICB, it should not be subjected to further review by NEPRA.


Registrar