

No.F.1(79/DD-II/PPRA/2009
GOVERNMENT OF PAKISTAN
PUBLIC PROCUREMENT REGULATORY AUTHORITY
(CABINET DIVISION)

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Islamabad, the August 26, 2009.

From : Naeem Ahmed,
Deputy Director – II,

To : Syed Adil Gillani,
Chairman,
Transparency International-Pakistan,
5-C, 2nd Floor,
Khayaban-e-Ittehad, Phase-VII,
Defence Housing Authority,
Karachi.

Subject: CORRUPTION NEWS ON SUI SOUTHERN GAS COMPANY
LIMITED AND REQUIREMENT OF PUBLIC PROCUREMENT
RULES, 2004.

Please refer to Transparency International-Pakistan's letter No. nil,
dated 5th August, 2009 on the above subject.

2. Your complaint was forwarded to Sui Southern Gas Company Limited
for disposal under Rule-48 of Public Procurement Rules, 2004. Procuring Agency
has given a detailed reply to the observations made by Transparency International-
Pakistan and the same is being enclosed for your kind perusal.

(NAEEM AHMED)



Sui Southern Gas Company Limited

Ref: SGM(ES)/38B-45
20 August 2009

Mr. Syed Adil Gilani,
Chairman,
Transparency International Pakistan,
5-C, 2nd Floor, Kayaban-e-Ittehad,
Phase VII, Defence Housing Authority,
Karachi

Dear Sir,

Reference: Nil dated 5 August 2009

Subject: Corruption News on SSGCL and requirement of Public Procurement Rules, 2004

Dear Sir,

This refers to your above letter on the noted subject. A 3 page report clarifying SSGC's position on the allegations levelled in the news item published in "NEWS" is enclosed. It is evident from the report that there was no violation of any Rules including PP Rules and the process has been transparent.

The complaints referred to on Page-2 of the letter are being examined and a response will be forwarded in due course.

Regards,

Yours faithfully,

Rabat K. Siddiqui
Sr. General Manager (ES)

Encl:



SSGC SUI SOUTHERN GAS COMPANY LIMITED

BRIEF – 100 MMCFD SYNTHETIC NATURAL GAS (SNG) PROJECT

1. BACKGROUND :

- 1.1 The demand and supply projections of gas in the country, indicate a widening gap due to increase in demand and reduction in supplies on account of depleting reserves. The gas shortage situation further aggravates in winter due to increase in demand for heating which is managed through curtailment of gas mainly to the power sector leading to increased load shedding of power.
- 1.2 Consequently, the Government of Pakistan, the Ministry of Petroleum and Natural Resources (MPNR), and SSGC are exploring all possible options to meet the country's energy shortfall including import of LPG, installation of LPG-Air Mix [Synthetic Natural Gas (SNG)] Plants both for stand alone system and peak load shaving and setting up of short and long term LNG import projects.
- 1.3 In a Meeting chaired by the Advisor to the Prime Minister on Petroleum and Natural Resources held on 5 February 2009 at SSGC's Head Office, it was decided that SSGC should explore the possibility of inducting 100 MMCFD SNG for peak load shaving especially during the winter months.

2. TENDERING DETAILS/ TECHNICAL EVALUATION :

Based on the above decision, the following actions were taken :

- 2.1 Tender notice (Tender Enquiry No. SSGC/ SNG/2009) for 100 MMCFD SNG Plant was published in leading newspapers on 17 April 2009. The bid opening date of the tender was extended thrice thus providing the bidders (75 days) sufficient time to participate. The bidders were asked to submit technical/commercial bids separately **along with their own studies to ensure safe mixing of SNG with NG**, to ensure technical viability of the project. The Bidders were also required to submit the following information :

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- 2.1.1 Synthetic Natural Gas (SNG) injection point be identified by the bidder based on process simulation study or other reliable internationally accepted method.
 - 2.1.2 The bidder to satisfy that the proposed SNG mixes with the natural gas (NG) in the existing pipeline at the location selected by bidder. The resultant mixture of SNG & NG would be such that it would not disturb the working of the customer's (down stream of injection point) equipment or require any modification of equipment/ burners of those customers using the proposed mix of SNG and NG.
 - 2.1.3 The bidders are expected to have sufficient working knowledge in procurement, storage and handling of LPG. The bidders to submit their proposed General Sales Agreement (GSA) draft terms and conditions for review by SSGC. A detailed working of the pricing be submitted in the financial bid.
 - 2.1.4 Storage capacity of one week is desired for successful supply of 100 MMCFD of SNG.
 - 2.2 The technical bids were opened on 30 July 2009, 4 bids have been received and are currently under technical evaluation.
 - 2.3 The Company has already taken nearly 6 months and is currently at a stage where the bids are being technically evaluated, thus SSGC has deliberated each step of the way and was thus admonished by MP&NR for delay.

CONCLUSION :

The matter was also submitted to SSGC's Board of Directors in June 2009 for information; stating that SSGC is exploring the option of peak load shaving through a 100 MMCFD SNG facility. The Board desired that before finalizing the proposal SSGC should conduct a detailed study so as to fully satisfy the technical viability of the project and then submit to the Board for consideration.

As stated above, the bids are currently under technical evaluation to ascertain the technical viability of the project. The commercial bids will be opened after determining that the project is technically do-able.

The bidders have not submitted their own studies to ensure safe mixing of SNG and NG, nor the information at sub-paras 2.1.1, 2.1.2, 2.1.3, and 2.1.4. The Company has written to all 4 bidders to submit the required information, so that the technical evaluation is completed.

The Company has also asked the Pakistan Research and Development Foundation (PRDF) to carry out a study on SSGC's concerns on safe commingling of SNG and NG and submit a report. PRDF confirmed that they will submit the report by end August 2009.

The requisite technical report will also be submitted to the Board of Directors and upon their approval the Company will proceed further.

PRICE IMPACT :

At this stage, when SSGC is only exploring the technical viability of the Project it is too early to be establishing financial viability. The price impact of introducing SNG will in any case be evaluated at a much later stage after establishing technical viability of SNG, the pricing will have to be approved by the Oil and Gas Regulatory Authority before SSGC can pass the same on to its customers.

Dated: 20 August 2009