



TRANSPARENCY INTERNATIONAL-PAKISTAN

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Advisory Committee

4th September, 2012

Mr. Muhammad Shakil Durani,
Chairman,
Water And Power Development Authority,
701, WAPDA House, Lahore.

Sub: Tender Enquiry No. CEO/MZG/RE-4/T-ICB-02 opened on 08-03-2012 for the Procurement of Magnesium Oxide or Magnesium Hydroxide based fuel oil additive in oil dispersed form along with necessary dosing/ monitoring equipments/ tanks for units 1~6 Genco-III at TPS, Muzaffargarh.

Ref: NPGCL letter # CEO/TPS/MZG/3791-96 dated August 15th, 2012.

Dear Sir,

This is with reference to C.E.O., NPGCL's letter # CEO/TPS/MZG/3791-96 dated 15th August 2012, sent to the M.D. Public Procurement Regulatory Authority on the above subject.

Transparency International-Pakistan has reviewed the information contained in the letter presented by NPGCL.

As per the letter:

Description	M/S Enviro-Chem	M/S INTAS
Fuel Additive Required	126.16 kg	41.509 kg
Per Gram	$126.16/314.857=0.4$	$41.509/314.587=0.13$
PPM (Calculated by TI-P)	400	130

Considering the letter of NGPCL and previous correspondence:

- Solution offered by M/S Enviro-Chem consists of 40% magnesium
- Solution offered by M/S INTAS contains 18% magnesium

As per product performance, a lesser quantity of solution containing larger dosage of magnesium will be required to treat the fuel, whereas a larger quantity of solution with lower concentration of magnesium will be needed to cure/ treat the same fuel, which would ultimately lead to purchase of larger quantities of cheap rates. The matter may be explained with the help of hypothetical example:

Description	Product A	Product B
Quantity	1 Litre	1 Litre
Required Dosage	100 gram	100 gram
Magnesium Content	40 gram	18 gram
PPM	220	556

However, the document sent to the MD, PPRA (reference mentioned above) predicts that quantity of fuel additive required per annum with 40% magnesium concentration will require 1014 M. Ton, whereas only 334 M.Ton will be required of solution containing 18% magnesium which is confusing and difficult to comprehend.



TI-Pakistan would also like to quote a case study "*Evaluation of Chemical Fuel Additives to Control Corrosion and Emissions in Dual Purpose Diesel / Power Plants*", conducted in the Kingdom of Saudi Arabia. The research can also be accessed at:

<http://www.swcc.gov.sa/files/assets/Research/Technical%20Papers/Chemstry/EVALUATION%20OF%20CHEMICAL%20FUEL%20ADDITIVES%20TO%20CONTROL%20CORROSION%20A.pdf>.


TI-Pakistan requests the Chairman to kindly look into the matter as it appears to be a case of "corrupt and fraudulent practices" as defined under Rule 2(f) of the Public Procurement Rules 2004. The Chairman is also requested under Article 19-A of the Constitution of Pakistan to provide any document which can enable TI-Pakistan to understand the calculation leading to the conclusion of WAPDA and help TI-P to grasp the formulae and logic applied to the decision.

It may be noted by WAPDA that Article 19-A of the Constitution of Pakistan makes the right to access of information pertaining to a public authority a fundamental right. Justice Syed Mansoor Ali Shah in his landmark judgment "*Ataullah Malik v. Federation of Pakistan*" laid down the following on 03rd February 2011:

"Right to information is another corrective tool which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19-A empowers the civil society of this country to seek information from public institutions and hold them answerable". PLD 2010 Lahore 605.

TI Pakistan is striving to have **Rule of Law** in Pakistan which is the only way of eliminating corruption.

With Regards,


Syed Adil Gilani
Adviser

Copies forward for the information of:

1. Chairman, Public Accounts' Committee, Islamabad.
2. Federal Minister, Ministry of Water and Power, Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad.
4. Federal Secretary, Ministry of Water and Power, Islamabad.
5. C.E.O, GENCO-III, TPS Muzzafargarh.
6. Chairman, NAB, Islamabad.
7. Mr. Daniel Altman, OIG.
8. Managing Director, PPRA, Islamabad.



GHCL

NORTHERN POWER GENERATION COMPANY LTD

PH.NO. 066-9200285

066-9200156

FAX No.066-9200185

No. CEO/TPS/MZG/3791-96

Office of the

Chief Executive Officer,

(Genco-III) TPS, M/garh.

Dated : 15/08/2012.

Managing Director PPRA,
Public Procurement Regulatory Authority,
1st Floor, FBC Building, Near State Bank,
Sector G-5/2,
ISLAMABAD.

Subject: Tender No.CEO/MZG/RE-4/T-ICB-02 opened on 08-03-2012 for the procurement of Magnesium Oxide or Magnesium Hydroxide based fuel oil additive in oil dispersed form along with necessary dosing/monitoring equipments/tanks for units 1~6 Genco-III at TPS, Muzaffargarh.

Ref: Enviro-chem letter # 12/L-071/12 dated July 19,2012.

- Fuel additive in Furnace oil (HSFO) is used to avoid high & low temperature corrosion in high pressure boilers. Use of this speciality chemical enhances boiler efficiency, lowers heat rate and cost per kwh.
- Specifications of Fuel additive were approved from USAID (FARA) prior to tendering/procurement process. MgO/MgOH Fuel additive in oil dispersed form is our requirement.
- Specifically mentioned in the Tender BOQ that Bid will be evaluated on the basis of Fuel additive Consumption per Hour/cost Per M.Ton Furnace oil consumed.
- Two bidders participated in the tender opened on 08-03-2012.
- Cost analysis/Technical Evaluation of tender predict that,

PARAMETERS	M/S Enviro-Chem	M/S International Tech. Karachi
Fuel additive type	MgO	Mg (OH) ₂
Specific gravity	1.6	1.3
Price per Kg. (US \$)	2.58	1.6
Qty. of fuel additive required per hour for 1~6 units.	126.16 Kg.	41.509 Kg.
Qty. of fuel additive required per day for 1~6 units.	3027.84 Kg.	996.216 Kg.
Qty. of fuel additive required per annum for 1~6 units.	1014 M.Ton	334 M.Ton
Cost per annum (US \$)	2.61612 millions	0.5344 millions
Cost of fuel additive for 450 M.Ton as per tender BOQ. (US \$)	US \$ 1.161 millions	US \$ 0.720 millions

- Bidder-II M/S International Tech. Karachi has proved this dosing rate successfully during 06 months trial period at Unit # 04, TPS, M/Garh.
- In the light of tender BOQ/specifications & cost analysis of fuel additive Bidder-II M/S International Tech. Karachi was recommended being the lowest one purely on merit.
- PPRA rules & guidelines have been strictly observed during procurement process.

Concluding remarks

Unit price, dosing rate & cost of fuel additive per metric ton of fuel oil consumed for product offered by complainant (M/S Enviro-chem) are very high, expensive and not reasonable. Moreover cost of allied dosing/monitoring equipments offered by M/S Enviro-chem is high comparatively.

Therefore the observations raised by complainant are absolutely baseless, false, fake and invalid.


CHIEF EXECUTIVE OFFICER
GENCO-III, T.P.S., M-GARH

C.C

- Chairman, WAPDA, WAPDA House, Lahore.
- Managing Director, NTDC/CEO GHCL, 723- WAPDA House, Lahore.
- General Manager (Thermal)197-WAPDA House, Lahore.
- Mr. Ghulam Abbas, Consultant, US Energy Wing.
- • Chairman, Transparency International Pakistan.