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4th February, 2016

TL16/0402/9A

Brig. (retd.) Tariq Saddozai,
Chairman,
National Electric Power Regulatory Authority (NEPRA),
Islamabad.

Sub: Complaint against Collusion of NEPRA and Port Qasim Electric Power Company (Private) Limited (PQEPCL) in Determining of Tariff for 2x660 MW Coal Power Plant.
Sponsored by Mr. Saifur Rahaman.

REMINDER

Over charging of Tariff in 30 years caused extra payment to PQEPCL of Rs is 51.7 billion at 100% efficiency

Dear Sir,

Transparency International Pakistan in the past 5 months has not received any response of our letter dated 12.9.2015 from NEPRA against Collusion of NEPRA and Port Qasim Electric Power Company (Private) Limited (PQEPCL) in determining of tariff for 2x660 MW Coal Power Plant, sponsored by Mr. Saifur Rahaman. **Annex-A**

NEPRA was provided documents from complainant, with the proof of fake bidding by PQEPCL in the tender notice invited by PQEPCL for 'EPC of Coal-Unloading Jetty and Channel for Pakistan Port Qasim Coal-fired Power Project Contract Basis' published on 18th June, 2015 in daily 'Dawn'.

The Complainant has again approached and sent following more proofs of allegations on collusion of NEPRA and Port Qasim Electric Power Company (Private) Limited (PQEPCL).

1. The land was provided by PQA to PQEPCP at Rs 2.5 million/acres, against official rates of Rs 6.5 million per acres, as charged to LNG Terminal in 2014, and Coal Terminal PIBT in 2010, causing loss to exchequer of Rs 900 million.
2. The tender for Coal Jetty was awarded by PQEPCP to its own partner at more than about \$ 250-360 million, through non transparent tendering.
3. The actual cost of coal jetty is not over US \$ 150 million, including cost of 7 million cubic meter dredging.
4. The actual cost of dredging about 7 mcm in the following area at US \$ 5 /cm is not over US \$ 35 million.

Channel length- 4Km
Channel width - 150m
Channel depth - 12.5m
Turning basin depth - 12.5m
Berthing basin depth - 15.5m
Dumping- Near Ziarat point approx. 3-4 km.

5. In KPT tender in 2010 for 30 MCM the rates were US \$ 4 per cm with disposal of upto 15 KM, and oil was \$ 130 per barrel, and now it is \$ 28 per barrel. Oil consumption in Dredger is 60% of the cost.
6. PQA in recent tenders in 2016 for the about 3 mcm maintenance dredging has received dredging rates at about US \$ 3 /cm.
7. Agha Jan Akhtar PQA Chairman on 1^{0th} January 2015 has declared that PQEPC is spending US \$ 200 million on dredging, which is free to PQA, and cost of land thus is increased by Rs 8 million/acre. He said the land had been given to Project Company at Rs2.5m per acre

- and he had given a detailed briefing to the NAB. The project company would have to spend around \$200m in dredging, effectively increasing its cost beyond Rs8 m per acre. **Annex-B.**
8. The inflated cost of 7 mcm dredging by at least US \$ 165 million (in case news report on the statement of Agha Jan Akhtar, Chairman PQA is correct) , plus further inflated cost of US \$ 50-80 million, will be reflected in revised tariff of Coal Power Plant by NEPRA at the time of COD.
 9. The cost of Port handling taken by NEPRA in its determination in Feb. 2015 is highly inflated, at \$ 9.46/T. The current port cost in PQA and KPT is not over Rs. 320 per ton (US \$ 3/ton). **Annex-C**
 10. PQA and NEPRA in order to give undue benefit to PQEPCP are involved in over pricing of Coal Jetty by at least 100%.
 11. The actual cost of coal handling at common jetty facility in KPT and PQA is not more than is \$ 4.5 per ton. Thus the coal price will be reduced by at least 3.5%.
 12. NEPRA vide Notification No. NEPRA/TRF-229/PQEPCPL-2015/1839-1841 dated 13th February, 2015 has notified tariff which for 1 to 10 years is 9.0642 Cents/kWh, and leveled tariff for 1 to 30 years is 8.3601 Cents/kWh .
 - a. *NEPRA Note: The above figures will be replaced with the actual numbers to arrive at the actual fuel cost component. Since the project is based on dedicated jetty, the cost of common jetty facility shall be excluded from the price of coal and the cost of dedicated jetty will be added to the respective components of tariff at the time of COD.*
 13. Out of total tariff for 1st year of Rs 8.8014/kWh, fuel cost is Rs 4.2913/kWh, at total imported coal price US \$ 129.06/ton.
 14. Therefore the tariff will be reduced by Rs 0.15/kWh due to decrease in cost of common jetty facility. PQEPCP will earn revenue from the common jetty as this is not exclusive for its own use, though entire cost is charged to the project.
 15. On 1320 MW, extra tariff charged is Rs 1.73 billion at 100% efficiency due to decrease of common jetty cost by 0.15/kwh
 16. In 30 years extra payment made to PQEPCP at public cost, is Rs 51.7 billion at 100% efficiency.

Chairman, NEPRA is again requested to take immediate action to inquire into above allegations, and if the allegations are found correct, action under NAO 1999 should be taken against all those officers of NEPRA who are responsible for this collusive practice, and all the sponsors who have conspired to obtain false tariff from NEPRA.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,



Sohail Muzaffar
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, Prime Minister's Inspection Commission, Islamabad.
4. DG NAB, Karachi
5. Registrar, Supreme Court of Pakistan, Islamabad.



12th September, 2015

TL15/129/9A

Brig. (retd.) Tariq Saddozai,
Chairman,
National Electric Power Regulatory Authority (NEPRA),
Islamabad.

Sub: Complaint against Collusion of NEPRA and Port Qasim Electric Power Company
(Private) Limited (PQEPCPL) in Determining of Tariff for 2x660 MW Coal Power Plant,
Sponsored by Mr. Saifur Rahaman.

Dear Sir,

Transparency International Pakistan has received a complaint which comprises of the allegation of collusion between NEPRA and Port Qasim Electric Power Company (Private) Limited (PQEPCPL) in determining of Tariff for 2x660 MW Coal Power Plant.

The Complainant has made the following allegations;

1. NEPRA vide Notification No. NEPRA/TRF-229/PQEPCPL-2015/1839-1841 dated 13th February, 2015 has notified tariff which for 1 to 10 years is 9.0642 Cents/kWh, and levelized tariff for 1 to 30 years is 8.3601 Cents/kWh (Annexure A).
2. The up front Capital Cost determined by NEPRA without inviting competitive bids is a fake process. The Capital Cost taken by NEPRA for 660 MW as US \$ 767.868 Million is not based on the current market rate nor, on the competitive bidding, as required under the Power Policy of Government of Pakistan (Annexure B).
3. The proof of corruption of NEPRA and PQEPCPL is indicated in determining of price of coal item (xiv), cost of common jetty facility, taken as US \$ 9.46/M.Ton, with the following note; (Annexure C).

Note: The above figures will be replaced with the actual numbers to arrive at the actual fuel cost component. Since the project is based on dedicated jetty, the cost of common jetty facility shall be excluded from the price of coal and the cost of dedicated jetty will be added to the respective components of tariff at the time of COD.

The proof of fake bidding by PQEPCPL is the tender notice invited by PQEPCPL for 'EPC of Coal-Unloading Jetty and Channel for Pakistan Port Qasim Coal-fired Power Project Contract Basis' published on 18th June, 2015 in daily 'Dawn' (Annexure D).

It may be noted that the tender for the jetty which may cost between \$100 Million to \$300 Million, is to be invited for minimum 30 days, but only 16 days were allowed to submit bids.

The most alarming conspiracy to sabotage the international bidding can be seen from the manipulation that the "Tender Documents were to be purchased by bidder from 18-6-2015 to 22-6-2015." It may be noted that 19-6-2015 was the first Friday of the Ramadan, and 20th and 21st of June, 2015 were holidays, and only 22-6-2015 was available for bidder to purchase tenders.



Under PPRA Rule as well as International Competitive Bidding Rules, tender documents are issued till one day prior to the bid submission date.

The contract was awarded to the Chinese company who is a joint venture partner of PQEPCPL which is a Conflict of Interest, and not allowed under NEPRA Rules.

The contract price of award may have been thrice the actual price, so that the tariff is artificially jacked up in favour of PQEPCPL.

4. NEPRA collusion is exposed by the fact that in February, 2015 the KIBOR rates were 7.92% to 8.96 % where as in determining the tariff, the KIBOR rates taken by NEPRA are 11.91%, which are 30% higher. Though the interest rates are subject to quarterly variation of KIBOR rates in future, but 30% inflated KIBOR is taken to give artificial tariff rates, may be for public consumption (Annexure E).
5. NEPRA is responsible for false tariff determination in all the Power Plants which need to be investigated by the Supreme Court of Pakistan.

Transparency International Pakistan has examined the complaint and found allegations are very serious, and NEPRA is being blamed for corruption, during the time when energy crises in Pakistan is at peak, and the load-shedding has been continued for last 10 years, in which NEPRA's role has been very negative.

The fake tender invited by PQEPCPL for Jetty, confirms that PQEPCPL is involved in corrupt practices, and defrauding NEPRA by collusive bidding calling thrice actual cost, which is a crime under NAB Ordinance 1999, and are not allowed under Competition Commission of Pakistan Act 2010.

Chairman, NEPRA is requested to take immediate action to inquire into above allegations, and if the allegations are found correct, action under NAO 1999 should be taken against all those officers of NEPRA who are responsible for this collusive practice, and all the sponsors who have conspired to obtain false tariff from NEPRA.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,


Sohail Muzaffar
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Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, Prime Minister's Inspection Commission, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.

DAWN

Financial close of 1,320MW project declared in haste

KHALEEQ KIANI — PUBLISHED JAN 11, 2016 07:06AM

ISLAMABAD: The government has declared financial close worth \$1.9 billion of a 1,320MW coal-based power project near Karachi without completing prerequisites which may expose the nation to massive liabilities.

This is the first major project under the \$46bn China-Pakistan Economic Corridor (CPEC) to have achieved financial close. The plan for the project has been put together by Saifur Rahman, a former chairman of the Ehtesab Bureau and close aide to Prime Minister Nawaz Sharif. The PM laid the foundation stone of the project in April last year.

Mr Rahman himself supervised the ceremony held to mark the financial close of the project jointly sponsored by the Sinohydro Resources Limited of China and Al-Mirqab Capital of Qatar. The Chinese Exim Bank is providing \$1.9bn financing for the project.

Sources told Dawn that in haste to show the results, the Private Power and Infrastructure Board (PPIB) approved and announced on Dec 22 the financial close in the absence of a Direct Lenders Agreement and legally trustworthy land acquisition.

The implementation agreement (IA) for the project was signed by the sponsors and the government in April last year.

Legally speaking, all clauses of the IA do not come into force at once. Before the approval of the financial close, most responsibilities and liabilities, like those relating to the financing plan, signing of a series of documents, arrangement of water, roads and other infrastructure, land acquisition and start of construction work, rest with the sponsors.

The PPIB has not only approved the financial close but a sovereign guarantee has also been executed even though controversies still remain over the transfer of land title to the project company. In fact, the land issue has pitted the federal authorities against the Sindh government.

While the PPIB, in a written response, claimed that the obligation of land acquisition was “in full force and effective”, the Port Qasim Authority said it had allocated land to the project but it had not been registered with the registrar’s office because of opposition by the Sindh government.

That means that if the land dispute remains unsettled or goes into litigation the project sponsor would be entitled to claim damages for investment loss from the government through international arbitration.

Secondly, the PPIB has not been able to execute Direct Lenders Agreement — a central legal document linking sponsors, lenders and the government in a financial arrangement. Legally speaking, the government of Pakistan does not know who is lending such a huge amount at what terms.

When contacted, Barrister Asghar Khan, who has been involved in finalisation of documents on behalf of the government as head of the PPIB's legal department, said that "without signing the Direct Lenders Agreement at the time of Financial Closing, acknowledgment of the Lenders and the Financing Documents does not take place".

Resultantly, financial liabilities and obligations of the government are not locked and there is no legally binding undertaking by the lenders to that effect and release of liens, transfer of power plant and discharge of liabilities in the event of payment by the government is not assured, he said.

On behalf of the water and power ministry, the PPIB confirmed in writing that land acquisition was an obligation of the project company and claimed that "this obligation is in full force and effect and accordingly the company after taking possession of the land has started construction".

The PPIB said it was not aware of any probe by the National Accountability Bureau over the land acquisition by sponsors from Port Qasim. It also confirmed that "Direct Agreement is a comfort to the Lenders by the GOP as per the customary practices of such transactions, but the lenders did not require execution of such agreement for the financial close". It said the financial close has been notified after completion of the prerequisite under the IA" and in line with earlier precedents.

Chairman of the Port Qasim Authority Agha Jan Akhtar said the authority had issued an "indenture to lease" for the land to the project sponsors three to four months ago but the sub-registrar had not registered/verified the deed on the orders of the Sindh government.

He said the Sindh government had in the past issued statutory regulatory orders (SROs 73 and 74) to identify this land under the sea and then give it to the PQA because such lands then belonged to the federation and never raised any objection.

He said the authority had committed in writing to the provincial government that the PQA would transfer all funds collected against the land cost to it if at any stage the project land is proven to be its asset.

He said the Chinese Exim Bank had shown leniency for the project and had already released \$200 million as the first tranche.

said the land had been given to project company at Rs2.5m per acre and he had given a detailed briefing to the NAB. The project company would have to spend around \$200m in dredging, effectively increasing its cost beyond Rs8m per acre.

Published in Dawn, January 11th, 2016



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Ataturk Avenue(East),-G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/TRF-299/PQEPCPL-2015/1839-1841
February 13, 2015

Subject: Approval of National Electric Power Regulatory Authority in the matter of Application of Port Qasim Electric Power Company (Private) Limited (PQEPCPL) for Unconditional Acceptance of Upfront Coal Tariff for 2x660 MW Coal Power Plant [Case No. NEPRA/TRF-299/PQEPCPL-2015]

Dear Sir,

Please find enclosed herewith the subject Approval of the Authority along with Annexure-I & II (18 pages) in Case No. NEPRA/TRF-299/PQEPCPL-2015.

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
3. Please note that Order of the Authority along with Annexure-I & II needs to be notified in the official Gazette.

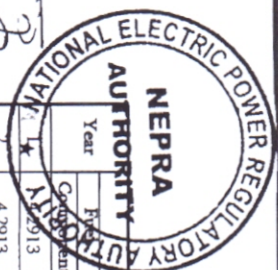
Enclosure: As above

(Syed Safer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



Port Qasim Electric Power Company (Pvt) Limited (POEPCPL)
Reference Tariff Table

Year	Fuel Cost	Energy Purchase Price (Rs./kWh)				Capacity Purchase Price (PKR/kWh/hour)				Total Tariff	Total Tariff						
		Ash Disposal	Lime Stone	Foreign	Local	Var. O&M	Fixed O&M	Cost of W/C	Insurance			ROE	Debt	Interest	Total CPP	Capacity @ 85%	Rs./kWh
1-30	4.2913	0.2200	0.0900	0.0684	0.0456	4.7153	0.1435	0.1435	0.2276	0.1021	1.1872	1.0397	0.5295	3.4731	4.0861	8.8014	9.0642
Average	4.2913	0.2200	0.0900	0.0684	0.0456	4.7153	0.1435	0.1435	0.2276	0.1021	1.1872	1.3103	0.3589	3.4731	4.0861	8.8014	9.0642
1-10	4.2913	0.2200	0.0900	0.0684	0.0456	4.7153	0.1435	0.1435	0.2276	0.1021	1.1872	0.0000	0.0000	1.8040	2.1224	6.8377	7.0419
11-30	4.2913	0.2200	0.0900	0.0684	0.0456	4.7153	0.1435	0.1435	0.2276	0.1021	1.1872	0.4368	0.1196	2.3604	2.7769	7.4922	7.7160
Levelized	4.2913	0.2200	0.0900	0.0684	0.0456	4.7153	0.1435	0.1435	0.2276	0.1021	1.1872	0.8219	0.2661	2.8920	3.4023	8.1176	8.3601

Levelized Tariff = 8.1176 Rs./kWh 8.3601 US Cents/kWh