THURSDAY AUGUST 04: Default in power production: Karkey RPP may have to pay Rs 22 billion penalty

KARACHI (August 08, 2011) : The Karkey, Karadeniz Holding, rental power project, having defaulted in meeting its electricity production commencement deadline of November 8, 2009, may have to pay penalty for 21 months, which comes to Rs 22 billion. As per contract agreement, the Government of Pakistan could have taken following two actions. Liquidated damages to be paid by Karkey which may be 1.5 times the rental rate, cents per KWH. This is the condition available in the agreement with Walters Power International and Lakhra Power Generation Company Ltd. The project should have been immediately cancelled, with penalties. Syed Adil Gilani, Advisor, Transparency International Pakistan, in a letter sent to the Chief Justice of Pakistan, Justice Iftikhar Muhammad Chaudhry on August 2, has drawn his attention to these acts of failure of one of the three Government of Pakistan agencies, ie, Pepco/PPIB/Wapda, as it amounts to collusive practice under Public Procurement Rules 2004, Rule No 2(f). Lakhra Power Generation Co Ltd (LPGC) had submitted a tariff petition for approval of tariff in respect of the following two rental power plants for sale of power to the Central Power Purchasing Agency (CPPA) of National Transmission and Despatch Co Ltd (NTDC). Nepra had allowed the applicant to charge the tariff according to the assumptions which were attached as per the ECC. It had specifically mentioned in its decision that 'In case any of the approved projects under package A and B failed to

achieve crucial milestones as per agreements towards timely project implementation, then the project be immediately cancelled with penalties. "The deficit power generation capacity be then expeditiously arranged through addition of IPP/Rental Power Projects both solicited and unsolicited on fast track basis". Adil has pointed out in his letter that the approval of the generation tariff for Karkey-II (extension) Rental Power Project at Korangi, Karachi and Walters Power International for Lakhra Power General Company Ltd has not been acted upon by the procuring agency, which is one of the three Government of Pakistan agencies, ie Pepco/PPIB/Wapda. He has also drawn attention to Nepra letter which is very specific on action to be taken in case of failure of the companies to complete the project in the contacted time. ***Copyright Business Recorder, 2011***