

**POLICY FRAMEWORK AND
PACKAGE OF INCENTIVES
FOR PRIVATE SECTOR
HYDEL POWER GENERATION PROJECTS
IN PAKISTAN**

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GOVERNMENT OF PAKISTAN

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1. INTRODUCTION:

1.1 General

The Government of Pakistan in March 1994 announced the Policy Framework and Package of Incentives for private sector power development in the country. It received a tremendous response albeit for all Thermal Plants. GOP now intends to encourage proposals for power generation based on indigenous resources namely its hydel resources. Hydel power being cheaper, will provide tariff relief to the consumers, utilize indigenous resources, involve Pakistani entrepreneurs and provide benefits of economic growth to the relatively backward parts of Pakistan.

1.2 The need for a separate Hydel Power Policy

In Pakistan nearly all hydro potential results from discharges into the Indus River basin. Discharges result primarily from precipitation and snow-melt in the northern mountainous ranges of the country. Discharges take place in small rivulets coming further down to the bigger tributaries of River Indus and then to Indus River itself. The development of hydropower projects however, is characterized by remote locations and seasonal variations. Pakistan's climatic factors including rainfall and snowmelt, make it relatively easy to develop hydel generation during the months of July to December while the period January to June is extremely dry in terms of stream flow. In order, therefore, to arrest the risk of over development in summer months that would create an unbridgeable gap in winter months, the total requirement of hydel plants in private sector may be limited to 2,000 MW upto the end of the 9th Five Year Plan. However, the limit of 2,000 MW will be reviewed at a later stage and can be enhanced to suit the national priorities and power demand growth. Realizing that these peculiarities of hydropower development necessitate special consideration the Government has devised an attractive policy package to evoke response of private sector similar to that of thermal power . The salient features of the policy framework and package of incentives devised for development of hydropower through private sector are presented below.

2. CHOICE OF SITE AND EQUIPMENT:

2.1 On Tributaries & Canals

The investors are free to propose hydel power plants on tributaries and canal systems at any location and opt for any type of equipment. However, hydropower plants with seasonal storage will be allowed only on streams and tributaries.

2.2 The policy will cover all feasible hydropower plants having capacities upto 300 MW either of run-of-the-river type or with a nominal poundage for absorption of daily fluctuations. Plants requiring reservoirs for seasonal poundage on all rivers, except on streams, and

tributaries as well as plants located on the Main (Indus, Jhelum, Chenab, Ravi and Sutlej) Rivers are to be excluded from private sector. However, hydropower plants of capacities above 300, MW which do not disturb downstream users water rights do not undermine the, optimum development potential of a site, would be considered on a case-to-case basis irrespective of the location.

3. FEASIBILITY STUDIES:

Before a hydel site is developed by the private sector a detailed feasibility study of acceptable international standards has to be prepared. This is essential to determine the parameters of the project i.e. plant optimum capacity, layout and, plan, factor etc. The feasibility studies may however be carried out in the public or private sector.

3.1 Feasibility Studies in Public Sector

i. A number of feasible sites have been identified through a series of studies. On some of these sites detailed feasibility studies have been carried out by the concerned federal/provincial agencies out of their own resources. In some cases the studies' are in progress while some sites are still raw.

3.1.2 The feasibility studies undertaken in the public sector by WAPDA, SHYDO and other organizations, would be made available to the private entrepreneurs as public document against a fee. A further price as reflected on the books of the concerned agency at a cost of the feasibility study will be chargeable from the private entrepreneur at the time of issuance of LOI and will be passed to the agency which conducted the study.

3.1.3 For studies completed in the public sector, the private investor should verify any or all aspects of the feasibility study and may carry out his own project appraisal. For ongoing feasibility studies the investor may, at his own cost, associate his expert(s) with the study being carried out by a government agency/consultant.

3.2 Feasibility Studies by the Sponsors

3.2.1 The private investors may carry out their own feasibility studies, at their own expense complying with the criteria for the selection of consultants as laid down by the World Bank or Asian Development Bank. The feasibility studies of schemes to be undertaken would however ensure that:

- a. the site is technically feasible.
- b. the scheme is dimensioned and based on the most economic layout
- c. installed capacity of the Power, House based upon hydrology, will be established at 50% minimum annual plant factor.

- d. a minimum of 40%. of the annual energy is required to be produced during the low water months of January to June.
- e. the scheme is economically and financially feasible.
- f. the transmission line design and costs have been estimated.
- g. the IERR of the project, calculated after, incorporating the transmission costs upto tile nearest grid, is within acceptable levels.

4. FINANCING ARRANGEMENTS ALREADY ANNOUNCED BY GOP:

- 4.1 Private sector projects will involve limited recourse financing, which means that the funds for the projects will be raised without any direct sovereign guarantee of repayment. Instead, the investors, in, and lenders to, the project company must took to the revenues earned by the sale of electricity for their returns on equity and the servicing of their loans.
- 4.2 The minimum requirement for equity investment is 20% *of* the total capital cost of the project.
- 4.3 A Private Sector Energy Development, Fund (PSEDF) has been established with the assistance of the World Bank and other multi-lateral lending agencies, which may provide upto 30% of the Capital, Costs of the project, with a variable interest rate and a maturity period of upto 23 years including a grace period of upto 8 years.
- 4.4 To, facilitate, the creation and encouragement, of a corporate debt securities market essential to raise local financing for power projects, the following provisions have been made:-
 - a. Permission to power generation companies to issue Corporate Bonds.
 - b. Permission to issue shares at discounted prices to enable venture capitalists to be provided higher rates of return proportionate to the risk.
 - c. Permission to foreign banks to underwrite the issue of shares and bonds by the private power companies.
 - d. Same tax facilities for private sector instruments as available to Non Banking Financing Institutions subject to approval by CLA.
 - e. Recommendation by GOP to State Bank for modification of Prudential Regulations to allow 80:20 debt equity ratio.

- f. Abolition of 5% limit on investment of equity in associated undertakings.
 - g. An independent rating agency is being allowed to commence operations, so that individual investors can make informed decisions about the risk and profitability of the Bonds/TFCs..
- 4.5 To facilitate the pace of feasibility studies, the Government will initiate preparation of feasibility studies in the public sector for many more sites so that, after a few years, a number of feasibility studies become available. These feasibility reports can then be implemented by the private sector on competitive basis. Towards this end, funding for feasibility studies has to be provided to the concerned Federal as well as Provincial line agencies, and a Hydel Planning Fund in the sum of US \$ 30 million will be created by the Federal Government to meet expenditure over the next 5 years.
- 4.6 In addition to above, the Govt of NWFP has established a provincial hydel development fund from its own resources. The investors may utilize this fund as a topping-up recourse for feasibility studies. The amount will be available as a loan on standard commercial terms.

5. NET PROFITS:

- 5.1 Article 161(2) of the Constitution of Pakistan, relating to net profits from hydropower generation, is not applicable to any hydropower projects built in the private sector.
- 5.2 The Provincial Governments view hydropower potential as an important resource to generate funds for development. A nominal price for use of water has therefore been proposed in the Bulk Power Tariff at the rate of US Cents 0.233/Kwh (Rs 0.07/Kwh). The mode of payment has been detailed in Para-10 of this policy.

6. FISCAL INCENTIVES:

The Government of Pakistan in March 1994, has already announced the following fiscal incentives for private power development in the country:-

- 6.1 The private power generation companies are exempt from corporate income tax on incomes earned from sale of electricity.
- 6.2 The companies are allowed to import all types of plant and equipment for generation, transmission and distribution without payment of sales tax, Iqra, Flood Relief and other Surcharges as well as import license Fee. Only custom duty of 2% on imported machinery will be payable.
- 6.3 The companies have been allowed to register any where in Pakistan to avail reduction in stamp tax and registration fee for registration of loan documents.

- 6.4 Repatriation of equity alongwith dividends is allowed freely.
- 6.5 Exemption from income tax in Pakistan for foreign lenders to such companies
- 6.6 Although the GOP encourages participation of local investors in the power sector, it is not mandatory, and foreign companies/investors are free to set up projects without local partners.
- 6.7 Private power companies are free to get insurance from any source as per requirements of lenders and utilities.
- 6.8 Power generation has been declared an industry and tile companies are eligible for all other concessions available to industrial projects.
- 6.9 Private parties may raise local and foreign finance in accordance with regulations applicable to industry in general.
- 6.10 For local engineering and manufacturing companies, the present Statutory Revisionary Order (SRO) 555(1)/90 has been made applicable to private power plants.
- 6.11 Orders received by local engineering and manufacturing companies from private power companies will be treated as an export for refinance under the State Bank Finance Scheme for Exports.
- 6.12 Import of construction equipment by private power companies for hydropower plants e.g. TBM's, Earth Moving Machinery and all other construction equipment would exempted from levies, however a custom duty of 2% on imported machinery will be payable. However tile first right oil on equipment to be sold after the project will vest in the provincial government concerned.

In addition to above tile concerned Provinces offer the following fiscal incentives for investors:-

- 6.13 The Provincial Government would endeavor to develop infrastructural facilities required for access to site, depending oil provincial resource position.

7. SECURITY PACKAGE:

- 7.1 Model Implementation (Concessions) Agreement and Power Purchase Agreement have been prepared for private hydropower projects to eliminate the need for protracted negotiations between GOP and Sponsors.
- 7.2 Since the life of a hydro project is much longer than that of a thermal plant and further because the operational cost of a hydel station is nominal, the ownership of the project

will be transferred to the Government free of charge after 25 years of its operation. The Government will further lease out the operation and maintenance of the station for which the original entrepreneur will have the first choice.

7.3 For private power projects, the Government will;

- a. provide protection against specific force majeure risk,
- b. provide protection against changes in certain taxes and duties,
- c. ensure the convertibility of Rupee and remit ability of foreign exchange to cover necessary expenses of the projects.,

8. ISSUANCE OF A SEPARATE SRO:

If required, GOP will issue a separate SRO for private sector power plants so that incentives and concessions given in various regulations and directives are placed together and consolidated to facilitate understanding and implementation of the incentive package.

9. OPERATION & PROCEDURE FOR APPLICATION AND PROCESSING OF PROPOSALS:

The purpose and intent of this policy is to encourage development of the hydropower resources through maximum participation of the private sector.

Unlike the one-window procedure followed for thermal power generation, issuance of Letter Of Interest (LOI) and Letter of Support (LOS) would be dealt with by the Provincial Governments. LOI and LOS issued by Provincial Government will not bind the Federal Government and PPIB will execute IA/PPA only after it was satisfied that:

- d. the interconnection of the project to the National Grid was technically and economically feasible; and
- e. the feasibility of the project met the criteria laid down in the Policy.

The Provincial Governments will designate a window to specifically deal with, and process, all investor proposals and queries. The window to be notified separately by each province will be modelled on the pattern of PPIB. The following procedure for receiving and evaluating applications would be followed:-

9.1 **Hydropower Projects for sale of Power to WAPDA**

9.1.1 **Unsolicited Proposals**

Unsolicited proposals will include raw sites identified by the concerned Provincial Agencies hereinafter referred to as the Provincial Window or Provincial Private Power Cell (PPC) or the sponsor, and sites for which feasibility studies have been-carried-out/is being carried-out in the public sector. The procedures for application and processing is as follows.-

- a. On receipt of a fee of Rs.5,000/- the Provincial PPC will register the applicants and provide them with a set of documents comprising Brochure outlining the new policy, application form and format of bank guarantee.
- b. Applications will be accepted by Provincial PPC against payment of a non refundable application fee to be received as follows:

| | | |
|-----------|----|-------------|
| 0 - 20 | MW | Rs. 30,000 |
| 21 - 50 | MW | Rs. 100,000 |
| 51 - 200 | MW | Rs. 200,000 |
| 201 - 300 | MW | Rs. 400,000 |
| above 300 | MW | Rs. 500,000 |

- c. After screening and evaluation of the proposal, Provincial PPC will issue a letter of interest (LOI) to the sponsors of the project. The initial screening/evaluation procedure will be the same as, standardized, by the PPIB. The LOI will be issued for the following possible cases and shall include, but may not be limited to, the following conditions-

- i. **Sites with feasibility study completed in the public sector**

The sponsor shall pay to the concerned agency which conducted the study, through Provincial Window/Provincial PPC the price of the feasibility study as laid down in paragraph 3.1.2 and furnish a Performance Guarantee, within a period of six weeks of the issue of LOI.

- ii. **Sites with feasibility studies in progress**

The prospective investor will be allowed to associate, at his own expense, his expert(s) with the team carrying out the feasibility study. Within six weeks of the completion, of the study the sponsors shall pay the price of the feasibility study as laid down in paragraph 3.1.2 and furnish a Performance Guarantee to the Provincial PPC. The time frame required for

completion of the feasibility studies in the public sector will be specified in the LOI.

iii. **Raw Sites**

The sponsors of the project will be allowed to carry out a feasibility study through their own consultant and at their own expense. The time period allowed for this study will be determined mutually between the sponsor and the Provincial PPC, provided that within three weeks of the LOI, a bank guarantee will be furnished by the sponsors valid for the period of the study. The bank guarantee shall be for US\$ 1000 (or equivalent in Pak Rupees) per MW based on the preliminary capacity for which the LOI has been issued. The bank guarantee shall be encashable without recourse to the applicant. Insurance or corporate bonds shall not be acceptable as Guarantee.

iv. The LOI for raw sites shall also include transparent milestones to enable the Provincial PPC to monitor the progress of the study. The exclusive right of the sponsor to subsequently develop the site will specifically be linked to the progress indicators of the feasibility study. If the sponsors fail to complete the feasibility study in the specified time period or is lagging in progress, as determined from the milestones/indicators, the bank guarantee will be encashed and LOI will automatically lapse. Neither the Sponsor nor the project company shall have any claim for compensation or damages against the Government of Pakistan, the Provincial Governments, Provincial Window/Provincial PPC or any other Governmental agency on any grounds.

v. On completion of the feasibility studies and subject to its acceptance by the Provincial PPC, a Performance Guarantee, as specified below, will be furnished within six weeks by the sponsors of the project.

a. The Performance Guarantee in all the above cases shall be in the form of an irrevocable bank guarantee from a scheduled local bank or from a reputed foreign bank acceptable to Provincial Window/Provincial PPC. It shall be valid for eighteen months and encashable without recourse to the applicant.

b. Insurance or corporate bonds shall not be acceptable as Performance Guarantee. The amount of Performance Guarantee shall be Rs. 100,000 per MW based on the capacity for which LOS is being issued.

c. If the Guarantee is not furnished within period specified above for various cases, the Letter of Interest will automatically lapse, and neither the Sponsor nor the project company shall have any claim for compensation or damages against the

Government of Pakistan, the Provincial Governments, Provincial Window/Provincial PPC or any other Governmental agency on any grounds.

- d. On receipt and acceptance of Performance Guarantee by Provincial Window/Provincial PPC, a Letter of Support will immediately be issued to the Sponsors, allowing them to approach the PPIB, within six weeks of the LOS, for signing of the IA and PPA. Provincial PPC will assist the sponsors in negotiations with the PPIB. For this purpose, the sponsors will pay a non-refundable flat fee of Rs. 500,000/- per project, to PPIB as processing fee.
- e. The Guarantee will be encashed in case the Sponsors are unable to achieve financial close within eighteen months of the issuance of the LOS. Under normal circumstances no extensions will be granted. However, if on the Sponsors' request for extension, Provincial PPC and in case of PPA/IA the PPIB is satisfied that delays are due to factors beyond the control of the Sponsors and the financial close will be achieved very shortly, a one time extension of a maximum of three months will be given against extending the validity period of the Guarantee and raising the guarantee amount by 100% i.e., Rs. 200,000 per MW.

9.1.2 Solicited Proposals

Proposals for certain reserved sites shall be solicited through open bidding. These may include sites for which feasibility studies have already been completed in public sector and/or raw sites. The sponsors will be expected to develop these sites as a package on turnkey basis. The following procedure will be followed:-

- a. The Provincial PPC will clear projects, individually or as a panel, for soliciting proposals from the private sector.
- b. Proposals from the private sector would then be invited through press. The bid criteria, and other terms and conditions shall be clearly elaborated.
- c. On receipt of the bids, evaluation will be carried-out by a committee comprising representatives from Provincial Governments, PPIB and WAPDA. The evaluation process will be transparent and standardized.
- d. While evaluating the proposals/bids a premium will be given to the overall time frame, the minimum time indicated for achieving financial close, start of construction & commercial operations of the project and the discount offered in the bulk purchase tariff.
- e. The first ranked party will be issued an LOI, subject to the conditions mentioned at paras 9.2.1.c(i, ii & iii) above. In case the first ranked party fails to furnish the performance guarantee within the specified time, the second ranked bidder will be

invited and so on. If the Performance Guarantee of the first party is forfeited, the second ranked party will be provided an opportunity to submit the Performance Guarantee and go ahead for the financial close, and so on.

- f. After the issuance of LOS by the Provincial PPC, the sponsors will approach the PPIB for entering into an IA and PPA. For this purpose, the sponsors will pay a non-refundable flat fee of Rs 500,000/- to the PPIB for each scheme.

10. TARIFF FOR BULK PURCHASE OF POWER:

The power shall be purchased by WAPDA under a long term contract covering the concession period. The bulk power tariff would apply to all hydropower projects developed in the private sector. The salient features of the bulk power tariff are:

10.1 Hydropower plants upto 20 MW

- a. A bulk power tariff of US Cents 6.1/Kwh to be paid in Pak Rupees, as an average for the first ten years for sale of electricity to WAPDA.
- b. A levelized tariff of US Cents 5.57/Kwh for first 25 years (without FERI) has also been calculated as a final parameter for acceptance of tariff. It will provide flexibility to the sponsors to work out year-wise tariff (resulting into the required levelized tariff) which match their annual debt service requirements.

10.2 Hydropower Plants between 21 MW and 300 MW

- a. A bulk power tariff of US Cents 6.0/Kwh to be paid in Pak Rupees, as an average for the first ten years for sale of electricity to WAPDA.
- b. A levelized tariff of US Cents 4.7/Kwh for first 25 years of the project has also been calculated as a final parameter for acceptance of tariff. It will provide flexibility to the sponsors to work out year-wise tariff (resulting into the required levelized tariff) which match their annual debt service requirements.
- c. The break-up of the average tariff for first ten years is as follows:

| | US Cent/Kwh |
|-------------------------|--------------------|
| Water Charges | 0.233 |
| Variable O & M | 0.093 |
| Escalable Component | 1.404 |
| Non-Escalable Component | 4.270 |
| | ----- |
| Total | 6.000 |
| | ----- |

The tariff will be converted to Pak Rupees at Financial Close and indexed, as per provisions at para 11.

10.3 **Hydropower Plants of capacities above 300 MW**

Bulk Purchase Tariff for hydropower plants above 300 MW, and all those plants with (seasonal) reservoirs, would be decided on case to case basis..

10.4 **Price for Use of Water**

The bulk power tariff includes US Cents 0.233/Kwh as price for use of water by the private power company. This price will be paid in equivalent Rupees, throughout the term of the PPA. It will be payable to the concerned province as consideration for use of its natural resource and to provide resources for investment in the sector.

10.5 **Payment of Bulk Power Tariff**

- a. The bulk purchase tariff is an indicative tariff which has been calculated on an annual plant factor of 50%. The energy available from hydropower plants will be given highest priority in load despatch.
- b. The payment will be made on the basis of actual energy sold to WAPDA during a month or, in case of non-despatch by WAPDA, for ninety five percent of the energy that could have been generated by the hydropower plant (based on average historic hydrology for that month),.
- c. The "take or pay basis" will ensure that the hydropower plant is given priority in load despatch as compared to a thermal source and that the investor/sponsor receives an assured minimum amount every month to meet the O&M, debt servicing, insurance charges and ROE etc.
- d. The amount calculated above would be payable on monthly basis.
- e. WAPDA will deduct the price for use of water at the rate of US Cents 0.233/Kwh from all payments made to the investor for purchase of energy. This amount will then be paid in equivalent Rupees to the province in which the power plant is located.

10.6 **Procedure for Application of Bulk Power Tariff**

The Sponsors of private power projects will provide their year-wise tariff profile for the first 25 years of the project. The tariff will be acceptable if:

10.6.1 Hydropower Plants upto 20 MW capacity

- a. The average tariff for the first ten years does not exceed US Cents 6.1/Kwh.
- b. The annual base tariff, without FERI for plants does not exceed US Cents 6.33/Kwh for the first year and US Cents 6.00/Kwh in any subsequent year.
- c. The levelized tariff for the first 25 years of the project does not exceed US Cents 5.57/Kwh.

i. Hydropower Plants between 21 MW and 300 MW

- b. The average tariff for the first ten years does not exceed US Cents 6.0/Kwh.
 - c. The annual base tariff, for plants does not exceed US Cents 6.33/Kwh for the first year and US Cents 6.00/Kwh in any subsequent year.
 - d. The levelized tariff for the first 25 years of the project does not exceed US Cents 4.70/Kwh.
- i. The BPT consists of four components Le water charges, variable O&M component, the escalable component and the non-escalable component. The breakup of the tariff is as under:
- a. Water charges. The price for use of water @ US Cents 0.233/Kwh which is included in the bulk power tariff and will be paid in equivalent Rupees.
 - b. The variable O&M component includes the variable O&M costs.
 - c. The escalable component includes the fixed O&M costs, the insurance costs, the administrative cost and the return on equity etc. Once determined at the time of financial close, the base figure will remain unchanged during the project for 25 years and only indexation will be provided as per procedure.
 - d. The non-escalable component includes the debt servicing charges including payments of principal, interest and other fees to the lenders. This component will decline with the passage of time as the loans are repaid.

11. INDEXATION/ADJUSTMENT OF THE BULK POWER TARIFF:

There are four components comprising the tariff and the procedure for indexation of each of the components is as follows:

- a. The base price for use of water will be paid in equivalent Rupees, through the terms of the PPA.
- b. The variable O&M cost is directly escalable from Financial Close against exchange variations of Pak Rupee to US Dollar and US inflation rate as determined by the State Bank of Pakistan and from the Consumer Price Index (CPI) published by the IMF respectively.
- c. The escalable component will be indexed from Financial Close against Rupee/Dollar movement plus US inflation rate as determined by the State Bank of Pakistan and from the Consumer Price Index (CPI) published by the IMF.
- d. The non-escalable component will be bifurcated into a Foreign Currency and Local Currency component in the ratio to be determined at the financial close. The Foreign Currency component will be indexed against Rupee/Dollar movement from the Commercial Operation Date (COD) during the repayment period of the Foreign Currency loans.

The indexation will apply prospectively on quarterly basis.

11.1 Assumptions for Bulk Power Tariff

The assumptions for the BPT are:

- a. The Rupee Dollar exchange rate has been taken as 1 US\$ = Rupees 30.00. For any changes, the SBP TT&OD selling rate will be applied.
- b. The import of machinery and equipment for the power plants has been treated, as exempt from Iqra, Import License Fee, Flood relief Surcharge and Sales Tax. Only 2% duty on imported machinery has been taken.
- c. Spare parts @ 5 % of the C&F value of the imported plant & equipment has been included in the capital cost, free of all duties/taxes as mentioned in para(B) above.
- d. The companies incorporated in Pakistan for the sole purpose of Power Generation have been treated as exempt from corporate tax on their income from revenues out of sale of electricity to WAPDA.
- e. The non-resident lenders shall not be liable to taxation in Pakistan.
- f. The companies are liable to withhold and pay to the Government of Pakistan as full and final income tax liability of their contractors @ 4% of the relevant payments made by the company to the Direct Contractors plus 4 % of the relevant payments made by the Contractors to their direct sub-contractors so that (i) the

company shall deduct income tax @ 4% from its relevant payments to the Direct Contractors; (ii) the Direct Contractors will deduct 4 % from its relevant payments to the direct-sub-contractors.

- g. The tariff does not contain provisions for workers welfare fund and workers participation fund. These will be 'pass through' items to be paid in the tariff oil the basis of actual expenses by the Company, if any, under these heads.
- h. Withholding tax on dividends on shares of the company shall be payable @ 7.5 % and tile Central Board of Revenue shall exempt shareholders of the private companies from any withholding tax in excess of 7.5%.
- i. Non-Muslim and Non-resident shareholders shall be exempt from payment of Zakat on dividends paid by the company.

12. PREFERRED LOCATIONS:

A separate list of preferred locations for private sector investment would be provided to the interested private sector investors.

13. ENVIRONMENTAL STUDY:

The statutory requirement for an environmental impact assessment as set out in the Pakistan Environmental Protection Laws, makes it necessary for every proposal of a project, which could adversely affect the environment, to be filed with the Environmental Protection Agency (EPA), at the time of planning of the project. A detailed Environmental Impact Assessment (EIA) Report in accordance with the EIA Guideline issued by Environmental and Urban Affairs Division of Government of Pakistan, is to be cleared by EPA.

14. INTERCONNECTION TO WAPDA TRANSMISSION SYSTEM:

WAPDA will purchase bulk power for interconnection to National Grid at a technically and economically acceptable point. Any cost sharing of transmission lines shall be examined in consultation with WAPDA before issuance of Letter of Interest.

15. SELF GENERATION FOR INDUSTRIAL USE AND/OR LOCAL AREA DISTRIBUTION:

- 15.1 Industrial units intending to install Hydropower Plants exclusively for self generation, would generally require no permission and would be free to choose any site/location. However, in cases where such plants are proposed to be located on irrigation canals, the technical clearance of the concerned provincial irrigation department shall be obtained.

- 15.2 Provided, that in case where it is intended to sell surplus power from an industrial self generation unit to an isolated local network, not owned by the plant operator or to WAPDA, a PPA with the concerned network owner shall be required.