



THAR COAL & ENERGY BOARD (TCEB)

NOTICE OF HEARING

PETITION FILED BY SINDH ENGRO COAL MINING COMPANY (SECMC) FOR DETERMINATION OF CONTRACT STAGE TARIFF IN RESPECT OF DEVELOPMENT & OPERATIONS OF MINE EXPANSION TO 7.6 MTPA CAPACITY LIGNITE MINE LOCATED AT BLOCK II OF THAR COALFIELDS

Thar Coal & Energy Board (TCEB) has been mandated to determine and control the price of coal extracted from Thar Coalfields under Section 5(m) of TCEB Act 2011. In this regard, all stakeholders, interested / affected persons, and the general public are hereby notified that, in pursuance of Thar Coal Tariff Determination Rules 2014, TCEB has admitted the petition of Sindh Engro Coal Mining Company (SECMC) for consideration. The application has requested for determination of Contract Stage Tariff for 5.7 Mtpa and 7.6 Mtpa Mine capacities together with the pertinent indexations and COD adjustments in accordance with the Project Costs and the assumptions related thereto mentioned in petition for a 30-years CSA term post COD.

SALIENT FEATURES OF THE PETITION

- Proposed Tariff** – Sindh Engro Coal Mining Company (SECMC) seeks a levelized Contract Stage Coal Tariff for coal extracted from the 5.7 Mtpa capacity mine at **USD 57.00 per tonne** and for 7.6 Mtpa mine at **USD 46.84 per tonne** over the tariff control period of 30 years.
- Project Location** – Project is located at Block II of Thar Coalfields in Thar Desert, Tharparkar District of Sindh province in Pakistan.
- Project Capacity** – The Petitioner has applied for a proposed mining capacity of 7.6 Mtpa based on a coal offtake by a 660 MW (gross) mine mouth power plant having net thermal efficiency of 37% and availability factor of 85%.
- Project Technology** – The Petitioner has proposed the use of Truck and Shovel technology for extraction of lignite from the mine.
- Project Cost** – A summary of the project costs has been tabulated hereunder:

Cost Heads	USD in Million
EPC Cost	128.3
Non EPC Cost	75.2
Insurance	1.7
Financial Cost	7.6
Interest During Construction	22.4
Total Project Cost	235.2

- Operational Cost** – A summary of the operational costs has been tabulated hereunder.

Cost Heads	Levelized USD M/Annum	Levelized USD/ton
Fuel Cost	41.7	5.5
Variable O&M	34.8	4.6
Asset Replacement Component	23.1	3.0
Royalty	24.8	3.3
Fixed O&M – Foreign	53.5	As per petition O&M Costs are best estimates derived from feasibility and on-ground experience of the petitioner.
Owners Operating Expenses	5.2	
Consultancy and Studies	1.9	
Capital Items	2.8	
Village Relocation	1.6	
Owner's SWB	8.2	
Legal and Professional Fees	0.5	
EDS Operating Expenses	0.7	
Land Rehabilitation	1.0	
Financial Charges	1.7	

- Expansion Period** – During this expansion, the box cut will be expanded to 1000 meters over a course of 33 months. Overburden volume required to be removed for this expansion is ~51.5 MBCM.
- Equity Return** – The Petitioner has proposed a US Dollar based Equity IRR of 20%. SECMC was earlier awarded a coal tariff for 6.5 mtpa with firm commitments for achieving COD & Production of 6.5 mtpa as per their committed timeline, failing which a penalty to the amount of 1% was leviable for the period the COD of 6.5 mtpa was delayed. The Petitioner has now requested that the IRR penalty be removed due to a change in their Business Plan.
- Cost of Transportation** – The Petitioner has proposed transportation costs of coal from the mine to the mine-mouth power plant of US Dollars 0.27 per Tonne per KM, and has petitioned for adjustment in Variable Production Payments on account of transportation losses equal to 0.20% for mine mouth power plants.
- Operational Insurance** – The Petitioner proposed to adjust the cost of insurance as per the actual premium paid per year.
- Allowance of 2% of Project Cost for CSR** – The Petitioner submits that it be allowed to spend 2% of its project cost in Phase I & II for community development in the region and that their EPC Costs be enhanced accordingly.
- Project Financing** – The Petitioner has proposed a debt to equity ratio of 75:25 with following capital structure and also requests to be allowed to arrange the incremental funds beyond sovereign guarantee of 700 M USD with additional equity subject to an overall cap of 30% equity:

USD M		
Equity	25%	58.8
LCY Debt	75%	176.4

The general public, stakeholders, and experts may download the Petition from TCEB website, www.sindhcoal.gos.pk.

Thar Coal & Energy Board has decided to hold a public hearing of the Petition, and requests the general public, stakeholders, and experts to attend the same on **July 30, 2018 at 1030 Hours at Marriot Hotel, Karachi**.

Any interested person who desires to participate in the proceedings may file written comments with the Registrar at least seven working days before the date of public hearing mentioned in this notice. Such comments shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The comments may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case. The Thar Coal Tariff Determination Committee, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.

Registrar Thar Coal & Energy Board (TCEB)

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