



The Sindh Government Gazette

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PART-I ENERGY DEPARTMENT

No.SO(COORD)/ED(Coal)/4-3/2016

Karachi, dated: May 16, 2024

No.SO(COORD)/ED(Coal)/4-3/2016: In pursuance of Rule 10(9) of Thar Coal Tariff Determination Rules 2017 and in continuation of this department's notification of even no dated 07.12.2023. It is to notify that the approval of the Revised Financing Terms dated May 06, 2024 in the decision of Motion for Review of Contract Stage Tariff Phase-III, 11.2 mtpa capacity mine of SECMC Thar Coal Field at Block-II vide Order No. TCEB/Registrar/2-1/2014/CS-Phase-III/Review dated 17.11.2023, with immediate effect.

2. The detailed order for limited scope petition is appended herewith.

(MUSADDIQ AHMED KHAN)
SECRETARY TO GOVERNMENT OF SINDH

3. ORDER FOR LIMITED SCOPE PETITION

No. TCEB/Registrar/2-1/2014/CS-Phase.III/RFT: Thar Coal & Energy Board (TCEB) vide its decision No. TCEB/Registrar/2-1/2014/CS-Phase.III/Review dated 17-11-2023 determined the Review Contract Stage Tariff for Sindh Engro Coal Mining Company (SECMC) for a mine of 11.2 MTPA capacity at Block II of Thar Coalfield District Tharparkar, Sindh, Pakistan. SECMC on 8th January, 2024 filed a limited scope petition for Approval of Revised Financing Terms to seek revision in key financing terms in Review Contract Stage Decision Order dated 17th November, 2023.

The prayer of the Petitioner as stated in the Petition is granted subject to lending spread being capped at 1.85 percent over benchmark interest rate, and Financing & Other Charges be considered on actuals, to be denominated in PKR. The Decision Order dated 17th November, 2023 remains effective in accordance with the Thar Coal Tariff Determination Rules, 2014, to be read in conjunction with the Revised Order for revision of key financing terms.

Decision of the Board in the matter of Petition for
Approval of Revised Financing Terms filed by SECMC
Case No TCEB/Registrar/2-1/2014/CS-Phase.III/RFT



Thar Coal & Energy Board
Government of Sindh

No. TCEB/Registrar/2-1/2014/CS-Phase.III/RFT
January 25, 2024

**DECISION OF THAR COAL & ENERGY BOARD IN THE
MATTER OF PETITION FOR APPROVAL OF REVISED
FINANCING TERMS IN THE DECISION OF MOTION FOR
REVIEW IN RELATION TO COAL TARIFF DECISION
ORDER FOR CONTRACT STAGE TARIFF OF SECMC
PHASE-III MINE VIDE ORDER NO.
TCEB/REGISTRAR/2-1/2014/CS-PHASE.III/REVIEW
DATED 17-11-2023**





Thar Coal & Energy Board Government of Sindh

No. TCEB/Registrar/2-1/2014/CS-Phase.III/RFT
January 25, 2024

Decision of Thar Coal & Energy Board in the Matter of Petition for Approval of Revised Financing Terms dated 8th January, 2024 in the Decision of Motion for Review in Relation to Coal Tariff Decision Order for Contract Stage Tariff of SECMC Phase-III, 11.2 Mtpa Capacity Mine Vide Order No. TCEB/Registrar/2-1/2014/CS-Phase.III/Review Dated 17-11-2023.

Thar Coal Tariff Determination Committee

Constituted in Pursuance of Rule 3(1) of Thar Coal Tariff Determination Rules, 2014

Dr. Fahad Irfan Siddiqui
Member Mining

Mr. Ammar Habib Khan
Member Finance/power

Mr. Riaz Hussain Soomro
Managing Director – TCEB





Thar Coal & Energy Board Government of Sindh

No. TCEB/Registrar/2-1/2014/CS-Phase.III/RFT
May 06th, 2024

In pursuance of the Rule 10(5) of the Thar Coal Tariff Determination Rules, 2014, it is certified that the Thar Coal & Energy Board, on the recommendation of the Thar Coal Tariff Determination Committee, has approved the Decision regarding Petition for Approval of Revised Financing Terms dated 8th January, 2024 in the Decision of Motion for Review in Relation to Coal Tariff Decision Order for Contract Stage Tariff of SECMC Phase-III, 11.2 Mtpa Capacity Mine Vide Order No. TCEB/Registrar/2-1/2014/CS-Phase.III/Review Dated 17-11-2023, appended in the following pages.

Tariq Ali Shah
Managing Director/Secretary
Thar Coal & Energy Board





Thar Coal & Energy Board

Government of Sindh

List of Acronyms used in Determination Order

BCM	Bank Cubic Meter
CAR	Contractors' All Risk
COD	Commercial Operations Date
CPI	Consumer Price Index
CSA	Coal Supply Agreement
ECC	Economic Coordination Committee
EC	External Consultants
EPC	Engineering, Procurement & Construction
EPP	Energy Purchase Price
GCV	Gross Calorific Value
GoS	Government of Sindh
HSE	Health, Safety & Environment
IA	Implementation Agreement
IB	Inter-burden (waste rocks)
ICB	International Competitive Bidding
ICC	In-pit Crushing & Conveying
IDC	Interest During Construction
IRR	Internal Rate of Return
KIBOR	Karachi Inter-Bank Offer Rate
LC	Letter of Credit
LDs	Liquidated Damages
LHV	Lower Heating Value
LIBOR	London Inter-Bank Offer Rate
MJ / Kg	Mega Joules per Kilogram
MSF	Mine Service Facilities
MTPA	Million Tonnes Per Annum
MW	Megawatt
MT	Million Tonnes
MYT	Multi Year Tariff
NCV	Net Calorific Value
NEPRA	National Electric Power Regulatory Authority
NOC	No Objection Certificate
NTDC	National Transmission & Despatch Company
O&M	Operations & Maintenance
OB	Overburden (waste rocks)
OGRA	Oil & Gas Regulatory Authority
PKR	Pakistani Rupee
PPA	Power Purchase Agreement
RCOD	Required Commercial Operations Date
RMB	Chinese Renminbi
RoE	Return on Equity
RoEDC	Return on Equity During Construction
SBLC	Stand By Letter of Credit
SBP	State Bank of Pakistan
SECMC	Sindh Engro Coal Mining Company
SEPA	Sindh Environmental Protection Agency
TCEB	Thar Coal & Energy Board
TT & OD	Telegraphic Transfer & On Demand
USD	United States Dollar





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1. INTRODUCTION

- 1.1. Thar Coal and Energy Board ("TCEB") vide its decision No. TCEB/Registrar/2-1/2014/CS-Phase.III/Review dated 17-11-2023 determined the Review Contract Stage Coal Tariff ("CS Review Tariff Decision") for Sindh Engro Coal Mining Company ("SECMC") for expansion to 11.2 Mtpa mining capacity ("Phase III") at Block II Thar Coalfield District Tharparkar, Sindh, Pakistan.
- 1.2. SECMC ("Petitioner") on January 08, 2024 filed a limited scope petition to seek Approval of Revised Financing Terms ("Petition") as per Section 4.2 of Thar Coal Pricing Framework, seeking to revise key financing terms captured in the decision of TCEB dated 17th November, 2023.
- 1.3. TCTDC considered and admitted the limited scope petition to seek approval of revised financing terms on January 12, 2024 in accordance with Thar Coal Tariff Determination Rules 2014, and the Thar Coal Pricing Framework.
- 1.4. Petition for approval of revised financing terms may be considered as a limited scope petition, and primarily covers modification in Revised Contract Stage Tariff as issued on dated 17-11-2023 vide reference No. TCEB/Registrar/2-1/2014/CS-Phase.III/Review, such that financial close may be attained, and thereby may be deemed as a Review Petition in accordance with Thar Coal Tariff Determination Rules, 2014.





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2. DISCUSSION OF THE ISSUES

- 2.1. Section 4.2 of Thar Coal Pricing Framework allows the Applicant to approach the Thar Coal Energy Board ("TCEB") if is unable to achieve financial close within the said limits as prescribed by TCEB.
- 2.2. Thar Coal & Energy Board in its Review Contract Stage Tariff Decision dated November 17, 2023 had capped lending spread over benchmark interest rate at 1.5 percent, against petitioned lending spread of 2.25 percent as submitted by the Petitioner.
- 2.3. The lending spread was restricted in order to strive and push for a more competitive lending spread, such that overall cost of debt can be reduced, thereby resulting in reduction in overall interest paid by the project, eventually resulting in lower cost for the consumer. Similarly, Financing & Other Charges were also petitioned at US\$ 4 million in the Contract Stage Tariff Petition, which were also not allowed to be made part of the Reference Tariff, necessitating the presence of more tangible information on the basis of which actual financing & other charges can be determined.
- 2.4. It is requested in the Petition that after negotiations with lenders, the Petitioner has been able to bring down the lending spread to 1.85 percent (against earlier petitioned spread of 2.25 percent). However, the same remains in excess of the cap of 1.5 percent as set by TCEB earlier.
- 2.5. In view of prevailing market dynamics, a lending spread of 1.85 percent as negotiated by the Petitioner is deemed acceptable, and the same can be considered as the lending spread for the debt to be assumed for financing expansion from 7.6 Mtpa to 11.2 Mtpa of production of coal, referred to as Phase-III of Block-II of Thar Coalfield.
- 2.6. Similarly, Financing & Other Charges have been rationalized to US\$ 2.42 million as per Petition, reducing from US\$ 4 million petitioned earlier.
- 2.7. Disaggregating Financing & Other Charges, the charges are being restricted at the following levels, as per the indicative term sheet provided by the Petitioner:
 - a) Arrangement Fee to be restricted to 0.6 percent of Facility Amount
 - b) Advisory Fee restricted to 0.55 percent of Facility Amount
 - c) All other fee, including legal, shariah, technical & financial audit, and any other fee shall be considered on actual basis at the time of submission of COD Stage Tariff Petition
 - d) Since the Facility Amount is in PKR, all such fee and charges should be considered in PKR





Thar Coal & Energy Board Government of Sindh

- 2.8 It is essential to note here that exposure of Banks to power sector is more than 13.8 percent of total banking assets, due to which many banks are close to their sector limits for power sector, thereby they are not able to do any more power financing. Moreover, due to the circular debt issue, the risk associated with the power sector remains elevated, resulting in scarcity in availability liquidity that can be allocated to financing of coal – resulting in relatively higher lending spreads.
- 2.9 At a policy level it is imperative that considering the indigenous nature of Thar Coal, the same may need to be prioritized in terms of access to long-term finance & liquidity, given the instrumental role that Thar Coal can play in enhancing energy security, while also reducing cost of electricity generation.
- 2.10 Entities operating in Thar Coalfields must also consider exploring secondary sources of financing, including commercial paper, and long-term bonds/sukuks/term finance certificates, that can be raised from capital markets, particularly from mutual funds, pension funds, etc. This can also enable diversification of their funding base while reducing cost of funding enabling better price discovery for debt raised from the market.
- 2.11 In view of above, lending spread for Phase-III is allowed at 1.85 percent over the benchmark interest rate, while financing & other charges are restricted to limits as detailed in Section 2.7 above – while the same needs to be denominated and classified in PKR. Moreover, financing & other charges will be actualized in the COD Stage. The Applicant for subsequent rounds of financing must also explore capital market instruments to diversify their funding base.





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3. ORDER FOR LIMITED SCOPE PETITION

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