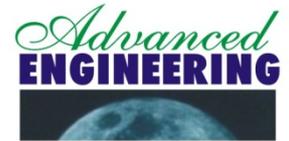


USAID/PAKISTAN: MONITORING & EVALUATION OF POWER PLANTS



ADVANCED
ENGINEERING
ASSOCIATES
INTERNATIONAL

CONTRACTOR OF USAID PAKISTAN

'FARA' MONITORING & SUPPORT FOR MUZAFFARGARH REPAIR & REHABILITATION PROGRAM

MONTHLY REPORT - I
FOR JULY 2010

Contract: EPP-I-00-03-00004-00, Task Order 08

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SUMMARY

At present all cases of procurement for NPGCL are being managed and executed by PEPCO through its General Manager Thermal (GM Th) Lahore. The progress of NPGCL is little better than JPCL but it still needs well coordinated efforts to speed up the rehabilitation plan because Purchase orders (PO)/Service Orders (SO) of 8 items out of 39 items are under real process, as such physical progress is only 21% and in terms of financial implications involved it may be termed as 37%. One item (FARA line item # 4) is completed.

Issues pertaining to procurements especially to speed up the process with availability of finances, recruitment of Procurement Specialist and waiver of duties were discussed with NPGCL management. The management was also apprised of delays in initiating the cases up to 4-5 months and informed to expedite the same to achieve the target dates set in FARA.

The future procurement line of action has so far been proceeding in accordance with the Minutes of Meeting held in Ministry of W&P on 3rd June, 2010 which were already circulated. NPGCL has got new Book of Financial Powers (BFP) approved by PEPCO Board of Directors (BOD) ratified from NPGCL BOD on 21st July. By virtue of new BFP, NPGCL will procure all remaining items with concurrence of CCC. It is apprehended that future line of action may conflict with FARA's stipulations which needs resolution right now otherwise there may be more delays.

During second visit on 31st July, procedural lapses in FARA line item # 4 were pointed out and requested the management to streamline the procedures for future implementation.

KEY MEETINGS

In order to have firsthand information regarding actions initiated on FARA's items and to give understanding that USAID will provide support as well where difficulties arise for making the Repair & Rehabilitation Program successful, a meeting was held at NPGCL Head Office, TPS Muzaffargarh on 15th July as a part of Monitoring and Support Plan. Another meeting was held on 31st July, 2010 when called for verification of an item received at TPS. In both the meetings, Chief Executive Officer,

Chief Engineer/Technical Director and Resident Engineer Unit 4 (acting as Coordinator for Repair and Rehabilitation program) were present.

PROGRESS ON MONITORING AND SUPPORT

Item no.	Description of Work	Schedule/Scheduled Activity	Present Status (Completed/ In progress / delayed)	Reason for Delays and Mitigation Strategy
1	Rehabilitation of Boiler super heater tubes to overcome failure of tubes Unit-1,2&3	April '10-June 1, '11/ Manufacturing	In progress-one month delay	Due to late establishment of L/C (It took 127 days)
2	Special Cooling Water Treatment. Unit-1,2&3	April '10-Dec 31, 10	Delayed	The demand is shuffling between GENCO and GM Th offices due to procedural Problems
3	Use of Fuel Oil Additive as on Unit-4 (200 Tons). Unit-1,2&3	April '10-Dec 31, 10	Delayed	The demand is shuffling between GENCO and GM Th offices due to procedural Problems
4	Replacement of Cold layer element for RAH (1 set). Unit-1,2&3	April '10-Nov 30, 10 / Manufacturing	Arrived at TPS	No delay
5	Modification of Excitation system (1 set). Unit-1,2&3	April '10-May 31, 11	Delayed	The process is not yet initiated due to paucity of funds.
6	Electric motor for C.T. Fan (02 No). Unit-1,2&3	April '10-April 1, 11	Delayed	The process is not yet initiated due to paucity of funds.
7	Electric motor for GRC fan. (01 No). Unit-1,2&3	April '10-Feb 1, 11	Delayed	The process is not yet initiated due to paucity of funds.
8	D.C. Storage batteries (01 Set). Unit-1,2&3	April '10-Dec 31, 10 / Manufacturing	In progress-no delay	
9	220Kv circuit breaker SF6 type (06 No). Unit-1,2&3	April '10-June 30, '11	Delayed	The process is not yet initiated due to paucity of funds.
10	Re-blading of LP. Rotor (LP Turbine Rotor blades of row (6&7), pins & locking device). Unit- 4	April '10-Sept 1, 11/ Bid Evaluation	Delayed-one month-Bidding completed	Problem of finding genuine OEM as more than one firms claimed as OEM and previous bidding was cancelled & re-tendered
11	Air Pre-Heater Elements (Intermediate) (02 set). Unit- 4	April '10-Sept 30, 10 / Manufacturing	Under process of concurrence by CCC-Delayed-2 months	
12	Use of Fuel Oil Additive (100 Ton).	April '10-Dec 31, 10	Delayed	The demand is shuffling between GENCO and GM

	Unit- 4			Th offices due to procedural Problems
13	Special Cooling Water Treatment as being used at IPP's. Unit- 4	April '10-Nov 15, 10	Delayed	The demand is shuffling between GENCO and GM Th offices due to procedural Problems
14	Up-gradation of AVR System (01 set). Unit- 4	April '10-Aug 31, 11	Delayed	The process is not yet initiated
15	Changing of UPS I&2. (01 set). Unit- 4	April '10-April 30, 11/ Award of contract	In progress-award is expected in time	No delay
16	DEH (01 set). Unit- 4	April '10-Sept 1, 11	Delayed	The process is not yet initiated
17	Up-gradation of FSSS System (01 set). Unit- 4	April '10-Sept 30, 11	Delayed	The process is not yet initiated
18	Up-gradation of TSI system BNC 3300 (Turbine Supervisory Instrument) (01 set). Unit- 4	April '10-Sept 30, 11	Delayed	The process is not yet initiated
19	Training and software/hardware cost for CMMS and off-line efficiency monitoring system. All Units	April '10-June 30, 11	Delayed	The process is not yet initiated
20	I.D.Fan Rotor/Impeller along with Housing and Dampers (04 Set). Units 5&6	April '10-Dec 31, 10 / Manufacturing	Delayed-two months- Award done	Due to late opening of L/C (L/C expected by 28.8.10)
21	Air Preheater Elements Hot end, intermediate & cold end layers along with seals for both units (04 Set). Units 5&6	April '10-July 1, 11	Delayed	The process is not yet initiated
22	Procurement of G.R.C. Fan Impeller/Rotor (01 Set). Units 5&6	May 1, '10-July 1, '11	Delayed	The process is not yet initiated
23	Procurement of Cooling Tower Fan Gear Box & its parts. (06 No. gear box). Units 5&6	May 1, '10-May 31, 11	Delayed	The process is not yet initiated
24	Economizer Tubes for both Units (02 Set). Units 5&6	April '10-Aug 31, 11/ Start of manufacturing	Delayed-5 months-Bid opening by 12.10.10	Late initiation of case
25	Special Cooling Water Treatment as proposed for units 5-6	April '10-Nov 15, 10	Delayed	The process is not yet initiated
26	Use of Fuel Oil Additive (150 Ton). units 5-6	April '10-Nov 15, 10	Delayed	The process is not yet initiated
27	IP Turbine Rotor (01 No). units 5-6	April '10-Aug 31, 11	Delayed	The process is not yet initiated

28	Replacement of Damaged Exhaust flue gas ducts of material Russian Grade Steel sheets (50 M.T) Units 5-6	April '10-Aug 31, 11	Delayed	The process is not yet initiated
29	Conversion of Boiler Ignition System from Natural Gas to HSD/Furnace Oil. Units 5-6	April '10-Aug 31, 11	Delayed	The process is not yet initiated
30	Turbo-Generator Bearings (09 Nos). units 5-6	April '10-Aug 31, 11	Delayed	The process is not yet initiated
31	Hydraulic coupling of Boiler Feed Water Pumps (01 No). units 5-6	April '10-March 31, 11	Delayed	The process is not yet initiated
32	Modification of Excitation System (02 set. units 5-6	April '10-July 31, 11	Delayed	The process is not yet initiated
33	Procurement of 0.4KV Motors for Cooling Towers Fan and APH (02 No) Units 5-6	May 1, '10-May 31, 11	Delayed	The process is not yet initiated
34	Procurement of 6.6KV Motor for C.W.Pumps, CP, ID Fan, FD Fan & BF Pumps (05 No). Units 5-6	May 1, '10-Jan 31, 11	Delayed	The process is not yet initiated
35	Procurement of 6.6/0.4KV Breaker (5 No. 6KV breaker, 18Nos. 0.4Kv Breakers). Units 5-6	May 1, '10-April 30, 11	Delayed	The process is not yet initiated
36	Protection Relay for Generators. Units 5-6	May 1, '10-April 30, 11	Delayed	The process is not yet initiated
37	MK Breakers, Seal Oil Coolers, PMG. Units 5-6	April '10-Feb 28, 11 / Manufacturing	Delayed-two months-manufacturing	Due to late opening of L/C (by the end of June)
38	Supply, Installation, Commissioning & Testing of complete distribution control system (DCS) including field equipment like sensors, transmitter & actuators etc for turbine governing system DEH-III and Boiler Turbine Auto regulation system YEWPACK-II Units 5-6	April '10-July 31, 11	Delayed	The process is not yet initiated
39	Rehabilitation of Furnace safety Supervisory System (FSSS) including Furnace camera, flame monitoring & ignition system Units 5-6	April '10-July 31, 11 / Award of contract	Delayed by 5 months-Bidding Doc under preparation	Delayed in GM Th Office

CRITICAL ISSUES AND USAID/AEAI SUPPORT REQUIRED

Item no.	Critical Issues	Status/Resolution	USAID/AEAI Support
1	Decision regarding future procurements after exclusion of PEPCO's GM Thermal	WAPDA and PEPCO have to resolve this issue.	USAID can ask WAPDA for early resolution
2	Exemption of Duties on FARA's item	GM Thermal representing GENCO has to request concerned quarters for waiver.	USAID may ask WAPDA for early resolution because NPGCL has already paid custom duty on one item reached Karachi Port in July
3	Arrangement of Finances for opening Letter of Credit (L/C).	The Finance Director was asked to request CFO PEPCO on the similar lines as done by FD, JPCL for establishing a revolving fund for L/Cs	Upon the request of FD, NPGCL, CFO PEPCO has issued a letter asking NPGCL to estimate the amounts keeping in view the implementation schedule. If CFO delays in providing Finances to NPGCL then USAID may look into the possibility of providing some amount for FARA items
4	Delays in initiating procurement cases	All procurement cases under FARA which were being dealt by General Manager Thermal (GM Th) PEPCO are required to be sent to NPGCL because Company's BOD has now ratified new Financial Powers	A reminder has to be sent to MD PEPCO that delays in implementation of Repair and Rehabilitation are foreseen by 4-5 months and would be difficult to complete the project within the schedule
5	Appointment of Procurement Spec	Interviews/Selection date has been fixed as 10 th Aug. and it requires participation of USAID Official	To facilitate USAID participation

ACTION ITEMS FOR NEXT MONTH

- ✓ Participation of USAID Official in Interview/Selection process for Procurement Specialist on 10th July, 2010.
- ✓ To follow up that all cases are shifted from GM Thermal to CEO NPGCL OR WAPDA.
- ✓ To get established Company's revolving fund of the amount required for opening L/Cs.
- ✓ To get initiated procurement cases or work orders as many as possible.
- ✓ To obtain waiver of custom duties from FBR

ANNEX – A: GANTT CHART

<Insert updated Gantt chart UD version here>

ANNEX – B: MEETING NOTES

Minutes of Meeting between Muzaffargarh Staff and AEAI held at the Thermal Power Station Muzaffargarh on 15th July 2010

The purpose of the meeting was to discuss the draft monitoring plan for Muzaffargarh Rehabilitation program and also identify areas in which USAID could possibly support during the program implementation. The meeting was held in the office of Chief Executive Officer at Muzaffargarh Thermal Power Station.

Participants from NPGCL:

- | | |
|-----------------------------|-----------------------------------|
| a) Mr. Ghulam Mustafa Tunio | Chief Executive Officer, NPGCL |
| b) Mr. Shahnawaz | Chief Engineer/Technical Director |
| c) Mr. Ahmad Bakhsh Malik | Resident Engineer Unit 4 |

Participants from USAID Energy Policy Project:

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| Mr. Ghulam Abbas | Senior Energy Expert |
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Summary of Discussions:

1. During the meeting it was made clear that the purpose of visit is not only limited to get the progress on R&M activities but also to know the problem areas and identify the activities with bottlenecks where USAID can extend its support for the successful and timely completion of Rehabilitation works.
2. C.E.O informed that Revised Book of Financial Powers (BFP) duly approved by PEPCO BOD has been received. This will hopefully be approved by the BOD of Company during next week. After this ratification of BFP, NPGCL will be able to process all the

cases themselves bypassing GM Th PEPCO with of course participation of Central Contract Cell (CCC), WAPDA.

3. The advertisement for recruiting suitable "Procurement Specialist" has appeared in The Daily DAWN on 3rd July 2010. The closing date for submission of applications was fixed as 18th July (after a fortnight) and the whole process of

recruitment will hopefully be completed by 10th August 2010. However applications so far received revealed that experienced and qualified persons are not applying because of short duration of engagement. Besides, management of company foresees difficulties in finding proper and qualified person for the post in wake of outside interference in the recruitments. The GENCO management deemed it useful that there should be some level's participation of USAID during interviews/selection.

Progress:

1. It was noted that the progress of procurements and initiation of cases at NPGCL is a little better than JPCL and almost five cases are through whereas four others are in pipeline.
2. A general problem of inadvertent delays and repeated quarries existed with the cases sent to G.M. (Thermal). Either GM office may probably be delaying it because of lack of funds or the cases are sent incomplete.
3. Another prominent problem which will be experienced by GENCO when it will gain new financial powers is the finance itself i.e. the availability of funds required for establishing L/C.

On a reminder from Finance Director of JPCL, the company's FD wrote a letter PEPCO's Chief Financial Officer (CFO) to arrange 500 Million Rs. revolving fund for establishing L/C with the help of Chief Resident Representative Karachi (CRRK) WAPDA. At present, CRRK can open L/C on behalf of MWP with 25% cash margin and normally it should be established in 7-10 days. But due to paucity of funds, it took 127 days in case of item # 1 of Muzaffargarh plan. As such, for prompt establishment of L/C, an amount of Rs. 500-700 Million would be required.

4. Recruitment of a Procurement Specialist of required criteria would be difficult for a period of 18 months or so. However, if WAPDA's retired Officers having the relevant experience apply for the post, selection out of them would be beneficial. Besides, would there be any participation of a representative of USAID/AEAI during short listing the candidates and interviews?

Action Items:

1. USAID may write to MWP and MoF for authorizing CFO to make available at least Rs.500 Million at the disposal GENCO-I & III in accordance with the requests made by respective Finance Directors. If USAID can extend help to the respective GENCOs, it will speed up the whole process.
2. During the current transitional stage of shifting Financial Powers from General Manager (Thermal) PEPCO to NPGCL, the cases already submitted to G.M. (Thermal) office are being delayed on one or the other pretext. We have to make a cut-off date as soon as GENCO's BFP is approved from the company's BOD and appointment of Procurement Specialist so that all cases under process in G.M. (Thermal) office should be transferred and finalized by GENCO-III.
3. Reportedly, MD PEPCO once asked verbally that GENCOs must send him weekly reports which are not being complied with. If MD PEPCO issues this directive then there will be significant progress.