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# USAID ENERGY POLICY PROGRAM

## MONTHLY PROGRESS REPORT SEPTEMBER 2011

### GUDDU THERMAL POWER STATION

October 2011

*This program is made possible by the support of the American people through the United States Agency for International Development (USAID)*

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## MONTHLY PROGRESS REPORT

### SEPTEMBER 2011

#### GUDDU THERMAL POWER STATION

Contract No: AID-EPP-I-00-03-00004

Order No: AID-391-TO-12-00002

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#### **DISCLAIMER**

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### **PROGRESS OF FARA No. 391-GUD-FARA-005-00**

As a result of meetings held in Energy House on September 7-8, 2011 between CPGCL and GE, an agreement was reached on all pending issues relating to price and scope of work. A conclusion was drafted and signed by the parties (Attachment-I). GE will now perform the project on "Turnkey" basis according to FARA except Lot 4 & 5. Lot 4 was excluded from GE offer from day 1 (Oct, 2010) and the offer for the same lot was submitted by their local agents, M/s Albario along with GE's bid. It is up to CPGCL whether they accept the offer of M/s Albario or go for public tendering. Now it is learnt from CEO that a tender has been floated for Lot 4. The signed copy of conclusion was handed over to COTR and Acting Director, USAID office of Energy by CEO, CPGCL the same day.

Subsequently, CEO moved the case for approval of the deal with GE from M.D. PEPCO who has got the powers of Board of Directors. On Sep 30, 2011, CEO intimated through his letter No. 19496-504 (Attachment-II) that he has received approval of MD, PEPCO and a letter of intent (LOI) is being issued. He also mentioned that a request for amendment in terms of payment and extension in completion date will be submitted shortly.

#### **Revised Terms of Payment**

According to the original terms of payment, GE demanded 20% of the combined cost of supplies and services in advance with purchase order. The remaining 70% will become due upon receipt of equipment and 10% upon completion of work. Whereas FARA has 90%-10% payment schedule for all lots except services lot. The original payment schedule of GE was got modified by CPGCL during the above referred meetings by keeping cost of supply and services separately and making down payment as 10% instead of 20%. According to newly agreed terms of payment, the schedule of payments will be as given below:

Supply Purchase Order (Lots 1, 2, 3, 6 & 7 of FARA costing \$14,566,000):

<b>%age</b>	<b>Amount</b>	<b>Stage</b>
10	\$1,456,600	Down payment with PO
80	\$11,652,800	Upon submission of shipping documents
10	\$1,456,600.0	Upon completion of performance tests

Service Order covering cost of lot 8, \$1,826,000

<b>%age</b>	<b>Amount</b>	<b>At the time of</b>
10	\$182,600	Down payment with Service Order, 2 months prior to shutdown of machines
80	\$365,200	Progressive payment against monthly invoices (x4)
10	\$182,600.0	Upon completion of performance tests and achieving guaranteed output and efficiency

#### **Tentative Completion date**

The tentative schedule as agreed in the meeting was as below:

- Units tentative outage start by the end of March, 2012
- Supply of spares at least one month prior to outage.
- Completion of servicing and performance test (12 weeks) by the end of July, 2012.

Graphically, the payments will be as shown in Fig.1

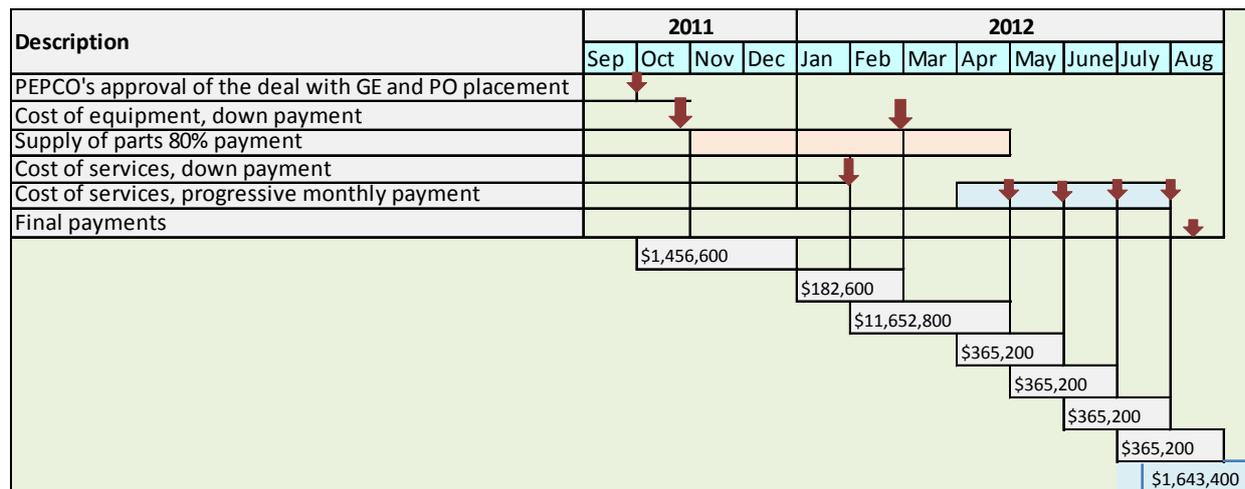


Figure 1

Since the deal between CPGCL and GE has arrived after lapse of about 15 months, therefore, FARA has to be amended to incorporate revised completion date as end of July, 2012 or mid August.

CEO, CPGCL along with his 2 member's team attended a follow up meeting with COTR and Acting Director on October 3, 2011 in which he explained the reasons behind performing original work of Repair and Rehabilitation of Guddu TPS as given in FARA instead of opting for R&R requested against alternative:

1. That CPGCL submitted alternative to utilize FARA funding when there was no response from GE. In the wake of GE's agreement on all pending issues, CPGCL surrenders alternative plan.
2. That the excitation and control systems of Block-IIA have become obsolete and their parts are no more available. The lack of spares for control may result partial or complete unavailability of 300 MW block.
3. In case of following the original Scope of Work (SOW) of uprating and upgrading GE's Block-IIA, gains in capacity and efficiency will be 100 MW (including 45 MW gain from derating) and 3.5% in heat rates respectively.
4. In case of replacement of controls only without increasing the firing temperature and IGV position, the gains will not exist.
5. That GE may not agree to execute any partial R&R except for their package deal on turn-key basis.
6. Reviving the original FARA will however, warrant amendments in terms of payment as given above keeping in view the financial stringencies of CPGCL in making prompt payments and to keep the projected date of completion intact.

AEAI endorses the views of CEO, CPGCL and request USAID to make amendment no.2 in FARA No. 391-GUD-FARA-005-00 to revise the completion date and terms of payment accordingly.

Attachments: I & II.

**CONCLUSION OF MEETINGS HELD AT ENERGY HOUSE (USAID ENERGY POLICY PROJECT)  
ISLAMABAD ON 07-09-2011 AND 08-09-2011 REGARDING DESCREPCENCIES, OMISSIONS,  
DELETIONS, AND CONTRADICTIONS  
IN M/S GENERAL ELECTRIC INTERNATIONAL INC. (GEII) PROPOSAL  
FOR THE UPRATE / UPGRADE OF SUB-BLOCK - I (GT 07, GT 08, AND ST 05)  
FUNDED BY USAID UNDER FARA FOR CPGCL**

The subjected issues were discussed at length, and it is finally agreed that M/S GEII carry out the entire Uprate/Upgrade Scope of Work except Lots 4 & 5 only as per FARA requirement of the Line Items descriptions, specified in the attachments and accordingly specified Cost.

The FARA includes the Attachment-I (i.e., Technical Specifications, Inspection, and Payment Schedule), and Attachment-II (i.e., Equipment Specifications) as an integral part of the agreement.

Line Item	Description of Procurement Item Heads	Cost Reimbursement Amount US\$
1	Supply of spares/Equipment for reliability assurance up-rating & upgrading, Units 7 and 8.	\$8,347,000
2	Replacement of DCS with Mark VIe Parts for Units 5, 7 and 8.	\$650,000
3	Supply of 1 & 2 stage buckets and nozzles, Units 7 & 8.	\$3,400,000
4	Rehabilitation of HRSG, Replacement of Modified Bypass Dampers and all existing expansion joints of HRSG. Units 7 and 8.	\$1,476,000
5	Rehabilitation / Replacement of Evaporative Coolers and Cooling Media, Units 7 and 8.	\$200,000
6	Generators of GT-7, GT-8, ST-5 Inspection, testing and repair of Generators along with supply of essential spares and testing kits, Units 5, 7 and 8.	\$2,077,000
7	Control Cables, Monitoring Instruments, Motorized and pneumatic Actuators and Turbine Supervisory Instruments / Equipments, Unit 5.	\$92,000
8	Service Charges for overhauling of turbines and replacement of controls including cost of additional services, Units 5, 7 and 8.	\$1,826,000
<b>Total Reimbursement Amount in US\$</b>		<b>\$18,068,000</b>
<b>Less Amount of Lots 4, and 5 (Not Agreed)</b>		<b>\$16,392,000</b>

Furthermore following is the clear agreement:

- i. The work will be carried out on the Full Turn Key Basis excluding TAs accommodation in colony.
- ii. No Extra Work Claims except the Force Majeure

- iii. Generator Rewinding Kit, complete set as already clarified is included.
- iv. Parts will be supplied under GE warranty / guarantee from USA, Australia and Europe as per FARA.
- iv. New Modified Exhaust Diffusers (02) Sets are agreed to be provided by M/S GEII.
- v. Up-rate gain will be clearly stated with transparent break-up and mutually agreed references.
- vi. Delay in completion will be considered project delay and M/S GEII shall pay to CPGCL the delay LD charges @ 0.1% per day subject to maximum 10%.

GEII to provide revised proposal by September 12, 2011 incorporating M/S GEI letters dated Aug 09, 2011, Aug 22, 2011 and this conclusion document will be considered as final.

The Progressive payment of the Purchase Order through L/C will be made as per following schedule;

- a. Ten percent (10%) of the total amount of purchase order will be as advance payment after issuing of purchase order.
- b. Eighty percent (80%) of the total amount of purchase order will be en-cashable on production of following documents;
  - i. Bill of Lading /AWB of items of purchase order along with relevant shipping documents
  - ii. Warranty certificate as specified in purchase order as per Clause 19.
  - iii. Original Invoice.
  - iv. Confirm copy about acceptance of Performance Bond by the purchaser.
- c. Ten percent (10%) of the total amount of purchase order on successful completion of applicable performance tests and joint / completion documents by CPGCL, USAID as laid in FARA.

The payment of the Service Order through L/C will be made as per following schedule;

- a. Ten percent (10%) of the total amount of service order will be as advance payment Two Months Before tentative commencement date of outage.
- b. Eighty percent (80%) of the total amount to be paid as progressive payment against monthly invoices verified by CEO, Guddu.
- c. Ten percent (10%) of the total amount on submission of invoices duly verified by CEO, Guddu after successful completion of performance test and achieving guaranteed values of Output, Heat Rate of Gas Turbines and Steam Turbines on joint/completion documents by CPGCL, USAID as laid in FARA.

**Tentative schedule is as under;**

- Units outage start date by the End of March 2012..
- Supply of the parts by M/S GEII at least one month prior to the outage start date.
- Completion of the work, servicing and performance test (12 weeks) is end of July 2012.

**PEPCO****CENTRAL POWER GENERATION CO. LTD. (GENCO-II)**

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OFFICE OF THE  
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 DISTT; KASHMORE, PAKISTAN

No. CPGCL/CEO/PM-III/UPRATE-I/11/19496-584

Dated 30 /09/2011

Director  
 Office of Energy  
 American Embassy, Diplomatic Enclave  
 Ramna 5, Islamabad.  
 Fax: 051-2870310

Subject: UPRATE/UPGRADE OF SUB BLOCK -1 (GT-07, GT-08, AND ST-05)  
 600MW CCP TPS GUDDU UNDER THE FARA FOR CPGCL

Reference: i. Agreement No 391-GUD-FARA-005-00 entered into on May 20, 2010, and its  
 Amendment Number One dated May 20, 2010

Dear Sir,

Reference is made to the subject uprate/upgrade of Sub Block-1, (Units GT07, GT08, and ST05) Thermal Power Station (TPS), Guddu under USAID through FARA for CPGCL.

M/S General Electric International being OEM, finally, agreed to the complete scope of work and costs as laid down in FARA after a lapse of about 16 months. This was communicated to the Managing Director (PEPCO) for approval of placement of Work Order and Service Orders to proceed ahead in the long pending uprate/upgrade work.

For which an approval of the Managing Director (PEPCO) has been received by this office today i.e., 30<sup>th</sup> Sept 2011. A letter of intent is being issued today to let M/S GE proceed ahead for Performance Bond Guarantee (PBG) regarding placement of work/service orders.

Shortly, a request for extension of the Completion Date and Terms Of Payments will be moved, separately as per the FARA Article - IV(C) to USAID.

This for necessary information, please.

**Chief Executive Officer**  
 GENCO-II, TPS Guddu

c.c to:

- S. O to the Managing Director, PEPCO, WAPDA House Lahore.
- General Manager (Thermal), WAPDA House, Lahore.
- The Engineering Advisor Power, Ministry of Water & Power, Government of Pakistan, Islamabad.
- Mr. Saeed Anwar, COTR, USAID, Islamabad, Pakistan.
- - The Chief of Party, USAID Energy Policy Program, House - 4, Street - 88, G-6/3, Islamabad,
- Chief Engineer (MMS), WAPDA House, Lahore.
- Chief Engineer/Tech. Director, Genco-II, TPS Guddu.
- Plant Manager-III, GENCO-II, TPS Guddu.
- Master File.
- File.

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