



HYDERABAD ELECTRIC SUPPLY COMPANY

OFFICE OF THE COMPANY SECRETARY
HESCO HYDERABAD

No.HESCO/C.S/Min-126th Special BOD meet:/266-84

04th December, 2016

1. **Secretary**, Ministry of Water & Power GOP Islamabad.
2. **Mr. Nazar Hussain Mahar**, Chairman BOD HESCO.
3. **Prof. Dr. Muhammad Aslam Uqaili**, Director BOD HESCO.
4. **Qazi Shahid Pervez**, Director BOD HESCO
5. **Mr. Shafique Ahmed Mehasar**, Director BOD HESCO.
6. **Mr. Waqas Anwar Qureshi**, Director BOD HESCO.
7. **Mr. Mahfooz Ahmed Bhatti**, Director BOD HESCO
8. **Mr. Tassaduq Hussain**, Director BOD HESCO.
9. **Mr. Mehmood Nawaz Shah**, Director BOD HESCO.
10. **Mr. Asad Ullah**, Director BOD / CEO HESCO.

Subject: **MINUTES OF 126th SPECIAL BOD OF HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED**

The minutes of 126th Special BOD meeting of Hyderabad Electric Supply Company Limited held on 03rd December, 2016 at 03:00 pm in the Committee Room, HESCO Power Wing Colony, Hussainabad Hyderabad duly approved by the Chairman BOD through e-mail and signed by Company Secretary of BOD HESCO are sent herewith for your information please. These minutes will be confirmed in the next Board of Directors meeting. *✓*

DA / as above


(SHAFIQ AHMED MEMON) 4/12/16.
ACTING COMPANY SECRETARY

Cc to:

1. Chief Technical Officer, HESCO Hyderabad
2. Chief Engineer (Development) PMU, HESCO Hyderabad.
3. Chief Commercial Officer, HESCO Hyderabad.
4. Chief Operating Officer, HESCO Hyderabad.
5. Chief Engineer (P&E), HESCO Hyderabad.
6. Admn & HR Director, HESCO Hyderabad.
7. Finance Director, HESCO Hyderabad.
8. Manager (IS) HESCO Hyderabad.
9. Master File.

MINUTES OF 126TH SPECIAL BOD MEETING HESCO HYDERABAD

Meeting of the 126th Special BOD HESCO was held on Saturday, the 3rd December, 2016 at 3.00 pm in the Committee Room, HESCO Power Wing Colony Hussainabad, Hyderabad. List of participants is attached at (**Annexure-I**).

The meeting started with the recitation from Holy Qura'an. The Chairman extended warm welcome to the participants of meeting.

Agenda 1 **RENEWAL OF STANDBY LETTER OF CREDIT IN FAVOUR OF M/S OMNI POWER (PVT) LTD W.E.F. 5.12.2016 TO 4.12.2017.**

Agenda 2 **RENEWAL OF STANDBY LETTER OF CREDIT IN FAVOUR OF M/S THATTA POWER (PVT) LTD W.E.F. 15.12.2016 TO 14.12.2017.**

- Board held Special BOD meeting to give directions to management on issue of renewal of Standby letter of Credit (SBLC).
- Board took serious note of the fact that matter was brought up very late before the Board and that too without due background information with the result that desired diligence could not be given and the Board found itself as hostage.
- Board took serious notice of the fact that last year; management had renewed the amount based on previous practice without due diligence and seeking approval of the Board. Had the matter been brought in notice of the Board due diligence would have been made to protect interest of the company and current situation could have been avoided.
- The board felt that the management has shown unprofessional attitude in this matter putting company at risk, hence management is instructed to provide due explanation for their lack of providing clear information on this case and delay in bringing the matter to the board which brought the company at risk for loss of huge amount of funds.
- As no detailed and satisfactory opinion has been provided to the board by any either internal or external counsel, board had sought opinion of Mr. Aijaz Ahmed, lawyer of the case on telephone during board session who suggested following earlier practice of continue renewing the same SBLC amount as otherwise according to him the SBLC amount may even increase based on the latest gas rates.



- Mr. Mahfooz Ahmed Bhatti who represents Ministry of Water & Power also endorsed the opinion of the legal counsel. Majority of the Directors also endorsed the viewpoint expressed by Mr. Bhatti sahib due to exigency of time, past practice and opinion of legal counsel to avoid encashment of SBLCs and loss to company.
- However, the Chairman of the Board was of the opinion that value of the SBLCs can not remain constant for years and it has to be linked with cost of the power supplied to HESCO based on formula of three consecutive billing cycles as provided in PPA and revised tariffs by NEPRA duly upheld by the Sindh High Court in CP No.D-1434/2013.
- Board directed the management to carry out due diligence of the value of SBLCs provided by the HESCO as per practice through legal and financial experts and if it is found that value of SBLCs provided is different than as per formula devised in PPA it would approach the companies to amend SBLCs with mutual consent, In case companies refuse to mutually agree to revise the amount as per worked out in due diligence other legal and administrative options to be explored by the management to protect the interest of the company. The management shall keep board posted on progress in the matter.
- Board also decided to refer remaining cases of private power producers to procurement committee of the board for examination and due diligence to see that interest of the company is protected. The procurement committee may hire the legal and financial experts from open market to provide it support to undertake the assignment and complete the exercise within sixty days from today.
- Mr. Waqas Anwar Qureshi the company director requested the board to direct the management to take legal opinion from the legal counsel on the maintainability of the current PPA post revised tariff from NEPRA and high court decision and once a firm opinion is received, then having the PPA revised at the earliest under the terms of NEPRA tariff, including the terms of SBLC, as this delay has already caused unnecessary issues leading to current situation.
- Additionally the Board is of the unanimous opinion that PPA in its current form is apparently tilted in favour of private power producers as such a thorough due diligence of PPA must be carried out urgently through legal and financial experts to make it win-win situation for all stakeholders. Any advised changes by experts must be included in the revision of the PPA



after discussing with the IPP. In case of any disagreements, legal option may be sought.

Decision.

- i. Board with majority decision (vote of dissent by the Chairman) agreed for renewal of SBLC in respect of M/S Omni Power Pvt Ltd w.e.f 5.12.2016 to 04.12.2017 and M/S Thatta Power Pvt Ltd w.e.f. 15.12.2016 to 14.12.2017 as per the PPA.
- ii. Management shall constantly be in touch with both producers regarding supply of M/S Omni Power Pvt Ltd and M/S Thatta Power Pvt Ltd to ensure that supply to match value of SBLCs and if they fail to match the supply to the level of the SBLCs, due legal course to be devised to protect interests of the company.
- iii. Further management must get legal opinion on the PPA and SBLC to take the next steps with regards to the PPA and SBLC in order the protect the company and follow the legal course required post revised NEPRA tariff and high court decision.
- iv. In addition to above due diligence of the cases of the remaining power producing companies may be carried out under procurement committee and committee may hire legal and financial experts from market.

Ex-Agenda No.1 SELECTION OF ERP CONSULTANT FOR PREPARATION OF FEASIBILITY STUDY, BID DOCUMENT, EVALUATION REPORTS, PROGRAM MANAGEMENT & IMPLEMENTATION OF ERP. "TENDER NO. ERP-2016-001"

It was informed by the Convener Procurement Committee to the BOD that that five firms participated in the bidding out of which only one firm i.e. M/S Deloitte fulfilled the requisite criteria. The cost of financial bid offered by M/S Deloitte was compared with other DISCOs i.e. FESCO, LESCO & IESCO regarding ERP consultant rates which are given below:

Bid of Deloitte (For 02 years)	HESCO estimated cost (for 02 years)	FESCO ERP Contract Rate (For 01 year)	LESCO ERP Contract Rate (For 01 year)	IESCO ERP Contract Rate (For 18 months)
49,322,438	12,000,000	14,700,000 (For 01 year)	180.000/ Month	63,850,000
		29,400,000 (Estimated for 02 years)	4,320,000 (For 2 years)	



BOD was informed that the rates given by M/S Deloitte were higher i.e. 49.32 Million as compared to FESCO which were 29.4 Million and LESCO as 4.32 Million. Therefore the convener of the committee suggested the BOD that the management should hire knowledge based person from open market through recruiter and the job description should be prepared and defined by MIS department of HESCO after getting consultation from LESCO. It was pointed out that the bid conditions given to the firms were very tough that's why other firms could not qualify the bids particularly financial biddings such as negative cash flow.

The Convener of Procurement Committee also informed the BOD that CEO PITC had given detailed briefing to the Procurement Committee on 2.12.2016 on CIS and ERP project. It was further informed the BOD that PITC is working on ERP project through out DISCOs which would be centralized in future and if the HESCO intends to get ERP project through PITC, they will support.

Decision. The BOD accorded approved for cancellation of Tender for ERP consultant and further approved that the knowledge-based person should be hired from market through head hunting company following the practice of LESCO.

Ex-Agenda No.2 PROVISION OF MONITORING AND SUPERVISION OF THE ABC WORK BY THE THIRD PARTY AGAINST TENDER NO. HESCO-NCB-ELR-ABC/2016/01

It was informed to the BOD that in compliance to the directives of the BOD HESCO, complete procurement case for the ABC work through contractor under competitive bidding process has been processed and matured and letter of Intent is ready for issuance to the lowest evaluated responsive bidder. It was also assured by PMU HESCO that all directives of BOD HESCO in its 124th meeting have been complied in letter and spirit except the following point:

"There must be a provision of monitoring and supervision of ABC work by the third party"



PMU HESCO briefed that this point is relatively a new one and compliance on this may consume some additional time based on following factual ground realities:

- The proposed assigned task of ABC installation (on 50 Transformers Only) is not a big task.
- HESCO has a capacity of the capable officer headed by Mr. Muhammad Juman Jumani (A.M) along with support staff to supervise and monitor this task efficiently and effectively.
- Hiring cost of the third party for Monitoring and supervision of ABC work will be the additional financial burden to HESCO.

Decision. The Board advised to engage third party for one month to supervise / verify remaining ABC installation (on 50 transformers only).

Being no additional agenda Board meeting was ended with vote of thanks to chair and from the chair.

By the order of Board


(SHAFIQ AHMED MEMON)
Acting Company Secretary

(ANNEX-I)

**LIST OF PARTICIPANT WHO ATTENDED THE 126TH SPECIAL MEETING DATED
03-12-2016 AT 03:00 HRS**

Present		
1.	Mr. Nazar Hussain Mahar	(In Chair)
2.	Prof. Dr. Muhammad Aslam Uqaili	Director
3.	Qazi Shahid Pervez	Director
4.	Mr. Waqas Anwar Qureshi	Director
5.	Mr. Asad Ullah	CEO HESCO
6.	Mr. Mehfooz Ahmed Bhatti	Director (through video link)
7.	Mr. Tassaduq Hussain	Director (through video link)
8.	Mr. Shafique Ahmed Memon	Acting Company Secretary
Absence		
9.	Mr. Mehmood Nawaz Shah	On Leave
10.	Mr. Shafique Ahmed Mahesar	On Leave
By Invitation		
11.	Lt. Cdr. (R) Nadeem Akhter	Finance Director HESCO
12.	Mr. Parwaiz Afzal	Chief Engineer Planning

