

தமிழ்நாடு தமில்நாடு TAMILNADU

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23.6.08

Neyveli Lignite Corporation

V. Jayanthi
V. JAYANTHI
STAMP VENDOR
LIC.No. : 14508-ITEM 10/B3/92
175 VELLALA STREET,
PURASAWALKAM, CHENNAI 600 084.

**POWER PURCHASE AGREEMENT
BETWEEN
NEYVELI LIGNITE CORPORATION LTD.
AND
KERALA STATE ELECTRICITY BOARD**

THIS AGREEMENT entered into on this Tenth (10) day of NOVEMBER-2008

Between the Neyveli Lignite Corporation Limited, a company incorporated under the Companies Act, 1956, having its registered office at Neyveli House, 135, E.V.R. Periyar Salai, Chennai, Tamil Nadu hereinafter called the 'Corporation' (which expression shall, unless repugnant to the context, include its representatives, successors and assignees) of the one part and the Kerala State Electricity Board, having its office at Vidyuthi Bhavanam, Pattom,

[Signature]

[Signature]

Thiruvananthapuram – 695 004, a body constituted under the Electricity (Supply) Act, 1948, and continuing as per the transfer scheme notified by Government of Kerala vide G.O. (Ms) No 37 / 2008 / P.D dated 25.09.2008 under Sec 131 of Electricity Act 2003, hereinafter referred to as 'KSEB' (which expression shall, unless repugnant to the context, include its representatives, successors and assignees) of the other part.

WHEREAS the Corporation is having an expansion program to construct 2 x 250 MW as Thermal Power Station – II Expansion Project which is expected to be commissioned by 2009, hereinafter referred to as TPS-II Expansion to be owned and operated by Corporation.

AND WHEREAS based on the requests made by the KSEB and other recipients of the Southern Region, the Corporation wishes to sell to the KSEB and other recipients the energy available from TPS-II Expansion after meeting the power requirement of this station and Linked Mines from the date of commissioning of the unit on mutually agreed terms and conditions mentioned here under.

NOW therefore, in consideration of the above premises and mutual agreements, covenants and conditions set forth herein, it is hereby agreed by and between the parties as follows:

1.0 INSTALLED CAPACITY:

The installed capacity of TPS-II Expansion will be 500 MW consisting of 2 x 250 MW Circulating Fluidised Bed Combustion(CFBC) lignite fired Boilers feeding to 2 x 250 MW turbines subject to change on placement of orders for the main plant & equipment.



2.0 COMMERCIAL OPERATION OF GENERATING UNIT:

The date of commercial operation is expected to be in the first quarter of the year 2009 subject to change according to GOI sanction, the supply schedule as per the Letter of Intent (LOI) etc.

3.0. DRAWAL OF POWER FROM TPS-II EXPANSION:

3.1. The allocation of energy from the Project to the Recipients of the Southern Region including the KSEB shall be as per Ministry of Power Lr.No. 8/59/94-Th.3, dt. 9.3.2004 as shown below:

Tamil Nadu Electricity Board (TNEB)	46%
Karnataka Power Transmission Corpn. Ltd. (KPTCL)	22%
Kerala State Electricity Board (KSEB)	14%
Pondicherry Power Corporation Ltd. (PPC)	3%
Unallocated	15%

3.2. The KSEB, as one of the recipients, shall draw the power through transmission system of Power Grid Corporation of India Ltd. (PGCIL) or through any other network available. The transmission charges and transmission losses shall be payable directly by KSEB to PGCIL and/or other agencies transmitting energy. The payments of Corporation bills in any case shall not be affected as a result of any dispute amongst KSEB PGCIL or other Agency (ies) and no deduction from the Corporation bill would be made on this account.

3.3. Corporation reserves its right to request PGCIL to regulate power supply in consultation with Member Secretary, SRPC, in a ratio different from the above allocation of capacity, if required, to restrict



power supply to the KSEB in case of default in payments, with prior notice.

4.0 REGIONAL ENERGY ACCOUNTING:

a) Regional Energy Accounts shall be governed by the directions of Commercial Committee of Southern Regional Power Committee (SRPC) on all the parties to these presents for billing and payment purposes. Regional Energy Accounts, whether they are final or provisional, shall ensure accounting of total net energy sent out at 400 KV bus bars of TPS II Expansion and shall indicate monthly drawal by the KSEB and other recipients from TPS – II Expansion for billing purposes. The Corporation shall not be responsible for any loss (es) of energy beyond 400 KV bus bars of TPS-II Expansion.

The total energy sent out at 400 KV bus bars of TPS-II Expansion shall be the net energy measured at all metering points/locations at the Power Station.

Any change in the methodology for Energy Accounts shall be done only with the consent of Corporation and no unilateral deductions by the KSEB shall be made from bills of Corporation on this account. If the KSEB is willing to take the energy through 230 KV lines, the existing 400/230KV bus arrangement available at Neyveli end can be utilized and the amount of energy can be computed through energy meters provided at Neyveli terminal. Regional Energy Accounts, whether they are final or provisional, shall ensure accounting of total net energy sent out at 400 KV bus bars of TPS-II Expansion and shall indicate monthly drawal by the KSEB from TPS-II Expansion for billing purposes.



5.0. POINTS FOR METERING:

The Main and Check meters at all outgoing feeders at the 400 KV bus bars of TPS-II Expansion are to be installed and maintained by Corporation. Installation and maintenance of Main and Check Meters at locations other than the meters installed and maintained by Corporation shall be the responsibility of the concerned agency (ies) or Power Grid Corporation of India Ltd. as the case may be. The meters shall be sealed after due calibration by the KSEB and the Corporation jointly.

6.0. METERING SYSTEM

Metering system is inclusive of Main Meter, Check Meter, CTs, PTs and associated circuits. Except for the Main and Check Energy Meters, other meters and indicating instruments shall not be connected to the metering core of the PTs and CTs of the Metering Systems.

A set of Main and Check Static Energy Meters of 0.2s accuracy class, shall be installed by Corporation, on all outgoing feeders at 400 KV bus bars of TPS-II Expansion. Each of the Main and Check Static meters shall have facility to record both Export and Import of energy. The metering core of the associated CTs and PTs shall also be of 0.2s accuracy class, if available in the market at competitive rates. Otherwise, suitable alternatives available at that time will be provided.

If the errors found are beyond permissible limits, then the new static energy meters wherein errors are within permissible limits shall be installed by the Corporation. All the main and check energy meters with associated CTs and PTs shall be calibrated by Corporation in the presence of KSEB representative once in six months confirming Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006 initially. Depending



on the performance of the meter, this period shall be enhanced after mutual agreement between the KSEB and Corporation.

If in any month the readings of the main energy meter(s) differs from the readings of corresponding check energy meter (s) by more than 0.4% (Zero point four percent) the main and check energy meter (s) shall be tested in turn and the errors at various loads as per standard procedures would be determined. If on such testing, main energy meter error is found to exceed plus/minus 0.2% (Zero point two per cent) the energy figures recorded by the main energy meter(s) for the above month concerned shall be revised accordingly and the main energy meter (s) shall be replaced by the correct energy meter (s). Pending the results of such testing, billing and payment shall continue to be based on the energy recorded by the check energy meter(s).

Revision in billing, whenever necessary, shall be applicable for the period between the previous meter reading and the date and time of the replacement of correct meter and this revision shall be for the full value of the absolute error. For the purpose of the revision to be applied, the meter shall be tested as per CBIP Technical Report No. 88 (Revised 1996). The error at the load and power factor nearest to the average monthly load served at the point during the period shall be taken as the error to be applied for correction.

During the period of calibration of the defective meter (s) another export and import meter (s) duly calibrated and errors within permissible limit shall be installed by the Corporation on the 400 KV feeder concerned at bus bars of TPS – II Expansion in the presence of the authorized representatives of the concerned parties and jointly sealed. For this purpose, Corporation shall have sufficient number of spare static energy meters as Rolling stock. During the



period of removal of main meter, the energy accounting will be done based on check meter readings applied with correction factor of the check meter obtained during testing/calibration of check meter.

If both the main and check meter (s) fail to record or if any of the PT fuses are blown out, then the energy will be computed on a mutually agreeable basis between Corporation and the recipients for the period of defect.

For the purpose of test and calibration, the Substandard (SS) meter calibrated and sealed by Government Authorised Meter testing House/Accredited Laboratory shall be utilized. This substandard meter shall be got calibrated before the expiry of the period for which the certificate is obtained at Government authorized Meter Testing House/any Accredited Laboratory in India/abroad.

7.0. TARIFF:

The tariff shall be governed based on the norms, parameters/guidelines, Notifications and any amendments/modifications there to be issued from time to time either by the Government of India or by the Central Electricity Regulatory Commission constituted under ERC Act 1998 subject to final orders that may be passed by the Competent Judicial Forum in this regard.

Statutory tax, Duty, Royalty, Cess or any other levy etc. which may be imposed by the Central and/or State Govt. and/or any Local authority on the production and/or consumption of lignite and/or generation and sale of electrical energy and on any other type of consumption including water, environment protection shall be payable by the KSEB additionally. Reimbursement of income tax by the KSEB shall be governed by Clause 9.



Exchange rate variation in respect of foreign currency loan shall be regarded as adjustment of cost and shall be included in the carrying amount of the related fixed assets.

Project Cost:

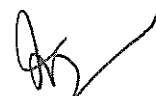
Project Cost – Thermal : Rs. 2016.09 Crs. (incl IDC) – Aug. 2000 Base

Project Cost – Mines : Rs. 2021.46 Crs. (incl. IDC) – Aug. 2000 Base

Final completion cost will be as approved by Govt. of India.

8.0. BILLING:

The Corporation shall after the end of each calendar month present separate bills to the KSEB for energy supplied as per energy accounts finalized by commercial committee of SRPC. The KSEB shall arrange to make payment towards the bill, through an irrevocable revolving Letter of Credit (L.C.) opened at the cost of the KSEB in favour of the Corporation at a branch of any Nationalised Bank as may be mutually agreed, for an amount equivalent to the value of one month's estimated supplies payable by the KSEB from time to time. The L.C. is to be opened from the date of declaration of commercial operation by the Corporation and shall be valid for a minimum period of one year. The amount for which the L.C. has been opened shall be reviewed annually and the LC amount shall be revised based on the average value of supplies during the period of immediately preceding three months. The Corporation shall allow a rebate, on the amount of the bill negotiated through the Letter of Credit immediately on presentation of the bill at 2.0% (Two) only on the amount negotiated through the L.C. Rebate will not be admissible on duties, taxes, royalty, cess, levies and payment against arrears. Rebate shall not be allowed on broken payments. If any arrears are due from KSEB, the rebate allowable shall be adjusted against the undisputed arrears.



8.1. If the amount of Power Supply bill is more than the amount of Letter of Credit, the amount equal to the amount of Letter of Credit shall be recovered through the Letter of Credit and the balance through a Supplementary bill.

8.2. The payment towards the Supplementary Bill excluding exchange rate variation shall be made by the KSEB within three working days from the date of presentation for which rebate of 2.0% will be allowed to the KSEB and if the third day is a holiday next day shall be considered as the due date. The KSEB shall be allowed a rebate of 1% (one) only on the Supplementary Bills if payment for the same is made beyond three days but within 30 (thirty) days from the date of presentation of the bill.

8.3. If however the payment is delayed beyond 60 days from the date of receipt of the bills, Surcharge at the rate of 1.25% per month (one and a quarter) shall be payable by the KSEB for the actual period of delay.

8.4. In every bill, presented to the KSEB, the Corporation shall furnish full particulars of the meter readings and calculations to support the Bill. In cases, where the bills are negotiated through the Letter of Credit, as per clause 8 above, two copies of the bill shall be sent to the KSEB on the same date, when it is presented to the bank.

9.0 INCOME TAX

9.1. Tax liability, if any, on the following income streams of the Corporation shall be borne by the KSEB

- i) Generation of power from TPS – II Expansion
- ii) Mining of lignite from Mine-II Expansion for the purpose of generation of power from TPS – II Expansion.
- iii) The amount of grossed up tax that is payable by the Corporation under the income streams mentioned at items (i) and (ii).



9.2. The provisions under 9.1 above shall be governed by the norms/parameters/guidelines/amendments issued from time to time either by Government of India or by the CERC subject to the final order that may be passed by competent judicial forum in this regard. The benefits of tax-holiday as applicable from time to time in accordance with the provisions of the Income-Tax Act, 1961 and subsequent amendments shall be passed on to the beneficiaries.

10. In the event of any clerical errors or mistakes in the amount levied, demanded or charged by the Corporation, the Corporation shall have the right to demand an additional amount in the case of undercharging and the KSEB shall have the right to get refund in case of excess charging, provided such claims are not barred by limitation under the law in force.

11. DISPUTES AND REDRESSAL MECHANISM:

Any disputes will be settled mutually. If it is not settled, the same will be referred to CERC

12. FORCE MAJEURE

The parties shall ensure due compliance with the terms of this Agreement. However, no party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of the Agreement to the extent that such a failure is due to force majeure events such as war, rebellion, mutiny, civil commotion, riot, strike, lock-out, forces of nature or act of God and any other reason beyond the control of concerned party. But any party claiming the benefit of this clause shall reasonably satisfy the other party of the existence of such an event and give written notice within a reasonable time to the other party to this effect. Generation/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality



has come to an end or ceased to exist. However, the financial liabilities of the parties under this Agreement shall remain unaltered under the condition of Force Majeure also.

13. IMPLEMENTATION OF THE AGREEMENT

13.1. All discretions to be exercised and directions, approvals, contents and notices to be given and actions to be taken under these presents, unless otherwise expressly provided herein, shall be exercised and given by the Signatories to this agreement or by the Authorized representative(s) that each party may nominate in this behalf and notify in writing to the other party.

13.2. All notices with regard to default or dispute relating to this agreement shall be in writing and signed by the signatories to this agreement or by the authorized representative(s) as per clause 13.1 above. Each such notice shall be deemed to have been duly given or sent by the party concerned, if the notice is delivered against acknowledgement due to the signatories or the authorized representative (s) at their respective addresses.

14. EFFECTIVE DATE AND DURATION OF AGREEMENT

The Agreement shall come into force from the date of signing of this Agreement for all purposes and intent and shall remain operative up to completion of twenty five (25) years from the date of commercial operation of TPS II Expansion (2 x 250 MW) provided that this Agreement may be mutually extended, renewed or replaced by another Agreement on such terms and for such further period of time as the parties may mutually agree. In case the KSEB continues to get power from TPS-II Expansion even after expiry of this Agreement without further renewal or formal extension thereof, then all the provisions of this Agreement shall continue to operate till this agreement is formally renewed, extended or replaced.



15. SUCCESSORS AND ASSIGNS

In case the KSEB is wound up and/or its generation, transmission and distribution activities are taken over by other organization(s)/agency(ies), partly or wholly the agreement shall be binding mutatis and mutandis upon successor organization (s)/agency(ies).

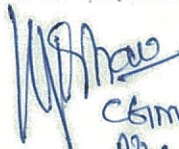
IN WITNESS WHEREOF Shri. J.N. PRASANNA KUMAR, Chairman-cum-Managing Director for and on behalf of the Neyveli Lignite Corporation Limited, Neyveli and Shri. RAJEEV SADANANDAN, Chairman for and on behalf of the Kerala State Electricity Board have hereunto set their signatures.



Chairman-cum-Managing Director
Neyveli Lignite Corporation Ltd.

**Chairman-cum-Managing Director,
Neyveli Lignite Corporation Ltd.,
NEYVELI-607 801, Tamil Nadu.**

Witness: 1.



Chairman/Managing Director
NLC Ltd.

2. 


**R. SURESH,
DGM/COMMERCIAL,
NLC LTD., NEYVELI-1**



Chairman
Kerala State Electricity Board

**CHAIRMAN
KSE BOARD
THIRUVANANTHAPURAM**

Witness: 1.



(K. ASOKAN)
Member (Transmission &
Distribution)

2. 

(K. RADHAKRISHNAN)
Chief Engineer (Corporate Plan)
CHIEF ENGINEER
(Corporate Planning)
KSE Board, Vidyuthi Bhavanam
Pattom, Thiruvananthapuram