

தமிழ்நாடு தமில்நாடு TAMILNADU

Neyveli Lignite Corporation Ltd.,
Neyveli

X 500701

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24.11.10
RS 100/-

சு. சுமத்ரி
முத்திரைத்தாள் விற்பனையாளர்,
உரிமம் எண் :- 21/97,
நெய்வேலி உவ்வூர்,
தமிழ்நாடு.



POWER PURCHASE AGREEMENT

BETWEEN

NEYVELI LIGNITE CORPORATION LIMITED (NLC)

AND

KERALA STATE ELECTRICITY BOARD (KSEB)

FOR

**NEYVELI NEW THERMAL POWER STATION (1000 MW) AT
NEYVELI**

THIS POWER PURCHASE AGREEMENT hereinafter called as "Agreement" entered into on this 10th day of December, 2010 between

1. **Neyveli Lignite Corporation Limited (NLC)**, 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 'NLC' (which expression

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NLC

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KSEB

shall, unless repugnant to the context, include its representatives, successors and assignees) of the **one part**

AND

2. **Kerala State Electricity Board (KSEB)** having its office at Vydyuthi Bhavanam, Pattom, Thiruvananthapuram - 4, 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/PD, dated.25.09.08 under Section 131 of Electricity Act 2003 in the State of Kerala hereinafter referred to as "KSEB" (which expression shall, unless repugnant to the context or meaning thereof include its representatives, successors and assigns) of the **other part**.

NLC and KSEB are hereinafter individually referred to as the "Party" and collectively as "Parties",

WHEREAS NLC has proposed to implement a Lignite based 2x500 MW (1000 MW) Thermal Power Station at Neyveli in Cuddalore District of Tamilnadu hereinafter referred to as "NNTPS" which is expected to be commissioned by the year 2014-2015.

AND WHEREAS the total capacity of NNTPS after meeting the Station consumption, township consumption, if any and other infrastructure consumption, if any is proposed to be allocated to Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) formerly known as Tamil Nadu Electricity Board (TNEB), ESCOMs of Karnataka, Kerala State Electricity Board (KSEB), Electricity Department, Puducherry (EDP) and DISCOMs of Andhra Pradesh (Collectively referred to as "Bulk Power Customers").

AND WHEREAS the Bulk Power Customers are desirous of purchasing energy from NNTPS and NLC is willing to sell energy from NNTPS to the Bulk Power Customers from the date of

commissioning of Unit-1 of NNTPS on mutually agreed terms and conditions mentioned hereunder.

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 NNTPS will be 1000 MW consisting of 2x500 MW Pulverised (PF) Lignite fired Boilers feeding to turbines of 2 x 500 MW.

2.0 ALLOCATION OF POWER

The allocation of power from NNTPS amongst the Bulk Power Customers shall be in accordance with the decision of Ministry of Power (MOP), Government of India from time to time which shall form an integral part of this Agreement. In case, any other Bulk Power Customer(s) /State Electricity Board(s) do not sign the Power Purchase Agreement, NLC will approach Ministry of Power with a request to allocate their share of power to TANGEDCO on first priority. However final allocation will be as decided by Central Electricity Authority (CEA) / MOP.

3.0 COMMERCIAL OPERATION OF GENERATING UNITS

The first unit is expected to achieve Commercial Operation hereinafter referred to as COD in 48 months from GOI sanction and the second Unit in 54 months from GOI sanction. The project time schedule is subject to GOI sanction, supply schedule as per the Letter of Intent (LOI) etc.

4.0 DRAWAL OF POWER

4.1 The power from NNTPS shall be drawn by the Bulk Power Customer(s) directly and/or by method of displacement. The Bulk



Power Customers shall draw their share of power from NNTPS through transmission system of Power Grid Corporation of India Limited (PGCIL) and the transmission system(s) of Bulk Power Customer(s)/other agency(ies), for which NLC will provide two 400 KV bays at its switch yard.

- 4.2 Both the parties shall endeavour to adhere to the Indian Electricity Grid Code (IEGC) rules and UI regulations as applicable from time to time.
- 4.3 Bulk Power Customers shall purchase power as per basic allocation made by MOP/CEA as per clause (2) and as per Availability Based Tariff regulation and Unscheduled Interchange mechanism.

5.0 WHEELING OF POWER

In the event of failure of any dedicated transmission system of NLC, TANGEDCO will permit to wheel the power through its transmission system to other beneficiaries subject to availability of the margin in their system. The beneficiaries are liable to pay the wheeling charges to TANGEDCO for using their transmission system as per guidelines of Tamil Nadu Electricity Regulatory Commission (TNERC).

6.0 POINTS FOR METERING

The Main and Check meters at all outgoing feeders at the 400 KV bus bars of NN TPS are to be installed and maintained by PGCIL and other meters will be installed and maintained by NLC as per Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006, dated 17-03-2006 as amended from time to time.



7.0 TARIFF

- 7.1 The Tariff and Terms and Conditions for the energy to be supplied by NLC from NNTPS shall be determined by Central Electricity Regulatory Commission (CERC) as per tariff regulations in force from time to time.
- 7.2 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 generation and sale of electrical energy excluding Disbursement Dividend tax shall be payable by the Bulk Power Customer(s) additionally to the extent of its incidence on energy sold to the Bulk Power Customer(s). The above taxes are the taxes that shall be levied on the Bulk Power customer(s) in proportion to their energy drawals/capacity allocation from this power station based on the Regional Energy Account.
- 7.3 The responsibility of NLC is to supply power from NNTPS at ex-bus. Hence the Power Tariff will be at Ex-Bus rate. However, the charges, if any that may have to be borne by NLC towards transmission charges and losses will be recovered from the beneficiaries in accordance with relevant CERC regulations in force in this regard from time to time.

7.4 INCOME TAX and EXCHANGE RATE VARIATION

- 7.4.1 Income tax liability on NLC as per the provisions of the Income Tax Act applicable from time to time shall be recovered from the Bulk Power Customer(s), through power tariff in accordance with CERC Regulations in force in this regard from time to time. As per the present Tariff Regulations- 2009, the rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year.



7.4.2 All tariff related matters such as Exchange rate variation, rebate etc. shall be as per CERC regulations.

8.0 FUEL

8.1 The Power Station shall be based on the Lignite from the existing Lignite Mines with necessary augmentation at Neyveli. Lignite pricing will be based on pooled price concept and will be determined and fixed as per the guidelines of Ministry of Coal or any other Regulatory body issued from time to time.

9.0 As per Tariff Regulations 2009, Supply of infirm power shall be accounted as Unscheduled Interchange (UI) and paid for from the regional UI pool account at the applicable frequency – linked UI rate.

Salient Features of Thermal Power Plant:

Capacity : 2x500 MW

Estimated tentative Capital Cost (Base-Aug'09): Rs.5596 Crores)

Estimated tentative levelised tariff at 80% PLF: Rs.3.00 /Kwhr

NNTPS shall approach the CERC six months prior to the anticipated date of commercial operation of the first unit seeking fixation of tariff.

10.0 BILLING

All charges under this Agreement shall be billed by NLC and shall be paid by the Bulk Power Customer(s) in proportionate to their allocation.

10.1 NLC shall present separate bills after the end of each calendar month to the Bulk Power Customer(s) for the energy supplied during that calendar month based on the regional Energy accounts finalised for the Southern region by the Southern Regional Power Committee (SRPC) / Southern Region Load Despatch Centre (SRLDC).



10.1.1 The monthly bill shall be aggregate of charges in accordance with the provisions of this Agreement. If for certain reasons some of the charges cannot be included in the monthly main bills, such charges shall be billed as soon as possible through supplementary bill(s).

10.1.2 The weekly UI bills and payments will be governed by the applicable UI regulations of CERC.

10.2 Establishment of Irrevocable/ revolving Letter of Credit (LC) and Payment of monthly Bills:

Payment of monthly bills for supply of power from NNTPS shall be made by the Bulk Power Customer(s) through irrevocable revolving Letters of Credit (LC) established in favour of NLC with a scheduled bank at least one month prior to commencement of power supply from NNTPS. The LC shall be opened at the same branch of the bank, which maintains the Bank Account of the Bulk Power Customer(s) to which the maturing obligations under the LCs will be debited.

10.2.1 The irrevocable/ revolving Letter of Credit shall be opened for an amount mutually agreed between NLC and Bulk Power Customer(s) for the period between the Commercial Operation Date (COD) and the end of the financial year in which the COD has occurred. For the subsequent financial years, the irrevocable LCs shall be opened for an amount equal to 105% of their average monthly billing for the preceding twelve months and the same shall be revised once in six months based on the said average. The bill will be presented to the extent of Maximum LC available in a month and the balance bill if any shall be paid by cheque / RTGS. The LC however will be standby and the power purchase cost to be paid by RTGS on the due date shall be as per CERC regulations and the rebate shall be availed as per CERC.



10.2.2 The bills presented by NLC to the Bank shall be paid on the date of presentation as per provisions in Clause 10.2.1.

10.2.3 All LC charges are to be borne by the Bulk Power Customer(s). The operation of LC shall not depend on the recoument of the amounts by Bulk Power Customer(s).

10.3 **Rebate on payment through LC**

10.3.1. Rebate on payments, if any, shall be as per the provisions of tariff notifications issued from time to time by GOI/CERC as the case may be. As per CERC regulations notification dt.19.01.2009, for the tariff period 2009- 2014 a rebate of 2.0% will be allowed on payment made through LC on presentation of the bills. For payments made other than through LC but within one month of presentation of bills by NLC, a rebate of 1% will be allowed.

10.3.2. No Rebate shall be admissible on duties, taxes, royalty, cess levies and payment against arrears, if any, of previous months.

10.4 **Surcharge on belated Payment.**

In case payment is made after sixty days from the date of receipt of bill by KSEB, raised by NLC, surcharge at the rate as notified by CERC, shall be charged on the amounts remaining unpaid after the said date in proportion to the number of days of delay after the said date. The surcharge amount shall also be payable along with the next bill. As per Tariff Regulations 2009 for the period 2009-2014, a late payment surcharge at the rate of 1.25 % per month shall be levied by the generating company.

10.5 In the event of failure to establish Letter of credit (LC) or to enhance LC within the specified period or if any bills remain unpaid for a period of exceeding three months from the date of receipt of the bill for the power supplies from NNTPS to Bulk Power Customer(s), NLC shall have the authority to discontinue / reduce the supply of power from NNTPS and inform Bulk Power

Customer(s) accordingly. In the event of prolonged default by Bulk Power Customer(s) beyond four months, NLC will have the option to sell power to any other Bulk Power Customer(s) directly. Supply of power from NNTPS will be regulated as per CERC Regulations in force in this regard from time to time.

10.6 Since the bills are negotiated through the Letter of Credit, two copies of the bill shall be sent to the Bulk Power Customer(s) on the same date, when it is presented to the bank.

10.7 In the event of any clerical errors or mistakes in the amount levied, demanded or charged by the NLC, NLC shall have the right to demand an additional amount in the case of undercharging and the Bulk Power Customer(s) 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.

11.0 DISPUTES AND REDRESSAL MECHANISM:

In disputed cases, Bulk Power Customer shall file a written objection with NLC and NLC will endeavour to resolve such objection. However, if the disputes cannot be settled mutually and still persist, the same will be settled by referring to the Central Electricity Regulatory Commission or Appellate Tribunal for Electricity or any other dispute redressal mechanism specified from time to time.

12. FORCE MAJEURE

12.1 The parties shall ensure due compliance of their respective obligations as per 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, sabotage. Strikes, lock-out, or other concerted action of

workmen, forces of nature or act of God such as floods, fire, earthquake and epidemic 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 given written notice immediately to the other party to this effect. Generation / drawal of power shall be resumed 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 as on the date of occurrence of such an event shall remain unaltered under the condition of Force Majeure also.

13.0 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 by Registered Post.

14.0 NOTICE

14.1 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 parties concerned, if the notice is delivered against acknowledgement due to the designatories or the authorized representative(s) at their respective addresses.



15.0 EFFECTIVE DATE AND DURATION OF AGREEMENT

15.1 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 NNTPS (2x500 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 Bulk Power Customer(s) continues to get power from NNTPS 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.

16.0 SUCCESSORS AND ASSIGNS

16.1 In case any of the parties to this agreement is restructured 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 mutandis upon the successor organization(s) / agency (ies) and guarantee by the State Government if any, shall continue to remain valid with respect to the obligations of the successor organization(s) / agency (ies). In such an event, the LC arrangement referred to in Para 10 above shall also be binding in respect of the successor organization(s) / agency (ies) with such modifications and changes as may be considered necessary.

17.0 MEGA POWER POLICY

The NNTPS is being developed as Mega Power Project as per terms and conditions of the GOI applicable to Mega Power Projects. One of the conditions of Mega Power Policy is that the power be made available only to the Bulk Power Customers



which agree and undertake to fulfil and comply with the terms and conditions of the Mega Power Policy of the GOI. KSEB hereby agrees to comply with the terms and conditions of the Mega Power Policy of the Government of India as applicable.

IN WITNESS WHEREOF Parties have entered into Agreement as of the day and year first above written.

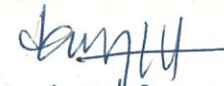
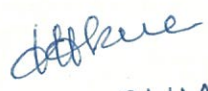
For and on behalf of
NEYVELI LIGNITE CORPORATION LTD.,


(C.R. SURESH)
General Manager (Commercial)


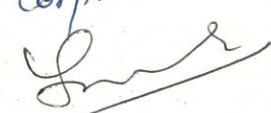
For and on behalf of
KERALA STATE ELECTRICITY BOARD


K. RADHAKRISHNAN.
Chief Engineer (Corporate Planning)

WITNESS

1. 
(I. SUSAMARAT)
GM/POSD
NLC Ltd
2. 
(J. HARIHARAKUMAR)
DOM/POSD
NLC Ltd.

WITNESS

1. 
N. Venugopal
Deputy Chief Engineer
Corporate Planning, KSEB
2. 
PADMAKUMAR. G
Executive Engineer
Corporate planning, KSEB