



केरल KERALA

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**POWER PURCHASE AGREEMENT
BETWEEN
NTPC LIMITED
AND
KERALA STATE ELECTRICITY BOARD
FOR**

SIMHADRI SUPER THERMAL POWER STATION STAGE II (1000MW)

THIS POWER PURCHASE AGREEMENT hereinafter called the "Agreement" entered into at Thiruvananthapuram on the 14th day of September Two Thousand Seven (14/09/2007) between NTPC Limited, a Company incorporated under the Companies Act, 1956 having its registered office at NTPC Bhawan, Core 7, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi - 110003 (hereinafter called 'NTPC') which expression shall unless repugnant to the context or meaning thereof includes its successors and assigns as party of the first part; and Kerala State Electricity Board having its Head Office at Vidyuthi Bhavanam, Pattom, Thiruvananthapuram - 695 004 (hereinafter referred to as 'KSEB') which expression shall unless repugnant to the context or meaning thereof shall include its successors and permitted assigns as party of the second part.

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WHEREAS NTPC is a Generating Company as defined under Section 2(28) of the Electricity Act, 2003 and is a Government Company within the meaning of the Companies Act 1956.

AND WHEREAS NTPC is already operating Stage-I (nominal capacity : 1000MW) of Simhadri Super Thermal Power Station located at P.O. Simhadri in the district of Visakhapatnam in the State of Andhra Pradesh from which Bulk Power Customers of Andhra Pradesh are already drawing power.

AND WHEREAS NTPC is in the process of expanding the capacity at the above mentioned Station by 1000 MW in Stage-II (hereinafter referred to as "Simhadri STPS Stage-II") to be owned and operated by NTPC as a Regional Station for the benefit of Bulk Power Customers of Southern Region.

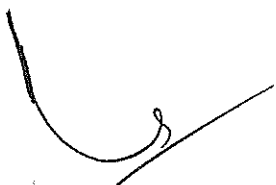
AND WHEREAS the KSEB and other Bulk Power Customers are desirous of purchasing energy from Simhadri STPS Stage-II and NTPC is willing to sell energy from Simhadri STPS Stage II to KSEB and other Bulk Power Customers from the date of commissioning of Unit-I of Simhadri STPS Stage II on mutually agreed terms and conditions mentioned hereunder.

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

1.0 DEFINITIONS

- (a) The words or expressions used in this Agreement but not defined hereunder shall have the same meaning assigned to them by the Electricity Act, 2003 as amended from time to time, the Rules framed there under and Regulations issued by CERC from time to time.
- (b) The words or expressions mentioned below shall have the meanings respectively as assigned hereunder:

Act, 2003	The Electricity Act, 2003 as amended or modified from time to time, including any re-enactment thereof.
Billing Centre	The office/SRHQ as intimated by NTPC to the KSEB from where the bills will be raised on them.



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Bulk Power Customer	Bulk Power Customer in relation to a generating station shall mean the person to whom power is allocated from the station.
Busbars	765 KV or 400 KV or 220 KV Busbars of the Station (as the case may be) to which outgoing feeders are connected.
CERC	Central Electricity Regulatory Commission.
CTU	Central Transmission Utility.
Capacity Charges	Capacity Charges are Fixed Charges as determined by CERC or any other competent authority and shall be paid on a monthly basis in proportion to the allocated capacity from time to time.
Charges for supply of energy	All charges to be paid by Bulk Power Customer(s) in respect of supply of energy/power to them by NTPC in accordance with the provisions of this Agreement.
GOI	Government of India.
IEGC	Indian Electricity Grid Code, as approved by CERC
LC	Irrevocable Revolving Letter(s) of Credit.
PPA	Power Purchase Agreement.
SRLDC	Southern Regional Load Despatch Centre.
Main and Check Meter	Meter for measurement and checking of import/export of energy on the outgoing feeders of the Station Busbars for ABT compliant Energy Accounting.
NTPC	NTPC Limited.
Powergrid	Power Grid Corporation of India Ltd.
SLDC	State Load Despatch Centre

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SRPC	Southern Regional Power Committee established under Section 2(55) of the Electricity Act, 2003.
Regional Energy Account (REA)	Periodic Energy Accounting issued by SRPC/ SRLDC including amendments thereof.
Tripartite Agreement (TPA)	The Tripartite Agreement dated 20.3.2003 signed by Govt of Kerala, GOI and Reserve Bank of India as per the provisions of the GOI Scheme for One time Settlement of SEBs dues
UI	Unscheduled Interchange (as defined by CERC)

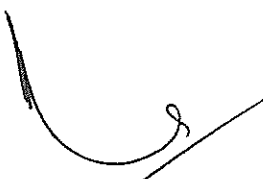
2.0 GENERAL

2.1 Installed Capacity:

- 2.1.1 The nominal capacity of Simhadri STPS Stage II is proposed to be 1000MW.
- 2.1.2 The nominal capacity of the Station is subject to change after placement of orders for the main plant equipment.
- 2.1.3 The Station is being developed as Mega Power project as per the terms and conditions of the GOI applicable to Mega Power Projects. One of the conditions of such Mega Power Policy is that the power be made available only to the Bulk Power Customer(s) 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 GOI as applicable

2.2 Allocation of Power

- 2.2.1 The final allocation of power from Simhadri STPS Stage II amongst the various Bulk Power Customers of SR shall be as decided by Government of India (GOI)/Competent Authority in accordance with the applicable guideline of GOI issued from time to time subject to signing of the PPAs by the Bulk Power Customers. Such allocation of power along with various terms and conditions mentioned therein shall form an integral part of this Agreement.

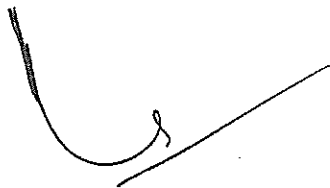


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- 2.2.2 Fifteen percent capacity of the Station shall be kept unallocated at the disposal of Govt. of India and shall be subject to allocation from time to time as per the decision of Ministry of Power, GOI. Out of this unallocated capacity, balance if any, after such allocation by GOI shall be deemed to have been allocated to various Bulk Power Customers in proportion to their allocated shares.
- 2.2.3 In line with the provisions of the National Electricity Policy, 15% power /capacity from the station shall be retained by NTPC for development of the market.
- 2.2.4 The right of KSEB to draw power against the above allocation shall be limited to the amount of LC opened and maintained by them as per clause 6.2.
- 2.2.5 Notwithstanding the obligations of KSEB to pay all the dues as per this Agreement, in the event of default in opening of LC of adequate amount in favour of NTPC or payment of bills beyond a period of 60 days of billing, NTPC shall be entitled to regulate/ divert the share of the KSEB to any other Bulk Power Customer(s) as per the provisions of generic procedure for regulation of power supply issued by CERC or any other competent authority from time to time read with the provisions of TPA till the time default is set right.
- 2.2.6 In case of default in payment of bills beyond a period of 90 days from the date of billing, NTPC shall have the right to re-allocate power to other Bulk Power Customer(s).
- 2.2.7 In case of default, KSEB shall continue to be liable to pay the Capacity Charges in proportion to its allocation during the period of regulation/ diversion of power or till the power is reallocated to other Bulk Power Customer(s).

2.3 Operation of the Station

It is understood and agreed by and between the parties that NTPC shall operate the Station as a base load regional station as per the manufacturers' guidelines, applicable grid operating standards, directions of the CERC and relevant statutory provisions, as applicable from time to time.



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3.0 TRANSMISSION/ WHEELING OF POWER

- 3.1 Power shall be made available by the NTPC at the busbars of the Station and it shall be the obligation and responsibility of KSEB to make the required arrangement for evacuation of power from such delivery points of the NTPC.
- 3.2 KSEB shall coordinate with the appropriate authorities/agencies including Powergrid or any Transmission Licensee or other Licensees for power evacuation from the above delivery point.
- 3.3 KSEB shall be responsible to coordinate with the Powergrid or any other Licensee or agencies for implementation of the transmission system for evacuation of power from the Station matching with the commissioning schedule of the station.
- 3.4 For wheeling of the power beyond busbars of the Station, charges for utilisation of transmission system(s) owned by the Powergrid/other agency(ies) shall be paid directly by KSEB to the Powergrid or other Licensee or agency(ies). NTPC shall not be responsible for payment of such charges.

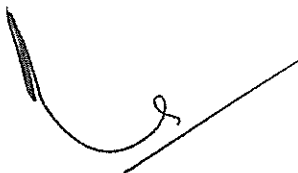
4.0 SCHEDULING, METERING AND ENERGY ACCOUNTING

4.1 Scheduling

Methodology of generation scheduling shall be as per Indian Electricity Grid Code (as revised from time to time) and the decisions taken at SRPC forum.

4.2 Metering

- 4.2.1 A set of Main and Check Energy Meters of 0.2 accuracy class, as per IEGC/ CEA (Installation & operation of meters) Regulations 2006 as applicable, shall be installed on all outgoing feeders of the Station. KSEB shall make all necessary arrangements for installation of meters, at all its drawal points.
- 4.2.2 The main and check meters shall be checked jointly at the time of installation and for any testing and/ or replacement. Notice of seven days will be given, so that the representative of the KSEB can be present for the same.



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- 4.2.3 Data shall be downloaded from the meters at regular intervals as decided by SRPC/SRLDC for preparation of the REA/UI Account.
- 4.2.4 If the main meter is found to be not working at the time of meter readings or at any other time, NTPC shall inform the CTU/SRLDC of the same and data from check meters shall be considered by SRPC/SRLDC for energy accounting for the period.
- 4.2.5 If both the main and check meter(s) fail to record or if any of the PT fuses is blown out, then the energy accounting shall be done on a mutually agreeable basis between NTPC, KSEB and SRLDC/SRPC for the period of defect. In case there is no mutual agreement, the decision of Member Secretary of the SRPC would be final and binding.
- 4.2.6 The main & check meter shall be checked on a quarterly basis/ periodically by comparison of the readings between these two meters and in case the readings of the two meters differ by more than 0.4%, both the meters will be checked separately with respect to another reference meter and defective meter shall be replaced. The energy metered during the period of defect would be revised by applying a correction factor on the energy metered by the defective meter.
- 4.2.7 Once in every five years, both main and check meters shall be tested for accuracy by a substandard meter either at the station or at any approved testing laboratory. During testing, in case the error is found to be more than the permissible limits, then the meter shall be replaced by a correct meter.

4.3 Energy Accounting

- 4.3.1 Both the parties agree to facilitate issue of Regional Energy Accounts by 1st day of every month.
- 4.3.2 NTPC shall prepare and submit bills to the KSEB and other Bulk Power Customers on the basis of such Regional Energy Accounts.
- 4.3.3 Regional Energy Account issued by SRPC/SRLDC or any other Competent Authority shall be binding on all the parties for billing and payment purposes.
- 4.3.4 Any change in the methodology of Regional Energy Accounting shall be done only as per the decisions taken in the SRPC forums and both the parties agree to abide by the Methodology so finalised.



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5.0 TARIFF

5.1 Terms and conditions:

- 5.1.1 The Tariff for the electricity supplied from the Station would be as determined by CERC or any other authorised Competent Authority from time to time.
- 5.1.2 In case the tariff is not determined by CERC or any other competent authority prior to commencement of commercial operation of the 1st unit of the Station, the parties agree that NTPC may work out an adhoc tariff based on CERC's terms and conditions or guidelines of competent authority, as applicable from time to time and as per estimated completion cost for the project. NTPC shall inform KSEB of such adhoc tariff and pending determination of tariff by CERC or any other competent authority, billing on provisional basis would be carried out, subject to appropriate adjustment as and when the tariff is determined by CERC or any other competent authority or any order is passed pending the determination of such tariff.

5.1.3 Sale of Infirm Power

Infirm power, i.e. sale of energy prior to commercial operation of the unit, will be billed by NTPC based on norms for variable charges as notified by CERC or any other competent authority from time to time.

5.2 Taxes, Levies, Duties, Royalty, Cess etc.:

5.2.1 Tax on Income

Tax on the income derived from generation of electricity by NTPC shall be computed as an expense and shall be recovered from the Bulk Power Customer(s). Billing and recovery of income tax shall be as per regulations of CERC or any other competent authority as applicable from time to time.

5.2.2 Other Taxes, Levies, Duties, Royalty, Cess etc.

Statutory taxes, levies, duties, royalty, cess or any other kind of imposition(s) imposed/charged by any Government (Central/State) and/or any other local bodies/authorities on generation of electricity including auxiliary consumption or any other type of consumption including water, environment protection, sale or on supply of power/electricity and/or in respect of any of its installations associated with the Station payable by NTPC to the authorities concerned shall be borne and additionally paid by the KSEB to NTPC in proportion to their allocation/schedule.

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6.0 BILLING AND PAYMENT

6.1 Billing

The charges under this Agreement shall be billed by NTPC and shall be paid by the KSEB in accordance with the following provisions:

- 6.1.1 NTPC shall present the bills after the end of each calendar month as per CERC Regulations for energy supplied to KSEB from the Station as per Regional Energy Account issued by SRPC/SRLDC or any other Competent Authority.
- 6.1.2 Billing Centre of NTPC shall carry out billing and associated functions. NTPC would submit the bills to the Officer to be nominated by KSEB.
- 6.1.3 The monthly bill for the Station shall be aggregate charges in accordance with the provisions of the Agreement. If for certain reasons some of the charges which otherwise are in accordance with this Agreement, cannot be included in the main monthly bills, such charges shall be billed as soon as possible through supplementary bill(s).
- 6.1.4 The bill(s) of NTPC shall be paid in full subject to the condition that—
 - i) there is no apparent arithmetical error in the bill(s).
 - ii) the bill(s) is/are claimed as per the agreed tariff.
 - iii) they are in accordance with the Regional Energy Accounts issued by SRPC/SRLDC or any other Competent Authority.
- 6.1.5 If the KSEB disputes any amount even then, it shall pay 95% of the disputed amount forthwith and file a written objection with NTPC within 30 days of presentation of the bill, giving following particulars:
 - i) Item disputed, with full details/data and reasons of dispute.
 - ii) Amount disputed against each item.Provided that non-acceptance of tariffs determined/approved by CERC or any other competent authority shall not be a valid ground for dispute.
- 6.1.6 The amount of excess/shortfall with respect to the said 95% payment based on finally determined amount in line with Clause 7.0 shall be paid/adjusted with the applicable interest from the date on which the amount in dispute was payable/refundable.

6.2 Establishment of Letter of Credit (LC) and payment of bills:

- 6.2.1 Payment of bills for supply of power from the Station shall be made by the KSEB through irrevocable revolving Letters of Credit (LC) established in favour of NTPC with a public sector /scheduled commercial bank at least one month prior to the commencement of power supply from the Station.

- 6.2.2 The LC shall cover 105% of the one month's estimated billing in respect of power supplied from the Station to KSEB. This shall be in addition to the obligation of the KSEB to establish similar letters of credit for supply of energy to the KSEB from all other generating Stations of NTPC.
- 6.2.3 The amount of LC shall be reviewed each half-year commencing April and October in each financial year on the basis of the average of billing of previous 12 months and the LC amount shall be enhanced/reduced accordingly.
- 6.2.4 The LC shall be established for a minimum period of one year. KSEB shall ensure that LC remains valid at all times during the entire/extended validity of this Agreement.
- 6.2.5 LC shall specify the manner and dates when bill(s) can be presented to Bank by NTPC. The bills so presented by NTPC to the Bank shall be promptly paid on their presentation. The LC charges shall be borne by the KSEB.
- 6.2.6 Provisions of Tripartite Agreement signed on 20.03.2003 between Govt. of Kerala, Govt. of India and Reserve Bank of India under the Scheme for one time Settlement of SEB Dues shall be applicable on supply of power from this station and safeguarding payments for the same. It is hereby mutually agreed that after the validity period of the Tripartite Agreement is over, an alternative payment security arrangement in the form of default Escrow Arrangement shall be established by KSEB to the satisfaction of NTPC at least one year before the completion of the validity period of the Tripartite Agreement. In the event such satisfactory Payment Security Mechanism is not established by KSEB at least three months before expiry of payment security available to NTPC under the TPA, NTPC shall have the option to terminate this Agreement. In the event of termination of this Agreement KSEB shall be liable and continue to pay the Capacity Charges each month till arrangement for sale of KSEB's share with alternate customers substituting the KSEB is tied up.

Since the payments from KSEB are currently secured as per the provisions of the TPA, establishing of ESCROW arrangement is not being insisted upon by NTPC presently. However, while ceding charge on its receivables or agreeing to provide Escrow Agreement or any other form of payment security to any other entities like power supplier(s), lenders including financial institution, banks etc. KSEB hereby agrees that NTPC shall be deemed to have a legally binding first charge on KSEB's receivables to the

extent of total monthly billing for power supplied from all NTPC stations and this charge of NTPC shall be in preference to any other charge that KSEB may create in favour of other parties after signing of this PPA.

7.0 SETTLEMENT OF DISPUTES

7.1 All differences or disputes between the parties arising out of or in connection with this Agreement shall be mutually discussed and resolved within 90 days.

7.2 Arbitration

7.2.1 In the event that the parties are unable to resolve any dispute, controversy or claim relating to or arising under this Agreement, as stated above, which are falling under the provisions of the Electricity Act, 2003, the same shall be dealt in accordance with the said Act.

7.2.2 All other disputes which are not covered under the Electricity Act, 2003 shall be resolved through Permanent Machinery of Arbitration with Department of Public Enterprises in terms of Office Memorandum No. DPE/4/(10) 2001-PMA-GL1 Dated 22nd January, 2004 (copy enclosed) issued by Govt. of India, Ministry of Industry, Department of Public Enterprises and Govt. guidelines on the subject issued from time to time.

8.0 FORCE MAJEURE

Neither 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, accident, act of God or any other such reason beyond the control of concerned party. 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.

9.0 IMPLEMENTATION OF THE AGREEMENT

All discretions to be exercised and directions, approvals, consents 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 authorised representative(s) that each party may nominate in this behalf and notify in writing to the other party by Registered Post. Any other nomination of authorised representative(s) shall be informed likewise in writing to/by KSEB within one month of signing of the Agreement. Notwithstanding any nomination, the Regional Executive Director (SR), SRHQ, 2nd & 5th Floor, MCH Commercial Complex, R.P.Road, Secunderabad, as well as Executive Director (Commercial), NTPC Ltd., NTPC Bhawan, Core 7, SCOPE Complex, 7th Institutional Area, Lodhi Road, New Delhi-110 003 or their authorised representative(s) at its Registered Office first above mentioned shall be authorised to act severally for and on behalf of NTPC.

10.0 NOTICE

All notices required or referred to under this Agreement shall be in writing and signed by the respective authorised signatories of the parties mentioned herein above, unless otherwise notified. Each such notice shall be deemed to have been duly given if delivered or served by registered mail/speed post of Department of Posts with an acknowledgement due to the other parties in terms of Clause 9.0 above.

11.0 EFFECTIVE DATE AND DURATION OF AGREEMENT

The agreement shall come into force from the date of signing of the Agreement for all purposes and intent and shall remain operative upto completion of twenty five (25) years from the date of commercial operation of last unit of the station, unless it is specifically extended on mutually agreed terms.

12.0 SUCCESSORS AND ASSIGNS

In case the functions of KSEB are reorganised and/or this PPA is assigned to other organisation(s)/ agency(ies), partly or wholly, the Agreement shall be binding mutatis mutandis upon the successor Distribution/Trading organisation(s)/ agency(ies)/ entities and shall continue to remain valid with respect to the obligations of the successor organisation(s)/ agency(ies)/ entities provided that the successor organisation(s)/ agency(ies) is/are owned or controlled by the Government of Kerala.

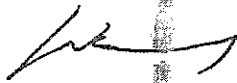
In the event the functions of KSEB are reorganised and/or this PPA is assigned to Private organisation(s)/agency(ies), partly or wholly, the successor organization(s) and assign(s) shall ensure alternative payment

security mechanism to the satisfaction of NTPC before assignment of this Agreement to the Private organisation(s)/agency(ies). In the event such satisfactory arrangement is not made, NTPC shall have the option to terminate this Agreement. In the event of termination of this Agreement KSEB shall be liable and continue to pay the Capacity Charges each month till arrangement for sale of KSEB's share with alternate customers substituting the KSEB is tied up.

IN WITNESS WHEREOF the parties have executed these presents through their Authorised Representatives on the date mentioned above.

WITNESS

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एन. कन्नन
N.KANNAN
महाप्रबंधक (व्यापारिक)
GENERAL MANAGER (COMML.)
एन टी सी लिमिटेड, दक्षिण क्षेत्र कार्यालय, सिकंदराबाद-३
NTPC Limited, SRHQ, SECUNDERABAD-3.

R. Sharma
For and on behalf of
NTPC Ltd.

राज शर्मा
R.S. SHARMA
निदेशक (व्यापारिक)
Director (Commercial)
NTPC LTD.

2.



L. WILSON

CHIEF ENGINEER (CORPORATE PLANNING)
K.S.E.BOARD, VYDYUTHI BHAVANAM
PATTOM, THIRUVANANTHAPURAM-695 004

A.G. Bhadran
For and on behalf of
Kerala State Electricity Board

A.G. BHADRAN
Member (Generation & Distribution)
K.S.E. Board, Vydyuthi Bhavanam
Pattom, Thiruvananthapuram-4