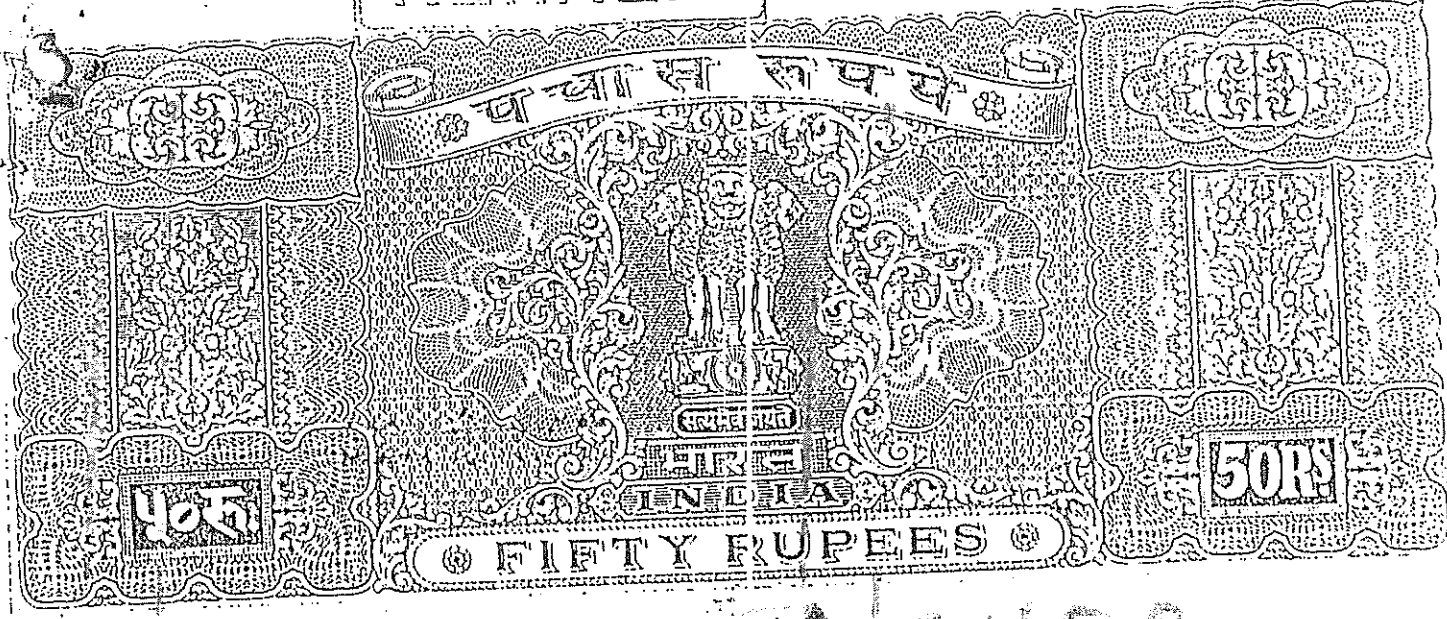


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POWER PURCHASE AGREEMENT
 BETWEEN
 NATIONAL THERMAL POWER CORPORATION LIMITED
 AND
 KERALA STATE ELECTRICITY BOARD

THIS POWER PURCHASE AGREEMENT hereinafter called "the Agreement" entered into on Tenth day of June, One Thousand Nine Hundred Ninty Eight (10.6.1998) between National Thermal Power Corporation Limited, a Company incorporated under the Companies Act, 1956 having its registered office at NTPC Bhavan, SCOPE Complex, 7, Institutional Area, Lodhi Road, NEW DELHI - 110003 (hereinafter called "NTPC" which expression shall unless repugnant to the context or meaning thereof include its successors and assigns as party of the first part; and Kerala State Electricity Board, with its head office at Vaidyuthi Bhavanam, Pattom, Trivandrum - 695 004 (hereinafter called KSEB) and which expression shall unless repugnant to the context or meaning thereof include its respective successors and assigns as party of the second part.

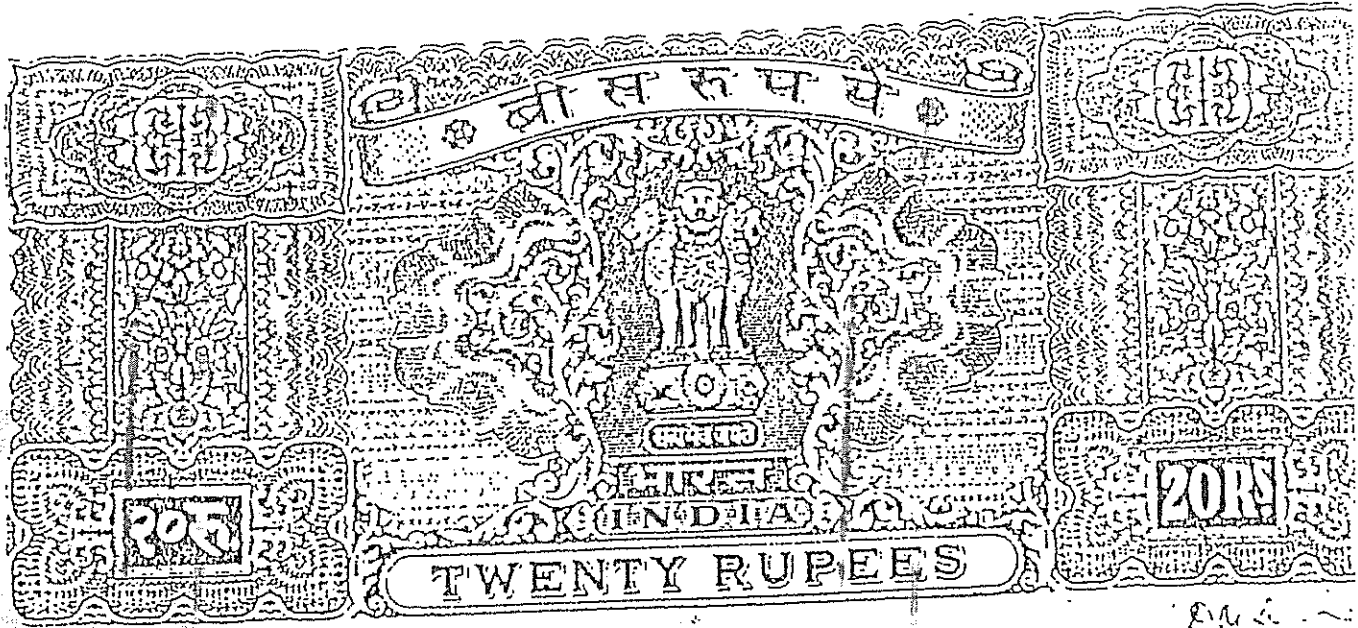
This Power Purchase Agreement supersedes the Bulk Power Supply Agreement signed on 1.10.94 between the parties mentioned above.

WHEREAS NTPC is a Generating Company of Govt of India and will be executing Talcher Super Thermal Power Station St-II at Dhenkanal District, Orissa hereinafter referred to as "Talcher St-II" and generally referred to as "Generating Station" to be owned and operated by NTPC.

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Jaya Kumar
Kuttu Secani
N.T.P.C

D. M. LAKSHMI,
Stamp Vendor, Lic No. 88/
LAXMI ARTS,
Opp: Swarnajyoti S. B. Bldg,
SECUNDERABAD-500 002

POWER PURCHASE AGREEMENT
BETWEEN
NATIONAL THERMAL POWER CORPORATION LIMITED
AND
ANDHRA PRADESH STATE ELECTRICITY BOARD

THIS POWER PURCHASE AGREEMENT hereinafter called "the Agreement" entered into on Sixth day of April One Thousand Nine Hundred Ninty Eight (06.04.1998) between National Thermal Power Corporation Limited, a Company incorporated under the Companies Act, 1956 having its registered office at NTPC Bhavan, SCOPE Complex, 7, Institutional Area, Lodhi Road, NEW DELHI - 110003 (hereinafter called "NTPC" which expression shall unless repugnant to the context or meaning thereof include its successors and assigns as party of the first part; and Andhra Pradesh State Electricity Board, with its head office at Vidyut Soudha, Hyderabad - 500 049 (hereinafter called APSEB) and which expression shall unless repugnant to the context or meaning thereof include its respective successors and assigns as party of the second part.

This Power Purchase Agreement supersedes the Bulk Power Supply Agreement signed on 1.10.94 between the parties mentioned above.

WHEREAS NTPC is a Generating Company of Govt of India and will be executing Talcher Super Thermal Power Station St-II at Dhenkanal District, Orissa hereinafter referred to as "Talcher St-II" and generally referred to as "Generating Station" to be owned and operated by NTPC.

(Handwritten signatures and initials)

AND WHEREAS , the total capacity of Talcher St-II (2000 MW) is proposed to be allocated to Andhra Pradesh State Electricity Board, Karnataka Electricity Board, Tamil Nadu Electricity Board, Kerala State Electricity Board and Electricity Department of Union Territory of Pondicherry (referred to as "Bulk Power Recipient(s)").

AND WHEREAS the Bulk Power Recipients are desirous of purchasing energy from NTPC's Talcher St-II Station and NTPC is willing to sell energy from Talcher St-II Station to Bulk Power Recipients from the date of commissioning of Unit I of Talcher St-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:

The words/expressions used in this Agreement unless repugnant to the context shall have the same meaning assigned to them by Indian Electricity Act, 1910 and Electricity (Supply) Act, 1948 as amended from time to time and the Rules framed thereunder. The words/expressions mentioned below shall have the meanings respectively as assigned hereunder.

- i) GOI: Shall mean Govt. of India.
- ii) CEA: Shall mean Central Electricity Authority which is a statutory Authority.
- iii) POWERGRID: Power Grid Corporation of India Ltd.
- iv) SREB : Shall mean Southern Regional Electricity Board duly established by Government of India vide Resolution No.EL-II-35(1)/63 dated 7.2.1964 and subsequent amendment/resolution thereof and as defined in the amended E(S) Act, 1948.
- v) EREB : Shall mean Eastern Regional Electricity Board duly established by GOI vide Resolution No.EL.II/35(7)/63 dated 06.03.1964 and subsequent amendment(s)/resolution(s) thereof and as defined in the amended Electricity (Supply) Act, 1948.

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AND WHEREAS , the total capacity of Talcher St-II (2000 MW) is proposed to be allocated to Andhra Pradesh State Electricity Board, Karnataka Electricity Board, Tamil Nadu Electricity Board, Kerala State Electricity Board and Electricity Department of Union Territory of Pondicherry (referred to as "Bulk Power Recipient(s)").

AND WHEREAS the Bulk Power Recipients are desirous of purchasing energy from NTPC's Talcher St-II Station and NTPC is willing to sell energy from Talcher St-II Station to Bulk Power Recipients from the date of commissioning of Unit I of Talcher St-II on mutually agreed terms and conditions mentioned hereunder.

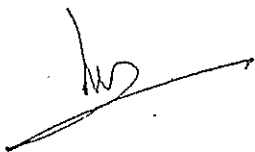
AND WHEREAS it is specifically agreed between the parties namely; NTPC and KSEB that the Power Purchase Agreement (PPA) which has already been signed between APSEB and NTPC on 6.4.1998 for supply of Power to APSEB from Talcher Stage-II (enclosed at Annexure-I) shall be fully adopted and all the provisions therein shall mutatis mutandis apply to KSEB and NTPC subject to specific agreement reached between the parties and mentioned in these presents.

Now therefore, in consideration of the premises and mutual agreements, covenants and conditions setforth herein, it is hereby specifically agreed by and between the parties that all provisions of the abovesaid PPA dtd 6.4.1998 between APSEB and NTPC (copy enclosed at Annexure-I) which shall become an integral part of this Agreement, shall mutatis mutandis apply for the purpose of power supply to KSEB from Talcher Stage-II under this Agreement, for all intents and purposes, subject to the provisions mentioned below:

(i) The following shall be added after 2nd para of clause 2.1 :-

"However in case APSEB does not avail such excess capacity either in full or in part, the same shall be offered to KEB and in case KEB agrees, such excess capacity shall be allocated to KEB in addition to their share as above, at the time of finalising the allocation of power by GOI.

And in case APSEB and KEB do not avail such excess capacity either in full or in part, the same shall be offered to TNEB and in case TNEB agrees, such excess capacity shall be allocated to TNEB in addition to their share as above, at the time of finalising the allocation of power by GOI.



And in case APSEB, KEB and TNEB do not avail such excess capacity either full or in part, the same shall be offered to KSEB and in case KSEB agrees, such excess capacity shall be allocated to KSEB in addition to their share as above, at the time of finalising the allocation of power by GOI."

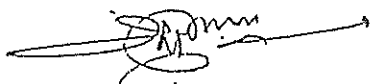
(ii) Except for Clause 2.1 wherever the words "APSEB" and "THE GOVT. OF Andhra Pradesh" appear in the PPA, the same shall be read and construed as "KSEB" and "THE GOVT. OF Kerala" respectively.

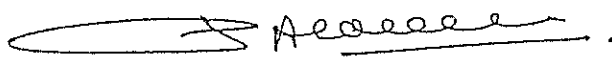
IN WITNESS WHEREOF the parties have executed these presents through their authorised representatives at Trivandrum.

WITNESS

1.


For and on behalf of
Kerala State Electricity Board


R. G. S. V. TEJASWANI
MEMBER (ACCOUNTS)
KERALA STATE ELECTRICITY BOARD
TRIVANDRUM


(P.A. SIDHARTHA MENON)
CHAIRMAN

2.

For and on behalf of
National Thermal Power Corporation Ltd.


(SHYAM WADHERA)
GM (COMMERCIAL)
NTPC.


(KESHAV SARAN)
DIRECTOR (PROJECTS)

- vi) SRLDC : Shall mean Southern Regional Load Despatch Centre.
- vii) ERLDC : Shall mean Eastern Regional Load Despatch Centre.
- viii) Main Import Meter: Shall mean Meter for measurement of active energy import at Talcher ST-II 400 KV busbars for Energy Accounting.
- x) Check Import/Export Meter: Shall mean Meter for maintaining a check on performance of Main Import/Export meter.
- xi) Regional Energy Account: Shall mean Periodic Energy Account including amendments thereof, if any prepared by SREB and/or Regional Energy Account prepared by EREB
- xii) Charges for supply of energy: Shall mean and include all charges to be paid by Bulk Power Recipients in respect of supply of power to them by NTPC in accordance with the provisions of this Agreement.
- xiii) LC : Shall mean Irrevocable Revolving Letter(s) of Credit.
- xiv) Date of commercial Operation: Shall mean the date of Commercial operation declared by NTPC in respect of generating unit(s) on the basis of guidelines issued by Govt. of India from time to time and confirmed by CEA in case of dispute.

2.0 INSTALLED CAPACITY

The installed capacity of Talcher St-II shall be 2000 MW, subject to change after placement of orders for the main plant equipment.

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2.1 ALLOCATION OF POWER

The allocation of power from Talcher ST-II shall be, subject to the approval of Ministry of Power, Government of India, as under:

Bulk Power Recipients	Allocation(MW)	% of total capacity
APSEB	425	21.25
K&B	396	19.80
KSEB	280	14.00
TNEB	541	27.05
Pondicherry	58	2.90
Unallocated	300	15.00
	2000	100.0

In case any of the Bulk Power Recipients do not desire to avail full or part of their allocation the excess capacity shall be offered to APSEB and in case APSEB agrees the same shall be allocated to APSEB in addition to their share as above at the time of finalising the allocation of power by GOI.

The unallocated capacity shall stand allocated from time to time as per decision of Member Secretary, SREB/CEA/Ministry of Power. Balance unallocated capacity, if any, after the above allocations shall be deemed to have been allocated to various Bulk Power Recipients in proportion to their allocated shares.

The right of each Bulk Power Recipient to draw power against the above allocations shall be limited to the amount of LC opened by them.

It is understood and agreed by and between the parties that NTPC shall operate this station considering the regional merit order of all generating stations in Southern Region based on CEA/GOI guidelines.

2.2 COMMERCIAL OPERATION OF GENERATING UNITS

The dates of commercial operation of generating units of Talcher ST-II shall be as defined under clause 1.0 (xiv) above.

2.3 DRAWAL OF POWER



Bulk Power Recipient(s) shall draw their share of power from Talcher ST-II through transmission system of Power Grid Corporation of India Ltd., and the transmission system(s) of Bulk Power Recipient(s)/ other Agency (ies), directly and/or by displacement.

3.0 TRANSMITTING NTPC POWER THROUGH TRANSMISSION SYSTEM OF POWERGRID AND/OR BULK POWER RECIPIENTS AND/OR OTHER AGENCY (IES)

The transmission charges and transmission losses, if any, will be payable directly by Bulk Power Recipients to POWERGRID and/or other agencies transmitting energy. The payments of NTPC bills in any case shall not be affected as a result of any dispute amongst Bulk Power Recipients, POWERGRID or other agency(ies) and no deductions from NTPC bills would be made on this account.

4.0 ENERGY ACCOUNTING

a) Regional Energy Accounts issued by the Commercial Committee of SREB/Member Secretary, EREB shall be binding on all the parties to these presents for billing and payment purposes.

b) Regional Energy Accounts shall be prepared latest by 6th day of every month (if 6th day is a holiday for the Secretariat of SREB/EREB, the next working day will be applicable) based on the monthly joint energy meter readings furnished to the SREB/EREB by the 2nd day of the month by NTPC, Bulk Power Recipients and other agencies.

c) Regional Energy Accounts, whether they are final or provisional, shall ensure accounting of total net energy sent out at 400 KV bus bars of Talcher St-II and shall indicate monthly drawal by each of Bulk Power Recipients from Talcher St-II for billing purposes. NTPC shall not be responsible for any loss(es) of energy beyond 400 KV bus bars of Talcher St-II.

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

e) The export and import of energy at the metering points/locations shall be computed on net basis i.e. by difference between export and import meter readings.

f) Any change in the methodology for Regional Energy Accounts shall be done only with the consent of NTPC and Bulk Power Recipients and no

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unilateral deductions by any of or all Bulk Power Recipients shall be made from bills of NTPC on this account.

g) NTPC shall prepare bills for the energy supplied to each of Bulk power Recipients on the basis of Regional Energy Accounts and Bulk Power Recipients shall accept these bills for payment.

h) In the event of delay in receiving meter readings the Commercial Committee of SREB/ Member Secretary of EREB shall issue Regional Energy Accounts on provisional basis by the 6th day of every month (if 6th day is a holiday for the Secretariat of SREB/EREB the next working day will be applicable).

i) If for any reason whatsoever Commercial Committee of SREB/EREB is not in a position to finalise/issue Regional Energy Accounts, Member Secretary of SREB/ EREB will issue Regional Energy Accounts on provisional basis as early as possible, however, not later than the 10th day of the month which shall be binding on NTPC and Bulk Power Recipients for billing and payment purposes and shall be subject to adjustments, if any, as and when final Regional Energy Accounts are issued.

j) For provisional/revised/amended Regional Energy Accounts necessary adjustments, if any, would be made by NTPC by issuing supplementary bill(s) / Credit note(s) as required.


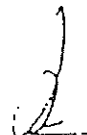
k) Notwithstanding the obligations of Bulk Power Recipient(s) to pay as per this Agreement including deemed generation as per para 5.1(iv), NTPC shall be entitled to divert the share(s) of any Bulk Power Recipient(s) to other Bulk Power Recipients viz. other State Electricity Boards/Utilities in Southern Region or other Regions of the country, in the event of their inability to utilise their full share of power which could be generated by NTPC at Talcher ST-II TPS or in the event of their failure to comply with payment obligations to NTPC as per this Agreement. In such a case Bulk Power Recipient(s) will facilitate supply of power to other Bulk Power Recipients by wheeling this power on their transmission system. The total plant capacity will be allocated by GOI. The total fixed charges of Talcher-II will be shared amongst Bulk Power Recipients in accordance with the tariff notifications to be issued by GOI.

4.1 POINTS FOR METERING

The main and check meters at all outgoing feeders at the 400 kv busbars of Talcher ST-II to be installed by NTPC shall be maintained by NTPC. Installation and maintenance of main and check meters at locations other than the meters installed and maintained by NTPC shall be the responsibility of the concerned Bulk Power Recipient(s) or Power Grid Corporation of India Ltd., or other agencies as the case may be. The meters shall be sealed after calibration by the concerned parties jointly.



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4.2 METERING SYSTEM

4.2.1

A set of Main and Check Energy Meters of 0.2 accuracy class shall be installed by NTPC on all outgoing feeders at 400 KV bus bars of Talcher ST-II. Each of the Main and Check meters will be a pair of Export and Import meters.

4.2.2

All the meters shall be jointly calibrated, inspected and sealed on behalf of the parties and shall not be interfered with except in the presence of authorised representative of the parties or for joint testing and calibration and / or replacement and / or any other purposes for which due notice of 7 (seven) days will be given by NTPC so that this is done in the presence of the authorised representative of the Bulk Power Recipients.

4.2.3

All the meters shall be checked for accuracy quarterly by NTPC and authorised representatives of Bulk Power Recipients and shall be treated as working satisfactorily so long as the errors are within the limits prescribed in relevant Indian Standard (or British Standard where Indian Standard is not existing) for meters of the said class. The meter readings of main meters shall form the basis of the Energy Accounts so long as the quarterly check results thereof are within prescribed limits. If the check meters are found to be defective during the quarterly checks, these shall be immediately calibrated. Where the quarterly checks indicate errors in the main meter(s) beyond limits but no error is noticed in check meter(s) during quarterly checking, computation of total net energy sent out at 400 KV busbars of Talcher ST-II for the month shall be done on the basis of check meter(s) and main meter(s) shall be calibrated immediately. If during the quarterly test check both the main meter(s) and the corresponding check meter(s) are found to be beyond the permissible limits of error both the meter(s) shall be immediately calibrated and the correction applicable to main meter shall be applied to the consumption registered by the main meter(s) to arrive at the correct consumption of energy for the purpose of Energy Accounts for the month from the date of last meter reading upto the time of replacement of correct main meter. Billing for the period thereafter till the next monthly meter reading shall be as per calibrated main meter. During this period of calibration of main and check meter(s), another set of main and check meters duly calibrated and sealed will be installed by NTPC at Talcher ST-II in the presence of authorised representatives of Bulk Power Recipients and jointly sealed. The energy accounting during the period of calibration of original meters shall be as per the

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readings of the substituted main meters. In case spare meters are not available with NTPC, the main/check meters shall be calibrated by rotation. 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.

4.2.4

All the main and check energy meter(s) shall be calibrated once in every six months jointly by NTPC and authorised representatives of Bulk Power Recipients i.e. January and July irrespective of the calibrations that might have been done, where necessary, during the quarterly check. It shall be endeavor of the parties i.e. NTPC and Bulk Power Recipients that errors are adjusted as close to zero as possible. If the error found at the time of half yearly calibration are beyond permissible limits the same procedures applicable to the quarterly test checks shall be followed.

4.2.5

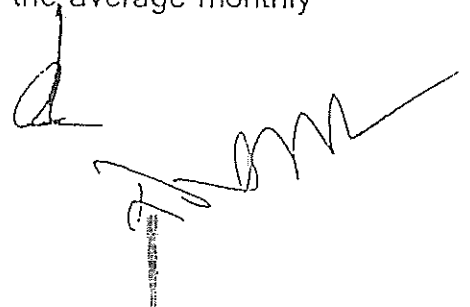
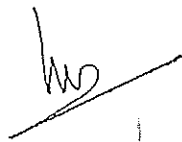
If in any month the readings of the main energy meter(s) differs from the readings of corresponding check energy meter(s) by more than 0.4% (Zero point four per cent) the main and check energy meter(s) shall be tested in turn and the errors at various levels as per standard procedures would be determined. 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 recalibrated or 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).

4.2.6

All the tests during quarterly checks and calibration on the main and check energy meter(s) shall be conducted in the presence of authorised representatives of NTPC and Bulk Power Recipients and the results/correction so arrived at shall be applicable and binding on NTPC and Bulk Power Recipients.

4.2.7

Corrections in billing, whenever necessary, shall be applicable for the period between the previous meter reading and the date and time of the replacement of recalibrated correct meter and this correction shall be for the full value of the absolute error. For the purpose of the correction to be applied, the meter shall be tested as per Indian Standard (British Standard where Indian Standard is not existing). 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.

4.2.8

During the period of calibration of the defective meter(s) another export and import meter(s) duly calibrated would be installed by NTPC at NTPC Station's bus bars in the presence of the authorised representatives of Bulk Power Recipients and jointly sealed. In case spare meter(s) are not available with NTPC the main and check meter(s) shall be calibrated by rotation. 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.

4.2.9

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 NTPC and Bulk Power Recipients for that period of defect. In case there is no mutual agreement, the decision of Member Secretaries of SREB and EREB would be final and binding. In case of disagreement between Member Secretary SREB and Member Secretary EREB the matter shall be refer to Member (Grid Operation) Central Electricity Authority for a final decision.

4.2.10

For the purpose of test and calibration, the Substandard (SS) meter calibrated and sealed by Government Authorised Meter testing House/Laboratory shall be utilised. This Substandard meter shall be got calibrated once in every six months at the Government Authorised Meter testing House/Laboratory.

4.2.11

The readings of the meters shall be taken jointly NTPC and authorised representatives of Bulk Power Recipients. Joint meter readings of the main as well as check meters at various Regional Energy Accounting points as identified by SREB/EREB shall be taken by NTPC and authorised representative of Bulk Power Recipients as mentioned above at 1200 Hours (noon) on the 1st day of each calendar month. The readings taken at Talcher ST-II shall be submitted by NTPC to SREB/EREB so as to reach SREB/EREB on or before 2nd day of the month. The meter readings at other metering points would be submitted by concerned Bulk Power Recipient(s) and/or other concerned agency(ies) so as to reach SREB/EREB on or before 2nd day of the month. In case any of the authorised representatives of concerned party(ies) is/are not available for joint

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meter readings at the specified time, the meter reading taken by the other party(ies) shall be binding on all the Bulk Power Recipients and shall be taken into account for preparation of Regional Energy Accounts.

4.2.12

If at any time any party to the Agreement feels that a meter is not recording correctly it shall give notice to the other party. NTPC shall then undertake testing and calibration of the meters owned by NTPC and located at NTPC Station in coordination with the other party. If error on such testing is found to exceed the error limits specified in the relevant Indian Standard (British Standard where Indian Standard is not existing), for this class of meters, necessary adjustments in the bills shall be made from the date of notice or from such other date as can be satisfactorily established to be proper for such adjustment not exceeding 30 (Thirty) days prior to notice.



5.0 TARIFF



5.1

The Tariff and terms and conditions for the energy to be supplied by NTPC from Talcher ST-II shall be as per the notification(s) to be issued by Govt. of India, Ministry of Power from time to time under section 43A of Electricity(Supply) Act, 1948 (as amended from time to time). The following would specifically be taken into account while working out Tariff for Talcher ST-II:

- (i) Return would be 16% on equity .
- (ii) The Debt:Equity ratio for the project shall be 70:30 (Seventy:Thirty) as approved by the Govt.of India. All capital expenditure towards the project shall stand allocated in the same proportion for tariff purposes irrespective of the actual Debt:Equity ratio.
- (iii) Incentive shall be paid as an additional return on equity calculated on the basis of Debt : Equity ratio of 70:30(Seventy : Thirty); irrespective of the actual Debt : Equity ratio, at the following rates:

<u>PLF including Deemed Generation</u>	<u>Rate of Incentive</u>
68.49-75.5%	0.5% of Equity for every one percent increase in PLF above 68.49%
Above 75.5%-80.5%	0.55% of equity for every one percent increase in PLF above 68.49%
Above 80.5%	0.65% of equity for every one percent increase in PLF above 68.49%

Deemed generation is applicable only upto a PLF of 85% for the purpose of incentive.

The PLF, for this purpose, shall be calculated on Financial Year basis.

DISINCENTIVE for reduction in generation below 68.49% (6000 kWh/kW/Yr) inclusive of deemed generation shall be applicable at the rate of 1.46% (one point four six percent) of the Fixed Charges for every one percent reduction in PLF below 68.49% (6000 kWh/kW/Yr.)

During the stabilisation period of 180 days from the date of commercial operation, the PLF norms for disincentive would be 51.37% (4500 kWh/kW/Yr.)

No disincentive will be applicable on account of force majeure events.

No disincentive will be applicable on account of NTPC resorting to restriction of generation or stopping generation altogether on account of non-payment of dues.

The issue regarding disincentive in case of generation loss due to non-availability of fuel will be discussed between NTPC, Bulk Power Recipients and Fuel Suppliers and shall be mutually agreed separately.

The PLF, for this purpose, shall be calculated on Financial Year basis.

(iv) Deemed Generation for the purpose of incentive/disincentive shall mean for any period the quantum of energy which NTPC was in a position to generate during such period, but could not generate, as a direct result of:

(a) any direction, issued by SREB/EREB/SRLDC/ERLDC/ Bulk Power Recipient(s) to reduce or restrict generation for any reason whatsoever, and/or

(b) any failure on the part of Bulk Power Recipient(s) to draw/purchase energy.

v) The loan and equity would be drawn in parallel.

(vi) Water Charges more than Rs.5 lacs/annum would be paid by Bulk Power Recipients separately additionally through tariff.

(vii) Initial Spares shall be included in the Capital Cost even though these have not been capitalised in NTPC's Books of Accounts and the same would not be accounted against Working Capital.

(viii) Any expenditure towards the Capital Cost of the station denominated/funded in one or more foreign currencies shall be converted into

rupee equivalent as on 31st March each year as per Accounting Standard of the Institute of Chartered Accountants of India which provides that long term liabilities incurred for the acquisition of fixed assets and changes on account of exchange rate variations in respect thereof should be regarded as an adjustment of cost and should be included in the carrying amount of the related fixed assets.

Provided however, that such adjustment shall have no effect in so far as the O&M component of the tariff and the incentive/disincentive on generation are concerned.

ix) In case the tariff as provided above is not notified by Govt. of India prior to commencement of commercial operation of the 1st unit, the same would be worked out by NTPC based on the above provisions and the guidelines of Govt. of India as applicable from time to time. The same shall be billed by NTPC on provisional basis subject to retrospective adjustment as and when the tariff is notified by Govt. of India.

5.2 LEVIES, TAXES, DUTIES, CESS ETC.

The above tariff is exclusive of any statutory taxes, levy, duties, cess or any other kind of imposition(s) whatsoever 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, transmission, environment protection, sale or on supply of power/energy and/or in respect of any of its installations associated with Generating Stations and/or on Transmission System.

The total amount of such levies/taxes/duties/cess etc. payable by NTPC to the authorities concerned in any month on account of the said levies/taxes/duties/Cess etc. as referred to above shall be borne and additionally paid by Bulk Power Recipients to NTPC and the same shall be charged in the monthly bills raised by NTPC on the Bulk Power Recipient in the proportion of energy draws by them from this power station.

Incidence of tax liability on NTPC as per the provisions of the Income Tax Act applicable from time to time shall be recovered from Bulk Power Recipients duly certified by Statutory Auditors of NTPC. The allocation of the Income Tax liability to the respective power station will be in proportion to the capacity of NTPC in operation at the beginning of the respective financial year.

Income tax on incentive would not be a pass through in tariff. In addition, the GOI guidelines regarding income tax liability as applicable from time to time, shall apply.

If any advance Income Tax is payable by NTPC in any month, NTPC shall submit a bill to Bulk Power Recipients supported by a certificate of its Chartered Accountant on or before the due date of payment of such bill, Bulk Power Recipients shall pay to NTPC an amount equal to their share of such advance tax. After the tax assessment is completed for any year and the liability thereon is determined by the taxation authorities, the excess or shortfall in the tax liabilities so determined will be adjusted in the regular monthly bill for the billing month in which such tax has become due for payment by NTPC. The due date of payment of the bills for such advance Income Tax or final Income Tax shall be 15 days from the date of presentation of the bill therefore by NTPC.

6.0 BILLING AND PAYMENT

All charges under this Agreement shall be billed by NTPC and shall be paid by Bulk Power Recipients in accordance with the following provisions:

- a) NTPC shall present bills after the end of each calendar month for energy supplied to Bulk Power Recipients from Talcher ST-II.
- b) Billing Centre of NTPC shall carry out billing and associated functions. The authority of Bulk Power Recipients to whom the bills have to be submitted would be informed by Bulk Power Recipients to NTPC within a month of signing of the Agreement failing which NTPC would submit the bills to the Chief of Finance and Accounts wing of Bulk Power Recipients.
- c) The monthly bill for Talcher ST-II shall be aggregate of charges in accordance with the provisions of the 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).
- d) 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 referred to in clause 5.0, and
 - iii) energy accounts referred to in clause 4.0.

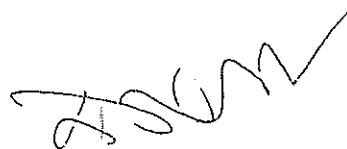
In disputed cases Bulk Power Recipients shall file a written objection with NTPC within 45 (forty five) days of presentation of the bill, giving following particulars:

- i) Item disputed, with full details/data and reasons of dispute, and
- ii) Amount disputed against each item.









NTPC shall resolve the above dispute(s) with Bulk Power Recipients as soon as possible.

e) Establishment of LC and payment of bills

Payment of bills for supply of power from Talcher ST-II shall be made by Bulk power Recipients through irrevocable revolving Letter(s) of Credit (LC) established in favour of NTPC. At least one month prior to the date of commencement of power supply from Talcher ST-II, the LC will be established to cover one month average billing of last quarter for power supply from Talcher Stage-II. LC shall be established for a minimum period of one year which would be renewed/enhanced for the subsequent period by Bulk Power Recipient(s) ensuring that LC remains valid at all times. LC shall be duly backed-up by an Escrow Account and a suitable guarantee from the State Govt. Format of such guarantee to be given by respective State Govt. is enclosed at Annexure-I.

LC shall be without any limitation or restriction with regard to the manner and dates when bill(s) can be presented to Bank by NTPC. The operation of LC shall not be dependent on the recoupment of amount by Bulk Power Recipients. The bills so presented by NTPC to the bank shall be promptly paid on their presentation. The amount of LC shall be reviewed each quarter commencing April, July, October and January in each financial year and its amount shall be enhanced/reduced accordingly. The LC charges shall be borne by Bulk Power Recipient(s).

f) Rebate on payment through LC

NTPC shall allow a rebate of 2.5% (two and a half percent) only on the amount paid through LC upon presentation of bills by NTPC to Bank. Thereafter, NTPC shall allow a rebate of 1.5% (one and a half percent) only on the amount paid through LC upto 20th day from the date of billing. Where payments are made subsequently through LC or otherwise within a period of one month from date of issue of bills by NTPC, a rebate of 1% (one percent) only will be allowed. The rebate shall be limited to the amount of NTPC bills after excluding wheeling charges, if any, taxes, duties, cess etc. billed therein.

g) Surcharge Due on Late Payment

In case payment is made after the last day of the month following the month in which the bill is raised by NTPC the surcharge @ 2% (two percent) per month shall be charged on the amounts remained 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.









h) Escrow Arrangement

To provide additional security to NTPC for Bulk Power Recipients payment obligations under this agreement, Bulk Power Recipient(s) and NTPC along with a public sector bank ("the Escrow Agent") shall enter into an Escrow Agreement within eight weeks of signing of this Agreement for the establishment and operation of an Escrow Account in favour of NTPC. The operations in the Escrow Account shall be governed by the following:

- i) The Escrow Agent shall be the same banking institution through which Bulk Power Recipient will open an irrevocable LC arrangement referred in para 6.0 (e) and the Escrow Account shall be opened at the same branch of the Escrow Agent which maintains the bank account of Bulk Power Recipient to which the maturing obligations under the LCs will be debited.
- ii) The Escrow Account shall be opened at least one month prior to expected date of commencement of supply of power from first unit of the station.
- iii) Bulk Power Recipients and NTPC shall agree at least 3 months prior to the date of opening of Escrow Account regarding the identified areas/circles of Bulk Power Recipient, the collection from which shall flow directly into the Escrow Account.
- iv) The cumulative monthly cash flows from the identified areas/circles into the Escrow Account in the manner stated in (iii) above shall at least be equivalent to 110% of the estimated monthly value of the bills to be submitted by NTPC. If there is a shortfall in the cumulative amount of such cash flows so as to reach the cover of 110% on a monthly basis, Bulk Power Recipients shall cause sufficient funds to be credited to the Escrow Account so as to maintain the aggregate cumulative flows to yield a cover to the extent stated above.
- v) If Bulk Power Recipient fails to make payments through LC as provided herein or fails to renew, replenish or enhance the LC as required or if the bill amount exceeds the amount of LC, the Escrow Agent shall automatically trigger the operation in the Escrow Account so as to transfer sufficient balance to the LC Account to be in a position to honour the bill under the LC. Such triggering of the transfer of funds from the Escrow Account shall be unconditional and at no time Bulk Power Recipient shall restrain, revoke or modify the authority to this effect without the express consent of NTPC. Bulk Power Recipient shall also in no event act in any manner as may negatively affect the inflow of revenues into the Escrow Account.
- vi) The triggering of the operation of the Escrow Account in the above manner shall be carried out by the Escrow Agent in preference to meeting any cheques or other payment instructions issued by Bulk Power Recipient from time to time.

Any modification to this arrangement will be taken on record by the Escrow Agent only with the express consent of NTPC.

vii) Any bank charges or other expenses for maintaining or operating the Escrow Account shall be borne by Bulk Power Recipient.

i) State Government Guarantee

Notwithstanding the above, Bulk Power Recipients shall within 3 months of signing of this Agreement, arrange to obtain Guarantee from their State Governments, as per format enclosed at Annexure-I (subject to mutually agreed minor modifications), to be operative at least three months prior to the date of commencement of supply of power from Talcher Stage-II in favour of NTPC to guarantee the performance of the obligations of Bulk Power Recipients to make regular payments of the energy bills presented by NTPC for power supplied to Bulk Power Recipients from Talcher ST-II.

In case the outstanding dues from Talcher-I TPS increase to more than one and a half (1.5) months of billing (calculated on last 3 months average basis) NTPC shall have right to get the payments inclusive of surcharge directly from GOI through Central Plan Assistance to the State Govt.

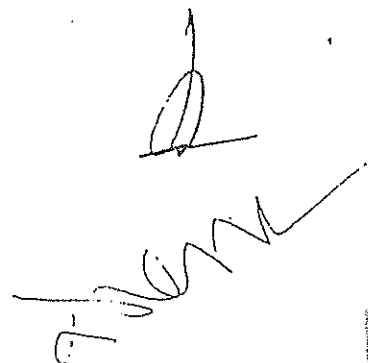
j) Non-payment of bills and non-establishment of LC/Escrow Account/Govt. guarantee.

Bulk Power Recipient(s) shall open/enhance LC/open Escrow Account and furnish Govt. Guarantee as per this Agreement within the stipulated time periods as per clauses 6(e), e(h), and 6 (i) covering the monthly payments towards power supplied to Bulk Power Recipient(s) from Talcher Stage-II. In the event of failure to establish LC and/or Escrow Account and furnish Govt. Guarantee as above and/or to enhance LC within the specified period or if any bills remain unpaid for a period exceeding two months from the date of issue of the bill, NTPC shall have the authority to discontinue/reduce supply of power from Talcher ST-II to Bulk Power Recipient(s) and inform SREB/EREB accordingly.

7.0 ARBITRATION

7.1

All differences or disputes between the parties arising out of or in connection with this Agreement shall be settled through arbitration as provided herein.



7.2

In the event of such differences or disputes between the parties, any party may by a written notice of 30 days to the other party request for appointment of a sole Arbitrator to be decided mutually by the parties and, in case of disagreement, to be decided by Chairman of Central Electricity Authority. The arbitration shall be conducted in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and any statutory modifications thereto. The Arbitrator shall give a speaking and reasoned award. The decision of the Arbitrator shall be final and binding on the parties. The venue of the arbitration shall be as decided by the Arbitrator. The Court of Hyderabad shall have exclusive jurisdiction in all matters arising under this Agreement.

7.3

The Arbitrator shall reasonably decide in what proportion his fee and cost of arbitration proceedings shall be borne by the parties. The Arbitrator with the consent of the parties may extend the time to make and publish the award.

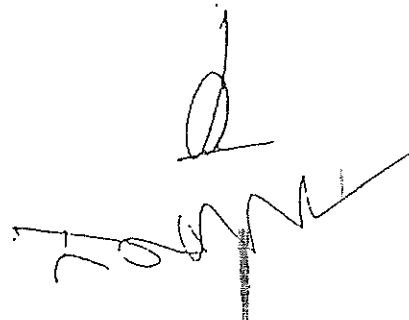
7.4

Notwithstanding the existence of any question, disputes and differences referred to arbitration, the parties hereto shall continue to perform their respective obligations under this Agreement and the payment of any bill preferred shall be paid when stipulated and shall not be withheld by Bulk Power recipients for any reason whatsoever including the pendency of arbitration proceedings.

8.0 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, accident, 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.



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 Bulk Power Recipient(s) within one month of signing of the Agreement. Notwithstanding any nomination, the Executive Director (SR) NTPC, II & V Floor, MCH Complex, R P Road, Secunderabad- 500 003 (A.P.) as well as General Manager (Commercial), NTPC, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110 001 or their authorised representatives at its Registered Office first above mentioned, shall be authorised to act 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 this Agreement for all purposes and intent and shall remain operative upto completion of five (5) years from the date of commercial operation of last unit of Talcher ST-II 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 Bulk Power Recipient(s) continue to get power from Talcher ST-II 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.

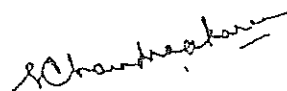
12.0 SUCCESSORS AND ASSIGNS

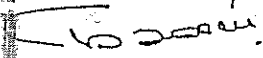
In case any of the Bulk Power Recipients is wound up and/or its generation, transmission and distribution activities are taken over by other organisation (s)/ agency(ies), partly or wholly, the Agreement shall be binding mutatis mutandis upon the successor organisation(s)/agency(ies), and guarantee by the

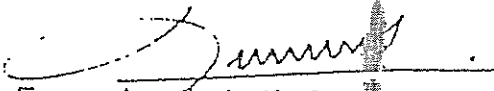


concerned State Government, shall continue to remain valid with respect to the obligations of the successor organisation(s)/agency(ies). In such an event, the Escrow Arrangement referred to in para 6(h) and LC arrangement referred to in para 6(e) shall also be binding in respect of its successor organisation(s)/agency(ies) with such modifications and changes as may be considered necessary.

WITNESS WHEREOF the parties have executed these presents through their Authorised Representatives at Hyderabad.

WITNESS

1. 
For and on behalf of
S. CHANDRASEKARAN Andhra Pradesh State Electricity Board
Member (Accounts)
APSEB
Vidyut Soudha
Hyderabad

2. 
For and on behalf of
National Thermal Power Corporation Ltd.
(C. P. JAIN)
D. (fin)
N.T.P.C
Sector Conblox
Kooli Road
N. Delhi

GUARANTEE

GUARANTEE OF THE STATE OF ANDHRA PRADESH

THIS GUARANTEE is made..... on..... day of 1998 by the Governor of Andhra Pradesh on behalf of THE GOVT. OF Andhra Pradesh (hereinafter referred to as the "GUARANTOR").

In consideration of National Thermal Power Corporation Ltd. a Government Company incorporated under the Company Act, 1956 having its registered office at NTPC Bhavan, Scope Complex, 7 Institutional Area, Lodi Road, New Delhi 110 003, (hereinafter referred to as "Company") which expression shall unless repugnant to the context or meaning thereof, include its successors and assigns and have agreed to sell electrical energy to Andhra Pradesh Electricity Board, a statutory body owned by the Govt of Andhra Pradesh constituted under the Electricity (Supply) Act, 1948 (hereinafter referred to as "APSEB ") which expression shall unless repugnant to the context or meaning thereof, include its successors and assigns, as per provisions of the Power Purchase Agreement dated 06.04.1998 (hereinafter referred to as "PPA") executed between the Company and APSEB (Copy annexed hereto as Appendix - A). In terms of the said PPA dated 06.04.1998 APSEB have agreed to arrange the State Govt. Guarantee in favour of the Company. At the request of APSEB , Govt. of Andhra Pradesh (hereinafter called as the Guarantor) hereby covenants and agrees as follows:

GOVT. OF ANDHRA PRADESH GUARANTEE

(A) Guarantee of APSEB Payment Obligations:

The Guarantor hereby irrevocably and unconditionally Guarantees to the Company (as a secondary obligor) to promptly pay to the Company, within 7 days following submission by the Company of a demand in accordance with Clause 1 (B) below any and every sum of money which APSEB is liable to pay to the Company for supply of power from Talcher ST-II NTPC as mentioned in the said PPA.