

MEMORANDUM OF UNDERSTANDING

BETWEEN

MINISTRY OF POWER, GOVERNMENT OF INDIA

AND

**NORTH EASTERN ELECTRIC POWER
CORPORATION LIMITED**

2004-2005

PART-I

MISSION AND OBJECTIVES

OF

**NORTH EASTERN ELECTRIC POWER
CORPORATION LIMITED**

A) *MISSION :*

To harness the vast hydro & thermal power potential to produce pollution free and inexhaustible power through planned development of power generation projects. NEEPCO would play a significant role in the integrated and efficient development of hydroelectric and thermal power in the Central Sector covering all aspects such as investigation, planning, designs, construction, operation and maintenance of hydroelectric and thermal projects which in turn would effectively promote the development of the nation as a whole.

B) OBJECTIVE :

For fulfillment of its mission, NEEPCO has set the following objectives for the year 2004-2005 commensurate with the aims, programmes and policies of the government evolved from time to time:

- 1) To execute on-going hydro / thermal projects as per targets set, so as to achieve commissioning of such projects as per schedule or ahead of schedule.
- 2) To ensure optimum utilization of installed capacity so as to achieve maximum generation, optimum machine availability, and high Plant Load Factor.
- 3) To undertake execution of new hydro/thermal schemes.
- 4) To make full efforts in the realization of outstanding dues from the beneficiaries in order to bring down the sundry debts.
- 5) To make efforts to evolve appropriate technology for accelerating the hydro / thermal development.
- 6) To undertake timely renovation & modernization of old existing hydro plants.
- 7) To improve the Quality Management System. NEEPCO is already registered as an ISO:9001-2000 company.
- 8) To complete preparation of Pre-Feasibility Reports and DPR of new schemes for hydro projects as per schedule or ahead of schedule given by Central Electricity Authority (CEA).

PART - II

DELEGATION OF POWER

Enhanced delegation of powers given to MOU signing companies including those which may be extended to such companies during 2004-2005 shall be exercisable by NEEPCO.

PART - III
PERFORMANCE TARGET FOR 2004-05 AND EVALUATION CRITERIA

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2004-2005)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2003-04	2003-04	2004-05						
PART A												
I. Static Financial Parameters												
a) Financial Performance Indicators												
	i) Gross Margin/Gross Block	%	2			12.61	14.14	13.37	12.61	11.86	11.14	
	ii) Net Profit/Net Worth	%	10	2.57	6.19	4.12	6.12	5.11	4.12	3.15	2.22	
	iii) Gross Profit/Capital Employed	%	10			5.73	6.82	6.27	5.73	5.20	4.69	
b) Financial Indicators - Size												
	i) Gross Margin	Rs in crores	8	462.94	441.41	428.00	480.10	453.8	428.00	402.76	378.34	
	ii) Gross Sales	Rs in crores	4			631.66	683.76	657.46	631.66	606.42	582.00	
c) Financial returns - Labour productivity and Total Factor Productivity												

i) PBDIT/Total Employment	%	7			23.78	26.67	25.21	23.78	22.38	21.02
ii) Added Value/Gross Sales	%	9			-68.04	-55.23	-61.44	-68.04	-75.03	-82.37
II. Dynamic Parameters										
i) Quality (ISO Certification, Internalisation of Quality)		1			Every Eight Months	Every Six Months	Every Seven Months	Every Eight Months	Every Nine Months	Every Ten Months
ii) HRD										
a) Training of workman/supervisor		1.5	140	140	147	163	155	147	140	133
b) Training of Executives		1.5	125	125	133	147	140	133	126	120
iii) R & D for sustained and continuous innovation.										
a) Use of innovative technology for controlling seepage in HRT of RHEP		1			Jul-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04
b) Use of innovative technology for controlling seepage in Surge Shaft of RHEP		1			Jul-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04
iv) Project Implementation		20	Enclosed as Annexure - II							

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2004-2005)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2003-04	2003-04	2004-05						
PART B												
Specific Parameters												
1	Sector -specific Generation											
a)	Hydro	MU	6	2075	2060*	1992	2155	2072	1992	1912	1836	
b)	Thermal	MU	5	2060	2075*	2060	2228	2142	2060	1978	1899	
2	Enterprise-specific and Efficiency Parameters											
a)	Capacity Index											
	Hydro	%	6	85	85	85	93	89	85	82	79	
b)	Availability											
	Thermal	%	5	86	85	84	92	88	84	81	78	
c)	Collection of current dues	(%)	2	82	82	84	92	88	84	81	78	
Total		100										
Gross Profit :		Rs.	273.00 Crs.			Net Profit :		Rs.	103.28 Crs.			
Net Worth :		Rs.	2507.17 Crs.			Capital Employed :		Rs	4765.29 Crs.			

* Includes deemed generation

- 1 The Generation targets of hydro projects are subject to availability of estimated water inflow and there being no load / transmission constraints. The above Generation target for thermal projects is achievable subject to adequate grid demand, sufficient transformation and transmission capacity of the grid, adequate availability of Gas supply from M/s OIL and M/s GAIL. For the Purpose of evaluation therefore, the loss in generation both for Hydro and thermal power stations due to such factors will be reduced from the performance rating targets.
- 2 Achievement of milestones during 2004-05 in execution of projects shall be subject to availability of funds, investment decision by Govt. of India and non-occurrence of extra-ordinary conditions like law & order problems etc.
- 3 Definitions of Capacity Index and Availability

Capacity Index: Capacity Index means the average of the Daily Capacity Indices over one year.
Daily Capacity Index means percentage of the Declared Capacity to the Maximum Available Capacity for the day.

Availability: Availability of thermal generating stations for any period shall be the percentage ratio of average Sent Out Capability (SOC) for all the time blocks during that period and rated SOC of the generating station.

PART – IV

ASSISTANCE FROM GOVERNMENT

The following Government Assistance shall be required with a view to enable the Corporation to achieve its objective:-


1. The law and order remains a serious problem due to continued insurgency in the N.E Region. NEEPCO finds it difficult to execute the project works in an insecure atmosphere for the work force. Ministry of Home Affairs, Department of Development of N.E. Region and Ministry of Power, Govt. of India are requested to provide adequate security cover for NEEPCO's vital installations and projects under execution / New schemes and their respective personnel working in the projects / plants. NEEPCO expects the respective State Govt. to maintain law and order for smooth Operation & Maintenance of commissioned projects and execution of on going Project works.
2. The Government of India would assist NEEPCO in obtaining soft long term bilateral and multilateral external financial assistance in executing projects in the North East.
3. The Government of India would assist NEEPCO in imparting overseas professional training to its executives under various training schemes of the Government of India.
4. The Ministry of Power, Government of India would assist NEEPCO in prevailing upon State Governments to clear the outstanding dues under the scheme of tripartite agreement.
5. The Government of India would assist NEEPCO in obtaining waiver of penal interest on Government of India loan.

PART – V

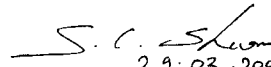
FREQUENCY OF MONITORING AND INFORMATION FLOW

For regular monitoring of each activity under various projects in execution, the following procedures are being adopted.

- a) Monthly Statement of financial cost and expenditure of projects to MOP/MHA/PC/CEA.
- b) Monthly Flash Report to CEA/MOP/MHA/PC.
- c) Quarterly Programme Implementation Status Report to MOPI/MOP/ MHA/PC.
- d) Monthly Progress of the utilization of External assistance to MOP/PC.


29.03.04

(R.V. SHAHI)
Secretary to Govt. of India.
Ministry of Power.


29.03.2004

(S. C. SHARMA)
Chairman & Managing Director
North Eastern Electric
Power Corporation Limited.

COMMENTS OF THE PSE QUANTITATIVE PARAMETERS

1. The generation targets for the year 2004-2005 are as under:

Sl. No.	Name of the Project	Generation Capacity (MW)	Yearly Generation Target (MU)
A) HYDRO			
1)	Kopili H.E. Project	2 x 50 2 x 25 } = 150	575
2)	Kopili H.E. Project (1st Stage Extension)	2 x 50 = 100	225
3)	Kopili H.E. Project (Stage-II)	1 x 25 = 25	100
4)	Doyang H.E. Project	3 x 25 = 75	150
5)	Ranganadi H.E. Project	3 x 135 = 405	942
		755	1992
B) THERMAL			
1)	Assam Gas Based Power Project	6 x 33.50 3 x 30 = 291	1550
2)	Agartala Gas Turbine Power Project.	4 x 21 = 84	510
		375	2060
TOTAL (A + B)		1130	4052

2. **FINANCIAL TARGET**

The Corporation plans to achieve a total revenue of Rs 631.66 Crores during 2004-2005. The Corporation will earn a net profit of Rs. 103.28 Crores during the year. The Government will provide a net budgetary support of Rs. 217.00 Crores for a total

plan expenditure of Rs 482.00 Crores during the year as per the proposed plan allocation for the year 2004-2005. This investment is envisaged to be met as under: -

- | | |
|------------------------------------|----------------|
| a) Net budgetary support | Rs 217.00 Crs. |
| b) External Comm. Borrowings (ECB) | Rs 265.00 Crs. |

TOTAL	Rs 482.00 Crs.
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3. PROJECT IMPLEMENTATION

The Corporation will make a total investment of about Rs 482.00 Crores on various schemes during the year 2004-2005 subject to investment sanctions wherever necessary. The Corporation will improve the project implementation parameters.

4. PERFORMANCE EVALUATION

For the purpose of performance evaluation during the year 2004-2005 the Guidelines issued for setting performance targets and evaluation criteria values will be followed. The performance evaluation will be done at the end of the year.

EXECUTION OF MILESTONES DURING 2004 - 05

ANNEXURE - II

Sl. No.	Activity	Quarter	Weights	Criteria value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
A. TUIRIAL H.E. PROJECT (60 MW)									
1	Diversion Tunnel Works(Lot-I)								Estimated cost: Rs. 368.72 Crs. (June'97 price level), CEA approved. CCEA clearance obtained in July'98 Commissioning schedule July 2006
	a) Completion of Boring	4th	0.75	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	Mar'05	
	b) Completion of Concreting	4th	0.75	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	Mar'05	
2	Dam & Spillway (Lot-II)								
	a) Main Dam								
	i) Excavation (3,00,000 m3)	4th	0.75	Feb'05	1st week Mar'05	2nd week Mar'05	3rd week Mar'05	4th week Mar'05	
	ii) Start of Filling Works	4th	0.75	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	Mar'05	
	b) Spillway								
	i) Completion of Excavation	4th	0.75	Feb'05	1st week Mar'05	2nd week Mar'05	3rd week Mar'05	4th week Mar'05	
	ii) Concreting (42,000 m3)	4th	0.75	Feb'05	1st week Mar'05	2nd week Mar'05	3rd week Mar'05	4th week Mar'05	
3	Power House,Switchyard & Power Water way (Lot-III)								
	a) Completion of Power House Excavation	3rd	0.75	Oct ' 04	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	
	b) Start of Concreting in Power House	3rd	0.75	Sept'04	Oct ' 04	Nov ' 04	Dec ' 04	Jan ' 05	
4	Hydro Mechanical Equipt.(Lot-IV)								
	50 % fabrication & transportation	3rd	0.75	Oct ' 04	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	
5	Electro Mechanical Equipt.(Lot-V)								
	50% Supply and transportation of Equipment	4th	0.75	Feb'05	1st week Mar'05	2nd week Mar'05	3rd week Mar'05	4th week Mar'05	

Sl. No.	Activity	Quarter	Weights	Criteria value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
B TIPAIMUKH HEP.(1500 MW)									
1	Finalisation of proposal of Forest clearance for submission to MOE&F	3rd	1	August'04	Sept'04	Oct ' 04	Nov ' 04	Dec ' 04	Estimated cost: Rs. 5163.86 Crs. (Dec '02 price level), (TEC cost). Completion schedule 87 months from date of CCEA clearance (CCEA clearance yet to be obtained)
2	Finalisation of proposal of Environmental clearance for submission to MOE&F	4th	1	Nov ' 04	Dec ' 04	Jan ' 05	Feb ' 05	Mar ' 05	
C. KAMENG H.E.PROJECT (600 MW)									
1	Completion of land acquisition (except reservoir area)	4th	1	Feb '05	1st week Mar '05	2nd week Mar '05	3rd week Mar '05	4th week Mar '05	Original cost: Rs. 2264.10 Crs. (Oct.'99 price level) Revised cost: 2538.15 Crs. (July'03 price level), CEA approved. Completion Schedule: 5 years from date of CCEA clearance. (CCEA clearance yet to be obtained)
2	Award of work for Package-I (from date of CCEA clearance)		1	1.5 months	2 months	2.5 months	3 months	3.5 months	
3	Award of work for Package-II (from date of CCEA clearance)		0.5	1.5 months	2 months	2.5 months	3 months	3.5 months	
4	Award of work for Package-III (from date of CCEA clearance)		0.5	2.5 months	3 months	3.5 months	4 months	4.5 months	
5	Award of work for Package-IV (from date of CCEA clearance)		0.5	2.5 months	3 months	3.5 months	4 months	4.5 months	
6	Award of work for Package-V (from date of CCEA clearance)		0.5	3.5 months	4 months	4.5 months	5 months	5.5 months	
7	Mobilisation of works for Package-I, II & III (from date of CCEA clearance)		0.5	4.5 months	5 months	5.5 months	6 months	6.5 months	
NOTE: Package-I (Bichom Dam and HRT upto 4.4 Km), Package-II (Tenga Dam and HRT- 4.4Km to 11.6 Km), Package-III (Power House, HRT from 11.6 Km to Surge shaft, Surge shaft, pressure tunnel and TRT), Package-IV (Hydro mechanical works), Package V (Electro mechanical works)									

Sl. No.	Activity	Quarter	Weights	Criteria value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
D. TUIVAI H.E.PROJECT (210 MW)									
1	Completion of approach roads to Power house.	4th	1	Feb '05	1st week of Mar '05	2nd week of Mar '05	3rd week of Mar '05	4th week of Mar '05	Estimated cost: Rs. 1179.12 Crs. (April'03 price level), submitted to CEA for approval. Completion Schedule: 5 years from the date of CCEA clearance.
E. TRIPURA GAS BASED CC POWER PROJECT (280 MW)									
1	Land acquisition	2nd	1.5	May '04	June '04	July '04	Aug. '04	Sept'04	Estimated Cost: Rs. 891.071 Crs (March'03 Price Level), TEC cost Completion Schedule: 43 months from the date of CCEA clearance.
2	Award of EPC Contract (from date of CCEA clearance)		1.5	1.5 months	2 months	2.5 months	3 months	3.5 months	
3	Mobilisation of works (from date of CCEA clearance)		1.5	3.5 months	4 months	4.5 months	5 months	5.5 months	
4	20% construction of boundary wall	3rd	0.5	Sept'04	Oct'04	Nov'04	Dec'04	Jan.'05	
Total			20						

PAST FIVE YEARS DATA FOR THE PERFORMANCE INDICATORS


Financial year	Schemes	Generation (MU)	Machine Availability (%)	Gross Margin (Rs. in Crs.)	Net profit/ Net Worth (%)	Plant Load Factor (%)	Milestones	
							Target	Achievement
2003-2004 (Anticipated)	Hydro Thermal	2060 2075	85 85	} 441.41	} 6.19	— 63	} 22	
2002-2003	Hydro Thermal	1417 1575	65 87	} 299.16	} (-) 21.91	— 48	} 22	} 14
2001-2002	Hydro Thermal	885 1878	87 86	} 398.47	} 2.34	— 57	} 20	} 10
2000-2001	Hydro Thermal	898 1662	76 82	} 422.41	} 5.46	— 53	} 23	} 19
1999-2000	Hydro Thermal	753 1473	75 67	} 259.87	} 1.38	— 46	} 24	} 21

PART – V

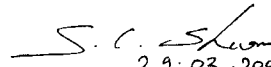
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