



MEMORANDUM OF UNDERSTANDING

BETWEEN

MINISTRY OF POWER
GOVERNMENT OF INDIA

AND

NORTH EASTERN ELECTRIC POWER
CORPORATION LIMITED

2005-2006

PART - I

MISSION AND OBJECTIVES

OF

NORTH EASTERN ELECTRIC POWER
CORPORATION LIMITED

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 including construction of associated transmission system as a dedicated line for the project in the Central Sector covering all aspects such as investigation, planning, designs, construction, operation and maintenance of hydroelectric and thermal projects including that of the transmission system 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 2005-2006 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 existing old hydro and thermal plants.
- 7) To improve the Quality Management System, NEEPCO is already registered as an ISO: 9001-2000 Company. NEEPCO has also been accredited with OHSAS 18001 for occupational health and safety risk management system and ISO 14001 for environmental management system.
- 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).
- 9) For facilitating evacuation of power from the Tripura Gas Based Power Project (280 MW), the Associated Transmission System, will be executed by NEEPCO as a dedicated line for the Project.



PART - II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

Enhanced delegation of powers given to MOU signing companies including those which may be extended to such companies during 2005-2006 shall be exercisable by NEEPCO.

PART -III

PERFORMANCE TARGET FOR 2005-06 AND EVALUATION CRITERIA

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2005-2006)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2004-05	2004-05	2005-06						
PART A												
I. Static Financial Parameters												
a. Financial Performance Indicators												
	i) Gross Margin/Gross Block	%	02	9.41	10.26	12.33	12.98	12.33	11.63	11.03	10.45	
	ii) Net Profit/ Net Worth	%	10	4.12	4.13	6.02	6.8	6.02	5.24	4.58	3.92	
	iii) Gross Profit/ Capital Employed	%	10	5.73	8.40	11.43	12.26	11.43	10.51	9.73	8.98	
b. Financial Indicators - Size												
	i) Gross Margin	(Rs in Crs)	08	428.00	457.56	553.19	581.99	553.19	521.42	494.68	468.65	
	ii) Gross Sales.	(Rs in Crs)	04	631.66	667.43	758.37	794.17	758.37	720.60	687.86	654.83	
c. Financial Returns-Labour Productivity and Total Factor Productivity.												
	i) PBDIT/Total Employment	%	07	23.78	24.35	29.44	30.97	29.44	27.75	26.33	24.94	
	ii) Added Value/Gross sales.	%	09	-68.04	-27.24	27.47	29.86	27.47	24.5	21.78	18.9	

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2005-2006)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2004-05	2004-05	2005-06						
II. Dynamic Parameters.												
i)	Quality(ISO Certification, Internalisation of Quality)		1	Every Eight Months	Every Eight Months	Every Seven Months	Every Six Months	Every Seven Months	Every Eight Months	Every Nine Months	Every Ten Months	
ii)	HRD											
a)	Training of workman/supervisor	No.	1	147	150	157	165	157	150	143	136	
b)	Training of Executives	No.	1	133	220	147	154	147	140	133	126	
c)	Corporate social responsibility in the neighbourhood of the projects: (a) School (b) Medical (c) Road (d) Plantation (e) Market Area Development.	% of Net profit after tax	1			1.00	1.05	1.00	0.95	0.90	0.85	
iii)	R&D for sustained and continuous innovation.											
a)	Upgradation of design software compatible with best international practices.		1			1st week Mar'06	Feb'06	1st week Mar'06	2nd week Mar'06	3rd week Mar'06	4th week Mar'06	
iv)	Project Implementation.		31	Enclosed as Annexure-II								



Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2005-2006)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2004-05	2004-05	2005-06						
PART- B												
1	Specific Parameters . Sector -Specific.											
	* Gross Generation											
	a) Hydro	MU	02	1992	2700	3287	3418	3287	3156	3029	2908	
	b) Thermal	MU	03	2060	1750	2062	2144	2062	1980	1900	1824	
2	Enterprise-Specific & Efficiency Parameters.											
	a) Capacity Index (C I)											
	Hydro	%	05	85	85	89	93	89	85	81	77	
	b) Availability											
	Thermal	%	03	84	84	88	92	88	84	80	76	
	c) Collection of current dues.	%	01	84	90	93	95	93	88	84	80	
Total			100									
Gross Profit : Rs. 394.19 Crs.						Net Profit : Rs. 232.69 Crs.						
Net Worth : Rs. 3862.68 Crs.						Capital Employed : Rs. 3448.93 Crs.						

* Includes backing down of generation.

NOTE:

1. The Generation targets of hydro projects are subject to availability of estimated water inflow.

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. For the purpose of evaluation therefore, the loss in generation both for Hydro & Thermal Power Stations due to such factors will be reduced from the performance rating targets.

2. The targets shown against Part-A-I (Static Financial Parameters) are on the assumptions that full fixed charges claimed by the corporation will be fully allowed by CERC or other appropriate authorities. NEEPCO has claimed an amount of Rs. 677.83 Crs. as fixed charges against the commissioned projects (excluding Doyang H.E. Project), CERC has allowed only Rs. 562.51 Crs. thus reducing an amount of Rs. 115.32 Crs. against the fixed charges. In the event full fixed charges as claimed is not approved during the financial year 2005-06, these targets will require to be revised.
3. The generation target shown against Hydro (Part B-1(a)) are subject to revision with due approval of Task Force during the financial year if the same is requested by PSU in case climatic conditions are not favourable for the above generation targets.
4. Achievement of milestones during 2005-06 in execution of Projects shall be subject to availability of funds, investment decision by Govt. of India & non- occurrence of extra- ordinary conditions like law and order problems etc.
5. For item No. I.(c-ii) in Part-A, the added value for BE (2004-05) and RE (2004-05) have been calculated on the basis of 18% of Capital Employed. The new norm of 10% on Capital Employed has been applied for 2005-06.
6. For item No. I. (a-i) in Part A, the BE figure was inadvertently taken as Gross Margin / Net Block instead of Gross Margin / Gross Block in the MOU for 2004-05. This is revised as above and the target for 2004-05 will be 9.41% instead of 12.61%.





PART – IV

ASSISTANCE FROM GOVERNMENT

The following Government Assistance shall be required with a view to enabling 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 & order for smooth Operation & Maintenance of commissioned projects and execution of ongoing project works.
- 2) 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 agreements.
- 3) 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.
- 4) Govt. will extend help in pursuing Ministry of Petroleum & Natural Gas for augmenting gas supply to NEEPCO Gas Stations for ensuring targeted generation.
- 5) The Government of India would assist NEEPCO in regard to Financial Restructuring of Doyang Hydro Electric Plant and rescheduling of Budgetary support of Ranganadi Hydro Electric Plant.
- 6) The Government of India would assist NEEPCO in obtaining waiver of penal interest on Govt. of India loan.
- 7) To assist in obtaining various statutory clearances including Environmental and Forest clearance from MOE&F for the projects of NEEPCO, as per statutory requirement and for resolving important issues pertaining to Environment and Forest, for timely accord of Stage-I & II site clearance and Environment and Forest clearances from MOE&F.
- 8) The Government of India would assist NEEPCO in imparting overseas professional training to its executives under various training schemes of the Govt. of India.



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.

(R. V. SHAHI)

Secretary to Govt. of India
Ministry of Power.

(S.C. SHARMA)

Chairman & Managing Director
North Eastern Electric
Power Corporation Ltd.

**COMMENTS OF THE PSE QUANTITATIVE
PARAMETERS**

1. The generation targets for the year 2005-2006 are as under:

Sl. No.	Name of the Project	Generation Capacity (MW)	Yearly Gross Generation Target (MU) (Very Good)
A) HYDRO			
1)	Kopili Power station	4 x 50 = 200	1186
2)	Khandong Power station	3 x 25 = 75	364
3)	Doyang H.E. Plant	3 x 25 = 75	227
4)	Ranganadi H.E.Plant	3 x 135 = 405	1510
TOTAL (A)		755 MW	3287 MU
B) THERMAL			
1)	Assam Gas Based Power Plant	6 x 33.50 3 x 30 } = 291	1563
2)	Agartala Gas Turbine Power Plant.	4 x 21 = 84	499
TOTAL (B)		375 MW	2062 MU
TOTAL (A + B)		1130 MW	5349 MU

2. FINANCIAL TARGET

The Corporation plans to achieve a total revenue of Rs. 758.37 Crores during 2005-2006. The Corporation will earn a net profit of Rs. 232.69 Crores during the year. The Government will provide a net budgetary support of Rs. 624.00 Crores for a total plan expenditure of Rs.996.79 Crores during the year as per the proposed plan allocation



for the year 2005-2006. This investment is envisaged to be met as under: -

a)	Net budgetary support	Rs 624.00 Crs.
b)	External Comm. Borrowings (ECB)	Rs 372.79 Crs.

TOTAL	Rs 996.79 Crs.
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3. PROJECT IMPLEMENTATION

The Corporation will make a total investment of about Rs. 996.79 Crores on various schemes during the year 2005-2006 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 2005-2006 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 2005 - 06

Sl. No.	Activity	Quarter	Weights	Criteria Value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
A. TUIRIAL H.E. PROJECT (60 MW)**, MIZORAM									
1 Diversion Tunnel Works(Lot-I)									
a)	Completion of Boring	4th	0.25	Nov ' 05 1st week	Dec ' 05 1st week	Jan ' 06 2nd week	Feb ' 06 3rd week	Mar ' 06 4th week	<p>**All works have been suspended since 09/06/2004, due to agitation called by Tuirial Crop Compensation Claimants Association (TCCA). All the targets are set subject to resumption of work from Feb '05. Meanwhile, detailed examination of the various aspects of the Project, including Revised Cost Estimate, are being examined, and a proposal is being submitted to MOP for a decision on continuance or otherwise of the project.</p> <p>Approved Cost : Rs.368.72 Crs. (June ' 97 Price Level)</p>
b)	Completion of Concreting	4th	0.25	Feb' 06	Mar' 06	Mar' 06	Mar' 06	Mar' 06	
2 Dam & Spillway (Lot-II)									
a) Main Dam									
i)	Excavation (50,000 CUM)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
ii)	Commencement of filling works (50,000 CUM)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
b) Spillway									
i)	Completion of Excavation (90 %)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
ii)	Concreting (23,300 CUM)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
3 Power House, Switchyard & Power Water way (Lot-III)									
a)	Excavation (51,222 CUM)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
b)	Concreting (7,000 CUM)	4th	0.25	1st week Feb' 06	1st week Mar' 06	2nd week Mar' 06	3rd week Mar' 06	4th week Mar' 06	
Sub Total			2						

Sl. No.	Activity	Quarter	Weights	Criteria Value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
B. KAMENG H.E.PROJECT (600 MW) , ARUNACHAL PRADESH									
1	Construction of Diversion works (Bichom) including mobilisation - completion	4th	1	Dec.'05	Jan.'06	Feb.'06	Mar'06	-	Original Cost:Rs.2264.10Crs. (Oct'99 Price level), Revised Cost : 2496.90 Crs. (March'04 price level). Completion Schedule: 5 years from 2.12.04 (date of CCEA Clearance)
2	Construction of Bichom Dam - Start	4th	1	Dec.'05	Jan.'06	Feb.'06	Mar'06	-	
3	Construction of diversion works for Tenga Dam including mobilisation - Start	2nd	1	June'05	July'05	August'05	Sept.'05	Oct.'05	
4	Construction of Pressure Tunnel (boring) - Start	2nd	1	August'05	Sept.'05	Oct.'05	Nov.'05	Dec.'05	
5	Penstock including design, supply & fabrication - start	4th	1	Dec.'05	Jan.'06	Feb.'06	Mar'06	-	
6	Hydro Mechanical works (gates & hoists) completion of design	4th	1	Jan.'06	Feb.'06	Mar'06	-	-	
7	Power House Civil works-start	2nd	1	July'05	August'05	Sept.'05	Oct.'05	Nov.'05	
8	Power House Electro Mechanical works - start	2nd	1	July'05	August'05	Sept.'05	Oct.'05	Nov.'05	
9	Boring of HRT (1 Km)	4th	1.5	Feb' 06	Mar'06	-	-	-	
10	50% excavation of Bichom Dam	4th	1.5	Feb' 06	Mar'06	-	-	-	
11	Completion of boring of Adit-VI	2nd	1	August'05	Sept.'05	Oct.'05	Nov.'05	Dec.'05	
12	Completion of diversion channel (tenga)	4th	1.5	Feb' 06	Mar'06	-	-	-	
13	30% excavation in power house	4th	1.5	Feb' 06	Mar'06	-	-	-	
Sub Total			15						
NOTE: Package-I(Bichom Dam and HRT up to 4.4 Km),Package-II (Tenga Dam and HRT-4.4 Km to 11.6 Km), Package-III (Power House, HRT from 11.6 Km to Surge Shaft, Pressure tunnel and TRT), Package-IV (Hydro Mechanical Works), Package-V (Electro Mechanical works), Package-VI & VII (Switchyard works)									

