

MEMORANDUM OF UNDERSTANDING

BETWEEN

**MINISTRY OF POWER
GOVERNMENT OF INDIA**

AND

**NORTH EASTERN ELECTRIC POWER
CORPORATION LIMITED**

2006 - 2007

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 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 2006-2007 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 & safety risk management system and ISO 14001 for environmental management system.
- 8) To complete DPR of new schemes for hydro projects as per schedule or ahead of schedule given by Central Electricity Authority (CEA).

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 2006-2007 shall be exercisable by NEEPCO.

PART - III

PERFORMANCE TARGET FOR 2006-07 AND EVALUATION CRITERIA

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2006-2007)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2005-06	2005-06	2006-07						
PART A												
I.	Static Financial Parameters											
a)	Financial Performance Indicators											
	i) Gross Margin/Gross Block	%	02	12.33	8.95	11.53	11.92	11.53	11.04	10.52	10.05	
	ii) Net Profit/Net Worth	%	10	6.02	3.39	5.93	6.38	5.93	5.35	4.72	4.15	
	iii) Gross Profit/Capital Employed	%	10	11.43	7.12	10.89	11.40	10.89	10.24	9.55	8.92	
b)	Financial Indicators - Size											
	i) Gross Margin	(Rs in Crs.)	08	553.19	405.58	522.90	540.39	522.90	500.78	477.10	455.67	
	ii) Gross Sales	(Rs in Crs.)	04	758.37	741.97	750.25	774.36	750.25	721.51	691.45	663.94	
c)	Financial returns - Labour Productivity and Total Factor Productivity											
	i) PBDIT/Total Employment	%	07	29.44	21.58	27.83	28.76	27.83	26.65	25.39	24.25	
	ii) Added Value/Gross Sales	%	09	27.47	6.39	24.12	25.63	24.12	22.02	19.55	17.13	

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2006-2007)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2005-06	2005-06	2006-07						
II. Dynamic Parameters.												
i) a)	Quality (ISO Certification, Internalisation of Quality) ISO-9001 Certification for AGBP		1	--	--	Jan '07	Dec '06	Jan '07	Feb '07	2nd Week Mar '07	4th Week Mar '07	
b)	A corporate film depicting the benefits being reaped from the Hydro Projects dubbed in local dialects		1	--	--	Jan '07	Dec '06	Jan '07	Feb '07	Mar'07		
ii) HRD												
a)	Training of workman/ supervisor	No	0.5	157	157	173	182	173	164	156	148	
b)	Training of Executives	No	0.5	147	147	162	170	162	154	146	139	
c)	Corporate social responsibility in the neighbourhood of the project: a) School b) Medical c) Road d) Plantation e) Market Area Development.	% of Net profit after Tax	1	1.00	1.00	1.00	1.05	1.00	0.95	0.90	0.85	

Sl. No.	Performance Indicator	Units	Weights	BUDGET			Criteria Value (2006-2007)					Remarks
				BE	RE	BE	Excellent	Very Good	Good	Fair	Poor	
				2005-06	2005-06	2006-07						
iii)	R&D for sustained and continuous innovation. a) An R & D cell for design of Hydro /Thermal Projects in the NE region is to be created, manned by NEEPCO Design Engineers with the latest design softwares to cater the needs of the corporation. b) Upgradation of design software compatible with best international practices.		0.5			1st week Mar'07	Feb'07	1st week Mar'07	2nd week Mar'07	3rd week Mar'07	4th week Mar'07	
			0.5			1st week Mar'07	Feb'07	1st week Mar'07	2nd week Mar'07	3rd week Mar'07	4th week Mar'07	
iv)	Project Implementation.		31	Enclosed as Annexure-II!								
PART -B												
Specific Parameters												
Sector - Specific												
*Gross Generation												
a)	Hydro	MU	02	3287	2758	3287	3418	3287	3156	3029	2908	
b)	Thermal**	MU	03	2062	2146	2146	2232	2146	2060	1978	1899	
				5349	4904	5433	5650	5433	5216	5007	4807	
2. Enterprise-Specific & Efficiency Parameters.												
a) Capacity Index (CI)												
	Hydro	%	05	89	89	89	93	89	85	81	77	
b) Availability												
	Thermal***	%	03	88	78	84	88	84	80	76	72	
c) Collection of current dues.												
		%	01	93	93	96	98	96	94	92	90	
Total			100									
Gross Profit : Rs. 372 Crs.							Net Profit : Rs. 198 Crs.					
Net Worth : Rs. 3345 Crs.							Capital Employed : Rs. 3419 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 transmission and capacity of the grid, adequate availability of Gas supply. 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. 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.
3. ** The generation in case of thermal power stations are based on firm commitment/availability of 1.65 MMSCUMD gas for AGBP from OIL which is presently in the range of 1.2 to 1.4 MMSCUMD.
4. The revised design energy targets against Hydro plants will be considered for performance evaluation as and when the same is approved.
5. ***The targets shown against availability of thermal power stations are calculated without considering the availability of gas.
6. Achievement of milestones during 2006-07 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

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.

