

MEMORANDUM OF UNDERSTANDING
BETWEEN
MINISTRY OF POWER, GOVERNMENT OF INDIA
AND
NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED
2009-2010
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 2009-2010 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 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/thermal projects as per schedule or ahead of schedule as and when entrusted 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 2009-2010 shall be exercisable by NEEPCO.

PART-III
PERFORMANCE EVALUATION PARAMETERS AND TARGETS
Performance Parameters their Weightages for the year 209-2010

Sl. No.	Performance Indicator	Units	Wt.	Performance Rating (2009-2010)					BE	RE	BE	
				Excellent	Very Good	Good	Fair	Poor	2008-09	2008-09	2009-10	
				1	2	3	4	5				
PART A												
1	STATIC FINANCIAL PARAMETERS											
	a) Financial Performance Indicators											
	i) Gross Margin/Gross Block	%	2	11.27	10.89	10.15	9.51	8.86	11.08	10.70	10.89	
	ii) Net Profit/ Net Worth	%	10	6.11	5.76	5.09	4.49	3.89	5.66	5.62	5.76	
	iii) Gross Profit/ Capital Employed	%	10	12.80	12.18	10.98	9.92	8.86	11.71	11.23	12.18	
	b) Financial Indicators - Size											
	i) Gross Margin	(Rs Crs)	8	513.88	496.76	463.04	433.50	403.94	503.13	487.86	496.76	
	ii) Gross Sales.	(Rs Crs)	4	881.47	860.39	816.66	777.65	739.03	840.25	829.51	860.39	
	c) Financial Returns-Labour Productivity and Total Factor Productivity.											
	i) PBDIT/Total Employment	%	7	28.25	27.30	25.42	23.77	22.12	27.58	26.80	27.30	
	ii) Added Value/Gross sales	%	9	26.64	25.31	22.53	19.87	16.90	24.86	23.25	25.31	
	Sub Total		50									
2	DYNAMIC PARAMETERS											
	Project Implementation.		30	Details as per Annexure-I attached								
3	SECTOR SPECIFIC PARAMETERS											
	a) Gross Generation											
	Hydro	MU	1	3151	3001	2851	2708	2573	3287	3018	3001	
	Thermal	MU	1	2427	2311	2195	2086	1981	2431	2389	2311	
	b) (i) NAPAF - Hydro											
	a) Kopili HEP	%	1	74	72	68	65	62	CI=85	CI=85	72	
	b) Doyang HEP	%	1	75	73	69	66	63			73	
	c) Ranganadi HEP	%	1	87	85	81	77	73			85	
	(ii) NAPAF - Thermal											
	a) AGBPP	%	1.5	74	72	68	65	62	Avl=80	Avl=80	72	
	b) AGTP	%	1.5	87	85	81	77	73			85	
	c) Recovery of Current dues	%	1	98	96	94	92	90	96	96	96	
	d) Physical Achievement (time overrun from current year MOU) - Completion Schedule (Annexure-II)		1.50	In time	In time						In time	
	Sub Total		10.50									
Sl. No.	Performance Indicator	Units	Wt.	Performance Rating (2009-2010)					BE	RE	BE	
				Excellent	Very Good	Good	Fair	Poor	2008-09	2008-09	2009-10	
				1	2	3	4	5				
4	ENTERPRISE SPECIFIC PARAMETERS											
	a) Quality Certifications											
	(i) Recertification of ISO 9001:2000 of Corporate Office, NEEPCO, Shillong.	Job	0.5	Sep-09	Oct-09						Oct-09	
	(ii) Recertification of ISO 9001:2000 of D&E Wing, NEEPCO, Guwahati.	Job	0.5	Sep-09	Oct-09						Oct-09	

Sl. No.	Performance Indicator	Units	Wt.	Performance Rating (2009-2010)					BE	RE	BE
				Excellent	Very Good	Good	Fair	Poor	2008-09	2008-09	2009-10
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4	ENTERPRISE SPECIFIC PARAMETERS										
a)	Quality Certifications										
	(i) Recertification of ISO 9001:2000 of Corporate Office, NEEPCO, Shillong.	Job	0.5	Sep-09	Oct-09					Oct-09	
	(ii) Recertification of ISO 9001:2000 of D&E Wing, NEEPCO, Guwahati.	Job	0.5	Sep-09	Oct-09					Oct-09	
	(iii) Recertification of ISO 9001:2000 of QC&A Wing, NEEPCO, Tezpur.	Job	0.5	Sep-09	Oct-09					Oct-09	
	(iv) Recertification of ISO 9001:2000, ISO 14001:2004 & OHSAS 18001:2007 of AGBP, NEEPCO, Bokuloni, Assam.	Job	0.5	Apr-09	May-09					May-09	
	(v) Obtaining Integrated Management System Certificate of ISO 9001-2000, ISO 14001:2004 & OHSAS 18001:2007 for Ranganadi H.E. Project, Yazali, Arunachal Pradesh.	Job	1	Jan-10	Feb-10	Mar-10				Feb-10	
b)	HRD										
	i) Certification in Project Management	Officers	1	9	8	7	6	5	9	7	8
	ii) IPMA Level (B, C & D) Certification in Project Management.	Officers	1	6	5	4	3	2	4	4	5
c)	Energy Audit (2 nos. of Plants)		1	Feb-10	Mar-10						Mar-10
d)	Opening of Environmental Cell	Job	1	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10			Nov-09
e)	Opening of Design & Engineering Cell	Job	1	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10			Nov-09
f)	Downstream Protection Measures of Pare HEP.	%	0.5	20	15	10	5				15
g)	Expenditure on Corporate Social Responsibility Scheme on the basis of amount spent against allocated budget.	Rs. in Crs.	0.5	2.10	2.00	1.90	1.81	1.71	1.60	1.60	2.00
h)	e-payment (% of total payment during the year) at Corporate Office	%	0.5	60	55	50	45	40			55
	Sub Total		9.5								
	Total		100								
	Gross Profit : Rs. 339.95 Crs.			Net Profit :		Rs. 246.55 Crs					
	Net Worth : Rs. 4279.30 Crs.			Capital Employed :		Rs. 2790.17 Crs. (based on O&M Projects)					

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 faces extreme difficulty in executing 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) To support 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.
- 6) The Government of India would support NEEPCO in its endeavour to provide imparting overseas professional training to its executives under various training schemes of the Govt. of India.
- 7) The Ministry of Power, Government of India will assist to issue the final Tariff Order by CERC within the year 2009-10.

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/ CEA.
- d) Monthly Progress of the utilization of External assistance to MOP/ PC.
- e) Quarterly Performance Review Meeting by Ministry of Power.

V. S. Sampath

(V.S. SAMPATH)
Secretary to Govt. of India
Ministry of Power

V.K. Abbey 31/3/19.

(V.K. ABBEY)
Chairman & Managing Director
North Eastern Electric Power
Corporation Ltd.

COMMENTS OF THE PSE QUANTITATIVE PARAMETERS

1. GENERATION AND NAPAF TARGETS FOR THE YEAR 2009-2010

Sl. No.	Name of Station	Generation Capacity (MW)	Yearly Generation Target (MU)	NAPAF (%)
A. HYDRO				
1.	Kopili	4X50= 200	997	79
2.	Khandong	2X25= 50	181	69
3.	Kopili Stage-II	1X25= 25	86	69
4.	Doyang	3X25= 75	227	73
5.	Ranganadi	3X135= 405	1510	85
Sub Total (A)		755	3001	
B. THERMAL				
6.	AGBPP	6X33.5+3X30= 291	1700	72
7.	AGTPP	4X21= 84	611	85
Sub Total (B)		375	2311	
Total (A+B)		1130	5312	

*The generation target has been reduced due to the shutdown of 121 days w.e.f. 01.12.2009 to 31.03.2010 of Water Conductor System inspection, repairs and installation of Surge Shaft Gate.

2. FINANCIAL TARGET

The Corporation plans to achieve total revenue of Rs. 931.91 Crores (including other Income) during 2009-2010. The Corporation will earn a net profit of Rs. 246.55 Crores during the year. The Government will provide a net budgetary support of Rs. 50.00 Crores for a total plan expenditure of Rs. 1028.33 Crores during the year as per the proposed plan allocation for the year 2009-2010. This investment is envisaged to be met as under: -

a) Net Budgetary support	Rs. 50.00 Crs.
b) MNES grant	Rs. 8.27 Crs.
c) Grant from Planning Commission	Rs. 195.36 Crs.
d) Internal & Extra Budgetary Resources	Rs. 824.70 Crs
TOTAL	Rs. 1028.33 Crs.

3. PROJECT IMPLEMENTATION

The Corporation will make a total investment of about Rs. 1028.33 Crores on various schemes during the year 2009-2010 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 2009-2010 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 2009-10

Sl. No.	Activity	Quarter	Weights	Criteria value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
				1	2	3	4	5	
ON-GOING PROJECTS:									
A	KAMENG HE PROJECT (600 MW), ARUNACHAL PRADESH.								
	BICHOM DAM								
1	Completion of Diversion Tunnel Boring (185 Rm)	3rd	1	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
2	Completion of U/s & D/s Cofferdam	4th	1	Feb-10	Mar-10				
3	Bichom Dam Excavation								
a)	Both Banks (Block 1 to 5 & 9 to 15) above EL 710 M (160000 Cum)	3rd	0.5	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
b)	River Bed Block 4 & 5 (30271 Cum)	3rd	0.5	Dec-09	Jan-10	Feb-10	Mar-10		
	TENGA DAM								
4	Completion of Tenga Dam Excavation (102000 Cum)	4th	1	Jan-10	Feb-10	Mar-10			
5	Concreting of Tenga Dam (20000 Cum out of 63000 Cum)	4th	1	Feb-10	Mar-10				
	HEAD RACE TUNNEL								
6	Boring of HRT Face - II (Total for the year-825 m)	4th	1	Jan-10	Feb-10	Mar-10			
7	Boring of HRT Face - III (Total for the year-675 m)	3rd	1	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
8	Boring of HRT Face - VI (Total for the year-580 m)	4th	1	Jan-10	Feb-10	Mar-10			
9	Boring of HRT Face - VII (Total for the year-465 m)	2nd	1	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	
	SURGE SHAFT								
10	Completion of Concrete lining of Surge Shaft (Cumulative 58 M)	4th	1	Feb-10	Mar-10				
11	Completion of Surge Shaft Gate Erection.	4th	1	Jan-10	Feb-10	Mar-10			
	HIGH PRESSURE TUNNEL I/C FABRICATION & ERECTION OF STEEL LINER.								
12	Fabrication of Penstock (Cumulative-6000 MT)	4th	1	Jan-10	Feb-10	Mar-10			
13	Erection of Steel Liner from S/Shaft to BP-2 (Cumulative-50%)	2nd	1	Sep-09	Oct-09	Nov-09			
14	Erection of Steel Liner from Valve House to BP-2 (Cumulative-50%)	3rd	1	Nov-09	Dec-09	Jan-10	Feb-10		
	SURFACE PENSTOCK								
15	Open Excavation, Surface Penstock (Cumulative-75% out of 415000 Cum)	3rd	1	Dec-09	Jan-10	Feb-10	Mar-10		
16	Construction of Pedestals and Anchor Block Fdns (Cumulative-50%)	4th	1	Jan-10	Feb-10	Mar-10			
	POWER HOUSE								
17	Completion of Open Excavation of Power house Pit I/c Mudmatting (Unit-1)	3rd	1	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	
18	Earthmatting and grouting of Unit-I	4th	1	Jan-10	Feb-10	Mar-10			
	Sub Total		18						

Sl. No.	Activity	Quarter	Weights	Criteria value					Remarks
				Excellent	Very Good	Good	Fair	Poor	
				1	2	3	4	5	
B	PARE HE PROJECT (110 MW), ARUNACHAL PRADESH.								
1	Award of Package-I (Civil Works)	1st	1	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	
2	Award of Package-II (Hydro-Mechanical Works)	2nd	1	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	
3	Award of Package-III (Electro-Mechanical Works)	2nd	1	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	
4	Completion of Adit-I (125m)	3rd	1	Jan-10	Feb-10	Mar-10	Apr-10	May-10	
5	Completion of Adit-II (58m)	3rd	1	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	
	Sub Total		5						
C	KHANGTEN S.H.E. PROJECT (7.5 MW), ARUNACHAL PRADESH.								
1	Award of Work	1st	1	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Subject to receipt of Administrative Approval from MOP, GOI.
	Sub Total		1						
	NEW HYDRO PROJECT:								
D	TIPAIMUKH H.E. PROJECT (1500 MW), MANIPUR								
1	Award of EPC Contract	4th	1	Dec-09	Jan-10	Feb-10	Mar-10		Subject to CCEA clearance.
	Sub Total		1						
	NEW THERMAL PROJECTS:								
E	TRIPURA GAS BASED POWER PROJECT (100 MW ± 20 %), TRIPURA.								
1	Award of EPC Contract	1st	1	Apr-09	May-09	Jun-09	Jul-09		
2	Site Mobilisation by EPC Contractor	1st	1	May-09	Jun-09	Jul-09	Aug-09	Sep-09	
3	Site Development, Preliminary Works & Establishment of Infrastructure	2nd	1	Jul-09	Aug-09	Sep-09			Subject to CCEA clearance within 2008--09
	Sub Total		3						
F	GARO HILLS THERMAL POWER PROJECT (500 MW), MEGHALAYA.								
1	Completion of EIA / EMP Study	4th	0.5	Jan-10	Feb-10	Mar-10			Subject to operationalization of MOA/ Signing of Revised MOA with Govt. of Meghalaya.
2	Completion of preparation of DPR	4th	0.5	Feb-10	Mar-10				
	Sub Total		1						
G	MARGHERITA THERMAL POWER PROJECT (250 MW), ASSAM.								
1	Site Selection	3rd	0.5	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Subject to clearance for JV from Ministry of Power, Govt. of India and signing of MOA with Govt. of Assam within 2008-09.
2	Completion of EIA / EMP Study	4th	0.5	Jan-10	Feb-10	Mar-10			
	Sub Total		1						
	TOTAL (A+B+C+D+E+F+G)		30						

* The award for Civil works has been shifted to August, 2009 keeping in view the requirement of 90 days for submission of tender documents by the bidders, as stipulated by the Financer kfw in their conditions for International Competitive Bidding (ICB).

TIME AND COST OVERRUN OF ON-GOING H.E. PROJECT BEING EXECUTED BY NEEPCO

Sl. No.	Project Name/ Capacity/ State/ Date of Sanction	Energy (MU)/ 1 st year tariff	Average Revenue (Rs. Crs. Per day)	Original Sanction		Last Year MOU 2008-09		Current year MOU 2009-10	
				Completion Schedule	Cost Rs. Cr. (PL)	Completion Schedule	Cost Rs. Cr. (PL)	Completion Schedule	Cost Rs. Cr. (PL)
1	Kameng Hydro Electric Project (600 MW), Arunachal Pradesh, 02.12.2004	$\frac{3592}{1.48}$	1.46	Dec' 09	2496.90 (Mar-04 PL)	Mar-11	2496.90 (Mar-04 PL)	May-13	3253.22** (Sept-08 PL)

* Due to encountering of extremely difficult geology, particularly in HRT, HPT and Power House area; frequent disruption of road network, damages due to flash flood and other design related factors, commissioning schedule is revised to May 2013.

**The proposed revised cost estimate of the project at Sept-08 PL has been worked out at Rs. 3253.22 Crs. (including IDC of Rs. 514.22 Crs.).

Appendix-I

PAST FIVE YEARS DATA FOR THE PERFORMANCE INDICATORS

Financial Year	Schemes	Generation (MU)	Capacity Index/Machine Availability (%)	Gross Margin (Rs. in Crs.)	Net profit/ Net Worth (%)	Plant Load Factor (%)	Recovery of Current Dues (Rs. in Crs.)	Milestones	
								Target	Achievement
2008-09 (Anticipated)	Hydro	2937	85	487.86	5.62	72.5	842.09	30	5 (as on Dec-08)
	Thermal	2286	80						
2007-2008	Hydro	3097	89.5	604.47	6.70	74.31	825.24	6*	1
	Thermal	2441	81						
2006-2007	Hydro	2117	89	580.10	6.66	74.89	868.72	18	7
	Thermal	2507	84						
2005-2006	Hydro	2897	93	524.58	7.64	72	930.83	14	10
	Thermal	2363	84						
2004-2005	Hydro	3006	84	528.32	8.49	67	776.23	24	24
	Thermal	2189	84						

Note:-

* Though originally 25 Milestones (targets) were considered in the MOU for the year 2007-08, 19 targets were not taken into account during performance evaluation due to reasons beyond control of NEEPCO.