

MEMORANDUM OF UNDERSTANDING

FOR THE YEAR 2011-2012

BETWEEN

POWER GRID CORPORATION OF INDIA LTD.

AND

MINISTRY OF POWER, GOVT. OF INDIA

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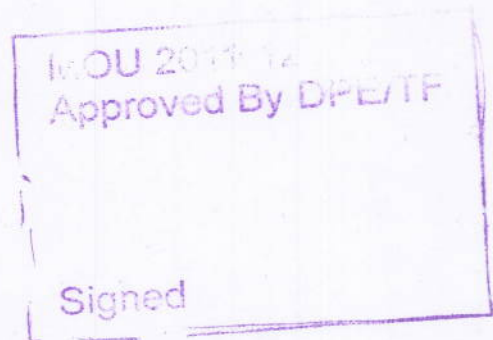
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MEMORANDUM OF UNDERSTANDING 2011-12

Part-I

MISSION/VISION & OBJECTIVES

MISSION:

Establishment and Operation of Regional and National Power Grids to facilitate transfer of electric power within and across the regions with Reliability, Security and Economy, on sound commercial principles.

OBJECTIVES:

The Corporation has set following objectives in line with its Mission and its status as “Central Transmission Utility” to:

- Undertake transmission of electric power through Inter-State transmission system.
- Discharge all functions of planning and coordination relating to Inter-State transmission system with -
 - (i) State Transmission Utilities;
 - (ii) Central Government;
 - (iii) State Governments;
 - (iv) Generating companies;
 - (v) Regional Power Committees;
 - (vi) Authority;
 - (vii) Licensees;
 - (viii) Any other person notified by the Central Government in this behalf.
- To ensure development of an efficient, co-ordinated and economical system of inter-State transmission lines for smooth flow of electricity from generating stations to the load centres.
- Efficient Operation and Maintenance of Transmission systems.

MOU 2011-12
Approved By DPE/TF
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- Restoring power in quickest possible time in the event of any natural disasters like super cyclone, flood etc. through deployment of Emergency Restoration Systems.
- Provide consultancy services at national and international level in transmission sector based on the in-house expertise developed by the organisation.
- Participate in long distance telecommunication business ventures.
- Ensure principles of Reliability, Security and Economy matched with the rising/desirable expectation of a cleaner, safer, healthier Environment of people, both affected and benefited by its activities.

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PART-II

Exercise of Enhanced Autonomy and Delegation of Financial Powers

The Government agrees to obligate / delegate POWERGRID the following specific powers:

- POWERGRID shall be allowed to raise bonds/ other loans upto about **Rs. 12,500 Crore** for timely implementation of its various projects.
- POWERGRID shall have the option to exercise the regulation of power supply to the defaulting beneficiaries within the framework of the generic procedure notified by CERC.
- All the provisions of this MoU become effective and operational by both the parties, namely, the Government (including all the departments concerned) and POWERGRID, immediately on signing the MoU by the Government, represented by the Administrative Ministry (Ministry of Power) and POWERGRID.
- All the relevant provisions of this MoU will continue to be in force and operational beyond 2011-2012 until such time, the same is modified by the signing of the subsequent MoU between the parties.

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and
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MEMORANDUM OF UNDERSTANDING 2011-12

PART-III

Performance Evaluation Parameters and Targets

Performance Evaluation:

For the purpose of performance evaluation of the Corporation for the year 2011-2012, the scale and the weights assigned to various parameters are shown in the following table.

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(PART-III)
PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2011-12							BE 2010-11		BE 2009-10	
				Excellent	V.Good	Good	Average	Poor	Target (V.Good)	Target (V.Good)	Target (V.Good)	Target (V.Good)		
1	2	3	4	5	6	7	8	9	10	11				
1	Static Parameters @													
	(a) Financial Indicators- Profit related ratios													
	(i) Gross Margin / Gross Block	(%)	2	13.76	13.25	12.58	11.95	11.36	12.28	10.86				
	(ii) Net Profit / Net Worth	(%)	10	11.77	11.38	10.85	10.35	9.86	8.77	10.31				
	(iii) Gross Profit / Capital Employed	(%)	10	12.84	12.36	11.86	11.37	10.91	10.21	10.68				
	(b) Financial Indicators - Size related													
	(i) Gross Margin	(Rs. Crs.)	8	8243	7936	7539	7162	6804	6400	5270				
	(ii) Gross Sales	(Rs. Crs.)	4	9350	9000	8550	8123	7716	7340	6340				
	(c) Financial Returns - Productivity related													
	(i) PBDIT / Total Employment	(Rs. Lacs/ Employee)	7	79.14	76.19	72.38	68.76	65.32	61.54	53.75				
	(ii) Added Value / Gross sales	(%)	9	39.49	38.00	35.88	33.68	31.39	33.89	31.25				
2	Dynamic Parameters													
	a) Quality (ISO certification, internalisation of quality)													
	(i) Implementation of PAS 99 in ER-II	Date	1	Jan. 2012	Feb. 2012	Mar. 2012								
	b) Customer Satisfaction													
	No. of Trippings per line attributable to POWERGRID #													
	(i) Un-Planned	Nos.	1	2.20	2.40	2.60	2.80	2.90	2.60	2.70				
	c) Business Development													
	(i) Assignment	Nos.	1	24	22	21	20	19	20	18				
	(ii) Order Value (Project Cost)	(Rs. Crs.)	1	550	500	450	400	350	-	-				
	d) Rajeve Gandhi Grameena Vidhyutikaran Yojana													
	(i) Energisation of Villages (Cumulative)	Nos.	2	31132	28302	26954	25671	24448	-	-				
	(ii) BPL household connections	Nos in lacs	2	7.81	7.10	6.76	6.44	6.36	6.36	5.45				
	(iii) Un-electrified villages electrification	Nos.	1	1731	1575	1500	1425	1355	3180	2818				
	@ 1. Transmission charges for 2011-12 have been estimated based on CERC tariff norms (2009-14) notified on 20.01.2009.													
	The absolute values of Gross Profit, Net Profit, Networth, Gross Block & Capital Employed against "Excellent" target are considered as Rs. 5942 Cr., Rs. 2723 Cr., Rs. 23126 Cr. Rs. 59916 Cr. & Rs. 45510 Cr. respectively. Impact of International Financial Reporting Standards not considered in above.													
	# The no. of trippings (unplanned) do not include those attributable to sub-station bays of POWERGRID, but maintained by other utilities.													

Approved By DPE/TF

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(PART-III)

PERFORMANCE EVALUATION PARAMETERS AND TARGETS

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				Excellent	V.Good	Good	Average	Poor	Target (V.Good)	Target (V.Good)	Target (V.Good)	Target (V.Good)
				5	6	7	8	9	10	11		
1	2	3	4	5	6	7	8	9	10	11		
e)	R&D for Sustained & Continuous Innovation	Date	1	1-Mar-2012	15-Mar-2012	31-Mar-2012	-	-	-	-		
	(i) Installation of Lightning Mapping system in North-Eastern Region on trial basis	Date	0.5	1-Mar-2012	15-Mar-2012	31-Mar-2012	-	-	-	-		
	(ii) Construction of 1200kV D/C line at 1200kV Bina National Test Station	Date	0.5	1-Mar-2012	15-Mar-2012	31-Mar-2012	-	-	-	-		
	(iii) Charging of 1200kV S/C line at 1200kV Bina National Test Station	Date	1	1-Mar-2012	15-Mar-2012	31-Mar-2012	-	-	-	-		
	(iv) Filing Patent for 1200 KV Transmission Line Tower	% of PAT of 2010-11	1	1.00	0.80	0.60	0.40	0.20	-	-		
	(v) R & D Expenditure	Nos.	1	8	6	5	4	3	-	-		
	(vi) Implementation of Phasor Measurement Unit (PMU) in Northern Region for Smart Grid											
f)	Project Implementation											
	(i) Activities for timely completion of transmission projects											
	a) Foundation	Nos.	1	15000	13630	12980	12360	11770	12730	12700		
	b) Tower Erection	Nos.	1	14500	13180	12550	11960	11390	11820	11000		
	c) Stringing	Ckms.	1	9500	8630	8220	7830	7460	6820	6800		
	d) No. of Ckt. Kms ready for commissioning	GW-Ckms.	2	6450	5858	5582	5312	5069	-	-		
	e) Transformer Erection	Nos.	1	35	32	30	29	27	10	20		
	f) Transformation capacity addition/ ready for commissioning	MVA	2	18000	16425	15480	14850	14220	5010	9000		
	g) Inter-regional power transmission capacity addition/ ready for commissioning	MW	2	4200	2100	2100	2100	2100	-	2100		
3	Sustainable Development											
	(a) Expenditure on SD (Rs 25 lakh)	%	1	100	90	85	80	75	-	-		
	(b) Disaster Management - Award for ERS	Sets	1	2	1	-	-	-	-	-		
	(c) Energy Audit & implementation of Report for Sub-stations	Nos.	1	10	8	7	6	5	-	-		
	(d) Study on effect of electromagnetic wave on health of people	Date	1	15-Mar-2012	31-Mar-2012	-	-	-	-	-		
	(e) Setting up of long Tower/multi circuit Tower	Date	1	15-Mar-2012	31-Mar-2012	-	-	-	-	-		
4	Compliance of Corporate Governance											
	(i) Submission of quarterly progress report as per listing agreement/ DPE's guidelines on Corporate Governance	Days	1	Within 15 days after end of every Quarter	Within 22 days after end of every Quarter	Within 28 days after end of every Quarter	Within 35 days after end of every Quarter	Within 43 days after end of every Quarter	-	-		
	(ii) Nos. of Sub Committee Meetings of the Board	Nos.	1	4	3	2	1	-	-	-		
	(iii) Settlement of outstanding CAG audit paras/ ATNs (pertaining to POWERGRID) pending on 31st March 2011	%	1	95	90	85	80	75	-	-		
	(iv) Date of submission to DPE of completed data-sheet for PE Survey and penalties	Date		(NIL) 15-Sep-2011	(NIL) 01-Oct-2011	(0.25) 15-Oct-2011	(0.50) 31-Oct-2011	(1) After 31-Oct-2011	-	-		
	(v) Implementation of code of conduct for employees	Date		15-Mar-2012	31-Mar-2012	-	-	-	-	-		


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(PART-III)
PERFORMANCE EVALUATION PARAMETERS AND TARGETS

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				Excellent	V. Good	Good	Average	Poor	Target (V. Good)	Target (V. Good)	Target (V. Good)	Target (V. Good)	
1	2	3	4	5	6	7	8	9	10	11			
5	Enterprise - specific Parameters												
	(a) Operational Targets												
	(i) Availability of Tr. System *	(%)	6	99.20	98.80	98.40	98.00	97.60	98.80	97.80			
6	Corporate Social Responsibility												
	(i) Health - Conducting Health Camps etc.	Nos.	1	27	25	24	23	22	21	21			
	(ii) Infrastructure Development - Drinking and Sanitation facility etc. in backward villages	Nos.	1	27	25	24	23	22	21	21			
	(iii) Promotion of livelihood activities for economically weaker sections through forward & backward linkages	Nos.	1	27	25	24	23	22	21	21			
	(iv) Ecology and Environment - Tree plantation	Nos. in Thousand	1	55	50	45	43	41	45	45			
	(v) Expenditure on CSR activities	% of PAT of 2010-11	1	0.5	0.45	0.40	0.35	0.30	-	-			
7	Human Resource Management												
	(i) Training mandays/ employee	Nos.	2	5.5	5	4	3	2	-	-			
	(ii) Mandays lost due to strike	(%)	1	0	1	2	3	4	-	-			
	(iii) Training of eligible reserved category & Minority employees	(%)	1	20	16	12	8	4	-	-			
	(iv) Certification of POWERGRID Employee in Project Management	Nc.	1	10	9	8	7	6	-	-			
	Total		100										

* Transmission System availability calculated as per CERC methodology.


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PART-IV

Self declaration/certification

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2011-12. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. POWERGRID has no right of claim in this regard.

A handwritten signature in black ink, appearing to be 'A. M. I.', is written above the 'Authorised Signatory' text.

Authorised Signatory

MEMORANDUM OF UNDERSTANDING 2011-12

PART-V

Commitment/ Assistance from the Government

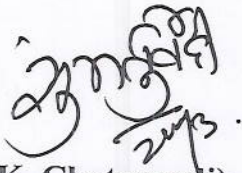
- 1.0 The Ministry of Power would assist POWERGRID in realisation of dues from the beneficiaries.
- 2.0 The Ministry of Power will take up with The Ministry of Environment and Forest for expeditious clearance of projects to avoid delays in their timely execution.
- 3.0 The Ministry of Power shall also assist in extending deemed export benefits (as applicable in case of projects funded by multilateral agencies) for the projects being planned to be funded through ECB/Supplier's Credit.
- 4.0 The Ministry of Power shall assist POWERGRID for extending benefits available under **Mega Power Project Status** to the transmission projects associated with such generation projects and transmission projects required for establishment of the proposed **National Power Grid**.
- 5.0 The Ministry of Power shall assist POWERGRID in getting confirmation from statutory authority that "Deemed Export" benefits under clause 8.2 (g) and 8.2(c) of Foreign Trade Policy of Govt. of India shall be applicable to the indigenous supplies awarded through International Competitive Bidding for POWERGRID Transmission Projects being an integral part of the "Power Sector".
- 6.0 Government of India / The Ministry of Power shall assist Corporation through State Governments for safety of Company's personnel as well as the transmission system equipment in the disturbed areas like North-Eastern States, Jammu & Kashmir etc.
- 7.0 For achieving targets under RGGVY, Ministry of Power shall assist in (a) sanction & timely availability of funds by REC/ MoP, (b) Co-operation of State Governments in making available the BPL list & land for sub-stations and (c) Handing & taking over by concerned State utility, etc.

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Part-VI

Action Plan for Implementation and Monitoring of the MOU

- 1.0 a) POWERGRID undertakes to submit quarterly reports on various performance areas within 30 days of the end of the quarter.
- b) POWERGRID Management will also ensure quarterly internal monitoring of the performance against the MoU targets.



(S.K. Chaturvedi)
Chairman & Managing Director
POWERGRID



(P. Uma Shankar)
Secretary
Ministry of Power