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**MEMORANDUM OF UNDERSTANDING**

**FOR THE YEAR 2010-2011**


**BETWEEN**

**POWER GRID CORPORATION OF INDIA LTD.**

**AND**

**MINISTRY OF POWER, GOVT. OF INDIA**

MoU 2010-11  
Approved by DPE/TF

  
9/3/10  
Signed

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## MEMORANDUM OF UNDERSTANDING 2010-11

### 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.
- Exercise supervision and control over the Inter-State transmission system.
- Efficient Operation and Maintenance of Transmission systems.
- Establish / augment and operate all Regional Load Despatch Centres and Communication facilities.

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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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**MEMORANDUM OF UNDERSTANDING 2010-11**

**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. 7000 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 2010-2011 until such time, the same is modified by the signing of the subsequent MoU between the parties.

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# MEMORANDUM OF UNDERSTANDING 2010-11

## PART-III

### Performance Evaluation Parameters and Targets

#### Performance Evaluation:

For the purpose of performance evaluation of the Corporation for the year **2010-2011**, the scale and the weights assigned to various parameters are shown in the following table.



(PART-III)												
PERFORMANCE EVALUATION PARAMETERS AND TARGETS												
S. No.	Parameter	Units	Weights	Parameter Scale for FY 2010-11					BE 2009-10		BE 2008-09	
				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		
<b>1</b>	<b>Static Financial Parameters @</b>											
	(a) Financial indicators- Profit related ratios											
	(i) Gross Margin / Gross Block	(%)	2	13.20	12.28	11.70	11.14	10.61	10.86	10.04		
	(ii) Net Profit / Net Worth*	(%)	10	9.43	8.77	8.35	7.95	7.57	10.31	9.55		
	(iii) Gross Profit / Capital Employed	(%)	10	10.98	10.21	9.72	9.26	8.82	10.68	10.91		
	(b) Financial indicators - Size related											
	(i) Gross Margin	(Rs. Crs.)	8	6880	6400	6095	5805	5529	5270	4090		
	(ii) Gross Sales	(Rs. Crs.)	4	7890	7340	6990	6657	6340	6340	4910		
	(c) Financial Returns - Productivity related											
	(i) PBDIT / Total Employment	(Rs. Lacs/ Employee)	7	66.15	61.54	58.61	55.82	53.16	53.75	48.70		
	(ii) Added Value / Gross sales	(%)	9	36.43	33.89	32.28	30.74	29.28	31.25	28.93		
<b>2</b>	<b>Dynamic Parameters</b>											
	a) Quality (ISO certification, internalisation of quality)											
	(i) Implementation of IMS in WR-II	Date	1	Dec.' 2010	Jan.' 2011	Feb.' 2011	Mar.' 2011	-	-	-		
	b) Customer Satisfaction											
	No. of Trippings per line attributable to POWERGRID #	Nos.	2	2.50	2.60	2.70	2.80	2.90	2.70	3.30		
	(i) Un-Planned											
	c) Business Development											
	(i) Assignment	Nos.	1	22	20	19	18	17	18	14		
	(ii) Revenue	(Rs. Crs.)	1	250	227	216	206	196	206	187		
	d) Rajeve Gandhi Grameena Vidhyutikaran Yojana											
	(i) Un-electrified villages electrification	Nos.	3	3500	3180	3030	2885	2750	2818	-		
	(ii) BPL household connections	Nos in lacs	2	7.00	6.36	6.06	5.77	5.50	5.45	-		
	e) R&D for Sustained & Continuous innovation											
	(i) Development of Dynamic Contact Resistance Measurement (DCRM) technique for 800 kV Circuit Breakers	Date	1	Jan.' 2011	Feb.' 2011	Mar.' 2011	-	-	-	-		
	(ii) Development & testing of prototype 1200 kV UHV AC Transmission line tower (DC type)	Date	1	Jan.' 2011	Feb.' 2011	Mar.' 2011	-	-	-	-		
	@ 1. Transmission charges for 2010-11 have been estimated based on CERC tariff norms (2009-14) notified on 20.01.2009. The absolute values of Gross Profit, Net Profit, Network, Gross Block & Capital Employed against "Excellent" target are considered as Rs. 4397 Cr, Rs. 2003 Cr, Rs. 21245 Cr, Rs. 52109 Cr & Rs. 40056 Cr respectively.											
	* Considering 9% of paid-up capital will be issued as Followon Public Offer (FPO) during 2010-11. In case of non-materialization of FPO, the parameter Scale for Net Profit/Net Worth would be 11.61, 10.80, 10.28, 9.79 & 9.32.											
	# The no. of trippings (unplanned) do not include those attributable to sub-station bays of POWERGRID, but maintained by other utilities.											

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 03/10/11  
 Signed & Date  
 03/10/11

(PART-III) PERFORMANCE EVALUATION PARAMETERS AND TARGETS											
S. No.	Parameter	Units	Weights	Parameter Scale for FY 2010-11					BE 2009-10		BE 2008-09
				Excellent	V. Good	Good	Average	Poor	Target (V. Good)	Target (V. Good)	Target (V. Good)
1	2	3	4	5	6	7	8	9	10	11	
(f)	<b>Project Implementation</b>										
	(i) <b>Activities for timely completion of transmission projects</b>										
	a) Foundation	Nos.	2	14000	12730	12130	11550	11000	12700	11000	
	b) Tower Erection	Nos.	2	13000	11820	11250	10720	10200	11000	11000	
	c) Stringing	Ckms.	1	7500	6820	6490	6180	5900	6800	6800	
	d) No. of Ckt. Kms ready for commissioning	Ckms.	4	7500	6820	6490	6180	5900	6800	5000	
	e) Transformer Erection	Nos.	3	11	10	9	8	7	20	24	
	f) Transformation capacity addition/ ready for commissioning	MVA	3	5640	5010	4695	4380	4065	9000	5655	
	(ii) <b>Project Implementation (Ready for Charging)</b>										
	a) NRSS-X - 400 KV D/C Gorakhpur-Lucknow line (510 ckm)	Date	1	Aug.' 2010	Sep.' 2010	Oct.' 2010	Nov.' 2010	Dec.' 2010	-	-	
	b) Chamera-III transmission system	Date	1	Nov.' 2010	Dec.' 2010	Jan.' 2011	Feb.' 2011	Mar.' 2011	-	-	
	c) Parbati-III transmission system	Date	1	Feb.' 2011	Mar.' 2011	-	-	-	-	-	
	d) WRSS-VI - 400 KV D/C Dengam-Pirana line (92 ckm)	Date	1	Oct.' 2010	Nov.' 2010	Dec.' 2010	Jan.' 2011	Feb.' 2011	-	-	
	e) Malithon RB & startup DVC system	Date	1	Aug.' 2010	Sep.' 2010	Oct.' 2010	Nov.' 2010	Dec.' 2010	-	-	
	400 KV D/C Kodarma-Biharsharif line (160 ckm)	(Rs. Crs.)	3	200	180	171	163	155	-	-	
(g)	<b>Revenue from Telecom Business</b>										
3	<b>Sector-specific Parameters</b>										
(a)	<b>Environment and Social Management ( List of Projects enclosed at Annex-4)</b>										
	(i) <b>Social Assessment</b>										
	a) Rehabilitation Action Plan (RAP) or Social Assessment & Management Plan (SAMP)	No. of Projects	1	6	5	4	3	2	5	5	
	(ii) <b>Environment and Social Assessment of new projects</b>										
	a) Preparation of Initial Environment Assessment (IEA)/ Initial Environment Examination(IEE) & Initial Social Assessment (ISA) Reports	No. of Projects	1	6	5	4	3	2	5	6	
4	<b>Entreprise - specific Parameters</b>										
(a)	<b>Operational Targets</b>										
	(i) Availability of Tr. System *	(%)	7	99.20	98.80	98.40	98.00	97.60	97.80	98.80	
(b)	<b>Inventory Management</b>										
	(i) Ratio of Inventory to Gross Block	(%)	1	1.00	1.10	1.20	1.30	1.40	1.10	1.10	
(c)	<b>Corporate Social Responsibility</b>										
	(i) Education - Organising Work shops / programmes for skill development / providing facilities in schools etc.	Nos.	1	24	21	19	17	15	-	-	
	(ii) Health - Conducting Health Camps etc.	Nos.	1	24	21	19	17	15	-	-	
	(iii) Infrastructure Development - Drinking and Sanitation facility etc. in backward villages	Nos.	1	24	21	19	17	15	-	-	
	(iv) Promotion of livelihood activities for economically weaker sections through forward & backward linkages	Nos.	1	24	21	19	17	15	-	-	
	(v) Ecology and Environment - Tree plantation	Nos. in Thousand	1	50	45	42	39	37	-	-	
	<b>Total</b>		<b>100</b>								

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\* Transmission System availability calculated as per CERC methodology.



List of projects covered under Environment and Social Management Parameters

Parameter Name	Name of Project
<b>PART B</b> <b>I (c)</b> <b>(i) Social Assessment</b> (a) Rehabilitation Action Plan (RAP) Or Social Assessment & Management Plan (SAMP) Or Socio-Economic Survey (SES)	1. Fatehpur S/s 2. Lucknow S/s 3. Aurangabad S/s 4. Kurnool S/s 5. Kolhapur HVDC S/s or Tuticorin S/s 6. Madhugiri S/s/ or Nellore S/s
<b>(ii) Environment and Social Assessment of new projects</b> (a) Preparation of Initial Env. Assessment Report (IEAR) OR Initial Env. Examination Report (IEER)	1. Balia-Lucknow 765 kV transmission line 2. Kanpur-Ballabgarh 400 kV D/C transmission line 3. Kameng-Balipara 400 kV transmission line 4. Parbati-Amritsar 400 kV D/C transmission line 5. System strengthening in WR for Mundra UMPP 6. 765 kV Vindhyachal pooling station to Satna

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**MEMORANDUM OF UNDERSTANDING 2010-11****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 2010-11. 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.

**Authorised Signatory**

## MEMORANDUM OF UNDERSTANDING 2010-11

### PART-V

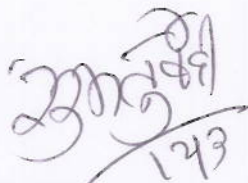
#### **Commitment/ Assistance from the Government**

- 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.

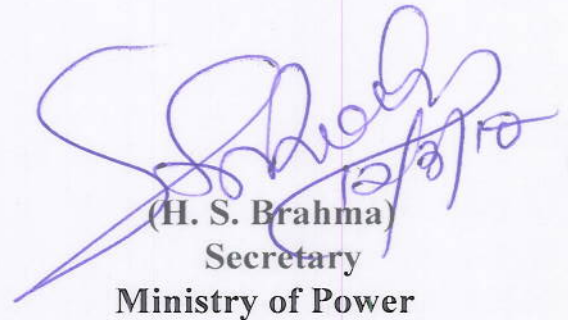
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**MEMORANDUM OF UNDERSTANDING 2010-11****Part-VI****Action Plan for Implementation and Monitoring of the MOU**

- 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**



**(H. S. Brahma)**  
**Secretary**  
**Ministry of Power**

