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**POWER PURCHASE AGREEMENT
BETWEEN
UTTAR PRADESH STATE ELECTRICITY BOARD
AND
NATIONAL THERMAL POWER CORPORATION LIMITED**

THIS POWER PURCHASE AGREEMENT hereinafter called "Agreement" entered into on the 9th day of July, One Thousand Nine Hundred Ninety Nine (09.07.1999) between Uttar Pradesh State Electricity Board, with its Head Office at Shakti Bhavan, 14 Ashok Marg, Lucknow - 226 001 (hereinafter called "UPSEB") which expressions shall unless repugnant to the context or meaning thereof include its successors and assigns as parties of the first part and National Thermal Power Corporation Limited, a Company incorporated under the Companies Act, 1956 having its registered office at NTPC Bhawan, SCOPE Complex, 7 Institutional Area, Lodhi Road, New Delhi-110003. (hereinafter called "NTPC") which expression shall unless repugnant to the context or meaning thereof include its successors and assigns as party of the second part.

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WHEREAS NTPC is a Generating Company wholly owned by the Govt. of India already operating Stage-I (nominal capacity: 419.33 MW) of Anta Combined Cycle Gas Power Station at Kota, Rajasthan from which the Bulk Power Customers are already drawing power. The capacity of Anta Combined Cycle Gas Power Station is being expanded in Stage-II (nominal capacity 650 MW) hereinafter referred to as "Anta Stage-II". It shall generally be referred to as "Station" to be owned and operated by NTPC, collectively referred to as "Anta PS" consisting of Stage-I and II.

AND WHEREAS, the total capacity of Anta Stage II (nominal capacity 650 MW) is proposed to be allocated to Delhi Vidyut Board, Haryana Vidyut Prasaran Nigam Ltd., Punjab State Electricity Board, Rajasthan State Electricity Board, Uttar Pradesh State Electricity Board, Himachal Pradesh State Electricity Board, Govt. of Jammu & Kashmir and Chandigarh Administration (referred to as "Bulk Power Customers")

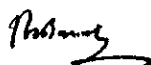
AND WHEREAS the Bulk Power Customers have been allocated capacity from NTPC's Anta Combined Cycle Power Station Stage-I and are desirous of purchasing energy from Anta Stage-II and NTPC is willing to sell energy from Anta Stage-II to Bulk Power Customers from the date of commissioning of Unit-I of Anta Stage-II on mutually agreed terms and conditions mentioned hereunder.

Now therefore, in consideration of the premises and mutual agreements, covenants and conditions set forth herein, it is hereby agreed by and between the parties as follows:-

1.0 DEFINITIONS

The words/expressions used in this Agreement unless repugnant to the context shall have the same meaning assigned to them by Indian Electricity Act, 1910 and Electricity (Supply) Act, 1948 as amended from time to time and the Rules framed thereunder. The words/expressions mentioned below shall have the meanings respectively as assigned hereunder.

- i) GOI : Shall mean Govt. of India.
- ii) CEA : Shall mean Central Electricity Authority which is a statutory Authority.
- iii) POWERGRID: Shall mean Power Grid Corporation of India Ltd.
- iv) NREB : Shall mean Northern Regional Electricity Board duly established by Government of India vide Resolution No.EL-II-35(2)/63 dated 28.3.1964





and subsequent amendment/resolution thereof and as defined in the amended E(S) Act.

- v) NRI DC : Shall mean Northern Regional Load Despatch Centre.
- vi) Main Import: Meter Shall mean Meter for measurement of active energy import at Anta Stage-II 400KV busbars (220 KV busbars where 400 KV busbars are not existing) for Energy Accounting.
- vii) Main Export: Meter Shall mean Meter for measurement of active energy export at Anta Stage-II 400 KV busbars (220 KV busbars where 400 KV busbars are not existing) for Energy Accounting.
- viii) Check Import/Export Meter Shall mean Meter for maintaining a check on performance of Main Import/Export meter.
- ix) Regional Energy Account Shall mean Periodic Energy Account including amendments thereof, if any prepared by NREB.
- x) Charges for : Supply of Energy Shall mean and include all charges to be paid by Bulk Power Customers in respect of supply of power to them by NTPC in accordance with the provisions of this Agreement.
- xi) LC : Shall mean Irrevocable Revolving Letter(s) of Credit.
- xii) Date of : Commercial Operation Shall mean the date of commercial operation declared by NTPC in respect of generating unit(s) on the basis of guidelines issued by Govt. of India from time to time.
- xiii) Auxiliary Power Consumption Shall mean energy consumed by auxiliaries of station and required for generation of power (excluding the power used in NTPC colony and other construction works.)

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Shall mean Time-of-Day for the purpose of metering.

2.0 INSTALLED CAPACITY

The existing capacity of Anta Combined Cycle Power Station is 419.33 MW (3x88.71MW + 1x153.20MW) under Stage-I and the same is being expanded by implementing 650 MW (nominal capacity) under Stage-II. The total nominal capacity of Anta PS on implementation of Stage-II shall be 1069.33 MW (419.33MW + 650 MW).

2.1 Allocation of Power

The allocation of power from Anta Stage-II (nominal capacity :650 MW) amongst the Bulk Power Customers shall be in accordance with the decision of the Government of India, Ministry of Power, from time to time which shall form an integral part of this Agreement.

However, in case, any other Bulk Power Customer(s) / State Electricity Board(s) do not sign the Power Purchase Agreement on the same terms and conditions with NTPC as this Agreement signed by HVPN, their share of power would also be allocated to HVPN as a first preference before commissioning of first unit of this Power Station.

However, in case HVPN does not avail such excess capacity either in full or in part the same shall be offered to PSEB and in case PSEB agrees, such excess capacity shall be allocated to PSEB in addition to their share as above before commissioning of the first unit of this power station.

And in case HVPN and PSEB do not avail such excess capacity either in full or in part the same shall be offered to DVB and in case DVB agrees, such excess capacity shall be allocated to DVB in addition to their share as above before commissioning of the first unit of this power station.

And, in case HVPN, PSEB and DVB do not avail such excess capacity either in full or in part the same shall be offered to RSEB and in case RSEB agrees, such excess capacity shall be allocated to RSEB in addition to their share as above before commissioning of the first unit of this power station.

And in case HVPN, PSEB, DVB and RSEB do not avail such excess capacity either in full or in part the same shall be offered to UTC and in case UTC agrees, such excess capacity shall be allocated to UTC in addition to their share as above before commissioning of the first unit of this power station.

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And in case HVPN, PSEB, DVB , RSEB and UTC do not avail such excess capacity either in full or in part the same shall be offered to UPSEB and in case UPSEB agrees , such excess capacity shall be allocated to UPSEB in addition to their share as above before commissioning of the first unit of this power station.

The unallocated capacity shall stand allocated from time to time as per decision of Member Secretary, NREB/CEA/Ministry of Power. The allocation will be subject to opening of LC of requisite amount.

2.2 Commercial Operation of Generating Units

The dates of commercial operation of generating units of Anta Stage-II shall be as defined under clause 1.0 (xii) above and shall be confirmed by CEA. However, Bulk Power Customers shall ensure full payment as per NTPC tariff on provisional basis as agreed in NREB w.e.f. the date of commercial operation declared by NTPC without waiting for confirmation by CEA. Provisional payments as above will be subject to retrospective adjustment, if required, after CEA decision.

2.3 Drawal of Power

The power from Anta Stage-II shall be drawn by the Bulk Power Customers directly and/or by method of displacement. Bulk Power Customer(s) shall draw their share of power from Anta Stage-II through transmission system of Power Grid Corporation of India Ltd., and the transmission system(s) of Bulk Power Customer(s)/other agency(ies).

3.0 WHEELING OF POWER

Bulk Power Customers will permit wheeling of power from Anta Stage-II through their transmission system subject to system constraints. Bulk Power Customers shall extend their full co-operation in transmission of power from Anta Stage-II to other Bulk Power Customers through their transmission system. For wheeling of Anta Stage-II power beyond Anta Stage-II bus bars, the charges for utilisation of transmission system(s) owned by Power Grid Corporation of India Ltd., and/or Bulk Power Customer(s) and/or other agency(ies) shall be mutually settled and paid for directly between Power Grid Corporation of India Ltd. and/or such agency(ies) and the concerned Bulk Power Customer(s). NTPC shall not be responsible for the payment of such charges.

4.0 ENERGY ACCOUNTING

- a) Regional Energy Accounts issued by Member-Secretary, NREB shall be binding on all the parties to these presents for billing and payment purposes.
- b) Regional Energy Accounts shall be prepared latest by 6th day of every month (if 6th day is a holiday for the Secretariat of NREB, the next working day will be applicable)

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based on the monthly joint energy meter readings furnished to the NREB by the 2nd day of the month by NTPC, Bulk Power Customers and other agencies.

c) Regional Energy Accounts, whether they are final or provisional, shall ensure accounting of total net energy sent out at 400 KV bus bars (220kv where 400kv busbars are not existing) of Anta Stage-II and shall indicate monthly drawal by each of Bulk Power Customers from Anta Stage-II for billing purposes. NTPC shall not be responsible for any loss(es) of energy beyond 400 KV bus bars (220 kv busbars where 400kv busbars are not existing) of Anta Stage-II.

d) The total energy sent out at 400 KV bus bars (220kv busbars where 400kv busbars are not existing) of Anta Stage-II shall be the net energy measured at all metering points/locations .

e) The export and import of energy at the metering points/locations shall be computed on net basis i.e. by difference between export and import meter readings.

f) Any change in the methodology for Regional Energy Accounts shall be done only as per decisions taken in the NREB forum and no unilateral deductions by any of or all Bulk Power Customers shall be made from bills of NTPC on this account.

g) NTPC shall prepare bills for the energy supplied to each of the Bulk Power Customers on the basis of Regional Energy Accounts and Bulk Power Customers shall accept these bills for payment.

h) In the event of delay in receiving meter readings, Member-Secretary, NREB shall issue Regional Energy Accounts on provisional basis by the 6th day of every month (if 6th day is a holiday for the Secretariat of NREB, the next working day will be applicable), which shall be binding on NTPC and Bulk Power Customers for billing and payment purposes and shall be subject to adjustments, if any, as and when final Regional Energy Accounts are issued.

i) For provisional/revised/amended Regional Energy Accounts necessary adjustments, if any, would be made by NTPC by issuing Supplementary Bill(s)/Credit Note(s), as soon as possible.

j) Notwithstanding the obligations of Bulk Power Customer(s) to pay as per this Agreement including deemed generation as per para 5.1, NTPC shall be entitled to divert the share(s) of any Bulk Power Customer(s) to other Bulk Power Customers viz. other State Electricity Boards/Utilities in Northern Region or other regions of the country as per guidelines of GOI issued from time to time, in the event of their inability to utilise their full share of power which could be generated by NTPC at Anta Stage-II or in the event of their failure to comply with payment obligations to NTPC as per this Agreement. SEBs of Northern Region will have first preference in case of diversion of power as above.

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4.1 Points for Metering

The main and check meters at all outgoing feeders at the 400 kv busbars (220 kv busbars where 400 kv busbars are not existing) of Anta Stage-II to be installed by NTPC shall be maintained by NTPC. Installation and maintenance of main and

check meters at locations other than the meters installed and maintained by NTPC shall be the responsibility of the concerned Bulk Power Customer(s) or Power Grid Corporation of India Ltd., or other agencies as the case may be. The meters shall be sealed after calibration by the concerned parties jointly.

4.2 Metering System

4.2.1 A set of Main and Check Energy Meters of 0.2 accuracy class shall be installed by NTPC on all generators and outgoing feeders at 400 KV bus bars (220 KV busbars where 400 KV busbars are not existing) of Anta Stage-II. Each of the Main and Check meters will be a pair of Export and Import meters.

4.2.2 All the meters shall be jointly calibrated, inspected and sealed on behalf of the parties and shall not be interfered with except in the presence of other party or for joint testing and calibration and/or replacement and/or any other purposes for which due notice of 7 (seven) days will be given by NTPC so that this is done in the presence of the authorised representatives of the Bulk Power Customers.

4.2.3 All the meters shall be checked for accuracy quarterly by NTPC and Bulk Power Customers and shall be treated as working satisfactorily so long as the errors are within the limits prescribed in relevant Indian Standard (or British Standard where Indian Standard is not existing) for meters of the said class. The meter readings of main meters shall form the basis of the Energy Accounts so long as the quarterly check results thereof are within prescribed limits. If the check meters are found to be defective during the quarterly checks, these shall be immediately calibrated. Where the quarterly checks indicate errors in the main meter(s) beyond limits but no error is noticed in check meter(s) during quarterly checking, computation of total net energy sent out at 400 KV busbars (220 KV busbars where 400 KV busbars are not existing) of Anta Stage-II for the month shall be done on the basis of check meter(s) and main meter(s) shall be calibrated immediately. If during the quarterly test check both the main meter(s) and the corresponding check meter(s) are found to be beyond the permissible limits of error both the meter(s) shall be immediately calibrated and the correction applicable to main meter shall be applied to the consumption registered by the main meter(s) to arrive at the correct consumption of energy for the purpose of Energy Accounts for the month from the date of last meter reading upto the time of replacement of correct main meter. Billing for the period thereafter till the next monthly meter reading shall be as per calibrated main meter. During this period of calibration of main and check meter(s), another set of main and check meters duly calibrated and sealed will be installed by NTPC at Anta Stage-II in the presence of Bulk Power Customers and jointly sealed. The energy accounting during the period of

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calibration of original meters shall be as per the readings of the substituted main meters. In case spare meters are not available with NTPC, the main/check meters shall be calibrated by rotation. During the period of removal of main meter, the energy accounting will be done based on check meter readings applied with readings applied with correction factor of the check meter obtained during testing/calibration of check meter.

4.2.4 All the main and check energy meter(s) shall be calibrated once in every six months jointly by the parties, i.e. January and July irrespective of the calibrations that might have been done, where necessary, during the quarterly check. It shall be endeavour of the parties that errors are adjusted as close to zero as possible. If the error found at the time of half yearly calibration are beyond permissible limits the same procedures applicable to the quarterly test checks shall be followed.

4.2.5 If in any month the readings of the main energy meter(s) differs from the readings of corresponding check energy meter(s) by more than 0.4% (Zero point four per cent) the main and check energy meter(s) shall be tested in turn and the errors at various levels as per standard procedures would be determined. If on such testing main energy meter error is found to exceed $\pm 0.2\%$ (plus/minus zero point two per cent) the energy figures recorded by the main energy meter(s) for the above month concerned shall be revised accordingly and the main energy meter(s) shall be recalibrated or replaced by the correct energy meter(s). Pending the results of such testing, billing and payment shall continue to be based on the energy recorded by the check energy meter(s).

4.2.6 All the tests during quarterly checks and calibration on the main and check energy meter(s) shall be conducted in the presence of authorised representatives of NTPC and Bulk Power Customers and the results/correction so arrived at shall be applicable and binding on NTPC and Bulk Power Customers.

4.2.7 Corrections in billing, whenever necessary, shall be applicable for the period between the previous meter reading and the date and time of the replacement of recalibrated correct meter and this correction shall be for the full value of the absolute error. For the purpose of the correction to be applied, the meter shall be tested as per Indian Standard (British Standard where Indian Standard is not existing). The error at the load and power factor nearest to the average monthly load served at the point during the period shall be taken as the error to be applied for correction.

4.2.8 During the period of calibration of the defective meter(s) another export and import meter(s) duly calibrated would be installed by NTPC at NTPC Station's bus bars in the presence of the other parties and jointly sealed. In case spare meter(s) are not available with NTPC the main and check meter(s) shall be calibrated by rotation. During the period of removal of main meter, the energy accounting will be done based on check meter readings applied with correction factor of the check meter obtained during testing/calibration of check meter.





4.2.9 If both the main and check meter(s) fail to record or if any of the PT fuses are blown out, then the energy will be computed on a mutually agreeable basis between NTPC and concerned Bulk Power Customer(s) for that period of defect. In case there is no mutual agreement, the decision of Member Secretary of NREB would be final and binding.

4.2.10 For the purpose of test and calibration, the Substandard (SS) meter calibrated and sealed by Government Authorised Meter Testing House/Laboratory shall be utilised. This Substandard meter shall be got calibrated once in every six months at the Government Authorised Meter Testing House/Laboratory.

4.2.11 The readings of the meters shall be taken jointly by the concerned parties. The parties installing meters shall also be responsible for maintaining properly their respective meters.

Joint meter readings of the main as well as check meters at various Regional Energy Accounting points as identified by NREB shall be taken by the concerned parties as mentioned above at 1200 hours (noon) on the 1st day of each calendar month. The readings taken at Anta Stage-II shall be submitted by NTPC to NREB so as to reach NREB on or before 2nd day of the month. The meter readings at other metering points would be submitted by concerned Bulk Power Customer(s) and/or other concerned agency(ies) so as to reach NREB on or before 2nd day of the month. In case any of the concerned party(ies) is/are not available for joint meter readings at the specified time, the meter reading taken by the other party(ies) shall be binding on all the Bulk Power Customers and shall be taken into account for preparation of Regional Energy Accounts.

4.2.12 If at any time any party to the Agreement feels that a meter is not recording correctly it shall give notice to the other party. NTPC shall then undertake testing and calibration of the meters owned by NTPC and located at NTPC Station in co-ordination with the other party. If error on such testing is found to exceed the error limits specified in the relevant Indian Standard (British Standard where Indian Standard is not existing), for this class of meters, necessary adjustments in the bills shall be made from the date of notice or from such other date as can be satisfactorily established to be proper for such adjustment.

5.0 TARIFF

5.1 The Tariff and Terms and Conditions for the energy to be supplied by NTPC from Anta Stage-II shall be as per the notification(s) issued/to be issued by Govt. of India, Ministry of Power / CERC from time to time under Electricity(Supply) Act, 1948 (as amended from time to time) / Electricity Regulatory Commissions Act, 1998 and / or any other Act / Regulations as may be enacted by Govt. of India in place of these provisions.





The following would specifically be taken into account while working out Tariff for Anta Stage-II:

(i) The Station shall be based on liquid fuel (Naptha/HSD/NGH.) as primary fuel and gas as available. The liquid fuel can be imported or indigenous. NTPC will make reasonable efforts to use the cheaper fuel depending on its feasibility/availability. Responsibility of arranging fuel would be that of NTPC. Arrangement would be made to switch over to LNG within three years of commercial operation of the first unit at Anta Stage-II.

(ii) The Gas Turbines and Steam Turbines will be progressively commissioned and declared on commercial operation individually.

(iii) Return would be 16% on equity as per Govt. of India notification dated 30.3.1992 or as revised from time to time by Govt. of India / CERC.

(iv) The Debt: Equity ratio for the project shall be approved by the Govt. of India. All capital expenditure towards the project shall stand allocated in the same proportion for tariff purposes.

(v) Incentive shall be paid as an additional return on equity at the following rates for annual average PLF above 68.5 % including deemed generation. (However for liquid fuel firing no deemed generation beyond PLF of 6000 KWH / KW / year will be applicable as per provisions of GOI notification dated 6.11.95 or as per provisions of applicable GOI notification as modified from time to time). The Incentive shall be billed provisionally on monthly basis and adjusted annually based on average PLF including deemed generation for the financial year :

PLF (including Deemed Generation)

Incentive


Above 68.5 %

0.6 % of Equity for every
1 % increase in PLF above
68.5 % .

Disincentive : Payment of Fixed Charges below the level of 6000 KWh /KW/ Yr inclusive of deemed generation shall be reduced on pro rata basis.

The PLF, for this purpose, shall be calculated on Financial Year basis.

Deemed generation for the purpose of Incentive / Disincentive shall mean for any period the quantum of energy which NTPC was in a position to generate during such period, but could not generate, as a direct result of :





a) any direction, issued by NRLDC / Bulk Power Customers to reduce or restrict generation for any reason whatsoever, and / or

b) any failure on the part of Bulk Power Customers to draw energy, except under the conditions of Force Majeure and / or

c) backing down due to transmission constraints and / or requirements of grid problem or disturbance or safety in respect of the State / Regional grid.

✓(vi) No disincentive will be applicable on account of NTPC resorting to restriction of generation or stopping generation altogether on account of non - payment of dues to the extent of two months arrears, after giving 15 days notice to Bulk Power Customers. However, Bulk Power Customers shall facilitate supply of power to alternate customers on the same terms and conditions as per this PPA to avoid such restriction or stoppage of generation.

No disincentive will be applicable on account of non - availability of gas or liquid fuel, provided NTPC makes up the reduced supply of power on this account from some other NTPC Stations other than the unallocated capacity of the NTPC power stations in NR up to the level of normative (68.5 %) annual average PLF (inclusive of deemed generation) of the Station. Such power shall be deemed to have been supplied from this power station and shall be paid at rate applicable for this Power Station or at actual rate of power, if lower.

(vii) Before commissioning of combined cycle, the Variable Charges for Open Cycle would be as per guidelines / notification of Govt. of India.

(viii) Water Charges upto Rs.5 lacs / annum with 10 % annual escalation from commercial operation would be borne by NTPC and beyond this, the water charges would be paid by Bulk Power Customer additionally through tariff.

(ix) However, Govt. of India/CERC notification on Tariff, including notification based on Availability Tariff issued from time to time shall prevail.

In case the tariff, as provided above, is not notified by Govt. of India prior to commencement of commercial operation of the 1st unit, the same would be worked out by NTPC based on the above provisions and the guidelines of Govt. of India as applicable at that particular time. This will be discussed in the REB forum and in the absence of an agreement, this will be decided by Member Secretary NREB prior to commercial operation of the 1st unit. The same shall be billed by NTPC on provisional basis subject to retrospective adjustment as and when the tariff is notified by Govt. of India.

However infirm power, i.e., sale of energy prior to commercial operation of the unit, shall be billed by NTPC at variable charges as applicable during the period of stabilisation of a newly commissioned unit as per guidelines of Govt. of India, applicable from time to time. As per normal accounting practice, the net pre - commissioning expenses after off setting the above sale of infirm power are charged to capital cost.

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6.0 BILLING AND PAYMENT

All charges under this Agreement shall be billed by NTPC and shall be paid by Bulk Power Customers in accordance with the following provisions:

- a) NTPC shall present bills after the end of each calendar month for energy supplied to Bulk Power Customers from Anta Stage-II.
- b) Billing Centre of NTPC shall carry out billing and associated functions. The authority of Bulk Power Customers to whom the bills have to be submitted would be informed by Bulk Power Customers to NTPC within a month of signing of the Agreement failing which NTPC would submit the bills to the Chief of Finance and Accounts wing of Bulk Power Customers.
- c) The monthly bill for Anta Stage-II shall be aggregate of charges in accordance with the provisions of the Agreement. If for certain reasons some of the charges cannot be included in the monthly main bills, such charges shall be billed as soon as possible through supplementary bill(s).
- d) The bill(s) of NTPC shall be paid in full subject to the condition that-
 - i) there is no apparent arithmetical error in the bill(s),
 - ii) the bill(s) is/are claimed as per the agreed tariff referred to in clause 5.0, and
 - iii) energy accounts referred to in clause 4.0.

In disputed cases Bulk Power Customers shall file a written objection with NTPC within 45 (forty five) days of presentation of the bill, giving following particulars:

- i) Item disputed, with full details/data and reasons of dispute, and
- ii) Amount disputed against each item.

NTPC shall resolve the above dispute(s) with Bulk Power Customers as soon as possible.

e) Establishment of Letter of Credit (LC) and Payment of Bills

Payment of bills for supply of power from Anta Stage-II shall be made by Bulk Power Customer(s) through irrevocable revolving Letters of Credit (LC) established in favour of National Thermal Power Corporation Ltd. with a public sector bank at least one month prior to commencement of power supply from Anta Stage-II. The LC shall be opened at the same branch of the bank which maintains the Bank Account of Bulk Power Customer(s) to which the maturing obligations under the LCs will be debited.





The LCs shall be established to cover one month average billing of last quarter for power supply from Anta Stage-II. In case of first LC, the LC amount shall be as indicated by NTPC.

The LC shall be established for a minimum period of one year and would be renewed/enhanced by Bulk Power Customer(s) for the subsequent period ensuring that LC remains valid at all times during the entire/extended validity of this Agreement.

LC shall be without any limitation or restriction with regard to the manner and dates when bill(s) can be presented to Bank by NTPC. The bills so presented by NTPC to the Bank shall be promptly paid on their presentation. The amount of LC shall be reviewed each quarter commencing April, July, October and January in each financial year and its amount shall be enhanced/reduced accordingly. The LC charges shall be borne by Bulk Power Customer(s). The operation of LC shall not depend on the recoupment of the amounts by Bulk Power Customer(s).

Bulk Power Customer(s) will continue to maintain the LC(s) to cover full supply of power from NTPC's other power stations to Bulk Power Customer(s).

In addition to LC as provided above, NTPC will have the first charge on total revenue being received by UPSEB centrally in its banks.

It is specifically agreed between the parties that UPSEB shall meet all its payment obligations under this agreement for supply of power by NTPC each month through an irrevocable Revolving Letter of Credit opened in favour of NTPC. As a back up arrangement, UPSEB agrees for the creation of First Charge in favour of NTPC in respect of all its revenues for making payment to NTPC of any of the bills remaining unpaid through the LC arrangement as aforesaid.

UPSEB hereby undertakes in addition to LC provision, to create First Charge in favour of NTPC on its total collections whether received centrally or otherwise and declares that such charge shall take overriding priority over all the charges whether already created or to be created on the revenues received by UPSEB. First Charge shall be created in favour of NTPC by means of a legally enforceable agreement duly registered with appropriate authority within three months of signing of PPA. For the purpose of operating First Charge on revenues of UPSEB flowing into different banks, UPSEB shall identify one of its Bankers as Principal Bank. The Principal Bank shall evolve a mechanism for operating the First Charge in consultation with other bankers of UPSEB. The Principal Bank shall enter into a Tripartite Agreement with UPSEB and NTPC regarding mechanism by which First Charge shall be operated in favour of NTPC. The Principal Bank shall be the same Public Sector Bank through which UPSEB has opened an irrevocable LC arrangement referred to above.

If UPSEB fails to make full payments through LC in any month or fails to renew, replenish or enhance the LC as required or if the bill amount exceeds the amount of LC, the Principal Bank shall automatically transfer sufficient funds into NTPC bank account





with the Principal Bank to the extent of shortfall so that 100 % payment of NTPC bill is ensured. Such transfer of funds from the Principal Bank shall be unconditional and at no time UPSEB shall restrain, revoke or modify the authority to this effect without the express consent of NTPC.

The automatic transfer of funds by the bank to NTPC bank account with the Principal Bank shall be carried out by the bank in preference to meeting any cheques or other payment instructions issued by UPSEB from time to time.

Any bank charges or other expenses in respect of this First Charge Arrangement only shall be borne by UPSEB.

f) Rebate on payment through LC

Rebate on payments, if any, shall be as per the provisions of tariff notifications issued by GOI from time to time and applicable in respect of Anta Stage-II and other concerned power stations of NTPC.

g) Surcharge Due on Late Payment

In case payment is made after the last day of the month following the month in which the bill is raised by NTPC the surcharge @ 2% (two per cent) per month or as notified by GOI/CERC shall be charged on the amounts remained unpaid after the said date in proportion to the number of days of delay after the said date. The surcharge amount shall also be payable along with the next bill.

h) State Government Guarantee

Notwithstanding the above, UPSEB within three months of signing of this Agreement shall take up with Government of UP to obtain Guarantee from the Government of UP as per mutually agreed draft to be operative at least 3 months prior to the date of commencement of supply of power from Anta Stage-II, in favour of National Thermal Power Corporation Ltd. to guarantee the performance of the obligations of Bulk Power Customer(s) to make regular payments of the energy bills presented by NTPC for power supplied to Bulk Power Customers from its various power stations..

In case the outstanding dues from all NTPC power stations increase to more than two (2.0) months of billing (calculated on last 3 months average basis) NTPC shall have right to get the payments inclusive of surcharge directly from GOI through Central Plan Assistance to the respective State Government(s) of Bulk Power Customer(s) or from the State's RBI account in case of default in payments automatically without referring the matter further to the respective State Government(s) or Bulk Power Customer(s).

The above provision regarding payment out of the State's RBI account will be subject to the Government of UP agreeing for signing of a Tripartite Agreement between the Government of UP, RBI and NTPC for direct payment out of the State's

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RBI account in case of default in payments. This issue would be referred by UPSEB to the Government of UP pursuant to the minutes of meeting held on 11.11.1998 with Chief Secretary, Government of UP for taking a decision on signing of the said Tripartite Agreement.

i) Non-payment of bills and non-establishment of LC / Govt. Guarantee

Bulk Power Customer(s) shall open/enhance LC, open First Charge Arrangement and furnish State Government Guarantee as per this Agreement within the stipulated time periods as per Clause 6.0(e), and 6.0(h) covering the monthly payments towards power supplied to Bulk Power Customer(s) from Anta Stage-II. In the event of failure to establish LC and/or open First Charge Arrangement and/or furnish Govt. Guarantee as above and/or to open / enhance LC within the specified period or if any bills remain unpaid for a period exceeding two months from the date of issue of the bill for the power supplies from various NTPC power stations to Bulk Power Customer(s), NTPC may regulate supply of power from Anta Stage-II and various other power station of NTPC to Bulk Power Customer(s) and inform NREB accordingly.

7.0 ARBITRATION

7.1 All differences or disputes between the parties arising out of or in connection with this Agreement shall be settled through arbitration as provided herein.

7.2 In the event of such differences or disputes between the parties, any party may by a written notice of 30 days to the other party request for appointment of a Sole Arbitrator to be decided mutually by the parties and, in case of disagreement, to be decided by Chairman, Central Electricity Authority. The arbitration shall be conducted in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and any statutory modifications thereto. The Arbitrator shall give a speaking and reasoned award. The decision of the Arbitrator shall be final and binding on the parties. The venue of the arbitration shall be as decided by the Arbitrator. The Court of Delhi shall have exclusive jurisdiction in all matters arising under this Agreement.

7.3 The Arbitrator shall reasonably decide in what proportion his fee and cost of arbitration proceedings shall be borne by the parties. The Arbitrator with the consent of the parties may extend the time to make and publish the award.

7.4 Notwithstanding the existence of any question, disputes and differences referred to arbitration, the parties hereto shall continue to perform their respective obligations under this Agreement.





8.0 FORCE MAJEURE

The parties shall ensure due compliance with the terms of this Agreement. However, no party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of the Agreement to the extent that such a failure is due to force Majeure events such as war, rebellion, mutiny, civil commotion, riot, strike, lock-out, forces of nature, accident, Act of God and any other reason beyond the control of concerned party. But any party claiming the benefit of this clause shall reasonably satisfy the other party of the existence of such an event and give written notice within a reasonable time to the other party to this effect. Generation/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.

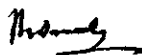
However, the financial liabilities of the parties under this Agreement shall remain unaltered under the condition of Force Majeure also.

9.0 IMPLEMENTATION OF THE AGREEMENT

All discretions to be exercised and directions, approvals, consents and notices to be given and actions to be taken under these presents unless otherwise expressly provided herein, shall be exercised and given by the signatories to this Agreement or by the authorised representative(s) that each party may nominate in this behalf and notify in writing to the other party by Registered Post. Any other nomination of authorised representative(s) shall be informed likewise in writing to/by Bulk Power Customer(s) within one month of signing of the Agreement. Notwithstanding any nomination, the Executive Director(NCR), NTPC, NCR HQ., Engineering Office Complex, Sector-24, Noida- 201 301 (U.P.) as well as General Manager (Commercial), NTPC, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110 003 or their authorised representatives at its Registered Office first above mentioned, shall be authorised to act for and on behalf of NTPC.

10.0 NOTICE

All notices required or referred to under this Agreement shall be in writing and signed by the respective authorised signatories of the parties mentioned herein above, unless otherwise notified. Each such notice shall be deemed to have been duly given if delivered or served by registered mail/speed post of Department of Posts with an acknowledgement due to the other parties in terms of Clause 9.0 above.





11.0 EFFECTIVE DATE AND DURATION OF AGREEMENT

The Agreement shall come into force from the date of signing of this Agreement for all purposes and intent and shall remain operative upto completion of fifteen (15) years from the date of commercial operation of last unit of Anta Stage-II provided that this Agreement may be mutually extended, renewed or replaced by another Agreement on such terms and for such further period of time as the parties may mutually agree. In case Bulk Power Customer(s) continue to get power from Anta Stage-II even after expiry of this Agreement without further renewal or formal extension thereof then all the provisions of this Agreement shall continue to operate till this Agreement is formally renewed, extended or replaced.

12.0 SUCCESSORS AND ASSIGNS

In case any of the parties to this Agreement is restructured and/or its generation, transmission and distribution activities are taken over by other organisation(s)/agency(ies), partly or wholly, the Agreement shall be binding mutatis mutandis upon the successor organisation(s)/agency(ies), and guarantee by the concerned State Government, shall continue to remain valid with respect to the obligations of the successor organisation(s)/agency(ies). In such an event, the LC arrangement and First Charge Arrangement referred to in para 6(e) above shall also be binding in respect of the successor organisation(s)/agency(ies) with such modifications and changes as may be considered necessary.

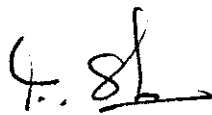
13.0 Notwithstanding the terms and conditions contained in this Agreement, NTPC agrees that in case more favourable terms and conditions for power supply from Anta PS are settled with any other Bulk Power Customer(s) in Northern Region, than the terms of this Agreement then the same shall be made applicable to UPSEB also.

14.0 This Agreement is subject to ratification by the Boards of NTPC and UPSEB.

IN WITNESS WHEREOF the parties have executed these presents through their Authorised Representatives at LUCKNOW.

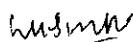
WITNESS

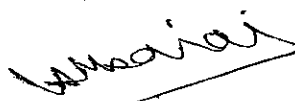
1.


S. N. GHOSH
S.E. Smt. Power
Department & ...
UPSEB, Lucknow


For and on behalf of
Uttar Pradesh State Electricity Board

2.


G. P. SINGH
EXECUTIVE DIRECTOR (NR)


For and on behalf of
National Thermal Power Corporation Ltd.





iii) regional energy accounts referred to in clause 4.0

In disputed case Bulk Power Customer (s) shall file a written objection with NTPC as soon as possible preferably within 45 (forty five) days of presentation of the bill, giving following particulars:

- i) Items disputed, with full details/data and reasons of dispute, and
- ii) Amount disputed against each item.

NTPC shall resolve the above dispute(s) with the concerned Bulk Power Customer (s) as soon as possible preferably within 45 (forty five) days.

A.5 Non-Payment of Bills and Non-Establishment of LC

It is agreed that the Bulk Power Customer (s) will make all efforts to open LC within a reasonable period. In the event of failure to establish/enhance LC within a reasonable period or alternatively in the absence of LC, if any bills remain unpaid for a period exceeding two months from the date of issue of the bill, NTPC shall have the option to discontinue/ reduce supply of power to such Bulk Power Customers in consultation with Government of India and advise NREB accordingly.

A.6 NTPC and the Bulk Power Customers will make all efforts to maintain the system parameters at their nominal values.

