

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MoU) is made on this 9th day of June 2006

BETWEEN

the Governor of Orissa represented by the Commissioner-cum- Secretary, Energy Department (hereinafter referred to as the Government) of the one part


AND

M/s. GMR Energy Limited Company registered under the Companies Act 1956 having its Registered Office at Skip House 25/1, Museum Road, Bangalore Independent Power Producer (hereinafter referred to as "GEL" which expression shall, unless repugnant to the context or meaning thereof, include its permitted assignees) of the other part.

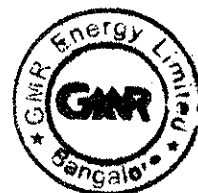
WHEREAS GEL is proposing to set up a Thermal Power Plant of about 1000 MW comprising of two units of about 500 MW in the State of Orissa with an estimated investment of about Rs 4200.00 crores;

AND WHEREAS for setting up the said Power Plant the following power generating facility in the State of Orissa with proposed investment of about Rs 4200.00 crores is necessary;

Sl. No.	Project	Capacity in MW	Project Cost (Rs. Crores)	Time Schedule for Commissioning of the Project from the date of signing of MOU
1	Thermal Power Plant – Phase 1	1000 MW	4200 Crores (approx.)	60 Months



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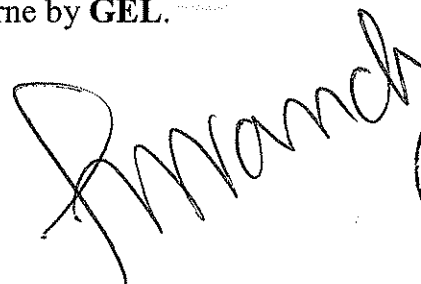




NOW THOSE PRESENT WITNESS AND THE PARTIES HERETO, HEREBY agree as follows:-

1. (i) Power generated in excess of 80% Plant Load Factor (PLF) from the Thermal Power Plant will be made available to the State by **GEL** at variable cost plus incentive (the incentive would be as fixed by Central Electricity Regulatory Commission).
- (ii) Infirm power will be made available to the State at variable cost.
- (iii) A nominated agency(s) authorized by Government will have the right to purchase up to 25% of power sent out from the Thermal Power Plant(s) excluding the quantum of power indicated at item (i) & (ii) under terms of a Power Purchase Agreement to be mutually agreed upon on the basis of existing laws and regulations in force and the tariff for such power purchase will be determined by the appropriate Regulatory Commission.
- (iv) **GEL** will have the right to sell the balance power from the Thermal Power Plant(s) to any party outside or inside the State of Orissa subject to applicable laws and regulations, for which **GEL** may enter into contractual arrangement(s) with such buyer(s), the terms of which would be mutually agreed between **GEL** and such buyer(s).
- (v) In case the Government or its nominated agency is unable to honour the terms of the PPA as mentioned in clause (iii) above, **GEL** will have the right to sell such power to any other party in or outside the State of Orissa.
- (vi) **GEL** may set up its own transmission facility for evacuation of power to the point of off-take by the buyer(s) or may request the State Transmission Utility, (STU) and Central Transmission Utility (CTU) or any other Transmission Utility or Licensee for evacuation of power from the Thermal Power Plant and may enter into agreements for such purpose. The Government and its concerned agency shall assist **GEL** in the matters of the transmission facility for evacuation of power from the Thermal Power Plant. In case **GEL** evacuates power through State Transmission Utility or Central Transmission Utility, transmission of the entire capital cost for strengthening such lines for evacuation of entire power of the Thermal Power Plant will be borne by **GEL**.


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2. This MOU affirms the commitment of **GEL** to establish a Thermal Power Plant and assistance of the Government for providing land and recommending for captive coal mines or for coal linkages and acquiring major clearances/ approvals including rights of way and other project inputs like water etc. as per the existing Law and Rules.
3. The work done by **GEL** till establishment of the Thermal Power Plant shall be treated as project.
4. Within three months of signing of this MOU, **GEL** shall prepare detailed milestones in the form of annual break-up of the physical and financial targets to be achieved by the Thermal Power Plant in consultation with the Secretary, Energy Department, Government of Orissa.
5. The areas of assistance and co-operation between the Government and **GEL** are listed below:

A. Land:

- (i) **GEL** will require approximately **2200 acres** of land for the purpose of setting up the Thermal Power Plant and associated facilities (colony, coal transportation system, water transportation system, power evacuation system, ash disposal and other infrastructural facilities).
- (ii) **GEL** agrees to fully comply with the stipulations of the Government as per its policy in this regard. For rehabilitation of displaced families, Rehabilitation and Resettlement (R&R) package as notified by the State Government as well as any special stipulation relating to scheduled areas as applicable shall be followed.
- (iii) The Government agrees to acquire, the required land as per Clause (i) above and hand over the required land free from all encumbrances to **GEL** through Orissa Industrial Infrastructure Development Corporation (IDCO) for the project and allied facilities.
- (iv) **GEL** agrees to pay the cost of the land to IDCO in case the land is acquired for the purpose and to the Revenue authorities in case the land is Government land alongwith the rehabilitation costs and other related charges. In case the Project is abandoned for some reason or other, all



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required rehabilitation cost shall be borne by the **GEL** in the same manner as if the project has been implemented. All incidental charges paid by the **GEL** for such land acquisition paid to various authorities will stand forfeited.

B. Coal:



- (i) The Government agree to facilitate allotment of coal blocks for the purpose of mining to be utilized for the project and would provide all assistance for such allocation, in accordance with the provisions of applicable Law and Rules which would include but not be limited to recommendation to the Central Government authorities (like Ministry of Coal, Ministry of Power, Central Electricity Authority and any other entities within or outside the State).
- (ii) On allocation of coal block and sanction of the mining lease by Government of India (GOI) the Government will execute necessary mining lease and acquire and hand over the required land to **GEL** for the captive coal mine and assist **GEL** in accordance with the applicable Law and Rules in obtaining electric power for construction of the Thermal Power Plant and operation of such mine, forest and environment clearances and other statutory clearances, inputs like power and water, etc. for construction and operation of such mine.
- (iii) In case no coal block is allotted for the subject power station, as an alternative to captive mining facility, the Government will assist **GEL** to get the allocation of long term coal linkage of suitable quantity and quality to meet its requirement by recommending the proposal to the Ministry of Coal and such other entity, as may be necessary.

C. Water:

- (i) A suitable technical solution for drawal of water will be finalized by the Government through its nominated agency, the Orissa Industrial Infrastructure Development Corporation (IDCO) in consultation with **GEL** in accordance with the provisions of the applicable Law and Rules.
- (ii) IDCO will be directed by the Government to acquire land for head works and control mechanism and other related facilities and to make available land on long term lease to **GEL** for construction and operation of head



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works and control mechanism. The continuance of the lease agreement will be subject to the condition that GEL shall pay water charges covering prevailing water rate as fixed by the Government of Orissa from time to time and any other statutory dues as may be payable besides any charges levied by IDCO and the conditions indicated at sub-clause (iii) below.

- (iii) Advance payment of applicable water charges for a period of two years calculated from the date of signing this MOU on the water required by the GEL, will be guaranteed by GEL through issue of suitable bank guarantee to be renewed before two months of expiry of every such period as a continuing arrangement.
- (iv) IDCO will be directed by the Government to construct and operate the connecting water line to the power plant on behalf of the company or GEL may be allowed to construct and operate the same on mutually agreed terms and conditions.
- (v) Government may give direction to the IDCO that in case the water supply for GEL is to be made from a common source through a sharing mechanism such common infrastructure for drawal of water will be constructed, maintained and operated by IDCO and water will be supplied to GEL by IDCO through suitable long term commercial arrangements. The arrangements for the same will be subject to conditions indicated at sub-clause (iii) above.

D. Power:

Construction Power: Power as required for the construction work of the Project shall be 15 MW up to commissioning and the Government shall see that such power is supplied by Orissa Power Transmission Corporation Ltd. or concerned Distribution Company from the nearest feasible source and at the tariff applicable for such power as determined by the Orissa Electricity Regulatory Commission (OERC).

Sh.

R. Manandh



E. Environment:

- (i) The Government agree to assist GEL in obtaining clearance from the Ministry of Environment & Forest (MoEF) as well as the "No Objection Certificate" (NOC) /Consent for Establishment (CFE) from the State Pollution Control Board for the construction and operation of the Thermal Power Plant, the housing colony, captive coal, etc. GEL shall abide by the instructions issued by the Ministry of Environment & Forest for utilization of fly ash.
- (ii) GEL will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study and prepare Environment Management Plan (EMP) for the project. The Government agree to assist GEL in this.

F. Statutory permits / clearances:

Government agree to assist GEL in obtaining all clearances/ permits / approvals from the Central Government, State Government departments or agencies, Regulatory Commissions and Local Bodies (Municipal, Panchayat, etc.).

G. Law & Order:

The Government and its concerned departments or agencies will facilitate and assist GEL during various stages of the project as also of the captive coal mine, in a smooth and unhampered manner by maintaining the law and order in the Project area and its vicinity.

H. Incentives and Concessions:

GEL understands that the Government would consider such incentives and concessions as are provided in the relevant Industrial Policy Resolution (IPR) of the State Government and applicable provisions & policies of the Union Government.

I. General Clauses:

- (i) The power project being set up in the state in the matter of employment, preference will be given to the people of Orissa as well as local persons subject to the need of the project and their possessing the necessary qualifications and GEL agrees to comply with policies of the State

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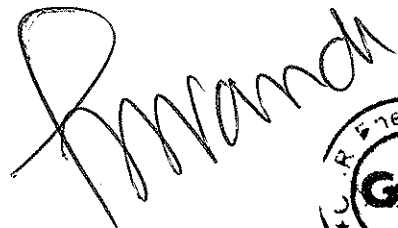


Government in this regard. GEL will make every effort to improve their skill levels, if necessary, through specialized training. For this purpose, Government will nominate a Nodal Agency/Officer to coordinate with the GEL. GEL also agrees to make suitable contribution towards augmenting the administrative and developmental infrastructure of the project area during the construction period in order to facilitate smooth implementation of the project. This will be decided jointly in consultation with the Government representatives in the Energy Department, IDCO and the district administration.

- (ii) The Government appreciate that GEL will be entitled to induct suitable foreign and/or Indian Joint Venture partners, choose appropriate financial options, project structure, suppliers, credit options and technologies in the best interest of the project and the captive coal mines, in accordance with the applicable Law and Rules.
- (iii) GEL shall allow construction, erection and maintenance of any works during the development and operation stages in connection with supply of electric power and water by the Government or its instrumentality, within the land acquired for the Project.
- (iv) The MOU shall remain valid for a period of three years from the date of signing and may be further extended by Government on a request made by GEL in this regard. However, no such extension shall be considered unless GEL has made substantial progress on implementation of the project in terms of the project development activities covering land acquisition, statutory approvals of project contracts, etc.
- (v) The MOU may be terminated by either party in the event of failure of the other party to fulfill the terms and conditions of the MOU or inadequate progress of implementation without any obligations to either party, by giving three months notice in writing. Further, during this period, the MOU can be terminated by mutual consent of the Parties if it is jointly agreed that due to certain insurmountable reasons, it is not possible to proceed further with the Project.





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- (vi) GEL shall be required to produce document towards financial closure for phase-I within 18 months from the signing of this MOU. Financial closure for the second phase should be produced within 36 months from the date of signing of the MOU.
- (vii) Declared milestones will be prepared by the GEL in consultation with the Government and the Government will consider the progress of implementation of these milestones like acquisition of land, establishment of water and coal linkage etc. while calculating the effective time available to the GEL for commissioning of the project.
- (viii) In the event of non-implementation of the project or part thereof, the corresponding support/commitment of the Government indicated in the MOU with regard to the Project and coal blocks/linked coal mines, incentives and concessions of the Government in particular shall be liable to be cancelled.
- (ix) It shall be obligatory for GEL to furnish information required by the Government relevant to planning, formulation, lay out, financing and implementation of the Project as well as the financial and management status and performance of the promoters to the Government or to its nominated agency as and when so required as expeditiously as possible.
- (x) To promote the ancillary and downstream industries within the state, GEL agrees to facilitate participation of local small and medium enterprises within the State for providing products and services required for the Project during its construction and implementation as well as operation phases to the extent practicable.
- (xi) While implementing the Project, GEL undertakes to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of industries in the state.
- (xii) GEL understands that the Government, in order to carry out the required environmental amelioration activities in a sustained manner, intend to set up an Environmental Management Fund. In view of the necessity to maintain a clean environment in the State in the vicinity of the Project and its hinterland



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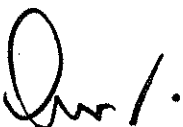
GEL does hereby agree to support the efforts of the Government in the following manner:-

- (a) An annual contribution @ 6 paise per unit of the energy sent out from the Thermal Power Plant, during the relevant year to be made by GEL towards the Environment Management Fund.
 - (b) The contribution as stated above will not be made for energy sold in the State of Orissa.
- (xiii) GEL further understands that the Government has moved Government of India for the following policy support; namely :-
- (a) A policy decision through suitable statutory arrangements for making available to the State 12% of the total power generated at variable cost by the GEL operating within its territory.
 - (b) An appropriate legal mechanism to allow generating States to levy duty on power produced so that there is equitable distribution of resources generated between consuming and generating States.

Therefore, as and when the Government succeed in levying such duty as per item (b) above or obtain concession as per item (a) above, such duties or concessions would be adjusted in aggregate against levies indicated in sub-clause (a) of clause (xii).

J. Address for Communication

Commissioner-cum-Secretary
Energy Department
Government of Orissa
Bhubaneswar
ORISSA
Tel.: 0674 – 2536960
Fax: 0674 – 2393175



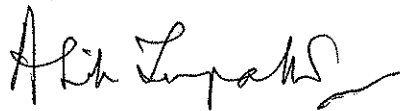
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Department of Energy




IN WITNESS WHEREOF the parties hereto have set their hands to this MOU on this 9th day of June, 2006.

SIGNED BY:

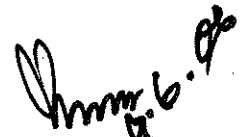
**the Officer acting in the premises for
and on behalf of Government of
Orissa**

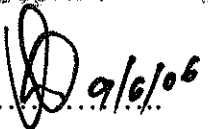


**Commissioner-cum-Secretary,
Department of Energy**

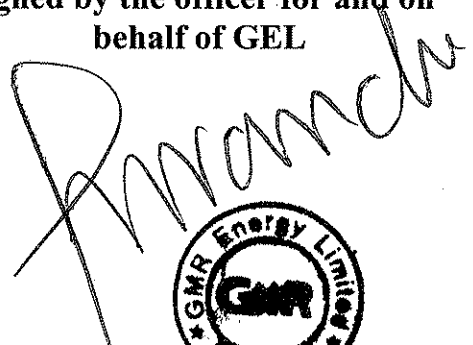

**Commissioner Cum-Secy to Govt.
Department of Energy**

Witnesses :-

(a) Name..... 
Address..... Joint Secy to Govt.
Dept. of Energy

(b) Name..... 
Address..... J.A. cum-Dy. Secy. to Govt.
Department of Energy

**Signed by the officer for and on
behalf of GEL**

Witnesses:-

(a) Name..... Sidhastha Das
Address..... 25/1, Skip house,
Museum Road, Bangalore
(a) Name..... Sudya Bandopadhyay
Address..... # 546, Lalid Nagar,
Bhubaneswar. 7