

MEMORANDUM OF UNDERSTANDING

BETWEEN

GRIDCO LIMITED

AND

**DEPARTMENT OF ENERGY,
GOVERNMENT OF ODISHA
BHUBANESWAR**

**FOR THE FINANCIAL YEAR
2018-19**

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AND

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PART - I

1. PREAMBLE

GRIDCO was incorporated on 20th April 1995 under the Companies Act, 1956 as a wholly owned Government of Odisha Undertaking pursuant to the restructuring of the power sector in Odisha. GRIDCO was the Transmission Company and the Bulk Supplier of Electricity in the State of Odisha and carried out its business under a license from the Odisha Electricity Regulatory Commission (OERC). Consequent upon the enactment of the Electricity Act, 2003, the transmission related activities of GRIDCO was transferred and vested with the Odisha Power Transmission Corporation Ltd. (OPTCL), a wholly owned Undertaking of the Government of Odisha through the Odisha Electricity Reforms (Transfer of Transmission and Related activities) Schemes, 2005 with effect from 01-04-2005. After this separation, GRIDCO is presently engaged in the business of bulk purchases and bulk sale of power to the four Distribution Licensees inside the State of Odisha and trading of surplus power, if any, through the traders.

2. MANDATE

GRIDCO, a Deemed Bulk Supply Licensee, is required to purchase and supply power to all the Distribution Licensees of the State and sale of surplus power, if any, to other entities. The Govt. of Odisha has declared GRIDCO as the "State Designated Entity" to sign Power Purchase Agreements (PPAs) with the developer(s) for procurement of different forms of power to meet the State demand.

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3. VISION

To be a trusted provider of reliable and affordable conventional and non-conventional electrical power and be the pillar of strength for the holistic development of the power sector of Odisha.

4. MISSION

- Provide uninterrupted supply of affordable power to Distribution Licensees for retail sale to the consumers of the state, so as to ensure universal access of electricity.
- Build and grow sustainable and viable business for shareholders while having an excellent public image for ethical corporate behavior.
- Commit full & proactive participation and ensure adherence to the regulatory and statutory frameworks.
- Strengthen our human capital by fostering growth of employees and instill a pride of belongingness through a congenial, professional and safe work environment.
- Commit to improve efficiency by adopting best business practices and implementing modern technology in the business.
- Maintain credible and trustworthy relationship with our investors and lenders.
- Commit to highest standards of Corporate Governance and ethical behavior.
- Contribute meaningfully to the society by diligently discharging our Corporate Social Responsibility.
- Protect environment by promoting energy efficiency & renewable energy development, reducing greenhouse gas emissions and offsetting environmental damage.

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5. OBJECTIVES:

(A) CORE BUSINESS

1. Develop accurate short and long term power demand forecasting, ensuring universal access of electricity.
2. Efficiently carry out the business of purchase, sale and trading of power to provide uninterrupted supply of affordable power.
3. Identify & procure affordable power from conventional & non-conventional sources.
4. Execute Power Purchase/Sale Agreements including related Commercial Agreements.
5. Develop capabilities to be the best power trading utility in the country.
6. Co-ordinate aid and advice on the activities of the Associate Distribution utilities in Odisha.
7. Introduce latest best in class technology to modernize our trading function.
8. Strive to adopt information technology in betterment of organization processes and improving efficiency.

(B) INNOVATION & NEW MARKET DEVELOPMENT

1. Assist in making fuel arrangements to generators to ensure energy security in the state.
2. Promote and invest in power generation in Odisha from conventional and non-conventional sources.
3. Explore new areas of business in Energy Efficiency, Energy Conservation, Renewable Energy, Project Management, Consultancy, Training Provider etc.



(C) REGULATORS AND POLICY MAKERS

1. Frame strategies in alignment with the State Government vision for development of power sector.
2. Ensure adherence to all applicable statutory provisions and strive towards being a responsible corporate citizen.
3. Full and proactive participation in the consultative process for regulatory affairs.
4. Accurate and timely reporting to the regulator.
5. Compliance with all regulatory orders and standards of performance.

(D) HUMAN RESOURCE DEVELOPMENT

1. Ensure growth and development of employees by nurturing talents through systematic training and providing opportunities for developing new capabilities and introduce modern training policies and practices.
2. Creating an atmosphere for high commitment where the employees will be treated respectfully and fairly, by providing fair and equitable justice to all employees.
3. To develop & retain human resources through suitable rewarding policies and training programs and maintain cordial human relations.

(E) CUSTOMERS

1. To ensure supply of adequate power at a competitive price to the consumers of the State through the Distribution Licensees.
2. To discharge "Corporate Social Responsibility" with high degree of commitment with special emphasis on 'Energy Conservation'.

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Handwritten initials

(F) OUR SHAREHOLDERS AND LENDERS

1. Strive to maintain strong financial standing and high degree of creditworthiness in the market.
2. Provide regular communication to our investors and lenders to keep them updated on our business strategy and operations.

(G) SOCIETY

1. Discharge our Corporate Social Responsibility with high degree of commitment so as to contribute meaningfully to the society.
2. Protecting environment by promoting energy efficiency & renewable energy development, reducing greenhouse gas emissions and offsetting environmental damage.



PART - II

**EXERCISE OF AUTONOMY AND DELEGATION OF
FINANCIAL POWERS**

GRIDCO shall continue to function as per the terms and conditions stipulated in the "Corporatization Agreement".

The Board will have the mandate to engage consultants on contractual basis for new business with suitable compensation package.



Annual MoU performance evaluation of FY 2018-19(Part-III)

Sl. No.	Financial Performance Indicators	Unit	Weight (%)	Targets					FY 2017-18
				Excellent (105%)	Very Good (100%)	Good (95%)	Fair (90%)	Poor (85%)	
	Point Scale			5	4	3	2	1	(Prov)
1	STATIC PARAMETERS		70						
(i)	Regulatory Business (DISCOMs)	(Rs.Cr)	25	7,557	7,197	6,837	6,478	6,118	6,802
(ii)	Non-regulatory Business (UI, Trgs. & other)	(Rs.Cr)	15	184	175	166	158	149	286
(iii)	Avg. Procurement cost of Power	(Paise/Unit)	15	261	275	289	303	316	262
(iv)	Gross Profit/(Loss)	(Rs.Cr)	5	(102)	(107)	(112)	(118)	(123)	337
(v)	Net Profit/ (Loss) after Tax	(Rs.Cr)	5	(523)	(550)	(578)	(605)	(633)	(269)
(vi)	Revenue per Employee(59 Emp)	(Rs.Cr)	5	131	125	119	112	106	118
2	DYNAMIC PARAMETERS		15						
(i)	Cost of Raising Debt (SBI MCLR on 01-04-2018+ 85 basis point)	(%)	10	8.75	9.00	9.25	9.50	9.75	8.36
(ii)	Procurement of Renewable Energy (SHEP, Solar & Biomass)	MU	5	1,157	1,102	1,047	992	937	631
3	GENERAL MEASURES		15						
(i)	Adoption of Annual Accounts of FY 2017-18	Date	5	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	
(ii)	Employee Training	Mandays	10	90	86	82	77	69	223
	Grand Total		100						

Note:

- There are a large number of uncontrollable factors such as change in Govt. policy, change in Tariff by OERC/other Judicial Bodies, hydrology failure, shortage of fuel (Coal), performance of DISCOMs, overall industrial recession etc. which have bearing on the achievement of targets. At the time of final evaluation of Performance, these are to be duly factored into.
- Regarding projected Gross Loss of Rs.107 Cr under very good condition it is clarified that:**
 - Instead of increase in Average BSP, Hon'ble OERC has marginally reduced the same from 277.21 P/Kwh for FY 17-18 to 276.66 P/Kwh for FY 18-19.
 - While approving the ARR for FY 2018-19, Hon'ble OERC did not consider the following expenditure.
 - Rs.255.46 Crore payable to NTPC on account of fixed cost of Barh STPS-II as per contractual obligation.
 - Drawal of high cost power from FSTPS-I&II, FSTPS-III & Barh-II which GRIDCO is projecting for state requirement.
 - Interest on loan amounting to Rs.417.00 crore which GRIDCO has to repay to the bank as per the contract.
- As the trend of trading market is not favourable, GRIDCO is projecting the available surplus power of 601.44 MU at Rs.3.00/Kwh towards the trading revenue.
- As there is no Cumulative profit during last three financial year, GRIDCO has not kept any parameter for CSR.

PART - IV

OBLIGATIONS OF THE STATE GOVERNMENT

- Provide necessary administrative and financial support to GRIDCO to carry out its business activities.
- Render necessary Policy Support to facilitate smooth working of the Corporation in achieving its mandated objectives.
- Provide necessary Government guarantee(s) to obtain loans from the banks, the financial institutions / others in case of cash deficit situation arising out of the reasons beyond the control of the Corporation.
- Support the Corporation to meet the revenue gap due to inadequate tariff.
- Support the Corporation in Financial Restructuring and help in settling the past Liability.




PART - V

ACTION PLAN FOR IMPLEMENTING AND REVIEW OF THE MOU

Performance Evaluation will be done on annual basis by the "Department of Public Enterprises" as per the format for evaluation.


11-07-18
DIRECTOR (F & CA)
GRIDCO LIMITED


SPECIAL SECRETARY TO
GOVT, DEPARTMENT OF ENERGY
GOVT. OF ODISHA

Date: 11.07.2018

Place: Bhubaneswar

EXPLANATORY NOTE TO PREPARATION OF MOU FY 2018-19

1. Regulatory Business:

Sales of power to DISCOMs and emergency sale to CGP as approved by OERC has been considered as regulatory business.

2. Non-regulatory Business:

Sales of surplus power through bilateral trading, through power exchange and DSM/UI Charges if any has been considered as non-regulatory business.

3. Average Power purchase cost:

Total Power Purchase Cost including Transmission Charges divided by total units of power purchase from all sources.

4. Gross Profit/ (Loss):

Revenue from both regulatory and non-regulatory business *minus* Operating Cost (Power purchase cost + Employee Cost + A&G Expenses + R&M Expenses).

5. Net Profit/(loss) after Tax:

Gross Profit/ (Loss) *minus* Other Cost (Depreciation + Interest & financial charges + extraordinary items + Taxes etc.)

