PART-I

Mission of NTPC

The Corporate Mission of NTPC is to make available reliable and quality power in increasingly large quantities. Towards this end, the company will spearhead the process of accelerated development of the power sector by planning and expeditiously implementing power projects and operating power stations economically and efficiently. In doing so the company will also seek opportunities augmenting power generation through tie-ups with other organisations in the area of conventional energy sources and additionally through non-conventional energy sources. The Corporation will contribute to all round sector improvement by sharing its experience and expertise with other organisations. The company will participate in the execution of power projects abroad, if necessary in collaboration with other reputed organisations.

Objectives

In the pursuit of the above mission, the company has set for itself the following objectives.

a. To add generating capacity within prescribed time and cost.

b. To operate and maintain power stations at high availability ensuring minimum cost of generation.

c. To maintain the financial soundness of the company by managing the financial operations in accordance with good utility practices.
d. To develop appropriate commercial policy leading to remunerative tariffs and minimum receivables.

e. To function as a responsible Corporate citizen and discharge social responsibility, in respect of environment protection and rehabilitation. The corporation will strive to utilise the ash produced at its stations to the maximum extent possible through production of ash bricks, building materials etc.

f. To adopt appropriate human resources development policy leading to creation of a team of motivated and competent professionals.

g. To introduce, assimilate and attain self sufficiency in technology, acquire expertise in utility management practice and to disseminate knowledge essentially as a contribution to other constituents of the power sector in the country.

h. To develop Research & Development (R&D) for achieving improved plant reliability.

i. To expand the consultancy operations and to participate in ventures abroad.

Commitment / Obligations of Government of India

1.0 Obligations/Assistance required from GOI

With a view to facilitating achievement of the targets set out in part II of the MOU, the Government accepts its obligations and gives to the following.

1.1 Commercial

(a) The tariff notification for Farakka (unit IV & V), Kahalgaon (unit-I to IV), Talcher (unit-I & II) & Gandhar (all units) will be issued by
Ministry of power during early 1995-96. NTPC would make available all relevant data/documents.

(b) The Govt. shall continue to assist NTPC in taking all necessary steps to bring down the outstandings. Assistance from the Govt. is envisaged for the following:

(i) Pursuing the SEBs to establish irrevocable LC for an amount equivalent to 105% of the average monthly billing during the previous 3 months as decided in the meeting taken by the Cabinet Secretary on 17.3.1994.

(ii) Pursuing the respective State Governments to give back up guarantee for regular monthly payment of NTPC’s dues by the State Electricity Boards.

(iii) In the event of continuing default, notwithstanding (i) & (ii) above, the GOI will assist NTPC in recovering the outstanding dues through appropriate alternative arrangements. Further, in view of the continuing default in payment of current dues by J&K and DESU, GOI will consider recovery of the outstanding dues by J&K and DESU through the Central Appropriation of state’s plan funds or any other mechanism.

(c) NTPC has been delegated with the power to regulate power supply from its power stations and also reallocate the power in case SEBs/Beneficiaries default in payments and/or where SEBs/Beneficiaries have not opened LCs of adequate amount in favour of NTPC. NTPC would inform the Member-secretary of the concerned REB of the revision in allocation of power in case of defaulting SEBs/Beneficiaries. Allocation of this power may be done by member-secretary of REB to SEBs/beneficiaries as per
requirement. MOP will provide all necessary assistance for implementing this section.

(d) The GOI will consider NTPC’s request for permitting to supply power directly from stations to various Bulk Power Consumers, other than SEBs who desire to avail direct supply from NTPC on terms and conditions acceptable to NTPC.

(e) In line with the provisions of Notifications dated 30.3.92 of the GOI which inter-alia, provides for an incentive of upto 0.7% increase on equity capital for every percentage increase in PLF over and above the normative level of 68.5%, . NTPC is authorised to negotiate with SEBs the incentive for generation at a level higher than 68.5% from its existing and new power stations.

(f) The Ministry of Power shall release the budgeted funds for the capital schemes for Badarpur Thermal Power Station (which is being managed by NTPC on behalf of the GOI ) on monthly basis.

(g) NTPC is permitted to float bonds on continuous basis in the Indian capital market, such that the bonds are available for investments throughout the year. The total amount of borrowings through these bonds will, however be within the limit of corporation’s total External Commercial Borrowing limit as per approved annual plan.

(h) In line with the financial powers delegated to NTPC under MOU for 1992-93, Ministry of Power will pursue with Ministry of Finance to permit NTPC to finance to permit NTPC to commit expenditure upto Rs.50 Cr. or 4% and incur expenditure up to Rs.25 cr. or 2% of the total estimated cost of the scheme in respect of the schemes cleared by PIB, whichever is lower in both the cases.
1.2 Investment Approvals

(a) In order to compress the time involved in the process of approval of Feasibility Reports (FRs) Detailed Project reports (DPRs) and Revised Cost Estimates (RCEs), the proposals would be simultaneously circulated by Ministry of Power to all appraising agencies including Central Electricity Authority (CEA) to enable parallel processing by them. The pre-PIB meeting would be held within six months after circulation of the proposal. CEA’s techno-economic clearance will be accorded within three months from the submission of FR, provided necessary inputs are available with CEA.

(b) PIB Meeting would be organised within a period of eight (8) weeks after the date of pre-PIB meeting and to enable this the appraising agencies would be given four (4) weeks time for giving their comments on the PIB note.

1.3 Permission to set up Power Projects by NTPC in One Region to Supply Power in Another Region.

In view of the availability of major coal reserve being restricted to Eastern and Northern regions and acute demand for power in other regions as well (e.g. Southern Region), NTPC has been proposing to Government that NTPC would set up coal based power stations in eastern region for supply of power to southern region. Feasibility of this proposal will be examined by the Ministry of Power and necessary confirmation will be issued by 1st quarter 1995-96.

1.4 NTPC is authorised to enter into Power Purchase Agreements (PPAs) for supply of power from its new power projects with any SEB and or other customers keeping in view their capacity for timely payment of dues and
the sale of electricity from these projects would be regulated on the basis of such PPAs.

2.0 Delegation of Powers

In line with the Government's policy to provide greater operational autonomy and to enable attainment of the objectives of the MOU, following important financial powers as delegated in the MOU for the year 1993-94 and 1994-95 will continue to be delegate to the Corporation during the current year also:-

(a) The Govt. will release equity and loan to NTPC and on case to case basis would convert loans into equity for the funds already released, in such a manner as to maintain debt: equity ratio in the range of 70:30 to 50:50 on an overall basis.

(b) NTPC will be permitted to incur expenditure up to Rs.100 lakhs in each case for conducting preliminary topographical surveys and investigations, detailed environmental impact assessment (EIA) studies etc., for preparing Feasibility Reports (FR) etc., without any further reference to the Govt. Such expenditure would ultimately from part of the total project cost.

General

(a) All other delegations to NTPC provided for in the previous MOUs will continue to be operable in so far as these have not been modified and so incorporated in this MOU.

(b) All the provisions of this MOU become effective and operable by both the parties namely, the government (including all the departments concerned) and NTPC, immediately on signing the MOU by the Government, represented by the Administrative Ministry (Ministry of Power) and NTPC.
(c) All the relevant provisions of this MOU will continue to be in force and operable beyond March, 1996, until such time, the same are modified by the signing of the subsequent MOU between the parties.

(d) Frequency of Review.

While NTPC will periodically review the achievements of MOU targets. Ministry of Power alongwith NTPC will also review the same once in six months.

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