

POWER PURCHASE AGREEMENT

BETWEEN

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

AND

M/s SRIVATHSA POWER PROJECTS LIMITED

M/s SRIVATHSA POWER PROJECTS LTD.

M. K. RAO
Managing Director

Dated 21st June, 2004

P. M. C.

**17.202 MW GAS BASED MINI POWER PLANT
AT SIVAKODU VILLAGE, RAZOLE (Tq), EAST GODAVARI DISTRICT, A.P.**

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082.

per month at 110 MU/annum
737

91669458 —

150689520 —

100% / annum

12557460 / month 100%

2800267.968 —

144661939.2 —

96% / annum

12055161.6 / month 96%

EX. PUX km.

EX. PUX km.

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for SRIVATSA POWER PROJECTS LTD.

M. Rao
MSP. RAO
Managing Director

P. M. Rao
Director(RA&Co-ordinatio
APTRANSCO, Vidut Soudh
HYDERABAD-500 082.



ఆంధ్ర ప్రదేశ్ ఆంధ్ర ప్రదేశ్ ANDHRA PRADESH

01AA 947654

Sl.No. 9137 Dt. 17/6/04 Rs. 100/-

Sold to srivast: M/s. Srivastha Power Projects Ltd. - 4th

Rep by its mg. Director: M.S.P. Rao. 4th

CH. JHANSI
STAMP VENDOR
KOMMADI (V) VSP

POWER PURCHASE AGREEMENT

FOR GAS BASED MINI POWER PLANT

M/s. Rao This Power Purchase Agreement (this "Agreement") entered into on this 21st day, June, 2004 between Transmission Corporation of Andhra Pradesh Ltd., a Company established by Government of Andhra Pradesh as envisaged under section 13 of Andhra Pradesh Electricity Reform Act 1998 (Act No. 30 of 1998) under the provisions of Companies Act 1956 and having its office at Vidyut Soudha, Hyderabad - 500 082 (hereinafter referred to as the "APTRANSCO" (which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) as Party of the first part and M/s. Vathsasa Power Projects Limited, a company incorporated under the Indian Companies Act, 1956 and having its registered office at Ground floor, #41, Pandurangapuram, Visakhapatnam - 530 003, Andhra Pradesh, India (hereinafter referred to as the "Company", (which expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) as Party of the second part;

2. WHEREAS, Govt. of Andhra Pradesh (hereinafter called GoAP) accorded approval to the Company vide letter No 12660/Pr.I/1/95 dated 28.12.1995 for setting up of mini power plant of 7.7 MW at Visakhapatnam Export Processing Zone, Visakhapatnam.

For Sri Vathsasa Power Projects Ltd.

M/s. Rao
Managing Director

mmgandhi
Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

3. WHEREAS, GoAP has subsequently accorded approval vide letter No 10494/Pr.I/1/96 dated 18.2.1997 for change of location to Nimmalapallem Village, Kotavalasa Mandal, Vijainagaram District and enhancement of capacity to 2 X 7.7 MW at the request of the developer.

4. WHEREAS, GoAP has subsequently accorded approval vide letter No 5696/Pr.I/1/99 dated 17.8.1999 for change of location to Razole Taluq, East Godavari District, and change of fuel to Natural gas, at the request of the developer all the approvals being attached as Schedule - A herein.

5. WHEREAS, the Company has set up a mini power plant with an installed capacity of 17.202 MW with natural gas as fuel at Sivakodu Village, Razole Taluq, East Godavari District, AP as detailed in Schedule - B attached herein,

6. WHEREAS GOAP vide letter No.2807/Pr.I.1/2002-2 dated 6.11.2002 has accorded approval for enhancement in capacity to 17.202 MW, Capital cost of the project at Rs.56.88 Crs and extension in time for implementation of the Project beyond 31-10-2001.

7. WHEREAS, Ministry of Petroleum and Natural Gas (MOP & NG) vide their letter No.L-12011/7/98-GP(pt) dt.9.7.99 allocated 65,000 CMD of Natural Gas for the Project of the company;

8. WHEREAS, APERC has directed the company vide its Order in O.P.No. 70 -A/2001 for sale of power to APTRANSCO as against sale of power to third parties in terms of GoAP sanctions.

9. WHEREAS, the company has made an offer for tariff for supply of power to APTRANSCO.

10. WHEREAS, APTRANSCO has agreed to purchase power from the company in accordance with the terms of this agreement, subject to obtaining consent from APERC as per Section 21 of Andhra Pradesh Electricity Reforms Act 1998 (Act No.30 of 1998).

11. WHEREAS, both the Parties mutually agree that this Power Purchase Agreement is applicable to the 17.202 MW of the Mini Power Plant capable of delivering One hundred Ten (110) Million energy units (kWh) using Natural Gas.

12. WHEREAS, APERC vide their order dt. 4th August, 2003 has issued consent to this Agreement under section 21(4) of the A.P. Electricity Reform Act, 1998, subject to incorporating the amendments/modifications suggested therein.

13. WHEREAS, it has been agreed by the Company to execute any amendment or modifications subsequently, to be added, if so desired by APERC.

14. The clauses in this Power Purchase Agreement are subject to the final outcome of the Writ Petition filed by Srivathsa Power Projects Limited in the Honourable High court of

Gri Vathsa Power Projects Ltd.

M. S. Rao

Managing Director

2

P. M. L.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Andhra Pradesh vide W.P.M.P.No. 7229 of 2004 in W.P No. 5544 of 2004 and are subject to modification in accordance with the final judgment and appeals thereafter as deemed fit.

15. NOW, THEREFORE in consideration of the premises and mutual covenants and conditions set forth herein, it is agreed by and between the Parties as given below:

IN WITNESS whereof this Power Purchase Agreement for 17.202 MW Gas based mini Power Plant is executed by the parties hereto on this 21st day, June, 2004 herein above written through the hands of in presence of

PH14

myanndhi 21.6.04.

For and on behalf of
TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

WITNESS

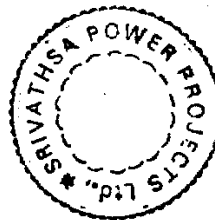
1. *V. Venkata Rao*
V Venkata Rao
2. *N. Vijaya Prasad*
(N. VIJAYA PRASAD)

MS. Srivathsa Power Projects 21/6/04

For and on behalf of
M/s SRIVATHSA POWER PROJECTS LIMITED

WITNESS

1. *CR. Palani Selvam*
(CR. PALANI SELVAM)
2. *Yugandhar*
(YUGANDHAR)



**ARTICLE : 1
DEFINITIONS**

1.1 Definitions: For the purposes of this Agreement.

- 1) **APERC:** means Andhra Pradesh regulatory Commission, established under AP reforms Act.
- 2) **APTRANSCO Default:** has the meaning ascribed to it in Article 9.1.
- 3) **Authority:** means Central Electricity Authority (CEA)
- 4) **Auxiliary Consumption:** Auxiliary Consumption shall be 4.00% (Four percent) of energy generated or actuals whichever is less on annual basis.
- 5) **Bill:** means the monthly tariff bills raised by the company, as per the provisions of Article 3.
- 6) **Billing Date:** means the fifth day after the last day of each Billing Month.
- 7) **Billing Month:** means each of (A) the period commencing on the Commercial Operation Date of the Project and ending on (and including) (i) the tenth day of the calendar month in which the Commercial Operation Date of the Project occurs or, (ii) if the Commercial Operation Date of the Project occurs on or after the tenth day of the calendar month, the tenth day of the next calendar month; and (B) thereafter, the period commencing on the eleventh day of the calendar month and ending on (and including) the tenth day of the next calendar month.
- 8) **Business Day:** means any day on which banks are open for business in Andhra Pradesh.
- 9) **Calorific Value (NET) or NCV of Fuel:** means, for the purpose of calculating the Energy Charge for each Billing Month, the weighted average net calorific content of one designated unit of Fuel, consumed, as recorded, determined in each case for the relevant period on the basis of such sampling methods, frequency and tests as are internationally accepted. The NCV will be expressed as K cal / unit of fuel.

Explanation: Natural Gas is the only primary fuel and the calorific value shall be as mentioned by Gas Authority of India Limited (GAIL) against the quantum of gas supplies during the specified periods in the invoices.
- 10) **Capital Cost:** means the total expenses required for developing, financing, designing, manufacturing, delivering and erecting the Project, projected as Rs.56.88 Crores as approved by GOAP.

For Sri Vathsa Power Projects Ltd.

M&M Rao

Managing Director

PMI
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 11) **Commission:** means Andhra Pradesh Regulatory Commission constituted under sub section (1) of section (3) of Andhra Pradesh Electricity Reforms Act 1998.
- 12) **Commercial Operation Date or COD of the Project:** means, with respect to the Project, 1st day of April, 2003.
- 13) **Cumulative Available Energy:** has the meaning ascribed thereto in Schedule D.
- 14) **Declared Capacity:** has the meaning ascribed to it in Schedule D.
- 15) **Delivered Energy:** has the meaning ascribed to it in Schedule D.
- 16) **Despatch Instruction:** has the meaning ascribed to in Schedule D.
- 17) **Due Date of Payment:** means, with respect to any monthly tariff bill, the date on which the amount of such monthly tariff bill becomes due for payment, which date (A) in the case of any monthly tariff bill for any Billing Month, shall be the later of thirty (30) days from the Metering Date or twenty five (25) days from the date of its presentation to the designated officer of the APTRANSCO; and (B) in the case of any supplementary bill, shall, subject to Article 5.5, be thirty (30) days from the date of its presentation to the designated officer of the APTRANSCO.
- 18) **Emergency:** means a condition of or affecting the APTRANSCO electrical system which threatens the safe and reliable operation of such system or which is likely to result in disruption of safe, adequate and continuous electric service by the APTRANSCO or to endanger life or property, which condition is materially adversely affected by the continued delivery of energy from the Project.
- 19) **Energy Availability Declaration:** Has the meaning ascribed to in schedule D.
- 20) **Energy Charge:** shall have the meaning ascribed to it in Article 3.2 hereof.
- 21) **Energy Unit:** means one Kilo Watt Hour (kWh) of electrical energy.
- 22) **Fixed Charge:** shall have the meaning ascribed to it in Article 3.1 hereof.
- 23) **Force Majeure:** has the meaning ascribed to it in Article 10.
- 24) **Fuel Linkage:** means the firm fuel linkage for supply of natural gas of 65,000 cubic meters per day for which the company has executed a Fuel Supply Agreement with Gas Authority of India Limited, valid upto 31.10.2010 and subject to further extensions to keep the PPA effective for 15 years from COD of the project.
- 25) **Fuel:** means Natural Gas that is intended to be used as primary fuel, by one or more units of the Project to generate power from the Project. No other fuel will be used or referred to as alternate fuel for the project.

For Sri Vathsa Power Projects Ltd.

MSMas
Managing Director

5

Full
Director (R&A Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Provided that in the event the project sources natural gas from any party other than Gas Authority of India Limited then lesser of the cost of Natural Gas as supplied by Gas Authority of India Limited or cost of Natural Gas from any other supplier will be considered for calculation of Energy Charges.

Provided that in the event of non-availability of natural gas, the developer may operate the plant with alternative fuel, subject to prior concurrence of APTRANSCO. However, in such an event the energy charges will be as decided by APTRANSCO, based on cost of natural gas or cost of such alternative fuel, whichever is lower.

Provided further that APTRANSCO may at its sole discretion permit or require the Company to operate the plant on any other fuel as it may decide. In such a case, fuel charges shall be decided upon by APTRANSCO, upon necessary approval from APERC.

- 26) **Fuel Supply Agreement:** means the agreement entered into between the Company and a supplier and/or transporter of Fuel in order to supply and/or deliver Fuel for the Project. The Fuel Supply Agreement with GAIL, which is originally valid upto 2010 has been extended upto 31.12.2018.
- 27) **Fuel Transportation Charges:** means the charges payable to fuel supplier as defined in the Fuel Supply Agreement, amounting to Rs. 1580921 (Rupees fifteen lakh eighty thousand and nine hundred twenty one only) per month as on March 31, 2003. The fuel transportation charges would be subject to an increase of 3% every year, as per provisions of the Fuel Supply Agreement. Applicable taxes if any will be payable over and above the fuel transportation charges. However this shall be revised based on the directives of concerned regulating authority from time to time.
- 28) **GOAP:** means the Government of Andhra Pradesh.
- 29) **GOI:** means the Government of India.
- 30) **Generating Unit or Unit:** means the internal combustion engines installed and facilities ancillary thereto.
- 31) **Government Agency:** means any local, State Government or the Government of India or any department, instrumentality or agency thereof or any corporation (to the extent acting in a legislative, judicial or administrative capacity and not as a contracting party with the Company) or commission under the direct or indirect control of such local or state government or the Government of India or any political subdivision thereof or any court, tribunal or judicial body within India.
- 32) **Grid System:** means the interconnected electrical transmission and distribution system of the state of Andhra Pradesh including the Inter Connection Facility and all other transmission lines and other equipment in the state of Andhra Pradesh on the APTRANSCO's side of the Inter Connection Point.

Sri Vathsa Power Projects Ltd.

M. M. Rao
Managing Director

P. M. U.
Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 33) **Installed Capacity:** means 17.202 MW Power Plant capable of delivering one hundred and ten (110) million energy units (kWh).
- 34) **Inter Connection Facility:** means all the facilities to be installed by or for the APTRANSCO on the APTRANSCO's side of the Inter Connection Point to enable the APTRANSCO to receive and utilize power from the Project in accordance with this Agreement.
- 35) **Inter Connection Point:** means the point or points where the Project connects to the 132 KV transmission line of the Grid System of the APTRANSCO at the designated sub-station and the point of metering for the supply of energy to APTRANSCO from the project.
- 36) **Kcal :** means kilo calories, a measure of thermal energy
- 37) **Law:** has the meaning ascribed to it in Article 11.
- 38) **Lubricating oil:** means oil / class of oils mixed with gas for lubrication of the internal combustion engines.
- 39) **Lubricating oil Consumption:** means 1 (one) gram per kWh of energy generated at the generating terminal or actuals whichever is lower.
- 40) **Metering Date:** means (A) the midday of the tenth day of the calendar month in which Commercial Operation Date of the Project occurs or if the Commercial Operation Date of the Project occurs on or after the tenth day of the calendar month, the tenth day of the next calendar month; and (B) the midday of the tenth day of each calendar month, thereafter.
- 41) **Net Electrical Energy:** means the Energy Units actually delivered by the Project to APTRANSCO and as metered at the Inter Connection Point during billing month.
- 42) **Plant Load Factor or PLF:** means the ratio, expressed as a percentage, of the number of KWH of Delivered Energy in any Tariff Year to the maximum kWh of energy that could theoretically be generated by the Project during that Tariff Year based on 8760 Hrs. multiplied by the Installed Capacity, computed at the Generator terminals.
- 43) **Permits:** means all formal and informal permits, licenses, visas, clearances, rights and any other authorisations and approvals from the APTRANSCO or any Government Agencies which are required to develop, design, finance, construct, insure, own and operate the Project in accordance with this Agreement
- 44) **Project:** means the internal combustion unit based Generating power plant and having nominal installed capacity of 17.202 Mega Watts operating on Natural Gas as fuel, installed by the Company at Sivakodu Village, Razole Taluq, East Godavari District, Andhra Pradesh.

Sri Venkateswara Projects Ltd.

M. RAO

Managing Director

Pmly
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudh
HYDERABAD-500 082.

- 45) **Promoter Group:** means M/s. Srivatsa Power Projects Limited (which includes its successors and assigns) and other associated firms and companies all of whom have authorized M/s. Srivatsa Power Projects Limited to represent them.
- 46) **Prudent Utility Practices:** means those practices, methods, techniques and standards, as changed from time to time, that are generally accepted internationally for use in electric utility industries taking into account conditions in India, and commonly used by the international electric utility industry to operate and maintain power stations and associated equipment of the size, service and type of the Project; adjusted as necessary to take into account (A) site conditions (B) conditions affecting the Grid System, (C) requirements of Law and (D) operation and maintenance guidelines of the manufacturers of the plant and equipment incorporated in the Project.
- 47) **Scheduled Outage:** means a planned interruption of the generating capability of the Project that has been scheduled and allowed by the APTRANSCO in accordance with this Schedule D and is for inspection, testing, preventive maintenance, corrective maintenance, repairs, replacement or improvement.
- 48) **Secondary Fuel:** means any start up fuel.
- 49) **Station Heat Rate:** shall be 2166 kilo calories per kWh or actuals whichever is lower.
- Explanation:** Station Heat Rate means the quantum, in kilo calories, of input heat energy required by the Project to generate one Energy Unit.
- 50) **State Load Despatch Center:** means the issuance office for despatching the project.
- 51) **Supplementary Bill:** means any bill submitted with claims / adjustments on the original bill.
- 52) **Synchronisation:** means the electrical connection of a Generating Unit to the Grid System by means of Inter Connection Facility for the Project.
- 53) **Tariff Year:** shall means 365 days of operations from COD.
- 54) **Technical Limits:** means the limits and constraints described in Schedule C hereto relating to the operation and maintenance of the Project.
- 55) **Unscheduled Outage:** means the period during which the Company's generating machinery are partially or totally incapacitated due to faults in the Company's installations.

1.2 All other words and expressions, used herein and not defined herein but defined in the Indian Electricity (Supply) Act, 1948, and A.P. Electricity Reforms Act, 1998 applicable to this Agreement shall unless the context otherwise requires, have the meanings, respectively, assigned to them.

for Sri Vathsa Power Projects Ltd.

MSPL

Managing Director

PML

Director, RA&Co-ordination
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 1.3 Unless otherwise stated, all other references made in this Agreement to "Articles" and "Sections", and "Schedules" shall refer, respectively, to Articles of, Sections of, and Schedules to, this Agreement. The Schedules to this Agreement form part of this Agreement and will be of full force and effect as though they were expressly set out in the body of this Agreement. Headings are for ease of reference only.
- 1.4 In this Agreement, unless the context otherwise requires (A) the singular shall include plural and vice versa; (B) words denoting natural persons shall include partnerships, firms, companies, corporations, joint ventures, trusts, associations, organisations or other legal entities; (C) a reference to any party includes that party's successors and permitted transferees and assigns, (D) a reference to this Agreement or any other agreement or document shall be construed as a reference thereto as from time to time amended, novated or replaced, (E) a reference to any Law shall be construed as a reference to such Law as from time to time amended or re-enacted and (F) references to times of day are references to Indian Standard Time.

For Sri Vathsa Power Projects Ltd.

M. S. Rao

Managing Director

P. M. R.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 2
SALE AND PURCHASE OF CAPACITY AND ENERGY

2.1 Sale and Purchase of Energy

From and after the Commercial Operation Date of the Project, subject to the provisions of this Agreement, the Company shall sell, and the APTRANSCO shall purchase, for the consideration of the Fixed Charge and the Energy Charge set out under Article 3, the available capacity and Net Electrical Energy of the Project.

2.2 Despatch Rights of the APTRANSCO

The APTRANSCO shall have the right to despatch the Project at any capacity within the Energy Availability Declaration of the Company and the Company shall comply therewith.

2.3 Scheduling and Co-ordination

The detailed schedule of operation and maintenance of the Project and the procedures for co-ordination between the Company and the APTRANSCO are specified in Schedule D.

2.4 Power Supplies by the APTRANSCO

The APTRANSCO shall provide power as and when required, for maintenance, during Scheduled outage, Unscheduled outage and for synchronization of the Project with the APTRANSCO grid. The APTRANSCO shall bill the company for any such power at the rate as the energy charges computed under article 3.3 and such billed amounts shall be set off from the next monthly bill.

2.5 Shutdown

Except when the equipment of the Project is under forced shutdown, such equipment or any ancillaries, auxiliaries or works in relation thereto shall not be taken out for maintenance, testing or overhaul resulting in outages or reduced generation except as required by Prudent Utility Practices. The Company shall take all reasonable steps to bring back the equipment of the Project that is under forced shutdown to normal operations as early as may be reasonably practicable.

For Sri Vathsa Power P

M. Man

Managing Director,

P. K. K.

Director (P & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 3
FIXED AND ENERGY CHARGES

3.1 Fixed Charge

The APTRANSCO shall pay for the capacity of the Project in respect of any Tariff Year a Fixed Charge, calculated in relation to the Electrical Unit (kWh) delivered at the Interconnection Point, as tabulated below in each tariff year of operation.

| Tariff Year | Tariff in Rs. / kWh |
|-------------|---------------------|
| Year 1 | 1.257 |
| Year 2 | 1.246 |
| Year 3 | 1.236 |
| Year 4 | 1.228 |
| Year 5 | 1.166 |
| Year 6 | 1.119 |
| Year 7 | 1.057 |
| Year 8 | 1.010 |
| Year 9 | 0.948 |
| Year 10 | 0.909 |
| Year 11 | 0.901 |
| Year 12 | 0.833 |
| Year 13 | 0.512 |
| Year 14 | 0.497 |
| Year 15 | 0.483 |

WPI 4.09

Explanation: The above fixed charges does not provide for annual escalation in annual operation and maintenance expenditure, which shall be calculated as per the following formula and the amount be paid to the company/recovered from the Company, as the case may be, on an annual basis through supplementary bill.

$$O\&Mn = \{ [\text{Capital Cost} * 0.03 * (0.6 \text{ WPI}_n / \text{WPI}_1 + 0.4 \text{ CPI}_n / \text{CPI}_1) - \text{Capital Cost} * 0.03] * \{ \text{Delivered energy in million units} / 110 \} \}$$

Where

O&Mn Is the annual escalation for operation & Maintaenance expenses in crores of Rupees for the nth year.

Capital Cost Is the Capital Cost of Project as defined under Article 1.1.(10)

WPI_n Is the wholesale price index in India (all commodities) as notified during nth year.

CPI_n Is the consumer price index in India (Industrial Labour) as notified during nth year.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

P. M. K.
Director RA&Co-ordination)
APTRANSCO, Vidyan Soudha,
HYDERABAD-500 082.

| | |
|---------------------|--|
| WPI1 | Is the wholesale price index in India (all commodities) as notified as on the date of <u>COD</u> . |
| CPI1 | Is the consumer price index in India (Industrial Labour) as notified as on the date of <u>COD</u> . |
| Delivered energy | Shall mean delivered energy as defined in Schedule D limited to 110 MU. |
| O&M Charges Payable | 3.00% of Capital cost towards O&M + 1.00% towards insurance during 1 st year from COD and with escalation on O&M as per above formula from 2 nd onwards. |

Explanation: No escalation in O&M expenses shall be allowed upto one year from the COD of the Generating Station

The fixed charges are based on the Installed capacity of 17.202 Mega Watt and delivery of Net Electrical Energy upto 110 Million energy units at the interconnection point. The recovery of fixed charges is limited to the delivery of 110 Million energy units (kWh) and delivery beyond 110 MU will attract incentive as per article 3.4.

Explanation: Fixed charges payable to the Company, as mentioned above, for Net Electrical energy are calculated based on approved capital cost of the Project of Rs.56.88 Crs for approved capacity of 17.202 MW.

Provided however that if the capacity of the project is tested to be below 17.202 MW, as per the standard testing procedure of APTRANSCO, then the above fixed charges will be revised based on tested capacity and cost per MW as approved by GOAP. Provided further that if the capacity as tested above is found to be above 17.202 MW, then the capacity will be restricted to 17.202 MW.

3.2 Energy Charge

The energy charge will consists of Primary Fuel Charges and Lubricating Oil Charges.

a. Computation of Primary Fuel Charge

The Primary Fuel Charges will be computed based on the following formula:

$$U = EU * (hC) / \{g(1 - A/100)\}$$

Where:

U is the Energy Charge in Rs. in respect of a Billing Month

EU is the total number of Energy Units delivered at the Inter Connection Point in respect of such Billing Month measured on the Metering Date for such Billing Month.

h is the Station Heat Rate in Kcal/KWH as per Article 1.1 (49);

C is the weighted average cost of Fuel being natural gas for the project, in Rs. per unit

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

PMIL
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

of Fuel; as delivered at the Fuel metering point at the site

g is the NCV of Fuel in Kcal/unit of Fuel, as per Article 1.1 (9)

A is a number equal to the Auxiliary Consumption expressed as a percentage of gross generation as per Article 1.1 (4).

Provided that the APTRANSCO has the right to review and approve the Fuel Supply Agreement and the related costs through a Committee to be constituted on mutually agreed terms.

Provided further that in case of use of any fuel other than natural gas, payment of energy charges shall be made as per Article 1.1(25).

b. Computation of Lubricating Oil Charge

The Lubricating Oil Charges will be computed based on the following formula:

$$L = EU * (L_o C) / (1 - A/100)$$

Where:

L is the Lubricating Oil Charge in Rs. in respect of a Billing Month

EU is the total number of Energy Units delivered at the Inter Connection Point in respect of such Billing Month measured on the Metering Date for such Billing Month.

L_o is the specific consumption of lubricating oil as per Article 1.1 (39);

C is the weighted average cost of Lubricating Oil as per the technical specifications; as delivered at the site.

A is a number equal to the Auxiliary Consumption expressed as a percentage of gross generation as per Article 1.1 (4).

Provided that the APTRANSCO has the right to review and approve the lubricating oil charges through the fuel Supply Committee, as set out in the Agreement.

c. Minimum Fuel Off-take and Fuel Transportation Charges

The APTRANSCO shall reimburse the Company for charges paid in respect of its failure to take delivery of minimum levels of primary fuel only, but only if and to the extent that the Company's failure to take such Fuel is due to the APTRANSCO's issuance of Despatch Instructions requiring that the Project be operated at a level less than the level of Declared Capacity set forth in any then-applicable Availability Declaration, (or the APTRANSCO's failure or inability to accept delivery of Net Electrical Energy from the Project on account of Emergencies)

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

Prakash
Director (R. & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Provided that the APTRANSCO shall reimburse such minimum Fuel Off-take charges to the Company only to the extent that:

- i. such minimum fuel off-take charges were incurred in accordance with the Fuel Supply Agreement.
- ii. the Company took all reasonable steps available to it and such steps identified by the APTRANSCO (such as on-sale of Fuel to the APTRANSCO or other able purchasers identified by the APTRANSCO) to reduce the amount of liability, any added costs of which the APTRANSCO shall upon prior notice by the Company have agreed in writing to pay to the Company.

The APTRANSCO shall reimburse the Company the actual charges paid in respect of Fuel Transportation Charges for primary fuel, as per the terms of the Fuel Supply Agreement.

Provided minimum fuel off take and fuel transportation charges shall not be payable in the event of Force Majeure condition as per Article 10 affecting either party and the Fuel Supplier / Transporter.

3.3 Monthly Price Adjustments

The Primary Fuel Charge, as per the above formula, will be modified monthly on account of variations in energy delivered, price and gross calorific value.

The Lubricating Oil Charge, as per the above formula, will be modified monthly on account of variation in energy delivered and price of lubricating oil.

3.4 Incentives

In case the Project achieves delivered energy in excess of one hundred and ten (110) Million energy units (kWh) in a Tariff Year, APTRANSCO will pay to the Company, an incentive of Rs. 0.05 (Rupees zero and five paise only) per energy unit (KwH) for each additional unit of actual delivery of energy at the Interconnection Point.

3.5 Penalties

In case the Project fails to deliver energy of ninety-three point seven (93.7) Million energy units (kWh) in any Tariff Year, APTRANSCO will be entitled to deduct Rs. 0.05 (Rupees zero and five paise only) per delivered energy unit (KwH) at the Interconnection Point.

3.6 Claims for Taxes on Income

No claim on taxes, levies, duties will form a part of tariff and will not qualify for reimbursement from APTRANSCO under any circumstances.

For Sri Vathsa Power Projects Ltd.

M. Man

Managing Director

P. M. C.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

3.7 **Claims for Taxes and Duties Levied on Generation and/or Sale of Electricity**

Any taxes or duties or impost or cess or levies on the generation and/or sale of electricity by any Government Agency levied on the Project will be reimbursed by the APTRANSCO to the Company in the succeeding month after the payment of such taxes or duties by the Company to such Government Agency, based on a supplemental bill, duly supported by proof of payment of such taxes to be furnished by the Company to the APTRANSCO. In case, such Government Agency refunds any excess tax or duty paid by the Company, such excess will be adjusted in the supplementary bill for the succeeding month after the receipt of such refund by the Company.

For Sri Vathsa Power Projects Ltd.

M. S. Rao

Managing Director

P. M. L. C.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 4 METERING

4.1 Installation

Main energy meters of 0.2 class accuracy meters having recording facility shall be installed and maintained in good order at the 132 KV points of supply by the Company and check meters at the same points and of the same accuracy shall be installed and maintained in good order by APTRANSCO. Each of these will be a pair of export and import meters. The main energy meters shall be the property of the Company and the Company shall be responsible for the cost of inspection, maintenance, calibration, and replacement thereof. The check energy meters shall be the property of the APTRANSCO and the APTRANSCO shall be responsible for the cost of inspection, maintenance, calibration and replacement thereof.

4.2 Inspection: Sealing; No Interference

All the meters shall be jointly inspected and sealed on behalf of both Parties and shall not be opened, calibrated or tested except in the presence of the duly authorized representatives of both Parties. If one Party does not attend any inspection, check, calibration or test on the main or check meters required pursuant hereto after receiving such notice from the other Party as may be reasonable in the circumstances, then, notwithstanding anything to the contrary expressed herein, the other Party shall be entitled to proceed on its own and the results obtained shall be used for the purposes hereof.

4.3 Quarterly Checks

All meters shall be checked for accuracy on a quarterly basis by both Parties and shall be treated as working satisfactorily so long as the errors are within the limits prescribed for meters of the class. Meter readings of the main meters will form the basis of billing, so long as the quarterly checks thereof are within the prescribed limit as per IS specifications. If the check meters are found to be defective during the quarterly checks they will be immediately calibrated and/or replaced if found necessary.

4.4 Errors in Main Meters

Where the quarterly check indicates errors in the main meters beyond the prescribed limit as specified in IS specifications but no such error is noticed in the check meters, billing for the month will be done on the basis of the check meters and the main meters will be calibrated immediately or replaced if necessary.

For Sri Vathsa Power Projects Ltd.

M. M. Man
Managing Director

P. M. L.
Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

4.5 Errors in Main Meters and Check Meters

If during the quarterly test checks, both the main meters and the corresponding check meters are found to be beyond permissible limits of error as per the IS specifications, both the meters shall be immediately calibrated and the correction applied to the generation of energy registered by the main meter to arrive at the correct generation of energy for billing purposes for the period of the month up to the time of such test check. Billing for the period thereafter until the next monthly meter reading shall be as per the calibrated main meter.

4.6 Calibration

The main and check meters shall be calibrated upon installation and once in every six months thereafter jointly by both Parties i.e., January and July irrespective of the calibrations which might have been done where necessary, during the quarterly checks. All calibrations shall be undertaken at the loads and power factor specified in, and otherwise in accordance with IS specifications. Both Parties shall endeavour that re-calibration is done as often as possible and the errors are adjusted as close to zero as possible. However, if the meters show errors consistently, the main meters, check meters or both shall be replaced.

4.7 Errors Found During Calibration

If the errors found at the time of semi-annual calibration are beyond permissible limits as per IS specifications, the same procedures applicable to the quarterly test checks shall be followed.

4.8 Corrections in Billing

Corrections in billing, whenever necessary, shall be applicable to the period between the previous monthly meter reading and the date and time of the test calibration in the current month when the error is observed 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 at power factors, mutually agreed upon for interpolation of the correction factor.

4.9 Defects

If both the main and check meters fail to record or if any of the potential transformer fuses are blown out, then the energy will be computed on a mutually agreeable basis for that period of defect. Further the main and check meters shall be replaced.

For Sri Vaidya Power Projects Ltd.

M. K. Rao

Managing Director

Praveen

Director (RA & Co-ordination)
APTRANECO, Vidyut Soudha,
HYDERABAD-500 082.

4.10 Standard Meter

For the purpose of test and calibration, standard meter shall be calibrated and sealed by the Chief Electrical Inspector to the GOAP. This standard meter shall be calibrated once in every six months at the Chief Electrical Inspector's Laboratory in Andhra Pradesh.

4.11 Conduct of Tests

The authorized staff of both Parties shall jointly conduct all the tests on the main meters and check meters. The result and correction so arrived at mutually will be applicable and binding on both Parties.

4.12 Monthly Reading

Monthly meter readings shall be jointly taken (and an acknowledgement thereof signed) by the duly authorized representatives of both Parties at an agreed time on each such Metering Date and, if the readings indicate a level of inaccuracy greater than the prescribed limits, all meters shall be immediately tested in accordance with this Article 4 and the provisions of this article shall apply. If either Party fails to take such reading at the required time, in spite of reasonable notice giving reasonable time, the reading of the Party that conducts such reading shall be conclusive for the purpose of this Agreement.

4.13 Records

The Company and the board shall each compile and maintain meter records of the energy generated by the company and delivered to the board. Such records will be made available for inspections by the other party during normal business hours upon reasonable advance notice.

Sri Sai Veda Power Projects Ltd.

M. M. Rao

Managing Director

P. M. L.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 5
BILLING AND PAYMENT

5.1 Monthly Tariff Bills

- (a) For delivered energy purchased, on or before each Billing Date, commencing with the first Billing Date following the Commercial Operation Date of the Project, the Company shall furnish a monthly tariff bill to the APTRANSCO, in the form as may be mutually agreed between APTRANSCO and the company for the Billing Month, on or before the 5th working day following the metering date.
- (b) The bill shall include monthly Fixed Charges, Operation & Maintenance charges and Energy Charges (including fuel price adjustment charges, lubricating oil price changes, duly supported by supporting data) and shall show where applicable any adjustments as specified in relevant clauses of this Agreement. Each bill for a Billing Month shall be payable by the APTRANSCO on the Due Date of Payment.
- (c) The Company shall calculate the monthly Fixed Charge for each Billing Month as specified in article 3.1.
- (d) The Fixed Charges and Energy Charges will be in relation to the Energy Delivered at the Inter Connection Point and as per the meter readings under Article 4. The energy would be adjusted for supplies made by APTRANSCO as per Article 2.4.
- (e) At the end of Tariff Year, the company shall raise a supplementary bill for the Incentive Change as per the Article 3.7.

5.2 Payment of incentives / adjustment of penalties

Incentives shall be calculated as per Article 3.5 and shall be payable annually. In case the APTRANSCO is required to pay incentives to the Company, the Company shall raise a supplementary bill for the same at the end of the Tariff Year. At the end of the Tariff Year, in case the Company is required to pay the APTRANSCO on account of penalties, the Company shall adjust the same as a credit in the next month's monthly tariff bill.

5.3 Supplementary Bills

Supplementary bill, as may arise out of the terms of the agreement will be raised by the company, in such form as may be mutually agreed upon by the APTRANSCO and the Company, (duly supported by supporting data). Each supplementary bill shall be payable by the APTRANSCO on the Due Date of Payment.

For Sri Vathsa Power Projects Ltd.

M. Naras

Managing Director

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Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

5.4 Amounts Due to the APTRANSCO

Any amounts which may be due to the APTRANSCO from the Company on account of adjustments in Fixed Charges, Energy Charges and penalties on account of reduced delivery of energy will be shown as Credit in the supplementary bill of a month and APTRANSCO will deduct the amount from the monthly bill while making payments.

5.5 Billing Disputes

Notwithstanding any dispute as to all or any portion of any bill submitted by the Company to the APTRANSCO, the APTRANSCO shall pay the full amount of the bill provided that the amount of the bill is based on (a) a meter reading that has either been signed by both Parties and (b) the provisions of this Agreement. The APTRANSCO shall notify the Company of any disputed amount, and the Company shall rectify the defect or otherwise notify its rejection of the disputed amount, with reasons, within five (5) days of the reference by the APTRANSCO, failing agreement on which the provisions of Article 13 shall apply with respect thereto. If the resolution of any dispute requires the Company to reimburse the APTRANSCO, the amount to be reimbursed shall bear interest at a Rate which shall be 2% higher than the prevailing short term Prime Lending Rate per annum, based on existing nationalized bank rate at the time of settlement of dispute, to the APTRANSCO from the date of payment by the APTRANSCO to the date of reimbursement. The APTRANSCO may not dispute any amount after sixty (60) days following the Due Date of Payment thereof.)

5.6 Payment

The APTRANSCO shall pay Monthly Tariff Bills by opening a revolving Letter of Credit for a minimum period of THREE (3) months in favour of the company.

5.7 Letter of Credit

Not later than 30 days after signing of the PPA or COD or the project whichever is later, APTRANSCO shall cause to be in effect an irrevocable revolving Letter of Credit issued in favor of the Company by a Scheduled Commercial Bank. Each Letter of Credit shall.

- a. On the date it is issue, have a term of three (3) months;
- b. The Letter of Credit will be for a value equivalent to 1 (one) month estimated tariff bill, to be determined in mutual agreement.
- c. Be payable upon the execution and presentation by an officer of the Company of a sight draft to the issuer of such Letter of Credit supported by a meter reading statement accepted and signed by both parties or a certification from the company that the APTRANSCO failed to sign the meter reading statements

For Sri Vathsa Power Projects Ltd.

M. M. Rao
Managing Director

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P. M. L. P.
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

within five days of the metering date or that a supplemental bill has been issued and remains unpaid until the due date of payment;

- d. Provided that the Company shall have the right to draw such Letter of Credit notwithstanding any failures by APTRANSCO to reimburse the issuer thereof for any drawdown made under; and
- e. Not less than 30 days prior to the expiration of any Letter of Credit, the APTRANSCO shall provide a new or replacement of Letter of Credit.
- f. The opening charges for Letter of Credit and incidental charges shall be borne by the Company.

5.8 Direct Payment:

Without prejudice to the right of the Company to draw upon the Letter of Credit if payment is not received in full, the APTRANSCO shall have the right to make direct payment of any bill by cheque or draft on the due dates. When such direct payment is made, the company shall not present the same bill to the Scheduled Bank for payment against the Letter of Credit. The cheque or draft for such direct payment will be drawn on a Scheduled Commercial Bank located at Hyderabad and will be payable at Hyderabad

5.9 Rebates; Late Charges

For payment of Tariff bills (excluding supplementary bills) a rebate of 1% shall be allowed if payment is made, whether by cheque or Letter of Credit, in ten (10) days after the date of presentation of bill.

Any payment made beyond the Due Date of Payment APTRANSCO shall pay interest at a rate which shall be 2% higher than the prevailing short term Prime Lending Rate (PLR) per annum, as per the existing nationalized bank rates and in case such rate is reduced the reduced rate shall become applicable from the date of reduction

For Sri Vathsa Power Projects Ltd.

M. K. Rao

Managing Director

P. M. L. C.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 6
DURATION OF AGREEMENT

6.1 Term of the Agreement

Subject to the terms of this Agreement, this Agreement shall become effective upon due approval from APERC and shall continue in force from the date of such approval until the completion of a period of fifteen (15) years from the COD unless earlier terminated as provided herein

6.2 Renewal of the Agreement .

And not later than one hundred and eighty (180) days prior to the expiry of the initial term of this Agreement, the Agreement may be renewed for such further period and on such terms and conditions as may be mutually agreed upon between the Parties, subject to necessary approvals from APERC.

6.3 This Article shall survive any Termination of this Agreement. If the Parties do not mutually agree to renew this Agreement or otherwise upon the expiry of the initial term of this Agreement, the Company may dispose of the Project as it thinks fit subject to the prevailing Law. APTRANSCO does reserve the right to purchase the Project at any time during the term of the agreement or on expiry of the term of the agreement.

For Sri Vathsa Power Projects Ltd.

M. Rao

Managing Director

M. V. S.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

**ARTICLE : 7
UNDERTAKINGS**

7.1 Covenants of the Company

The Company hereby covenants and agrees with the APTRANSCO to:

- (a) The project has been constructed with all diligence with an installed capacity of 17.202 Mega Watt and is capable of delivering one hundred and ten (110) Million energy units (kWh) using 65,000 CMD of Natural gas as fuel.
- (b) The Company will endeavour to achieve approval of this agreement from Andhra Pradesh Electricity Regulatory Commission.
- (c) Use all reasonable efforts to operate the Project in accordance with Prudent Utility Practices;
- (d) Work without liability with, and co-operate in good faith with, the APTRANSCO with respect to all of the APTRANSCO's obligations and rights hereunder;
- (e) Maintain at the Company's cost the interconnection facilities provided for evacuation of the project.
- (f) Use all reasonable efforts to obtain and maintain in force all Permits;
- (g) Adhere to the Technical Limits as set out in Schedule C and comply with the provisions of AP Code of technical interface (Grid Code).
- (h) Provide to the APTRANSCO copies of instruments creating any liens or encumbrances on any of the assets of the Project.
- (i) Use all reasonable efforts to operate the Project and comply with APTRANSCO's Despatch Instruction to make available generation within technical limits to meet the system requirements according to the conditions in this Agreement.
- (j) Agree to execute any amendments or modification subsequently, to be added, if so desired by APERC. Any amendment to the approved PPA shall be with the approval of Commission only.
- (k) Install protection equipment in Company's premises and ensure the same is in working condition by periodical inspection testing, checking and recalibration, if necessary.
- (l) Shall be responsible for the design of the Generator set and its protection

For Sri Vaitsha Power Project:

M. M. Rao
Managing Director

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M. M. Rao
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
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system for its safe parallel operation with APTRANSCO's grid. As the company's generator may have to supply fault currents in case of short circuit conditions that occurs on APTRANSCO's Grid; shall provide adequate generator protection and other protections as requested against such faults not holding APTRANSCO responsible for damage to the Company's generator or any other equipment during parallel operation with APTRANSCO's grid; shall suitably grade the protection and coordinate with APTRANSCO upgrade APTRANSCO's Protection Equipment, if required as a consequence of parallel operation with APTRANSCO's Grid at its cost.

- ✓ (m) Shall make, in good faith, all efforts to operate the Project in such a manner as to avoid fluctuations and disturbance to APTRANSCO's Grid due to parallel operation with the Grid.
- ✓ (n) Strive to keep its generation at maximum during peaking hours of the day i.e., from 17.00 hrs. to 22.00 hrs.

7.2 Covenants of the APTRANSCO

The APTRANSCO hereby covenants and agrees with the Company to:

- (a) Agree to purchase net electrical energy generated from the project.
- (b) The interconnection facility provided would continue to evacuate power from the project for the tenure of the project subject to non-availability of the facility under system emergencies.
- (c) Work, without liability, with, and co-operate in good faith with the Company with respect to, all of the Company's obligations and rights hereunder; and,
- (d) Make all reasonable good faith efforts to assist the Company in obtaining clearances for the power purchase agreement from APERC.

For Sri Vathsa Power Projects Ltd.

M. K. Law

Managing Director

P. M. L. P.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 8
REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of the Company

The Company represents and warrants that:

- i) The Company is a company duly organised and validly existing under the laws of India and has all requisite legal power and authority to execute this Agreement and carry out the terms, conditions and provisions hereof;
- ii) This Agreement constitutes the valid, legal and binding obligation of the Company, enforceable in accordance with the terms hereof.
- iii) The Company has duly paid all rents, royalties and all public demands including provident fund dues, gratuity dues, employees state insurance dues, income tax, sales tax, corporation tax and all other taxes and revenues payable to any Government Agency and that at present there are no arrears of such dues, rents, royalties, taxes and revenues due and outstanding and that no attachments or warrants have been served on the Company in respect of sales tax, income tax, Government revenues and other taxes.
- iv) There are no actions, suits or proceedings pending or, to the Company's knowledge, threatened, against or affecting the Company before any court or administrative body or arbitral tribunal that might materially adversely affect the ability of the Company to meet and carry out its obligations under this Agreement; and
- v) The execution and delivery by the Company of this Agreement has been duly authorized by all requisite corporate action, and will not contravene any provisions of, or constitute a default under, any other agreement or instrument to which it is a party or by which it or its property may be bound.

8.2 Representations and Warranties of the APTRANSCO

The APTRANSCO represents and warrants that:

- i) The APTRANSCO is a statutory company duly organised and validly existing under the laws of India and has all requisite legal power and authority to execute this Agreement and to carry out the terms, conditions and provisions hereof;
 - ii) This Agreement constitutes a valid, legal and binding obligation of the APTRANSCO, enforceable in accordance with the terms hereof.
 - iii) There are no actions, suits, or proceedings pending or, to the APTRANSCO's
- For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

25

P. M. L.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

knowledge, threatened against or affecting the APTRANSCO before any court or administrative body or arbitral tribunal which might materially adversely affect the ability of the APTRANSCO to meet and carry out its obligations under this Agreement; and

- iv) The execution and delivery of this Agreement by the APTRANSCO has been duly authorized by all requisite corporate action, and will not contravene any provision of, or constitute a default under, any other agreement or instrument to which it is party or by which it or its property may be bound.

8.3 Mutual Covenants

Each Party will (except to the extent the subject of a bonafide dispute) duly pay all rents, taxes, cesses, fees, revenues, assessments, duties, other out goings and other amounts owing by it and will observe all the rules and regulations pertaining to the same and will not do or omit to do or (to the extent within its control) suffer to be done anything the purpose of which is to adversely affect or prejudice the interest and rights of the other Party hereunder in any manner whatsoever.

For Sri Vathsa Power Projects Ltd.

M. Rao

Managing Director

Prady

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 9
DEFAULT AND TERMINATION

9.1 APTRANSCO Default

The occurrence and continuation of any of the following events shall constitute a APTRANSCO Default, unless any such event occurs as a result of a Company Default as defined in Article 9.2 or any breach by the Company of its obligations hereunder:

- (a) Any failure of the APTRANSCO to make any payment (s) required to be made to the Company under this Agreement, which continues for a period of sixty (60) days or more from the Due Date of Payment; provided The Company has furnished a bill to the APTRANSCO for such payment as provided in Article 5; ✓
- (b) The APTRANSCO repudiates this Agreement or evidences in any manner its intention not to perform its obligations under, or to be bound by, this Agreement;
- (c) The transfer, pursuant to law, of either the APTRANSCO's rights and obligations under this Agreement or all or a substantial portion of the assets or undertakings of the APTRANSCO, or the dissolution of the APTRANSCO, pursuant to law, including by way of merger, consolidation, liquidation, reconstitution or reorganisation unless the transferee or successor expressly assumes the obligations of the APTRANSCO under this Agreement.
- (d) APTRANSCO commits a material breach of any material term of this Agreement (other than with respect to Articles 9.1 (a) through (c) above), and does not remedy the breach within ninety (90) days of notice thereof by the Company.

9.2 Company Default

The occurrence and continuation of any of the following events shall constitute a Company Default, unless any such event occurs as a result of a APTRANSCO Default as defined in Article 9.1 or any breach by the APTRANSCO of its obligations hereunder:

- (a) Any failure of the Company to make any payment(s) required to be made to the APTRANSCO either directly or as a credit in any bill presented to APTRANSCO as per Article 5, under this Agreement, which continues for a period of sixty (60) days or more;
- (b) The Company repudiates the Agreement or evidences in any manner its intention not to perform its obligations under, or to be bound by this Agreement;

For Sri Vathsa Power Projects Ltd.

MSTKAV

Managing Director

27

PM14

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- (c) The transfer, pursuant to law, of either the Company's rights and/or obligations under this Agreement or all or a substantial portion of the Company's assets or undertakings, or the dissolution of the Company, pursuant to law, including by way of merger, consolidation, liquidation, reconstitution or reorganisation, unless:

- (i) the transferee or the successor expressly assumes the obligations of the Company under this Agreement,
- (ii) such transfer or dissolution does not affect adversely the ability of the resulting entity to perform its obligations under this Agreement, in the sole and reasonable opinion of the APTRANSCO;

or such transfer or dissolution constitutes or is the direct result of a Change in Law or event of Political Force Majeure

- (d) The Company abandons the operation of the Project, other than as a result of Force Majeure, for a period of thirty (30) consecutive days or more.
- (e) The Project fails to issue an Availability Declaration, in terms of energy, providing for Declared Capacity which is in excess of 80 Million units (kWh) for a continuous period of one hundred and twenty (120) days (excluding any period of major overhaul undertaken in accordance with the manufacturer's recommendations, any period of Force Majeure; any act or omission of the APTRANSCO or any Emergency directly causing or contributing to the shortfall in the Declared Capacity).
- (f) The failure of the Company to demonstrate its capacity as per the terms of this agreement.
- (g) The serious breach by the Company of any material term of this Agreement (other than with respect to Articles 9.2(a) through (g) above), where the Company shall fail to cure such breach within ninety (90) days of notice thereof by APTRANSCO.

9.3 Remedies of the Company

Upon the occurrence and continuance of a APTRANSCO Default set forth in Article 9.1 above and the failure of the APTRANSCO to cure such default within the applicable cure periods, specified in Article 9.1, the Company shall, at its option, have the right to

- (i) elect to terminate this Agreement by issuing a termination notice in accordance with procedures set forth in Article 9.5, or
- (ii) receive damages or have recourse to such other remedies from APTRANSCO as are available under Law, subject to the provisions under this agreement.

For Sri Vathsa Power Projects Ltd.

M. K. Rao

Managing Director

28

P. M. V.
Director (R&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

9.4 Remedies of the APTRANSCO

Upon the occurrence and continuance of a Company Default set forth in Article 9.2 above and if the Company fails to cure such default within the applicable cure periods, specified in Article 9.2, the APTRANSCO shall, at its option, have the right to

- (i) elect to terminate this Agreement by issuing a termination notice in accordance with procedures set forth in Article 9.5, or
- (ii) receive damages or have recourse to such other remedies from the Company as are available under Law, subject to the provisions under this agreement.

9.5 Termination Procedures

- (a) In the event that APTRANSCO gives a termination notice to Company in accordance with Article 9.4 the company may within ninety (90) days from the date it receives the termination notice attempt to cure the Company Default, which gave rise to the termination notice. However, such cure period of ninety (90) days shall be reduced to thirty (30) days in case of a termination notice due to a Company Default under Article 9.2 (a). If such cure is effected, on notification to APTRANSCO by the Company and on reasonable verification by APTRANSCO, the termination notice shall be and will be deemed withdrawn, or otherwise the Termination Date shall occur at the expiry of such period.
- (b) In the event that the Company gives a termination notice to the APTRANSCO in accordance with Article 9.3 the APTRANSCO may within ninety (90) days from the date it receives the termination notice attempt to cure the APTRANSCO Default, which gave rise to the termination notice. However, such cure period of ninety (90) days shall be reduced to thirty (30) days in case of a termination notice due to a APTRANSCO Default under Article 9.1 (a). If such cure is effected, on notification to the Company by the APTRANSCO and on reasonable verification by the Company, the termination notice shall be and will be deemed withdrawn, or otherwise the Termination Date shall occur at the expiry of such period.
- (c) Any Party which has been served with a notice of termination under Article 9.4 shall use all reasonable endeavours to cure the Company Default or the APTRANSCO Default as the case may be, as soon as practicable. Both Parties shall, save as otherwise provided herein, continue to perform their respective obligations under this Agreement and shall not, whether by act or omission impede or otherwise interfere with any Party's endeavours to cure the Company Default or the APTRANSCO Default, as the case may be, during such cure.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

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P. M. V.
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 10
FORCE MAJEURE

10.1 Force Majeure Events

For the purposes of this Agreement, Force Majeure means any act, event or circumstance, or combination of acts, events or circumstances, which materially and adversely affects the APTRANSCO's performance of its obligations pursuant to the terms of this Agreement, but only if and to the extent that such acts, events or circumstances are not within APTRANSCO's reasonable control, were not reasonably foreseeable and could not have been prevented or overcome by APTRANSCO through the exercise of reasonable skill or care. Any act, event or circumstance or combination thereof meeting the description of Force Majeure that has the same effect upon the performance of APTRANSCO, which directly, materially and adversely affects the performance by the APTRANSCO of its obligations in whole or in part under this Agreement shall constitute Force Majeure. Force Majeure shall comprise the following acts, events and circumstances to the extent that they or their consequences satisfy the above requirements.

- (i) Political Force Majeure Events, which shall comprise the following acts, events and circumstances.
- (1) Act of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil commotion, act of terrorism or sabotage, in each case occurring inside or directly involving India;
 - (2) Any act, failure to act, restraint or regulation, of any Government Agency (excluding actions that constitute remedies or sanctions lawfully exercised as a result of breach by the Company of any Law which is neither expropriatory nor discriminatory in nature), comprising:
 - (a) any act, omission, regulation or restraint constituting a Change in Law (as defined in Article 11.2);
 - (b) any Change in Permits (as defined in Article 11.3); or
 - (c) the expropriation by any Government Agency or compulsory acquisition of any shares in, or assets or rights of, the Company or its Contractors.
 - (3) Strikes, lockouts or other labour difficulties, which are politically motivated (rather than motivated primarily by a desire to improve compensation or working conditions of those involved) or are caused in

For Sri Vethasa Power Project

M. S. Mani

30

Managing Director,

mmg

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

whole or part by another event of Political Force Majeure or are part of a nation-wide or regional strike, or other generalised labour action occurring within India; (excluding such events which are site specific and attributable to the Company);

- (4) Radioactive contamination or ionising radiation or chemical contamination originating from a source in India or resulting from another Political Force Majeure Event;
- (5) Any act, event or circumstance of a nature analogous to the foregoing;

For this agreement, no acts, event, circumstance or combination thereof, other than those described above, shall constitute a force majeure event and no compensation whatsoever can be claimed by the company for the same.

10.2 Notification Obligations, etc.

- (a) APTRANSCO, for claiming a Force Majeure event shall formally notify in writing in the manner specified in (b) below and seek to satisfy the other Party of the existence of such a Force Majeure event and shall use its reasonable endeavour to resume performing its normal obligations as soon as possible after the cessation of such a Force Majeure event.
- (b) APTRANSCO claiming Force Majeure shall give notice to the other Party of any event of Force Majeure as soon as reasonably practical after becoming aware of its existence, but not later than five (5) days after the date on which such Party knew or should reasonably have known of the commencement of the event of Force Majeure. Notwithstanding the above, if the event of Force Majeure results in a breakdown of communications rendering it not reasonably practicable to give notice within the applicable time limit specified herein, then APTRANSCO claiming Force Majeure shall give such notice as soon as reasonably practicable after the reinstatement of communications, but not later than seven (7) days after such reinstatement.
- (c) APTRANSCO claiming Force Majeure shall give notice to the other Party of;
 - i) The cessation of the relevant Force Majeure act, event or circumstance; and,
 - ii) The cessation of the effects of such Force Majeure events on the enjoyment by such Party of its rights or the performance by it of its obligations under this Agreement; as soon as practicable after becoming aware thereof.

For Sri Vathsa Power Projects Ltd.

M. K. Rao

Managing Director

P. N. Murthy

Director (RA & Co-ordination)
APTRANSCO, Vidyan Soudha,
HYDERABAD-500 082.

10.3 Mitigation: Co-operation: No obligation to settle Strikes

Any Party claiming Force Majeure shall use its reasonable efforts to mitigate and overcome the effects of any act, event or circumstance of Force Majeure as soon as practicable after the occurrence of a Force Majeure event, including through the expenditure of reasonable sums of money, and to co-operate with the other Party to develop and implement a plan of remedial and reasonable alternative measures to remove the event of Force Majeure; provided, however, that no Party shall be required under this provision, to settle any strike or other labour dispute on terms it reasonably considers to be unfavourable to it. The Party claiming Force Majeure shall furnish weekly written reports to the other Party with respect to its progress in overcoming the effects of the act, event or circumstance of Force Majeure together with such supporting documentation and information as the other Party reasonably requires regarding the claim of Force Majeure.

10.4 General Consequences of Force Majeure

Subject to the other provisions of this Agreement, APTRANSCO shall not be in breach of its obligations under this Agreement due to its failure or delay in performing its obligations hereunder to the extent that such failure or delay has been caused by one or more acts, events or circumstances of Force Majeure, for so long as such act, event or circumstance or its effects are continuing and any dates specified herein for such performance shall be extended to the extent necessary to compensate for the delay which shall be on a day-for-day basis (unless the circumstances justify a longer or shorter period).

10.5 Financial Consequences of Force Majeure

- (a) Except as provided in this Article 10.5, an act, event or circumstance of Force Majeure shall not excuse the payment obligations of either Party which shall be determined in accordance of the terms of this Agreement.
- (b) Payments to the Company by the APTRANSCO in respect of periods of Force Majeure shall be limited as follows:
 - (i) Force Majeure under Article 10.1 affecting APTRANSCO, occurring after the COD of the Project, fixed charges will be payable for a period, limited to Thirty (30) days from the date of occurrence, in any tariff year. The fixed charges will be determined based on the billing for the immediately preceding billing month.
 - (ii) Force Majeure under Article 10.1 affecting APTRANSCO, occurring after the COD of the Project, and existing for a period beyond 30 days, the duration of the agreement would extend by such period being the number of days the Force Majeure under Article 10.1 exists, reduced by Thirty (30) days, subject to provisions under Article 6 and Article 10.6.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

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Managing Director

P. M. S.

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

10.6 Termination for Force Majeure

- (a) Either Party may issue a notice of termination of this Agreement if Force Majeure as described in Article 10 has continued for more than one hundred and eighty (180) days. Such notice shall become effective twenty (20) days from the date of issuance thereof (the "Termination Date").
- (b) APTRANSCO may issue a notice of termination of this Agreement if the effects of Force Majeure Event as described in Article 10 affecting APTRANSCO or Force Majeure affecting Fuel supplier have continued for more than one hundred and eighty (180) days. The Company may issue a notice of termination of this Agreement if the effects of a Force Majeure Event as described in Article 10 affecting APTRANSCO has continued for more than two hundred and seventy (270) days. Such notice shall become effective twenty (20) days from the date of issuance thereof (the "Termination Date").

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

P. M. R.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

**ARTICLE : 11
CHANGE IN LAW**

11.1 Definition of Law

For the purposes of this Agreement, "Law" means the Constitution of India and any act, rule, regulation, directive, notification, order or instruction having the force of Law enacted or issued by any competent legislature or Government Agency.

11.2 Definition of Change in Law

For the purposes of this agreement, "Change in Law" means

- (i) any enactment or issue of any new Law,
- (ii) any amendment, alteration, modification or repeal of any existing Law; or any new or modified directive or order there under.
- (iii) any change in the application or interpretation of any Law by a competent legislature or Government Agency in India which is contrary to the existing accepted application or interpretation thereof, in each case coming into effect after the date of this Agreement, provision for which has not been made elsewhere in the Agreement.

11.3 Definition of Change in Permits

For the purpose of this Agreement, "Change in Permits" means

- (i) any failure or refusal to grant or renew any Permit (other than for Cause) or;
- (ii) the imposition (other than for Cause) of any material requirement in connection with the issuance of any Permit or the renewal, extension or modification of any Permit after such Permit was issued, in either case subsequent to the date of this Agreement ;
- (iii) the imposition (other than for Cause) of a requirement for a Permit which did not exist as of the date of this Agreement, or
- (iv) the revocation or cancellation (other than for Cause) of any Permit;

Provided that any such change establishes requirements that are materially more restrictive than the most restrictive requirements (A) in effect as of the date of this Agreement, (B) specified in any applications for any Permit filed by the Company or other documents filed in connection with such applications by the Company on or before the date of this Agreement; or (C) agreed to by the Company in any agreement with any contractor, supplier of Fuel or transporter of fuel, provision for which has not been made elsewhere in this agreement.

For Sri Vathsa Power Projects Ltd.

M. M. M.

Managing Director

34

DM
Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

11.4 Financial Obligations

No financial obligation would arise to APTRANSCO in the event of change in law effecting taxes, levies and duties, except as per Article 3.7.

In all other case, change in law resulting in significant financial impact would be discussed and mitigated under mutual agreement, subject to approval of APERC.

11.5 Subsequent Commission/Governmental action:-

If as a result of any act, restraint or regulation by the AP Electricity Regulatory Commission, State or Central Government Authority, Department, Ministry, whether part of legislative, executive, or judicial branch, the Company's ability self energy can be materially abridged or abrogated, at the request of the Company, APTRANSCO agrees to re negotiate in good faith with the Company for an arrangement mutually agreed to by both the parties, whereby, the Company would sell and the APTRANSCO would purchase the energy produced by the Project.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

M. M. Rao

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

**ARTICLE : 12
NOTICES**

12.1 Delivery

Except as otherwise expressly provided in this Agreement, all notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by registered or certified mail, tele fax, telex or telegram addressed as follows:

If to the Company:

Attention: Chairman and Managing Director,
M/s Srivathsa Power Projects Limited,
Ground floor, #41,
Pandurangapuram,
Visakhapatnam - 530 003,

Telex No. —
Tele Fax No. 0891 - 2567315
Telephone 0891 - 2567178

If to the APTRANSCO:

Attention: Chairman and Managing Director
Transmission Corporation of A.P. Ltd.,
Vidyut Soudha, Hyderabad - 500 082,
India.

Telex No. 0425 - 6318 APSEB IN
Tele Fax No 040 - 23320565
Telephone 040 - 23317657

All notices or communications given by telefax, telex or telegram shall be confirmed by depositing a copy of the same in the post office in an envelope properly addressed to the appropriate party for delivery by registered or certified mail. All notices shall be deemed delivered upon receipt.

12.2 Address Changes

Any Party may by notice change the address and/or addresses to which such notices and communications to it are to be delivered or mailed.
For Sri Vathsa Power Projects Ltd.

M. M. M. M.
Managing Director

P. M. M.
Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ARTICLE : 13
ARBITRATION

13.1 Informal Dispute Resolution:

- (a) Each Party shall designate in writing to the other Party a representative who shall be authorised to resolve any dispute arising under this Agreement in an equitable manner.
- (b) If the designated representatives are unable to resolve the Dispute under this Agreement within 15 days, such Dispute shall be referred by such representatives to a senior officer designated by the Company and a senior officer designated by the APTRANSCO, respectively, who shall attempt to resolve the Dispute within a further period of 15 days.
- (c) The Parties hereto agree to use their best efforts to attempt to resolve all Disputes arising hereunder promptly, equitably and in good faith, and further agree to provide each other with reasonable access during normal business hours to any and all non-privileged records, information and data pertaining to any such Dispute.

13.2 Arbitration:

- i. In the event that any Dispute is not resolved between the Parties pursuant to Article 13.1, then such Dispute shall be settled exclusively and finally by arbitration, as per the terms of Arbitration and Conciliation Act, 1996.
- ii. This Agreement and the rights and obligations of the Parties hereunder shall remain in full force and effect pending the award in such arbitration proceedings, which award shall determine whether and when termination of this Agreement if relevant shall become effective.
- iii. Each arbitral tribunal shall consist of two arbitrators. Each party shall appoint one arbitrator for each arbitration, and the arbitrator appointed, within thirty (30) days after the appointment of the second arbitrator, shall appoint the third arbitrator for such arbitration, or if the two arbitrators cannot agree, the third arbitrator shall be appointed in the manner specified in the Arbitration and Conciliation Act, 1996. No arbitrator shall be a present or former employee or agent of, or consultant or counsel to, either Party or any affiliate of either Party, or in any way related or closely connected with the promoters, partners, or beneficiaries of the Parties.
- iv. Each arbitration shall be conducted in Hyderabad, India. The Parties agree, to the fullest extent permitted by law, to waive any right of application to any court or tribunal of competent jurisdiction in connection with any question of

For Sri Vathsa Power Projects Ltd.

M. S. Rao

Managing Director

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P. M. V.

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

law arising in the course of any arbitration, including any arbitration within the provisions of the Act or with respect to any arbitration award.

- v. The language to be used on all written documents provided in each arbitration and in all arbitration proceedings shall be English.
- vi. Any decision or award of an arbitral tribunal appointed pursuant to this Article 13.2 shall be final and binding upon the Parties and shall be sole and exclusive remedy between the Parties regarding any claims, counterclaims, issues or accountings presented or pled to the arbitrators. The Parties waive any rights to appeal or any review of such award by any court or tribunal of competent jurisdiction. The Parties agree that any arbitration award made may be enforced by the Parties against assets of the relevant Party, wherever those assets are located or may be found, and judgment upon any arbitration award may be entered by any court of competent jurisdiction thereof. The Parties expressly submit to the jurisdiction of any such court.
- vii. All arbitration awards shall be denominated in Indian Rupees.
- viii. Any arbitration proceedings or award rendered hereunder and the validity, effect and interpretation of this Article 13 shall be governed by the laws of India.
- ix. The Parties agrees that any amount due under this Article 13.2 shall be due as a separate debt and shall not be affected by or merged into any judgment being obtained for any other sum due under or in respect of this Agreement.
- x. Cost of arbitration shall be borne by APTRANSCO and the Company in equal proportion.

For Sri Vathsa Power Project Ltd.

M. Man

Managing Director

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Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

**ARTICLE : 14
OTHER PROVISIONS**

14.1 Variations, Waivers and Modifications

No variation, waiver or modification of any of the terms of this Agreement shall be valid unless communicated in writing and signed by or on behalf of the Parties.

14.2 Severability

The invalidity or unenforceability, for any reason, of any part of this agreement shall not prejudice or affect the validity or enforceability of the remainder.

14.3 Assignment

Neither Party shall assign or part with any of its rights or obligations under this Agreement to any third party, or this Article 14.3 without the prior approval in writing of the other Party. For the purpose of obtaining financing for the Project, the Company may assign or create security over its rights and interests under or pursuant to this Agreement. Assignment by any party shall be with the approval of Commission.

14.4 No Waiver

The failure of any Party to insist in one or more instances upon the strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or relinquishment of any such rights but the same shall continue in full force and effect.

14.5 Governing Law and Jurisdiction

Except as provided in Article 14, this agreement shall be governed by, and construed in accordance with, the Laws of India as in effect from time to time. The agreement is subject to the jurisdiction of Courts of Hyderabad.

14.6 Waiver of Immunity

The APTRANSCO and the Company are subject to civil and commercial law with respect to their obligations, under this Agreement. To the extent that The APTRANSCO or the Company may claim in any jurisdiction for itself, or any of its assets or revenues, immunity from a suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction there may be attributed to the APTRANSCO or its assets or reserves any such immunity (whether claimed or not) the APTRANSCO and the Company hereby agree not to claim and irrevocably waive such immunity.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

M. M. Rao

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 021.

14.7 Limitation of Liability

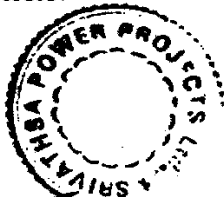
Subject to any express liability provided for in this Agreement, but notwithstanding any other provisions hereof, neither Party shall be liable in any circumstances whatsoever to the other Party, whether under this Agreement, or at law, for any special, indirect, incidental or consequential loss or damage of any nature arising at any time, including without limitation loss of profit or revenue, loss of use (whether full or partial) of any equipment, facility or property, loss of production, loss of contracts, loss of goodwill, loss of productivity and/or loss of anticipated savings.

14.8 General Indemnity

Each Party shall indemnify and hold harmless the other Party from any and all claims, proceedings, demands, judgments, losses, damages, costs, charges, expenses and liabilities of whatever kind and nature for personal injury, death to persons and damage to property arising out of any negligent or intentional act or omission of the indemnifying Party in connection with this Agreement.

14.9 Relationship to Other Agreements

Except as expressly set forth herein and save to the extent otherwise expressly agreed in writing by the Parties, this Agreement contains the entire agreement of the Parties respecting the subject matter hereof and supersedes any prior conflicting or inconsistent written or oral agreements or understandings of the Parties with respect thereto, including Without Limitation in any submittals, representations, statements and documents submitted or created by the APTRANSCO or the Company with respect thereto.



M. Srinivasan
FOR AND ON BEHALF OF
M/s SRIVATHSA POWER PROJECTS LIMITED

WITNESSES

1.

CR. PALANI SELVAN

2.

Y. Srinivasan
(Y. Srinivasan)

FOR AND ON BEHALF OF
TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

WITNESSES

1.

V. Venkata Rao

2.

N. Vijaya Prasad
(N. VIJAYA PRASAD)

SCHEDULE : A

APPROVALS

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

P. M. L.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

ELECTRICITY - Generation of power through Mini Power Plants of capacity 30 MW in private sector - Utilisation of power generation in Industrial Load Centres - Implementation - Orders - issued

ENERGY (POWER-I) DEPARTMENT

OM No 116

DATED - 5.8.1995

ORDER -

Read the following -

The liberalisation policy of the Government in respect of industrial economy has brought its wake not only competition in the industry but also State Governments vying with each other to attract investment from other parts of the country from outside the country. Andhra Pradesh State is well placed for locating industries in various fields but lack of adequate infrastructure facilities particularly non-availability of power has become a serious constraint.

The State Government considering the power position in the State, have taken a series of measures for augmenting power including privatisation. Many new projects in the public and private sector are being implemented in the State. The measures taken by the Government / Andhra Pradesh State Electricity Board to augment power capacity would take considerable time as the large sized power plants to come up due to the long gestation periods. Also, the plants require a number of statutory clearances from Central Electricity Authority etc. The power plants costing less than Rs. 100 crores do not require Central Electricity Authority's clearance and such projects could be cleared at the State level, thereby reducing the gestation period considerably. The State Government have therefore, felt that it would be appropriate to set up mini power plants based on residual fuels in the industrial estates to relieve the burden of the industrial load centres and tailend areas which are suffering from stress on account of transmission and distribution problem. The Government have also felt it necessary to take up mini power plants of 30 MW capacity which could be implemented within a period of 12 - 18 months at suitable locations where industries are concentrated and the power plants can meet the demand of industries without any interruption.

Government after careful examination of the matter have taken a decision to accord permission to private parties for setting up mini power plants with residual fuel in the industrial load centres in the State based on the following approach namely:

1. The prospective generator under the scheme will have to secure a tie-up with the consumers regarding quality, quantity and price of power to be supplied.
2. In this scheme, there shall be an arrangement for an uninterrupted power supply to the industrial load centres, except during unavoidable outages like maintenance etc. During this period consumers will get such power from A.P. State Electricity Board, as then available in the Grid system provided the consumers continue with the minimum demand contract with the Board. In the alternative, the generating stations must have contract with A.P. State Electricity Board to supplement power as a back up in the event of necessity. The modalities of such

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

42

P. M. H.

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

arrangement will have to be worked out between the generator and A.P. State Electricity Board mutually.

order to achieve quick grounding of the scheme generating stations having capacity of about 30 MW will be taken up.

pricing arrangement will be subject to fixation of tariff by the Regulatory Commission mutually.

duties or taxes that may be imposed by the Government / A.P.S.E. Board as per rules shall automatically apply to this scheme.

selling of power will be made through A.P. State Electricity Board at the request of the generator at a rate to be finalized as mutual agreement with Andhra Pradesh State Electricity Board.

quantity of generation to be earmarked under this scheme shall have an upper ceiling which will be decided in consultation with Andhra Pradesh State Electricity Board.

scheme shall operate within the framework for the Indian Electricity (Supply) Act, 1948 and the Rules made thereunder.

scheme, being essentially market oriented in character will not be subject to any bidding procedure. The policy of the Government will be publicised for the benefit of the prospective generators and consumers. In the event of more generators making offers, than the principle of come-first-served will be followed, and

if the A.P. State Electricity Board proposes to take up such units in the tailend areas, a system of competitive bidding will be adopted. The A.P. State Electricity Board shall identify locations of the units in the tailend areas and the generating companies with specific generation capacity prior to calling for the bids. Proper care shall be taken to ensure that both competitive prices and proven and cost effective technologies are preferred in the bidding process.

ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHARA PRADESH)

SJ.
M.C. MAHAPATRA,
PRINCIPAL SECRETARY TO GOVERNMENT

For Sri Vathsa Power Projects Ltd.

N. S. Man

Managing Director

Sd/-
- 43 - SECTION OFFICER

PMU
Director (R&S Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
: ABSTRACT

ELECTRICITY - Generation of Power through Mini Power. Plants of capacity 30 MW in private sector - utilisation of power generation in industrial load centres - Revised policy frame work - Orders - Issued.

~~X-X~~

ENERGY (POWER-I) DEPARTMENT.

G.O.R.S.NO: 152

DATED: 29.11.1995.

READ THE FOLLOWING:-

1. G.O.Ms.No.116, Energy (Pr.I) Department,
dated: 5.8.1995.
2. Government letter No.7529/Pr.I/1/95,
dated: 15.8.1995.

ORDER:-

Orders have been issued in the G.O. 1st read above, giving permission to the private entrepreneurs to set up mini power plants of 30 MW capacity with residual fuel in industrial load centres in Andhra Pradesh subject to adoption of the approach mentioned therein. The procedure in regard to the selection of investors, submission of proposals etc. was also enumerated vide the same G.O.

2. The State Government with a view to encourage private investment in short gestation power plants that are essentially expected to supply power to industrial consumers at an investment of less than Rs. 100 crores have decided to revise the policy frame work on mini power plants.

3. Accordingly, in modification of the G.O. read above, the following revised policy frame work for mini power plants is issued on the lines indicated below, namely:-

1. the Mini Power Plants (herein after called as MPP) will essentially by group captive, dedicated power stations. As such they will generate and supply power to identified consumers, who have entered into agreement with the developers of mini power plants. Such power plants would be best suited to serve customers through a dedicated distribution system, preferably over small compact areas.

For Sri Vathsa Power Projects Ltd.

(Contd..page 2)

Managing Director

- 44 -

**Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.**

2. prospective investors and entrepreneurs, based on their study of demand conditions, and after finalising negotiations with end consumers of power, for production and supply of power, will draw up their detailed project reports and submit their application to the Andhra Pradesh State Electricity Board. These applications will be processed by the Andhra Pradesh State Electricity Board in the fastest feasible manner and the licences will be issued in conformity with provisions of the existing Electricity Acts and other Statutes, preferably within a period of four weeks from the date of filing of complete application by the developer, and after duly obtaining orders in circulation;
3. energy from the mini power plants can be supplied to identified consumers using either Andhra Pradesh State Electricity Board's existing distribution net work or setting up a dedicated transmission net work after obtaining a licence under Section (3) of the Indian Electricity Act, 1910. In the case of the former, Andhra Pradesh State Electricity Board may on request, lease out the distribution net work to the developer. Detailed arrangements like lease rent etc., will be worked out on mutually acceptable terms between the Andhra Pradesh State Electricity Board and the Mini Power Plant developers. Similar arrangement can also be finalised for the dedicated net works established by Mini Power Plant developers so as to conform to statutory requirement;
4. where, however, it becomes necessary for the power generated by the Mini Power Plant to be wheeled using the Andhra Pradesh State Electricity Board transmission net work, wheeling charges will be collected from the developers in kind and as a percentage of the energy delivered at the inter-connection point. The proposed rates of wheeling charges are as follows:

| | |
|---------------------|---|
| i. 132 KV consumer | - 8% |
| ii. 33 KV consumers | -10% for a distance upto 50 KM. |
| 11 KV consumers & | -12% for distance between 51 KM and 100 KM. |
| LT consumers | -15% beyond 100 KM. |
5. infrastructure like sub-station and tie line, if any required for interfacing the mini power plants with the Andhra Pradesh State Electricity Board grid will be erected at the cost of the Mini Power Plant developer;

(Contd..page 3)

6. in the event of the mini power plants generating power in excess of the requirement of their consumers, the same can be purchased by the Andhra Pradesh State Electricity Board. Such purchases by the Andhra Pradesh State Electricity Board may be upto 15% of individual Mini Power Plant capacity. The Andhra Pradesh State Electricity Board may also purchase power beyond 15% of the Mini Power Plant capacity, at Andhra Pradesh State Electricity Board's option, without conferring any pre-emptive right of sale on the Mini Power Plant. The price for supplies made to the Andhra Pradesh State Electricity Board will be weighted average price of purchase of power made by the Andhra Pradesh State Electricity board from Central and other State Electricity enterprises on a monthly basis. Settlement of accounts will be on a monthly basis. The above procedure would be in force upto the end of December, 2000 AD, and would be subject to review thereafter;
7. the mini power plants, would need to undertake scheduled outages for maintenance. Scheduling of the outages of the individual Mini Power Plants will need to be done in coordination with Andhra Pradesh State Electricity Board and should be normally scheduled during the period of surplus power in the year i.e., from August to November. When scheduled outages are undertaken as above, Andhra Pradesh State Electricity Board will supply power to the Mini Power Plant, at the then prevailing tariff rates for industrial consumers. For unscheduled breakdown in the supply of power by the Mini Power Plants, subject to availability, Andhra Pradesh State Electricity Board will be willing to supply power to the Mini Power Plant but, at a rate equal to 133% of the industrial tariff then prevailing. The normal outage every year will not exceed one month in the year. For availing the supply of power during outages the Mini Power plants developer will need to pay in advance a security deposit equivalent to the estimated consumption of power for a period of 30 days;
8. the Mini Power Plant developer shall necessarily sell power to the consumers above the Board's High Tension tariff rate; and
9. once industrial consumers enter into agreement with the Mini Power Plant developer, their security deposit with the Andhra Pradesh State Electricity Board will be refunded after adjusting the amounts, if any, due from them to the Andhra Pradesh State Electricity Board for the supply of power. Individual consumers can at their option continue to be consumers of Andhra Pradesh State Electricity Board

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

(Contd..page 4)

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

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3. paying minimum charges for maintaining security deposit with a view to obtaining energy supplies from the Andhra Pradesh State Electricity Board net work independent of Mini Power Plants arrangement with the Andhra Pradesh State Electricity Board; and

(10) The Government of Andhra Pradesh will also recommend to the Government of India for exempting mini power plant equipment from customs duty when imported. The Government will also help the mini power plant developer to obtain preferential treatment in fuel supply allocation.

4. The above policy framework shall come into force with immediate effect.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

P.V.BHIDE,
Secretary to Government.


To.

The Chairman, AP State Electricity Board, Hyderabad.
The Prl. Secretary to Government, Industries & Commerce Dep
The Commissioner for Industries, AP, Hyderabad.
The Secretary to Government, Ministry of Power,
Govt. of India, New Delhi.

Copy to:-

P.S. to Prl. Secretary to Chief Minister.
P.S. to Chief Secretary.
P.S. to Pnl. Secretary to Govt., Ind. & Com. Dept.
P.S. to Prl. Secretary to Govt., Revenue Department.
P.S. to Prl. Secretary to Govt., Finance (I.F) Dept.
General Administration (Cabinet) Department.
P.S. to Secretary to Government, Energy Department.
P.A. to Jt. Secretary, Energy Department.
The Secretary Cell of Law Department.
SF/SCs.

// FORWARDED: BY ORDER //


SECTION OFFICER

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

ELECTRICITY - Generation of Power through Mini Power Plants
utilisation of power generation from the Mini Power Plants
in the Industrial Load Centres - Policy Framework - Orders
Amendment Orders - Issued.

ENERGY (POWER.I) DEPARTMENT

G.O. NO: 37

DATED: 18.4.1998.
READ THE FOLLOWING

G.O.Ms.No.152, Energy (Pr.I) Department,
dated: 29.11.1995.

Old Chief Engineer
Invested No. 366

24 APR 1998

SECT. 1
SECT. 2
SECT. 3

G. R. R. A.

Orders have been issued in the G.O.read above, to establish Mini Power Plants by the private entrepreneurs in the Industrial Load Centres in Andhra Pradesh to cater the need of the industries. A Policy Framework for the establishment of Mini Power Plants was also indicated in the G.O.read above. Based on the policy framework the Government of Andhra Pradesh have accorded approval/permission to 31 Mini Power Plant developers to set up the Mini Power Plants at various locations in the State. Further, in the approval letters communicated to the developers a condition was made that the total contracted maximum demand of the identified consumers with the generating company shall not exceed 1.25 times the net capacity of the plant adjusted to the local conditions. Many Mini Power Plant developers have approached Government with a request to revise the condition with respect to the settlement of energy accounts on a quarterly basis instead of on monthly basis and also to revise the contracted maximum demand for atleast two times the installed capacity of the plant as against 1.25 times permitted.

Government after careful consideration of the request made by the Mini Power Plant developers have accepted to revise the condition stipulated with respect to the settlement of energy accounts. The condition on the contracted maximum demand of 1.25 times the net capacity of the plant communicated to the developers has not been included in the Policy Framework finalised in the G.O.read above. As this issue is also considered by Government it is now decided to include the item in the policy framework finalised.

For Sri Vathsa Power Projects Ltd.

M. R. Rao

Managing Director

-48-

(P.T.O.)

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Accordingly, the following Amendment to G.O.Ms.No.152,
Energy (Pr.I) Department, dated: 29.11.1995 is issued:

A M E N D M E N T

ITPM NO.6

EXISTING PROVISION IN THE G.O.: "Settlement of accounts
will be on a monthly basis".

The following shall be substituted against the
above sentence:

"Settlement of energy accounts between the Mini
Power Plant developers and the Board shall be on a
bi-monthly basis".

At the end of para.(3) of the G.O.read above, the
following shall be added as item No.(11):

"the total contracted maximum demand of the
identified consumers with the Generating Company shall
not exceed 1.5 times the net capacity of the plant adjusted
to the local conditions".

The Andhra Pradesh State Electricity Board is
requested to take further necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

V.S.SAMPATH,
SECRETARY TO GOVERNMENT.

To
The Chairman, A.P.State Electricity Board, Hyderabad,
The Secretary, Government of India, Ministry of Power,
Shramashakthi Bhavan, Rafi Marg, NEW DELHI.
The Chief Engineer, Investment Promotion Cell, A.P.State
Electricity Board, Hyderabad.

Copy to: P.S. to Secretary to Chief Minister.

Copy to: P.S. to Chief Secretary to Government.

Copy to: P.S. to Principal Secretary to Government,
Industries & Commerce Department.

Copy to: P.S. to Secretary to Government, Energy Department.

Copy to: P.A. to Deputy Secretary to Government,
Energy Department.

Copy to: S.F./S.C.

// FORWARDED :: BY ORDER //

SECTION OFFICER

SCHEDULE-IV

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

MINI POWER PLANTS - Wheeling Agreement for Mini Power Plants- Sanctioned by Government of Andhra Pradesh - Certain amendment to G.O. Ms. No. 152 dated : 29.11.1995 - Orders - Issued.

ENERGY (POWER-I) DEPARTMENT

G.O. MS NO: 81

DATED 7.9.1998

READ THE FOLLOWING:-

1. G.O.Ms.No. 152 energy (Pr.I) department
dated : 29.11.1995
2. G.O.Ms.No. 37 energy (Pr.I) department
dated : 18.4.1998
3. Representation of MPP Association letter
dated : 25.6.1998
4. From the Member (Projects) APS.E.B.O.D.O. letter No. ~~APSE~~ CE/IPC
311/E & 98/198, DATED : 4.7.1998.
5. From the General Secretary, APMPP Association letter No. Nil, dated :
11.7.1998 addressed to the Chief Secretary to Government.

ORDER :-

In the G.O. first read above, the formula for the purchase price for 15% of the capacity of the Mini Power Plants by the Andhra Pradesh State Electricity Board was indicated, among other terms and conditions governing the award of permission for setting up Mini power Plants. The Mini Power Plant developers have subsequently represented that the purchase price formula does not cover even the variable costs of generation and requested that the said clause governing purchase price may be suitably amended so that the Mini Power Plant developers are not put to loss affecting the viability of the Project.

The representation of the Mini Power Plant Developers has been examined in consultation with the Andhra Pradesh State Electricity Board. The issue has also been examined by the Task Force on Energy. In the light of the above consultations, keeping in view of the relevant circumstances, it has been decided to amend G.O. Ms No. 152
For Sri Vathsa Power Projects Ltd.

Managing Director

- 50 -

PM 14
Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Dated 29.11.1995 relating to the purchase price of by Andhra Pradesh State Electricity Board

In Clause 6 of G.O.Ms No. 152 dated 29.11.1995

For "The price for supplies made to the Andhra Pradesh State Electricity Board will be average price of purchase made by the A.P. State Electricity Board from Central and other State Electricity Enterprises.

Read as : "The price for supplies made to Andhra Pradesh State Electricity Board will be the higher of the pooled cost of energy purchased from Central Generating Stations or the uniform variable cost (to be worked out on lower station heat rate)

Andhra Pradesh State Electricity Board is requested to take further necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

V.S.SAMPATH,
SECRETARY TO GOVERNMENT.

To

The Chairman, Andhra Pradesh State Electricity Board, Hyderabad.

The Secretary, Government of India, Ministry of Power Shramashakti Bhavan,
Rafi Marg, NEW DELHI - 110 001

The Chief Engineer, Investment Promotion Cell, Andhra Pradesh State Electricity Board, Hyderabad.

Copy to : S. to secretary to Chief Minister.

Copy to : P.S. to Chief Secretary to Government.

Copy to : P.S. to Principal secretary to Government, Industries & Commerce Department.

Copy to : P.S. to Secretary to Government, energy Department, Energy Department.

Copy to : P.A. to Deputy Secretary to Government, energy Department

Copy to : S.F./S.C.

|| FORWARDED .. BY ORDER ||

SECTION OFFICER

For Secretary to Government of India,

M. Mas

Managing Director

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
ENERGY (P.R.) DEPARTMENT

Letter.No. 2807/Pr.1(1)/2002-2

Dated: 06.11.2002.

From
Sri V.S.Sampath, IAS.,
Pri.Secretary to Govt.,
Energy Department,
A.P.Secretariat,
Hyderabad.

To
M/s. Vathsasa Power Projects Ltd,
Ground Floor, 41,
Pandurangapuram,
Visakhapatnam.(A.P) 530 003.

Sir,

Sub: Mini Power Plants - Vathsasa Power Projects - Request for change of name, enhancement of capacity, extension of time and capital cost approval - Permission - Accorded.

not Engineer/PC,
APTRANSCO

6 NOV 2002

S E /IPC

C.E /IPC

- Ref: 1. Govt. Lr.No.12660/Pr.1(1)/95, dt: 28.12.95.
2. Govt. Lr.No.10494/Pr.1(1)/96, dt: 18.02.97.
3. From, M/s Sri Vathsasa Power Projects Ltd; letter dt.28.05.2002
4. From, M/s Sri Vathsasa Power Projects Ltd; letter dt.22.06.2002
5. From, CE/IPC, APTRANSCO, Lr.No.CE/IPC/321/F.Vathsasa/
D.No.65/2002, dt.19.07.2002.
6. From, CE/IPC, APTRANSCO, Lr.No.CE/IPC/321/F.Vathsasa/
D.No.85/2002, dt.21.09.2002.

4DE-II

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DE 3

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CE/IPC-2

Government have accorded approval in the letter 1st and 2nd cited to M/s Vathsasa Power Projects Ltd to establish Mini Power Plant of 7.7 MW capacity in VEP Zone, Visakhapatnam, which was permitted to increase the plant capacity by adding another 7.7 MW capacity.

2. In the 3rd and 4th cited the M/s Vathsasa Power Projects has requested for:-
the following:

1. For change of name from Vathsasa Power Project Ltd to Srivathsa Power Projects Ltd.
2. For grant of extension of time for implementation of the Project beyond 31.10.2001.
3. For enhancement of capacity from 15.4 MW to 17.202 MW and approval of capital cost of the project of 56.88 crores

(contd..2)

For Sri Vathsasa Power Projects Ltd.

M.M.Lav

Managing Director

pmu

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

:2:

3. In the circumstances explained by the developer and keeping in view the recommendations of APTRANSCO in the references 5 & 6 cited, Government here by accord approval for the following:

1. Change of name of developer from Vathsasa Power Projects Ltd. to Srivathsa Power Projects Ltd. under section 15 (A) of Electricity (Supply) Act. 1948.
2. For grant of extension of time for implementation of the Project beyond 31.10.2001.
3. For enhancement of capacity from 15.4 MW to 17.202 MW and approval of capital cost of the Project of Rs. 56.88 crores.
4. The conditions governing the award of the Power Plant as issued in the reference 1st cited and modifications if any made subsequently shall remain unaltered.

Yours faithfully,

K. Ramachandra
for Pri. Secretary to Government

Copy to:

The Chief Engineer - IPC,
APTRANSCO,
Vidyut Soudha,
HYDERABAD.

for information and necessary action.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

P. M. S.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
ENERGY (P.R.I) DEPARTMENT

3-9

Lr.No.6653/Pr.I.1/99-7

Dated:8-5-2000.

From
Sri V.S.Sampath, IAS.,
Prl. Secretary to Government,
Energy Department,
A.P. Secretariat,
Hyderabad.

To

M/s. Vathsasa Power Projects Ltd.,
Ground Floor, 41,
Pandurangapuram,
Visakhapatnam-500 003.

Sir,

Sub: Mini Power Plants - M/s.Vathsasa Power Projects Ltd., -Extension
of time for a period of 18 months from 1.5.2000 -Approval-
Accorded.

Ref: 1.From M/s. Vathsasa Power Projects Ltd. Lr.No:SEC/F.C/99,
dt.30.10.99.

I am directed to inform that Government have decided to accord
extension of time for a period of 18 months from 1.5.2000 subject to the following conditions:

- a) that the time limit given above for completion and commissioning of the
project shall include the time required for securing financial closure and
all other required clearances including the clearance from APERC under
Reforms Act, 1998 any other clearances like Environmental clearance
that may be required.
- b) No further extension of time will be granted and the permission for
setting up of MPP will automatically stand cancelled in accordance with
the conditions stipulated.

Yours faithfully,



for Prl. Secretary to Government.

Copy to C&MD., APTRANSCO., Vidyut Soudha, Hyd.
Copy to Chief Engineer, IPC., APTRANSCO., Hyd.

For Sri Vathsasa Power Projects Ltd.

M&M

Managing Director

PMLy

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

13

GOVERNMENT OF ANDHRA PRADESH
ENERGY (P.R.) DEPARTMENT.

Letter No.5696/Pr.,1.1/99

Dated:17-8-1999.

From
S.Sampath,IAS.,
Pr. Secretary to Government,
Energy Department,
P.Secretariat,
Hyderabad.

To
M/s.Vathasa Power Projects Pvt.Ltd.,
Ground Floor, 41, Pandurangapuram,
Vizalhapatnam-500 003 (AP).

Sub: Aini Power Plant -Establishment of 15.4 MW capacity Mini
Power Plant by M/s.Vathasa Power Projects Pvt.Ltd. - Request
for change of location and fuel - Permission -Accorded.

Ref:1.Govt. Letter No.12660/Pr.1.1/95, dt.28.12.1995
2.Govt.Letter No.10494/Pr.1.1/96, dt.18.2.1997
3.From M/s.Vathasa Power Projects Pvt. Ltd. Letter No.VP/P/1/
99-00002, dt.10th July, 1999.

M/s.Vathasa Power Project Pvt. Ltd. who have been accorded
permission to establish 15.4 MW capacity with LSIS/LSWR in the VEP Zone,
Vizalhapatnam, and subsequently shifted to Kothavalasa, Vijayanagaram Dist. has stated that
have been allocated 65000 SCMD of Natural Gas from Govt. of India vide their Lr. No.
17/98 GP dt.8-7-99 and in view of this they propose to shift the location of the Project
Kothavalasa to Razole, E.O.Dist since the Gas will be available near Razole and
requested for change of location from Kothavalasa, Vizianagaram District to Razole Taluk and
for change of fuel from LSIS to Natural Gas.

Therefore in the circumstances reported by the Company in the
above 3rd cited, Government accord approval to M/s.Vathasa Power Projects Pvt.Ltd., for
change of location from Kothavalasa, Vizianagaram District to Razole Taluk, East Godavari
District. He is also permitted to change fuel from LSIS to Natural Gas. All the other terms
and conditions communicated from time to time with respect to the establishment of the
plant shall remain unaltered.


Yours faithfully,


for Principal Secretary to Government.

For Sri Vathasa Power Projects Ltd.



Managing Director


Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

12

No.L-12011/7/90-GP (PI)
Government of India
Ministry of Petroleum & Natural Gas

New Delhi, the 8th July 1999

M/s. Vathsasa Power Projects Pvt. Ltd.,
Ground Floor, 41, Pandurangapuram,
Vishakapatnam,
Andhra Pradesh-530003.

Subject: Allocation of natural gas.

The undersigned is directed to convey the decision of the Govt. to allocate natural gas from KG Basin in favour of M/s. Vathsasa Power Projects Pvt. Ltd. (VPPPL) for their proposed power plant to the extent of 65000 SCMD on firm basis. This allocation is subject to the following conditions:-

- (a) M/s. VPPPL agreeing to pay the relevant transportation charges.
- (b) M/s. VPPPL shall enter into the gas supply agreement with GAIL within 60 days from the receipt of this letter.

Yours faithfully,

(I.S.N. Prasad)

Deputy Secretary to the Govt. of India

Copy for information and necessary action to :-

1. Shri H.P. Chandna, Director (Planning), GAIL.
 2. Shri A.S. Soni, Director (Operations), ONGC.
- For M/s. Vathsasa Power Projects Ltd.

M.M. Rao

Managing Director

P. M. S.

Director(RA&Co-ordination)
APTRANSCO, Nizams Coudha,
HYDERABAD-500 022.

2

GOVERNMENT OF ANDHRA PRADESH
ENERGY DEPARTMENT

LETTER NO. 10494/Pr.I/1/96

DATED: 18.2.1997.

From:
Sri P.V. Bhide, I.A.S.,
Secretary to Government.

To:
M/s. Vathsasa Power Projects Pvt.Ltd.,
Plot No. 16, Vidut Nagar,
VISAKHAPATNAM - 530 024.

Sir,

Sub:- Mini Power Plant - Establishment of Mini Power Plant in private sector to serve industrial load centres - Change of location of the Mini Power Plant and capacity enhancement - Approval - accorded - Orders - Issued.

- Ref:-
1. Government letter No. 12566/Pr.I/1/95, dated: 28.12.1995.
 2. From M/s. Vathsasa Power Projects Pvt.Limited letter No. VPPP/Power/96-97/231, dt: 13.11.1995
 3. From the CE, APSEB letter No. CE/IPC/311/P.ME D.No. 172/96, dated: 10.12.1996.

The Government of Andhra Pradesh have accorded permission in the letter 1st cited to M/s. Vathsasa Power Projects Pvt. Limited to establish furnace oil based Mini Power Plant of 7.7 MW capacity in the VEP Zone, Visakhapatnam.

In the circumstances reported by the Company in its letter 2nd cited and keeping in view of the recommendation of the Andhra Pradesh State Electricity Board in the letter 3rd cited, Government hereby accord permission to change the location of the Mini Power Plant from VEP Zone, Visakhapatnam to Mimmalapalem Village, Kothavalasa Mandal, Vizianagaram District. Also, the company is permitted to increase the plant capacity by adding another 7.7 MW capacity with furnace oil as fuel, subject to condition that the total estimated cost of the 2 x 7.7 MW Mini Power Plant shall not exceed the capital cost ceiling of Rs. 100 crores. The terms and conditions already communicated earlier with respect to the establishment of the Mini Power Plants shall remain unchanged.

For Sri Vathsasa Power Projects Ltd,

M. Mas

Managing Director

Yours faithfully,

[Signature]
for Secretary to Government.

-57-

[Signature]
Director (RA&Co-ordination)
APTRANSCO, Vidut Soudha,
HYDERABAD-500 082.

BY REGD. POST WITH ACK. DUE

GOVERNMENT OF ANDHRA PRADESH
ENERGY DEPARTMENT

LETTER NO. 12660/Pr.I.1/95

Dated: 28-12-1995

From:
Sri P.V. Bhide, IAS,
Secretary to Government.

To
M/s. Vathsasa Power Projects Private Ltd.,
Plot No. 16, Vidyutnagar,
VISAKHAPATNAM - 530 024 (we).

Sir,

SUB: Setting up of Mini Power Plant in private sector
to serve Industrial Load Centres - Approval -
Accorded.

REF: 1. From M/s. Vathsasa Power Projects, Lr. dt. 13.11.95.
2. From the Member Secretary, APSE Board, Letter
No. CE/IPC/SE.III/311/FMP/D.No. 178/95, dt. 4.12.95.

.....

After careful consideration of your proposal dated 13.11.1995, the Government of Andhra Pradesh conveys in accordance with Section 18 A (a) of Electricity (Supply) Act, 1948, its approval to establish, operate and maintain a generating station of 7.7 MW capacity at VEP Zone, Visakhapatnam, Visakhapatnam district, based on Heavy Furnace Oil as fuel along with tie-line and substation connected therewith to supply power to the Industrial consumers contained in the Annexure-I. Sanction is also accorded under Section 28 (1) of Indian Electricity Act, 1910 for supplying energy to the specified consumers as per Annexure-I. Permission is also accorded under Section 43 A of Electricity (Supply) Act, 1948 for entering into a contract for the sale of Electricity generated by the company to the consumers as per the Annexure-I. This permission is subject to the following conditions:-

1. the total completed cost of the project shall not exceed Rs. 100 crores.
2. the provisions of Indian Electricity Act, 1910; Electricity (Supply) Act, 1948, IE Rules 1956 and other Statutory regulations/clearances shall be adhered to by the company. An illustrative but not exhaustive list of clearances required are given in the Annexure-II. The company shall be got registered as a Generating Company as required by Section 15 A of Electricity (Supply) Act, 1948, if not already done, within a month of this approval.
3. the plant shall become operational by 31-12-1996. In case of delay beyond 31-12-1996, the company will have to seek revalidation of permission with reasons therefor. If the commissioning of all the Units of the project is not completed by 30-6-1997, the permission accorded will automatically be cancelled.

For Sri Vathsasa Power Projects Ltd.

M. Mas

Managing Director

(p.t.o.)


-58-

Patil

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

4. the copies of actual Supply Agreements with the identified consumers shall be furnished to the APSE Board in advance of commencement of supply. Along with the Agreements, 3 months notices seeking termination of the Agreements with APSE Board by the identified consumers of generating company, if they so desire, shall be submitted to the APSE Board.
5. the Terms and conditions prescribed in respect of wheeling, backup supply, sale of surplus power, tariff to consumers of the company, provision of dedicated system, inter-linking with APSE Board's Grid etc., in G.O.Ms.No.152, Energy (Pr.I) Department, dt.29.11.1995 shall be strictly adhered to as detailed in the Annexure-III.
6. the company shall enter into the necessary 'Agreements' with the APSE Board before the commissioning date of the first Unit of the Mini Power Plant. This agreement shall among other conditions, reflect the conditions stipulated in G.O.Ms.No.152, dt.29.11.1995. The APSE Board shall enter into this agreement only after ensuring that the company has obtained all clearances and has adhered to all stipulations as mentioned in this approval letter.
7. the total contracted Maximum Demand (MD) of the identified consumers with the Generating Company shall not exceed 1.25 times the net capacity of the plant adjusted to the local conditions.
8. the Generating Company shall keep their Generation at its maximum rating during peaking hours of the day as declared by the APSE Board from time to time.
9. the company shall arrange, at its cost, the inter connection of Generating Plant to 132 KV Grid of the APSE Board.
10. the company shall arrange to provide Dedicated Distribution System, if necessary, to the identified consumers to be executed by the APSE Board at the company's cost.
11. the approval accorded in this letter and conditions mentioned herein are subject to modifications in accordance with Government policies.

Yours faithfully,


for SECRETARY TO GOVERNMENT.

ANNEXURE - I

Name of the Generating Company : Vathsa Power Projects Ltd.
Visakhapatnam.
Capacity : 7.7 MW
Location : V.S. Zone Visakhapatnam

List of Consumers and their Demand:

1. M/s Synergies Automotive Ltd.
Visakhapatnam 3.5 to 4.0 MW
2. M/s Andhra Ferro Alloys
Private Limited. 4.0 to 5.0 MW

Total:

7.5 to 9.0 MW

For Sri Vathsa Power Projects Ltd.

M. Manu

Managing Director

Pratap

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ANNEXURE II
MINIPOWER PLANTS - CLEARANCES REQUIRED FOR POWER PROJECTS DETAILED
PROCEDURES

| Item | Agency | Remarks |
|--|---|--|
| Cost Estimates and Detailed Project Report Any Power Project involving capital expenditure not exceeding the limit needs to be submitted to CEA | CEA | To be submitted u/s 23 of Electricity Supply Act, 1943 |
| Publication in Gazette notification | Government of AP | |
| Water Availability Certificate a) From Canal Reservoir b) Ground Water | | State Irrigation Dept. Central Ground Water Board |
| Environment clearances Water and Air | | Water (Prevention & Control of Pollution) Act, 1974, Air, (Prevention & Control of Pollution) Act, 1981 |
| Forest Clearance | State Govt. | Coordination with State Forest Department / Min. of Environment & Forest / MOE & F regarding Forest / Conservation Act, 1980 |
| Environment & Forest Clearance | -do- | As per item (4) & (5) & Govt. Policy in force |
| Civil Aviation clearance For Chimney Height | National Airport Authority | |
| Registrar of Company | Registrar of Companies | Under Indian Companies Act, 1956 and u/s 214A and 15A of E(S), Act, 1943 |
| Rehabilitation & Resettlement of Displaced Families by Land Acquisition | 1. Min. of Environment & Forests, GOI 2. Ministry of Welfare, GOI | |
| STATUTORY CLEARANCES Land Availability | State Govt. | |
| Fuel Linkage | CEA & MOP & NG | Prefeasibility report is to be submitted |
| Financing | CEA, Dept. of Power, Dept. of Exe Affairs, Financial Institutions | |
| Transportation of Fuel | Ministry of Coal Min. of Petroleum & Natural Gas Ministry of Railways Shipping & Surface Transport | |
| Foundation | Geological Survey of India | |

For Sri Vidya Power Projects Ltd.

MS Man

Managing Director

P N H R

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 032.



ఆంధ్ర ప్రదేశ్ రాజ పత్రము
THE ANDHRA PRADESH GAZETTE
PART II - EXTRAORDINARY
PUBLISHED BY AUTHORITY

No. 76]

HYDERABAD, THURSDAY, JULY 6, 2000.

NOTIFICATIONS BY HEADS OF DEPARTMENTS, Etc.,

PUBLIC WORKS NOTIFICATIONS

PRIVATE ADVERTISEMENTS

NOTIFICATION OF THE SCHEME FOR THE MINI POWER PLANT UNDER SECTION 28 (3) OF THE ELECTRICITY (SUPPLY) ACT, 1948 AS AMENDED

The Government of Andhra Pradesh, in exercise of its power under Section 18A(a) of the Electricity (Supply) Act, 1948, have accorded permission to VATHSASA POWER PROJECTS LIMITED having its registered office at Ground Floor, Plot No.41, Pandurangapuram, Visakhapatnam - 3, the Generating Company under the aforesaid act incorporated on 22.05.1995 under the Company's Act, 1956 (hereinafter referred to as "Generating Company") vide letter no. 6696/Pr.1.1/99, dated 17.06.1999 to establish, operate and maintain generating station of 15.4MW capacity Mini Power Plant at Sivakodu Village, Razole Mandal, East Godavari Dist., Andhra Pradesh.

And whereas under Section 28(3) of the said Act, the generating company is required to cause such schemes to be published in official Gazette of the State concerned and in such local news papers as the Generating Company may consider necessary. Now therefore the Generating Company hereby publishes the scheme in terms of Sec.28(3) of the aforesaid act as follows:

01. Title:

The Scheme shall be called VATHSASA POWER PROJECTS LIMITED having 15.4 MW capacity hereinafter called "VATHSASA POWER PROJECTS LIMITED".

02. Location:

The VATHSASA POWER PROJECTS LIMITED is to be located at Sivakodu Village, Razole Mandal, East Godavari Dist., Andhra Pradesh on approximately Ac.7.94 cts. of land in Survey No. 655.

(1)

G. 241.

For Sri Vathsasa Power Projects Ltd.

M. M. Rao

Managing Director

- 62 -

V. M. S.

Director(RA&Co-ordination)
APTRANSCO, Widyut Soudha,
HYDERABAD-500 082.

03. Salient Features of the Scheme:

The proposed VATHSASA POWER PROJECTS LIMITED will consist of power generating multiple engines, having a total capacity of 15.4 MW along with all associated facilities, auxiliary equipment and switchyard.

The VATHSASA POWER PROJECTS LIMITED will be run on Natural Gas and the necessary water requirement will be met from Irrigation Water/Ground Water through borewell etc.. necessary power evacuation for the project will be through AP Transco located at Razole network who will wheel the power to the identified consumers by the generating company under wheeling agreement with AP Transco.

04. Estimated cost of the Scheme:

The estimated cost of the proposed scheme does not exceed Re.250 crores.

05. Benefits:

The Scheme for Vathsa Power Projects Limited is intended to provide uninterrupted power supply to such of the identified industries. The benefits of the scheme are expected to commence from October 2000.

06. Power Generating Company under Electricity (Supply Act and Indian Telegraph Act):

In pursuance of the Electricity (Supply) Act 1948, as amended, VATHSASA POWER PROJECTS LIMITED, shall exercise all the power vested in a Generating Company under the said Act for the purposes of aforesaid scheme. It is also hereby notified that in terms of Section 42 of the Electricity (Supply) Act 1948, as amended, VATHSASA POWER PROJECTS PVT. LTD. while undertaking and executing the sanctioned Scheme, shall have all the power for placing of any wires, poles, pipes, all brackets stays, apparatus and other appliances for transmission and distribution of electricity or for transmission of Telegraphic or Telephonic Communications necessary for the proper co-ordination works of the Generating Company in the areas indicated above, which powers the Telegraphic Authority possess under Part III of the Indian Telegraph Act 1885 (Act No. XXII of 1885) with respect of a telegraph established or maintained by the Government or to be so established or maintained and the provision of Section 12 to Section 18, 18.19 of the Indian Electricity Act 1910 (Act No. IX of 1910) shall not apply to the same.

BY THE ORDER,

For Vathsa Power Projects Ltd.
M.S.P. RAO,
Managing Director.

Visakhapatnam,
6th July, 2000.

Printed and Published by the Government of Printing, Government of Andhra Pradesh at Government Central Press, Hyderabad
For Sri Vathsa Power Projects Ltd.

MS Man

Managing Director

- 63 -

PMU
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Office of the Executive Engineer, ID.,
Godavari Central Division, Dowlaiswaram.

Proceedings.No.IC.1/ 4-6 /Dt. 21.1.2000.

S b:- Permission to use irrigation Canal Water at KM.1.727 of Razole Channel for green belt usage and industrial usage for proposed power plant by Vathsasa power project private limited at Sivacodu village, Razole mandal- Reg.

Ref:- 1. Representation of M/s.Vathsasa power project private limited, dated 8.12.99.

2.letter No.460E, Dt.31.12.99 of Deputy Executive Engineer, Irrigation Sub-division, Gannavaram.

--:0:--

Based on the recommendation made by the Deputy Executive Engineer, Irrigation Sub-Division, Gannavaram Vide reference 2nd cited, Permission is hereby accorded for drawing 0.0218 C/s. of Water, From field bodhi Originating from the pipe sluice No.0¹ taking off at K.M.1.717 of Razole Channel, duly implementing the following conditions.

1. There should not be any interference with the Irrigation System during crop period.
2. The Water should be taken through a pipe sluice designed to discharge the required Quantity only and a measuring device has to be provided for assessing the Quantity of Water.
3. The Irrigation Department is no way responsible for non supply of Water due to any reasons which is beyond the control of the department and Water will be supplied to the Scheme after meeting the Irrigation demands only.
4. They should pay the annual Water charges at the prevailing rates fixed by the Government from time to time for a Quantity of Water utilised.
5. An amount of Rs.5,000/- should be deposited towards towards Security deposit in favour of Assistant Pay and Accounts officer, S.A.CB. Irrigation Wing, Dowlaiswaram, in the shape of Demand draft to meet the unforeseen happenings at a later date.
6. Violation of any of the conditions mentioned above shall entitle the cancellation of permission granted.

To

M/s. Vathsasa Power Projects
Private Limited,
Visakhapatnam.

Sd/.P.Subbi Reddy, 21/1/2000
Executive Engineer,
Godavari Central Division,
Dowlaiswaram.

// t.c.f.b.o. //

For Sri Vathsasa Power Projects Ltd

M. Mani

Managing Director

Superintendent

Godavari Central Division

- 64 -

Director (R&Co-ordination)
APTRANSCO, Vidut Soudha,
HYDERABAD-500 082.



ANDHRA PRADESH POLLUTION CONTROL BOARD

2nd Floor, IUDA Complex, Maitriyanam
S.R. Nagar, HYDERABAD

Phones: 3731120, 3734043
3731126, 3732132
Fax: 040 - 3733261
Grams: Kalushya Nivaranam
Website: www.apspcb.org
e-mail: info@apspcb.org
e-mail: chaitty@hd2.dot.net.in

CONSENT ORDER

BY REGISTERED POST WITH ACKNOWLEDGEMENT DUE

Consent Order No : APPCB/VSP/RJY/420/HIO/W/2001/104 - 21/23

Date : 11/02/2002

(Consent Order for Existing/New or altered discharge of sewage and/or trade effluents/outlet under Section 25/26 of the Act).

CONSENT is hereby granted under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 (hereinafter referred to as 'the Act') and the rules and orders made thereunder to

M/s. Vathisasa Power Projects Limited,
R.S.No.655, Sivakodu (V),
Razole (M), East Godavari Dist.,

(hereinafter referred to as 'the Applicant') authorising to operate the industrial plant to discharge the effluents from the following outlets as detailed below.

| Outlet No | Outlet Description | Max Daily Discharge(lits / day) | Point Of Disposal |
|-----------|--------------------|---------------------------------|-----------------------------------|
| 1 | Domestic Effluents | 2400.00 | Septic Tank Followed By Soak Pit. |

This is subject to the provisions of the Act and Rules and orders made there under and further subject to the terms and conditions incorporated in the Schedule A and ~~Schedule B~~ enclosed to this order.

This consent order is valid for Generation of Electric Power to the following capacity only.

| | | | |
|---|----------------|-------|----|
| 1 | Electric Power | 15.40 | MW |
|---|----------------|-------|----|


This consent shall be valid for a period ending with the 31st day of December 2002

For and on behalf of the
A.P. Pollution Control Board



MEMBER SECRETARY

To
M/s Vathisasa Power Projects Limited,
R.S.No.655, Sivakodu (V),
Razole (M), East Godavari Dist.,

Copy to the J.C.E.E, Zonal Office VISAKHAPATNAM for information and necessary action.
Copy to the Senior Environmental Engineer (Cess) for information and necessary action.
Copy to the Environmental Engineer Regional Office RAJAHMUNDRIY for information and necessary action
For M/s Vathisasa Power Projects Ltd.


Managing Director

- 65 -


Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

SCHEDULE - A

- 1 The applicant shall make an application for grant of renewal of consent atleast 30 days before the date of expiry of this consent.
 - 2 Necessary fee as prescribed for obtaining consent shall be paid by the applicant alongwith the consent application.
 - 3 The quality of effluent discharged shall not exceed the figures mentioned in the order
 - 4 The industry shall immediately submit the revised application for consent to this Board in the event of any change in the trade effluent, raw material used and processes employed.
 - 5 The applicant shall not change or alter either the quality or the quantity or the rate of the discharge or temperature or the route of discharge without the previous written permission of the Board.
 - 6 The effluent discharged shall not contain constituents in excess of the tolerance limits mentioned below.
- | Outlet | Parameter | Limiting Standards |
|--------|-----------|--------------------|
| No. | | |
- 7 The applicant shall develop the green belt around the plant by planting variety of trees in an area atleast 4 times the builtup area.
 - 8 The applicant shall provide appropriate Rain Water Harvesting systems on the available w/a portion of the plant site.
 - 9 Industry shall submit Environmental Statement in Form A before 30 th September every year as per Rule no: 14 of E(P) Act 1986 Rules.
 - 10 The applicant shall display suitable caution board at the place where the effluent is entering any water body or any other place, to be indicated by the Board, indicating therein that the water body into which the effluents are being discharged is not fit for domestic usage/bathing.
 - 11 The applicant shall

Not later than 30 days from the date of issue of this consent order, certify in writing to the Board that the applicant has installed or provided for an alternate electric power source sufficient to operate all facilities installed by the applicant to maintain compliance with the terms and conditions of the Consent.

OR

Not later than 30 days from the date of this consent certify in writing to the Board that upon the reduction, loss or failure of one or more of the primary sources of electric power to any facilities installed by the applicant to maintain compliance with the terms and conditions of this consent, the applicant shall halt, reduce or otherwise control production and/or all discharges in order to maintain compliance with the terms and conditions of this consent.

- 12 The applicant shall at his own cost get the effluent samples collected both before and after treatment and analysed from APPCB or any other Laboratories which are established as per the guidelines of CPCB/M.O.E&F, GOI. every month for the parameters indicated in condition No.6 and shall submit in duplicate the report thereof to the Board.
- 13 The applicant shall take immediate action to install mechanical composite sampling equipment and continuous flow measuring/recording devices on the effluent drains of trade as well as domestic effluent discharge and records shall be maintained.

For APTRANSCO Power Projects Ltd.

M. M. Rao

Managing Director

M. M. Rao

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 14 The applicant shall not allow the discharge from other premises to mix with the discharge from his premises. Storm water shall not be allowed to mix with the trade and/or domestic effluent.
- 15 The following information shall be forwarded to the Member Secretary regularly every month.
- Monthly statement of daily discharge of domestic as well as trade effluents.
 - Analysis reports of domestic as well as trade effluents.
- 16 The industry shall provide
- Meters at the entrance of the water supply connection which are easily accessible for inspection and maintenance and for other purpose of the Act, provided that the place where it is fixed shall in no case be at a point before which water has been tapped by the consumer for utilisation for any purpose whatsoever.
 - Separate meters with necessary pipe-line for assessing the quality of water used for each of the three purposes mentioned below:
 - Industrial cooling or boiler feed.
 - Domestic purposes.
 - Processing whereby water gets polluted and pollutants are easily bio-degradable.
 - Processing whereby water gets polluted and pollutants are not easily bio-degradable and are toxic.
- c. The industry shall file the water cess returns in Form-I as required under section (5) of Water (Prevention and Control of Pollution) Cess Act, 1977 on or before the 5th of every calendar month, showing the quantity of water consumed in the previous month.
- 17 All Solid wastes arising in the premises shall be properly classified and disposed off to the satisfaction of the Board by:
- Controlled incineration, wherever possible in case of combustible organic material.
 - Vermiculture / Composting in case of bio-degradable material.
 - Secure land fill in case of non bio-degradable, chemically active/hazardous solid waste. Care shall be taken to ensure that the material does not give leachate which may percolate into ground water or carried away with storm run off.
- 18 Any toxic material shall be detoxicated and disposed as per the conditions stipulated in the authorisation obtained under Hazardous Wastes (Management and Handling) Rules, 1989 and its amendments thereof.
- 19 Any up-set condition in any of the plant/plants of the factory which is likely to result in increased effluent discharge and/or result violation of the standards mentioned above shall be reported to this Board telegraphically under intimation to the Collector and District Magistrate.
- 20 The applicant shall maintain good house keeping both within the factory and in the premises. All pipes, valves, sewers and drains shall be leak-proof. Floor washings shall be admitted into the effluent collection system only and shall not be allowed to find their way into storm drains or open areas.
- 21 The applicant shall comply with and carry out any other directives/orders issued by the Board subsequently without any negligence on his part. The applicant shall be liable for such legal action as per provisions of the Law/Act in case of non-compliance of any order/directives issued at any time and/or violation of the terms and conditions of this consent order.
- 22 An inspection book shall be opened and made available to the Board's Officers during their visit to the factory.
- 23 The applicant shall furnish to the visiting officer and/or the Board any information regarding the construction, installation or operation of the establishment or of effluent treatment system and such other particulars as may be pertinent for preventing and controlling pollution of water.
- 24 Notwithstanding anything contained in this conditional letter or consent, the Board hereby reserves to it the right and power under Section 27(2) of the Water (Prevention & Control of Pollution) Act, 1974 to review any and/or all the conditions imposed herein above and to make such variations as deemed fit for the purpose of the Act by the Board.

For Sri Vathega Power Projects Ltd.

ME-Maw

Managing Director

- 67 -

P.M.H.

Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

At any time during the inspection of Pollution Control Board Officers or any other licencing/servicing authorities if it is observed that the industry is not complying with any of the above conditions leading to pollution problems, this consent is liable for cancellation without further notice and all the services rendered by the servicing departments shall be withdrawn without further notice.

Separate power connection with energy meter shall be provided for the Pollution Control Equipments and record of power consumption and chemicals consumption for the operation of pollution control equipment shall be maintained separately.

The industry is liable to pay compensation for any environmental damage caused by it, as fixed by the Collector and District Magistrate as Civil liability.

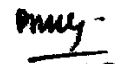
- 1 All the rules & regulations notified by Ministry of Environment and Forests, Government of India in respect of management, handling, transportation and storage of hazardous chemicals and waste shall be followed.
- 2 All the rules & regulations notified by Ministry of Environment and Forests, Government of India in respect of microorganisms, genetically engineered organisms or cells shall be followed.
- 3 All the rules & regulations notified by Ministry of Law and Justice, Government of India regarding Public Liability Insurance Act, 1991 shall be followed.
- 1 The applicant shall exhibit the consent order of the board in the factory premises at a prominent place for the information of the inspection officers of the different departments.
- 2 The applicant shall put up two black boards of size 6 by 4 ft. at the main entrance to their plant. One board shall contain with the specific CFE and CFO conditions, specific to the plant and other board shall carry the latest water, air, noise and solid waste monitoring data as well as the maximum vulnerable zone, if the unit is storing/handling hazardous chemicals.


MEMBER SECRETARY

For Sri Vathsa Power Projects Ltd.



Managing Director


Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.



ANDHRA PRADESH POLLUTION CONTROL BOARD

2nd Floor, HUDA Complex, Maltrivanam
S.R. Nagar, HYDERABAD

Phones: 3731120, 3734043
3731126, 3732132
Fax: 040 - 3733261
Grams: Kalushya Nivaraana
Website: www.apspcb.org
e-mail: info@apspcb.org
e-mail: chatty@nd2.dot.net.in

CONSENT ORDER

BY REGISTERED POST WITH ACKNOWLEDGEMENT DUE

Consent Order No : APPCB/VSP/RJY/420/HO/2001/A/104
Date : 11/02/2002

2-4B3

(Consent Order for operation of the plant under section 21 of Air(Prevention & Control of Pollution) Act 1981).

Consent is hereby granted under section 21 of the Air (Prevention & Control of Pollution) Act ,1981 (hereinafter referred to as 'the Act') and the rules and orders made thereunder to

M/s Vathsasa Power Projects Limited,
R.S.No.655, Sivakodu (V),
Razole (M), East Godavari Dist.,

(hereinafter referred to as 'the Applicant') authorising to operate the industrial plant in the Air Pollution Control Areas as notified from the following Chimneys or outlets and the quantity of Emission discharged per hour on any day shall not exceed the figures as mentioned below.

| Chimney No | Description of Chimney | Quantity of emissions in m ³ /hr. at peak flow |
|------------|--|---|
| 1 | Attached to 5.6 MW Gas Generator - I | - |
| 2 | Attached to 5.6 MW Gas Generator - II | - |
| 3 | Attached to 5.6 MW Gas Generator - III | - |
| 4 | Attached to 2 x 125 KVA D.G. Sets | - |
| 5 | Attached to 62.5 KVA D.G. Set | - |

This is subject to the provisions of the Act and orders made thereunder and further subject to the terms and conditions incorporated in the schedule A and B enclosed to this order.

This consent order is valid for Generation of Electric Power to the following capacity only.

| | | | |
|---|----------------|-------|----|
| 1 | Electric Power | 15.40 | MW |
|---|----------------|-------|----|

This consent shall be valid for a period ending with the 31st day of December 2002

For and on behalf of the
A.P. Pollution Control Board

MEMBER SECRETARY

To
Vathsasa Power Projects Limited,
R.S.No.655, Sivakodu (V),
Razole (M), East Godavari Dist.,

M. Manu

- 69 -

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Copy to the JCEE, Zonal Office, VISAKHAPATNAM for information and necessary action.
Copy to the Senior Environmental Engineer (CESS) for information and necessary action.
Copy to the Environmental Engineer Regional Office, RAJAHMUNDRY for information and necessary action.

SCHEDULE - A

- 1 The applicant shall make an application for grant of renewal of consent atleast 30 days before the date of expiry of this consent.
- 2 The industry shall immediately submit the revised application for consent to this Board in the event of any change in the raw material used, processes employed quantity of emissions etc.
- 3 a). All the fugitive emissions shall be controlled with proper measures.
b). The applicant shall also install the equipment such as wind speed recorder, wind direction recorder and rain fall measuring equipment.
- 4 The applicant shall at his own cost get the samples of emissions collected and analysed from the A.P.P.C.B. or any other Laboratories which are established as per the guidelines and norms of MoE & F, GOI and CPCB, New Delhi, every month for the parameters indicated in the condition No.5 and shall submit in duplicate the report thereof to the Board.
- 5 The emissions shall not contain constituents in excess of the prescribed limits mentioned below.

| Chimney No | Parameter | Emission standards |
|------------|--------------------------------|--|
| 2 | NOx (v/v) at 15% excess oxygen | ppm (v/v) at 15% excess oxygen 100.00 |
| 3 | NOx (v/v) at 15% excess oxygen | 100.00 |
| 4 | NOx (v/v) at 15% excess oxygen | 100.00 |

Ambient air quality standards shall not exceed the following :-

SPM - 200 ug/m³, RSPM - 100 ug/m³, SO₂ - 80 ug/m³, NOx - 80 ug/m³

Noise Levels: Day time (6 AM to 9 PM) - 75 dB (A)
Night time (9 PM to 6 AM) - 70 dB (A)

- 6 The Industry shall submit Environmental statement in Form V before 30 th September every year as per Rule No. 14 of E (P) Act Rules 1986.

- 7 The applicant shall not change or alter either the prescribed quality or the rate of emission without the previous written permission of the Board.

- 8 The applicant shall set up three ambient air quality monitoring stations for continuous recording of relevant critical parameters.

- 9 The applicant shall either:

Not later than 30 days from the date of issue of this consent order certify in writing to the Board that the applicant has installed or provided for an alternative electric power source, sufficient to operate all facilities installed by the applicant to maintain compliance with the terms and conditions of the consent.

OR

Not later than 30 days from the date of this consent certify in writing to the Board that upon the reduction loss or failure of one or more primary sources of electric power to any facilities installed by the applicant to maintain compliance with the terms and conditions of this consent, the applicant shall halt, reduce, or otherwise control production and/or all emissions in order to maintain compliance with the terms and conditions of this consent.

- 10 For the emission standards fixed under item 5, the applicant shall increase the stack height so as to ensure that the ground level concentrations notified by the Board are adhered to. In any case the minimum stack height should not be less than 30 meters and as per the ground level concentrations if it works out to be more than 30 meters the calculated stack height should be provided.

- 11 No control equipment or chimney shall be altered or replaced, erected or re-erected except with the previous approval of this Board.

- 12 A quarterly progress report shall be submitted to the Board stating therein the progress made in respect of execution of emission control works stated under this consent.

- 13 The applicant shall provide a sampling port with removable dummy of not less than 15 cm, diameter in the stack at a distance of 5 times the diameter of the stack from the nearest constraint such as bends etc., and they should provide a platform with suitable ladder below one meter of sampling port to accommodate three persons with adequate personnel, equipment etc., for collecting the samples.

For Srinivas Power Projects Ltd

MAMAO

Managing Director

Director (R & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 032.

14 The applicant shall also monitor the stack for the prescribed parameters and frequency as approved by the Board and shall maintain records of the emissions and the records shall be made available to the Board when called for.

15 Solid wastes that are likely to cause Air Pollution should be disposed off suitably as directed by the Board.

16 Wherein any Air Pollution Control area the emission of any Air Pollutant into the atmosphere in excess of the standards laid down by the Board occurs or is apprehended to occur due to accident or other unforeseen act or event, the person-in-charge of the premises from where such emission occurs or is apprehended to occur shall forthwith intimate the fact of such occurrence or the apprehension of such occurrence to this Board, telegraphically under intimation to the Collector and District Magistrate.

17 In case of such episodal discharges/emissions mentioned in item 14 above, the industry should take immediate action to bring down the emission below the limits prescribed in the condition No. 5.

18 A good house keeping shall be maintained both within the factory and in the premises. All hoods, pipes, valves, shall be leak proof.

19 The applicant shall comply with the directives/orders issued by the Board in this consent order and at all subsequent times without any negligence on his part. The applicant shall be liable for such legal action against him as per provisions of the Law/Act in case if non-compliance of any order/directive issued at any time and/or violation of the terms and conditions of this consent order.

20 The following records shall be maintained and made available to the Board officers during inspection.

i) Inspection book.

ii) Stack emission records.

iii) Ambient Air Quality records.

21 Green belt shall be maintained around the plant by plating a variety of trees in an area at least 4 times the built up area.

22 The applicant shall provide appropriate Rain Water Harvesting Systems on the available upstream portion of the plant site.

23 The applicant shall submit Environment statement in Form V before 30 th september every year as per Rule No. 14 of E(P) Act, 1986 Rules.

24 a) The existing control equipment if any shall be altered or replaced in accordance with the directions of the board within the prescribed time for compliance in this order.

b) For improving the efficiency of the emission levels set by the Board suitable control equipments should be installed.

25 The standards in respect of noise pollution notified by Ministry of Environment & Forests, Government of India shall be followed.

26 At any time during the inspection of Pollution Control Board Officers or any other licencing/servicing authorities if it is observed that the industry is not complying with any of the above conditions leading to pollution problems, this consent is liable for cancellation without further notice and all the services rendered by the servicing departments shall be withdrawn without further notice.

27 Separate power connection with energy meter shall be provided for the Effluent treatment systems and records of power consumption and chemical consumption for the operation of Effluent treatment systems shall be maintained separately.

28 The industry is liable to pay compensation for any environmental damage caused by it, as fixed by the Collector and District Magistrate as Civil liability.

29 All the rules & regulations notified by Ministry of Environment and Forests, Government of India in respect of management, handling, transportation and storage of hazardous chemicals and wastes shall be followed.

30 All the rules & regulations notified by Ministry of Environment and Forests, Government of India in respect of microorganism, genetically engineered organisms or cells shall be followed.

31 All the rules & regulations notified by Ministry of Law and Justice, Government of India regarding Liability Insurance Act, 1991 shall be followed.

M. A. Rao

Managing Director

pmly
Director(RA&Co-ordination)
M. A. Rao & Co., Vidut South
HYDERABAD-500 032.

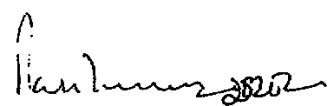
32 The industry shall provide a minimum stack height (H) to the DG Sets as per the following formula.


$$H = h + 0.2 \text{ SQRT}(KVA)$$

KVA = Total generation capacity, h = Height of building where D.G.Set is installed.



33 The applicant shall exhibit the consent order of the Board in the factory premises at a prominent place for the information of the inspecting officers of the different departments.

34 The applicant shall put up two black boards of size 6 by 4 ft. at the main entrance to their plant. One board shall contain with the specific CFE and CFO conditions, specific to the plant and other board shall carry the latest water, air, noise and solid waste monitoring data as well as the maximum vulnerable zone, if the unit is storing/handling hazardous chemicals.


MEMBER SECRETARY

For Sri Vathsa Power Projects Ltd.


Managing Director



Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
FOREST DEPARTMENT

From
Sri S.D. Mukherji, I.F.S.,
Pri. Chief Conservator of Forests
Andhra Pradesh, 'Aranya Bhavan',
Saifabad, Hyderabad - 500 004.

To
The Managing Director
Vathsasa Power Projects Pvt. Ltd.
Ground Floor, 41,
Pandurangapuram
Visakhapatnam - 530 003

Ref. No 1507/2000/F3 dt.17.1.2000

Sir,

Sub: Vathsasa Power Projects Pvt. Ltd. - Setting up of Power Project at Sivakodu
(v), Razole Mandal - N.O.C. - Issued - Reg.

Ref: Your letter No. Nil dt 9.12.1999 addressed to Conservator of Forests,
Rajahmundry.

With reference to your request for issuance of 'No Objection Certificate' to establish
a Gas based power generating unit of 15.4 MW capacity at Sy. No.655 of Sivakodu
Village, Razole Mandal in East Godavari District on an extent of Ac.7.94 cts., it is
informed that this Department has 'No Objection' for establishing the above project.

Yours faithfully,

Sd/- S.D. Mukherji,
Pri. Chief Conservator of Forests.

// true copy//

for Pri. Chief Conservator of Forests.

For Sri Vathsasa Power Projects Ltd.

M. Manu

Managing Director

pmu
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
FOREST DEPARTMENT.

From
Sri S.D. Mukherji, I.F.S.,
Prl. Chief Conservator of Forests, Vathasa Power Projects Pvt. Ltd.,
Andhra Pradesh, 'Aranya Shalan', Ground Floor, 41,
Saifabad, Hyderabad-500 004.

To
The Managing Director,
Vathasa Power Projects Pvt. Ltd.,
Ground Floor, 41,
Pandurangaapuram,
Visakhapatnam-530 003.

Ref. No. 1507/2000/F3 dt. 17-1-2000.

Sir,

Sub:- Vathasa Power Projects Pvt. Ltd. - Setting up
of Power Project at Sivakodu (v), Razole Mandal,
- N.C.C. - Issued - Req.

Ref:- Your letter No. P11 dt. 9-12-1999 addressed to
Conservator of Forests, Rajahmundry.

With reference to your request for issuance of 'No Objection
Certificate' to establish a Gas based power generating unit of
15.4 MW capacity at Sy. No. 655 of Sivakodu Village, Razole Mandal
in East Godavari District on an extent of Ac. 7.94 Cts., it is
informed that this Department has 'No objection' for establishing
the above project.

Yours faithfully,

Sd/- S.D. Mukherji,
Prl. Chief Conservator of Forests.

//true copy//

for Prl. Chief Conservator of Forests.

17/1/2000

For Sri Vathsa Power Projects Ltd.

MS Rao

Managing Director

pmly
Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Environmental Clearance - Setting up of Natural Gas Based Power Plant at Sivakodu Village, Razole Mandal, East Godavari District - Environmental Clearance to M/s Vathsasa Power Projects Limited - Accorded - Orders - Issued.

ENVIRONMENT, FORESTS, SCIENCE & TECHNOLOGY (ENV) DEPARTMENT

G.O.Rt.No.130

Dated: 16th April, 2001

Read the following:-

From the Managing Director, M/s Vathsasa Power Projects Limited,
Pandurangapuram, Visakhapatnam, application No.VPPL/EFS&T/2000/
925, dated 1.12.2000.

ORDER:-

M/s Vathsasa Power Projects Limited in the reference read above, requested the Government to accord the Environmental Clearance to enable them to set up a 15.6 M.W. capacity Natural gas based Power Plant at Sivakodu Village, Razole Mandal in East Godavari District. The proposal was placed before the Committee of Experts for evaluation and assessment of Environmental Impact Assessment/Environmental Management Plan of specified categories of power plants, constituted in G.O.Ms.No.12, Environment, Forests, Science and Technology (Env) Department, dated 28.1.1998 read with G.O.Ms.No.91, Environment, Forests, Science and Technology (Env) Department, dated 22.7.2000. The Committee met on 14.2.2001 and after due consideration of the project profile along with the measures proposed to be undertaken to mitigate the Environmental Pollution, recommended for the Environmental Clearance, for the proposed Natural Gas Based Power Plant, subject to certain conditions.

(2). In exercise of the powers notified by the Government of India, Ministry of Environment and Forests vide Notification No.S.O.60(E), dated 21.1.1994, read with notification No.S.O.319(E), dated 10.4.1997, the Government after careful consideration of the recommendations of the Committee of Experts for evaluation and assessment of Environmental Impact of specified categories of Power Plants, hereby accord clearance from environmental angle to M/s Vathsasa Power Projects Limited, Visakhapatnam for setting up a 15.6 M.W. capacity Natural Gas Based Power Plant at Sivakodu Village, Razole Mandal, East Godavari District, subject to the effective implementation of the following conditions.

1. The industry shall scrupulously adhere to all the conditions stipulated by the A.P. Pollution Control Board in their consent order, already issued and any amendments issued from time to time.
2. The industry shall furnish following information to the local office of the Ground Water Department:
 - a) Location of well
 - b) Depth and thickness of aquifer
 - c) Information on rate of drawl of ground water during Summer and Rainy Seasons for the months of May & July, every year.
3. The industry shall raise a thick green belt in the surrounding vacant land of the power plant with the local species having good foliage.

For Sri Vathsasa Power Projects Ltd.

M. Manu

Managing Director

PMR

Director (RA&Co-ordination)
AIRTRANSCO, Vidyan Soudha,
HYDERABAD, 500 082.

(3). All the above conditions shall be implemented among others under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, the Environment (Protection) Act, 1986, the manufacture, Storage and Handling of Hazardous Chemical Rules 1989, the Public Liability Insurance Act 1991, and the Environmental Impact Assessment (EIA) Notification 1994, along with the amendments made there under from time to time.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

V.P. JAUHARI
PRINCIPAL SECRETARY TO GOVERNMENT

To
M/s Vathsasa Power Projects
Ltd., Ground Floor.41,
Pandurangapuram,
Visakhapatnam-500003.
Copy to:
The Collector & Dist. Magistrate, Head Quarters ELLRU, East Godavari Dist.
The Member Secretary, A.P. Pollution Control Board, Hyderabad.
The Secretary to Govt. of India, Ministry of Environment & Forests,
Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi.
The Chairman & Managing Director, A.P. Generation Corporation Ltd.
Vidyuthi Soudha, Khairatabad, Hyd.
The Chairman & Managing Director, A.P. TRANSCO Ltd., Hyderabad.
The Energy Dept., A.P. Secretariat,
Hyderabad.
The Industries & Commerce Department, A.P. Secretariat, Hyderabad.
The Commissioner of Industries, Chiragali Lane, Abids, Hyderabad.
The Chairman, Committee of Experts and Pri. Secy, Public Enterprises Dept.,
A.P. Secretariat, Hyderabad.
P.S. to Pri. Secy., EFS&T Department, A.P. Secretariat, Hyderabad.
P.A. to Addl. Secy., EFS&T Department, A.P. Secretariat, Hyderabad.
SE/SC.

// Forwarded by order //

V. V. Venkatesh
SECTION OFFICER



Airports Authority of India

Rajiv Gandhi Bhavan Sardarjung Airport, New Delhi - 110 003

35 ✓

The Managing Director,
M/S. Vathsas Power Projects
Pvt. Ltd., Ground Floor, 41,
Randur angapuram
Visakhapatnam

No. AAI/20012/36/2K-Art I
Dated 2.3.2000

Sub: Issue of NOC Case No.

1. please refer to your letter No. dated on the subject mentioned above.
2. This office has no objection to the construction of the proposed chimney by M/S. Vathsas Power Projects Pvt. Ltd. here in after referred to as the applicant(s) at location Sivakodu Village, Razale Mandal, East Godavari Dist. Coord: 16°20'30"N 81°50'30"E to height 30.00 M. (in figures) Thirty deci-Zero Metres (in words) ABOVE GROUND LEVEL, so that the top of the proposed structure when erected shall not exceed 3.80 M. (site Elevation) + 30.00 M. (Height of the structure) i.e. 33.80 M. ABOVE MEAN SEA LEVEL.
3. This no objection certificate is being issued on the express understanding that the site-elevation reduced level (height above mean sea level) via 3.80 M. relative location of the proposed Bldg./Structure & its distances and Bearings from the AAI Runway ends, as furnished by the applicant(s) are correct. If, However, at any stage it is established that the said data as furnished by the said applicant is actually different from the one furnished & which could adversely affect aircraft operations, the structure or part(s) thereof in respect of which the NOC is being issued will have to be demolished at his own cost as may be directed by the Airports Authority of India (N.A. Division). The applicant(s) is/are themselves advised in his/their own interest to verify the elevation and other data furnished for the site, before embarking on the proposed construction.
4. The issue of the NOC is further subject to the provisions of Section 4 A of the Indian Aircraft Act, 1934 and issue of any notification issued thereunder from time to time and under which the applicant may be called upon by the Airports Authority of India (N.A. Division) to furnish in whole or in part the data for a new taking authorised vide this NOC.
5. No radio/TV Antenna, lighting arresters, staircase, Masts, Overhead water tank and attachments of fixtures of any kind shall project above the height indicated in para 2.
6. The use of oil fired or electric fired furnace is obligatory within 8 Kms. of the Aerodrome.
7. The certificate is valid for a period of four years from the date of its issue. If the building/structure/Chimney is not constructed & completed within the above mentioned period of Four years he will be required to obtain a fresh 'No Objection Certificate' from the Chairman Airports Authority of India (N.A. Division) and/or the Director of Aerodromes Southern Region. The date of completion of Building/structure/chimney should be intimated to the AAI(NAD) and/or the Directors of Aerodromes Southern Region.
8. No light or a combination of lights which by reason of its intensity, configuration of colour may cause confusion with the aeronautical ground lights of the Airport shall be installed at the site at any time during or after the construction of the building.

(J.S. BHATIA)
Sr. Manager (A/C) NOC
for Airports Authority of India

Copy to:

1. The Regional Executive Director, AAI Southern Region, Chennai Airport, Chennai-27
w.r.t. his letter No. AAI/NAD/M/O-22/NOC/RX dt. 31.12.99
2. The Asst. Engineer Survey (W.S.) H & K wards, Municipal Offices Building, 1st Floor, P.K. Patkar Marg, Bandra (W), Bombay-50 (E.S.) 7th Floor, Municipal Transport Garage Bldg. Behind Best Bus Depot, Pant Nagar, Ghalkopar (E), Bombay-75.
3. Sr. Manager, Maps & Charts, AAI (NAD) Hqrs
4. Guard File.
5. Airport Director,
For Sri Vathsas Power Projects Ltd.
B.S.
02.03.2000

Managing Director

(J.S. BHATIA)

Director(RA&Co-ordination)
APTRANSCO, Vengal Rao Soudha,
HYDERABAD-500 002.

Company No: 01- 20411



FRESH CERTIFICATE OF INCORPORATION
CONSEQUENT ON CHANGE OF NAME

In the Office of the Registrar of Companies,
Andhra Pradesh, Hyderabad.

(Under the Companies Act, 1956 (1 of 1956))

IN THE MATTER OF VATHSASA POWER PROJECTS LIMITED

I hereby certify that VATHSASA POWER PROJECTS LIMITED

_____ was
originally incorporated on 22nd day of MAY 1995
under the companies Act, 1956, under the name M/s. vathsasa power projects
private limited Subsequently converted in to Public Limited
U/S.44/31 on 04-02-2000.

The said M/s. VATHSASA POWER PROJECTS LIMITED
_____ having duly passed necessary resolution under
section 21/22 (1) (a) / 22 (1) (b) of the companies Act, 1956 and also having obtained the
approval of the Central Government in writing vide letter No. RAP/SEC.21/20411/2001
dated 15-11-2001 of Registrar of Companies, Andhra Pradesh, Department of
Company affairs has changed its name to SRIVATHSA POWER PROJECTS LIMITED

This certificate is issued pursuant to section 23(1) of the said Act.

Given under my hand at Hyderabad, this 15 th day of NOVEMBER

Two Thousand and ONE



(K.L. KAMBOJ)
REGISTRAR OF COMPANIES
ANDHRA PRADESH : HYDERABAD

M. K. Rao
Managing Director

P. M. L.
Director (R.A. & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDRABAD-500 022

GRAMS: COMPANYREG

PHONE: 4657937 (D)
4656114 (D)

GOVT OF INDIA
MINISTRY OF LAW, JUSTICE, COMPANY AFFAIRS
DEPARTMENT OF COMPANY AFFAIRS
OFFICE OF THE REGISTRAR OF COMPANIES
ANDHRA PRADESH, 3-3-398, 2ND FLOOR,
KENDRIYA SADAN, SULTAN BAZAR, KOTI,
HYDERABAD-500 195

REF: NO RAP/TA.VI/Sec.21/ 20411/2001

DATED : 15/11/2001


TO
VATHSASA POWER PROJECTS LIMITED
NO. 41, PANDURANGAPURAM
VISAKHAPATNAM 530003

Sir/Madam,

Sub: Change of Name - Approval of the Central Government
under Section 21 of the Companies Act, 1956.

With reference to the correspondence resting with your
letter dated - 29/10/2001 - , I hereby approve and signify in writing under
Section 21 of the Companies Act, 1956 (I of 1956) read with the Govt of India,
Ministry of Industry, Department of Company Affairs, Notification No. G.S.R.
No 507 (E) dated the 24th June, 1985, the change of name of the company
from VATHSASA POWER PROJECTS LIMITED
to SRIVATHSA POWER PROJECTS LIMITED

Yours faithfully,


REGISTRAR OF COMPANIES
ANDHRA PRADESH
HYDERABAD

Copy to:



the Director of Research & Statistics, 2nd Floor, "B" Block,
Aryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi - 110 003.

REGISTRAR OF COMPANIES
ANDHRA PRADESH
HYDERABAD

For Sri Vathsas Power Projects Ltd.



Managing Director

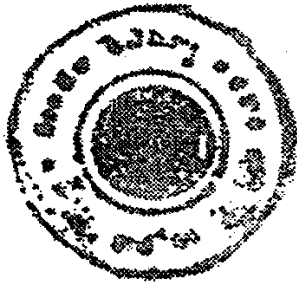


Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

100-100000-100000-100000

పాపాదు గృహములూరికి ఇది షి నెం 659/2 :

పదజలం:—

1. స్వామీ పండ్లమూడి అభ్యుదయ కృషి కమిటీ పాఠశాలను
2. బాతామల కాలనీస్ విద్యాలయము అభ్యుదయ కృషి కమిటీ పాఠశాలను.
3. బాల్కామిక కాలనీస్ అమెరికన్ పాఠశాలను
4. పరిశ్రమ స్వామివర క వ పరిశ్రమ కలనీస్ పాఠశాలను.



28/11/2019
 ముద్రా
 28/11/2019

MoMan

only

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

14

CERTIFICATE.

This is to certify that the Panchayat Sivakodu, Razole Mandal, East Godavary District, has no objection for the proposed construction of Power Project, under the name and style of VATHSASA POWER PROJECTS PRIVATE LIMITED, by its representative, Sri A.Sitharamaraju, the registered office of which is at 41 Pandurangapuram, Visakhapatnam, at R.S.No.655 in an extent of Ac.7-94 cents of Sivakodu village, purchased by the said Project, under agreement of sale d/16-8-99 from Smt.G.Papayamma in conformity with the other statutory rules and regulations.

Office of the Gram Panchayat,



[Signature]
20/8/99
గ్రామపంచాయతీ
శివకోడు

For Sri Vaths Power Projects Ltd.

[Signature]

Managing Director

[Signature]

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

From

To

Secretary/APERC,
8-2-283/B/1,
Road.No.3, Banjara Hills,
Hyderaabad - 082

1. Mini Power Plant Developers of A.P.,

2. The Chairman cum Managing Director,
APTRANSCO, Vidyut Soudha,
Hyderabad - 500 082.


Lr.No. APERC/Secy/F:24/D.No.2748/2001 dated 7/05/2001

Sir,

Sub: - Order passed O.P.No. 70-A/2001 - Issue of Licences to Mini Power Plants of
30 MW capacity in Private Sector, for sale of Power to third parties- Reg.

A Copy of the Order No. 284/2001 passed by Andhra Pradesh Electricity Regulatory
Commission in O.P. No. 70-A/2001 is forwarded herewith.

Yours faithfully,


SECRETARY

Copy to

The Prl. Secretary, Energy Department, GoAP,
Hyderabad.

The Director (Commercial), APTRANSCO,
Vidyut Soudha, Hyderabad.

Director (Engineering)

Director (Tariff)

Director (Law)

The Public/Objectors present in hearing on
03-04-2001.

For Sri Vatheja Power Projects Ltd.




Managing Director

With a copy of Order

The original order of the Commission is
sent herewith for further action.

With a copy of Order


Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
HYDERABAD

O.P.No.70-A / 2001

Dated: 04-05-2001

Between:

Suo motu proceedings initiated by the Commission

... Petitioner

A N D

1. M/s.Shalivahana Power Corporation Limited
2. M/s.Lewis Staley Energy Group Limited
(2 Projects)
3. M/s.VSL Power India Limited
4. M/s.LVS Power Limited
5. M/s.Nagarjuna Electric Generating Company Limited
6. M/s.Krishna Godavari Power Utilities Limited
(2 Projects)
7. M/s.Best Powerline Limited
8. M/s.Vathsasa Power Projects Limited
9. M/s.Pioneer Energy Services
10. M/s.Astha Power Corporation Private Limited
11. M/s.Kurnool Power Projects Limited
12. M/s.GBR Power Projects Limited
(now RVK Energy (P) Ltd.)
13. M/s.Inden Power International Limited
14. M/s.Vaarahi Power Generation Limited
15. M/s.Goldcrest Power Projects Limited
16. M/s.SR Windogen Power Projects Limited
17. M/s.Vashista Power Projects Limited
18. M/s.Mini Power Plants Developers Welfare
Association, Andhra Pradesh
19. APTRANSCO rep.by its Chairman & Managing
Director and Chief Engineer/IPC
20. Government of Andhra Pradesh rep.by
its Principal Secretary Energy Department
21. Objectors.

... Respondents

This matter coming up for hearing on 03-04-2001 in the presence of

| | | |
|---|--|---|
| 1 | M/s.Shalivahana Power Corporation Limited | Mr.G.Rama, Finance Manager |
| 2 | M/s.Lewis Staley Energy Group Limited | Mr.P.R.Brijendra Prasad, President |
| 3 | M/s.VSL Power India Limited | Mr.G.Venkata Ramana, Director |
| 4 | M/s.LVS Power Limited | Mr.A.Venkat Rama Reddy, Managing Director |
| 5 | M/s.Nagarjuna Electric Generating Company Limited | Mr.G.V.Vijaya Raghavan, Senior Manager and Mr.K.V.Shastry, Consultant |

For M/s. Vaaraha Power Projects Ltd.

M. Rama

- 83 -

Managing Director

P. M. R.
Director (R&A Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

| | | |
|----|--|--|
| 6 | M/s.Krishna Godavari Power Utilities Limited | Mr.S.Vangala, Director Mr.Srinivas Mtupalli, Director Mr.Satish Narsipur & Mr.M.S.Basha |
| 7 | M/s.Best Powerline Limited | Mr.P.Sobhan Prakash, Director and Mr.K.Rajagopal, General Manager |
| 8 | M/s.Vathsasa Power Projects Limited | Mr.S.Narayana Murthy, Manager (Administration) |
| 9 | M/s.Pioneer Energy Services | Mr.S.Arunachalam, Director/Technical |
| 10 | M/s.Astha Power Corporation Private Limited | Mr.R.S.Balaji, Deputy General Manager (Finance) |
| 11 | M/s.Kurnool Power Projects Limited | Mr.M.T.Sreenivasa Rao, Director |
| 12 | M/s.GBR Power Projects Limited (now RVK Energy (P) Ltd.) | Mr.K.Raghu, Chairman and Mr.S.Ravindra Kumar, Deputy General Manager (Finance) |
| 13 | M/s.Inden Power International Limited | Mr.D.Seenu Reddy, Director |
| 14 | M/s.Vaaraahi Power Generation Limited | Mr.T.Chidambaram, Managing Director |
| 15 | M/s.Golderest Power Projects Limited | Mr.G.Venkatachalam, Director |
| 16 | M/s.SR Windogen Power Projects Limited | No representation |
| 17 | M/s.Yashista Power Projects Limited | Mr.V.Seshu Murty, General Manager |
| 18 | M/s.Mini Power Plants Developers Welfare Association, Andhra Pradesh | Mr.T.Srinivasa Rao, Co-ordinator |
| 19 | M/s.Rain Calcining Limited | Mr.G.R.K.Murthy, Senior Manager |
| 20 | M/s.Taru Leading Edge | Mr.S.Sengupta, Consultant |
| 21 | APSEB Engineers' Association | Mr.P.V.V.Satyanarayana, Secretary General & Mr.K.Raghu, Publicity Secretary |
| 22 | Assistant Engineers' Association, APSEB | Mr.P.Ratnakar Rao, President |
| 23 | Mr.M.Venugopala Rao | Special Correspondent, Prajashakti News Paper |
| 24 | A.P.Electricity Consumers Forum | Mr.Ch.Venkateswarlu, President |
| 25 | Core Loksatta | Captain J.Rama Rao, Core Member |
| 26 | APTRANSCO ESOP Society | No representation |
| 27 | People's Monitoring Group on Electricity Regulation | No representation |
| 28 | Rastriya Raithu Seva Samithi | No representation |
| 29 | APTRANSCO | Mr.J.Manmohan Rao, CE/IPC and Mr.T.S.Murty SE/IPC |
| 30 | Government of Andhra Pradesh | None appeared but sent views. |

The Commission having heard the above persons and considering the material available on record, passed the following order:

ORDER

- (1) As stated in paras 7 to 9 below, this order does not cover the cases of M/s.GBR Power Projects Limited (now RVK Energy (P) Ltd.), M/s.Astha Power Corporation Private Limited and M/s.Nagarjuna Electric Generating Company Limited. As further stated in para 17 below, this order does not also cover the MPP developers who have approached APTRANSCO with specific offers. This order only deals with the eight developers including two who had two projects each who have not approached the APTRANSCO with any specific offers as stated in para 18 below.
- (2) In 1995, Government of Andhra Pradesh (GoAP) reviewed the power position in the State in the context of developing infrastructure for attracting new industry to the State. The GoAP noted that large sized power plants required long gestation periods. The proposals for setting up the power projects costing more than Rs.100 crores had to be referred to Central Electricity Authority for approval. This was causing delay in setting up the projects. GoAP felt that it was necessary to take up mini power plants of 30 MW capacity which could be implemented in a period of 12 - 18 months at suitable locations where industries are concentrated and the power plants can meet the demand of industries without any supply interruptions. In this background the Government framed a scheme under G.O.Ms.No.116 dated 05-08-1995 offering to permit prospective generators to set up short gestation generating stations (known in common parlance as Mini Power Plants or MPPs) involving investment of less than Rs.100 crores based on residual fuels in the industrial estates, on the following terms:
- i) they should have tie up with the consumers with regard to quality, quantity and price of power;
 - ii) there should be uninterrupted power supply to the industrial load centres except during unavoidable outages;

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

- 85 -

[Signature]
Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- iii) the generating stations having capacity of about 30 MW should be taken up to achieve quick grounding of the scheme;
- iv) the pricing arrangement will be subject to fixation of tariff by the Regulatory Commission ultimately;
- v) pay any duties or taxes imposed by the Government/APSEB as per rules;
- vi) wheeling of power by the APSEB at the request of the generator; wheeling charges to be at mutually agreed rate;
- vii) APSEB shall decide the upper ceiling of earmarked quantity of generation;
- viii) Scheme shall operate within the framework of the Indian Electricity (Supply) Act, 1948;
- ix) Units located in the tail end area should be determined by calling for bids after APSEB has identified the locations.

(3) The G.O., 116 dated 05-08-1995 was modified by G.O.Ms.No.152 dated 29-11-1995.

The revised policy framework envisaged the following:

- i) The MPPs will essentially be group captive, dedicated power stations to supply power to identified consumers who entered into agreement with the developers of mini power plants. Such power plants would be best suited to serve customers with a dedicated distribution system preferably over small compact areas;
- ii) The applications of these prospective investors shall be scrutinised by the APSEB and submitted to the Government which would grant licenses within four weeks in conformity with the existing Electricity laws and other statutes;
- iii) Energy from the MPPs can be supplied to the identified consumers using either APSEB's existing distribution network after entering into an arrangement like lease, rent etc., or setting up a dedicated transmission network.
- iv) The wheeling charges shall be collected in kind at the rates mentioned in the G.O.

- v) The energy generated in excess of the need of the identified customers can be purchased by the APSEB at the rates mentioned in the G.O., upto the end of December, 2000 AD. It can be upto 15% of the energy generated or more without creating any preemptive right of sale on mini power plant;
- vi) MPP developer shall sell power to the consumers above the Board's High Tension tariff rate.
- vii) The industrial consumer can continue to be a consumer of APSEB also at his option or cease to be so;
- viii) Government of Andhra Pradesh would recommend to the Central Government to exempt the mini power plant equipment from custom duty and also help in obtaining preferential treatment in fuel supply allocation;

(4) Subsequent to the above G.O. 31 MPPs were issued permissions/sanctions to generate energy based on residual fuels. (The scheme is since closed for new entrants). Permission to 12 of these projects were cancelled on 22-06-1998 by the Government. The details of permission given to 19 surviving MPPs are as follows:

| Name of the Company | Date of permission | Date on which the plant should be commissioned | Date when the permission would automatically get cancelled | Final extension date |
|---|--------------------|--|--|----------------------|
| M/s.Shalivahana Power Corporation Limited | 28-12-1995 | 31-01-1996 | 30-06-1997 | 30-04-2001 |
| M/s.Lewis Staley Energy Group Limited (2 Projects) | 17-03-1996 | 31-12-1996 | 30-06-1997 | 31-10-2001 |
| M/s.VSL Power India Limited | 17-03-1996 | 31-12-1996 | 30-06-1997 | 31-10-2001 |
| M/s.LVS Power Limited | 24-07-1996 | 31-12-1996 | 30-06-1997 | 30-04-2001 |
| M/s.Nagarjuna Electric Generating Company Limited | 23-11-1996 | 12 months | 18 months | 12-05-1999 |
| M/s.Krishna Godavari Power Utilities Limited (2 Projects) | 09-12-1995 | 31-12-1996 | 30-06-1997 | 31-10-2001 |
| M/s.Best Powerline Limited | 09-04-1995 | 31-12-1996 | 30-06-1997 | 31-07-2001 |
| M/s.Vathsasa Power Projects Limited | 28-12-1995 | 31-12-1996 | 30-06-1997 | 31-10-2001 |
| M/s.Pioneer Energy Services | 28-12-1995 | 31-12-1996 | 30-06-1997 | 31-10-2001 |

For Sri Vathsa Power Projects Ltd.

- 87 -

M. S. Rao
Managing Director

Santhosh
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

| | | | | |
|--|------------|------------|------------|------------|
| M/s.Astha Power Corporation Private Limited | 09-12-1995 | 31-12-1996 | 30-06-1997 | 31-07-2001 |
| M/s.Kurnool Power Projects Limited | 02-02-1996 | 31-12-1996 | 30-06-1997 | 31-10-2001 |
| M/s.GBR Power Projects Limited (now RVK Energy (P) Ltd.) | 29-02-1996 | 31-12-1996 | 30-06-1997 | 31-07-2001 |
| M/s.Inden Power International Limited | 23-11-1996 | 12 months | 18 months | 31-10-2001 |
| M/s.Vaarahi Power Generation Limited | 23-11-1996 | 12 months | 18 months | 31-10-2001 |
| M/s.Goldcrest Power Projects Limited | 17-02-1997 | 12 months | 18 months | 31-01-2001 |
| M/s.SR Windogen Power Projects Limited | 28-12-1995 | 12 months | 18 months | 31-07-2001 |
| M/s.Vashista Power Projects Limited | 09-12-1995 | 31-12-1996 | 30-06-1997 | 31-10-2001 |

(5) . Permissions to set up mini power plants were given in a proforma and the essential features of the permission are:

- (a) the generator is given an approval to establish, operate and maintain a power generating station with residual fuels under section 18(A)(a) of Electricity (Supply) Act, 1948;
- (b) Sanction is accorded under section 28(1) of Indian Electricity (Supply) Act for supplying energy to identified consumers as per the Annexure to the permission letter;
- (c) The permission is also accorded under section 43A of the Act for entering into contract for sale of electricity generated by the company to the identified consumers;
- (d) The permission is subject to the following conditions
 - (i) the total completed project cost shall not exceed Rs.100 crores.

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- (ii) the company should adhere to all the requirements of Indian Electricity Act, 1910, Electricity (Supply) Act, 1948, the Indian Electricity Rules, 1956 and other statutory regulations and clearances.
 - (iii) The company has to register itself as a generating company as required under section 15A of the Electricity (Supply) Act, 1948.
 - (iv) The plant shall become operational by a particular date and if not it should seek extension. If all the units in the plant are not commissioned by a particular date, the permission will automatically be cancelled.
 - (v) Copies of the supply agreements entered into with the identified consumers should be supplied to the APSEB. The agreement with the APSEB for wheeling shall reflect the conditions in G.O.Ms.No.152 dated 29-11-1995 besides other conditions.
 - (vi) The approval and conditions therein are subject to modification by the Government in accordance with its policies.

(6) None of the above thirty one MPP developers could complete the work within the time granted by the Government. The Government has been extending time at their request and the latest extension is for 15 - 18 months from 01-05-2000 for 17 mini-power plant developers for setting up 19 generating stations. The details of the extension are already given at para 4 above. While granting extensions, GoAP made clear that the MPP developers would have to obtain the requisite clearances from the APERC. Some of the developers have changed the capacity, location and the fuel with the permission of the Government as below:

| Name of the Developer | Change of capacity | Change of location | Change of fuel |
|--|--------------------------------|---|--|
| M/s. Shalivahana Corporation Limited Power | 30MW to 34.56 MW on 09-07-1997 | From Ismailkhaguda Village, Kesara Mandal, Ranga Reddy District to Lingapur Village, Ghatkesar Mandal, Ranga Reddy District | From HFO LSHS to 1 SWR (Low Sulphur Waxy Residual) on 21-01-1997 |

For Sri Vathsa Power Projects Ltd.

M. M. Law

Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Viduth Soudha,

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|--|---|---|--|
| M/s.VSL Power India Limited | 33MW to 34.66 MW on 01-11-1997 | From Machilipatnam to Visakhapatnam | From Natural gas/Naphtha/ Natural gas/Naphtha/ Furnace oil/ LSHS/LSFO/ LSWR On 12-11-1996 |
| M/s.Nagarjuna Electric Generating Company Limited | | From Medak District to Kakinada | |
| M/s.Krishna Godavari Power Utilities Limited (2 Projects) | | | From Naphtha to Imported Coal in November, 1997 |
| M/s.Best Powerline Limited | | | From Naphtha to Multi fuels like LSHS/ Furnace Oil/ Naphtha on 15-03-1996 |
| M/s.Vathsasa Power Projects Limited | From 1 x 7.7 MW to 2 x 7.7MW On 18-02-1997 | From VEP Zone, Visakhapatnam to Nimmalapalem Village, Kothavalasa Mandal, Vizianagaram District and again changed to Razole, East Godavari District | From Heavy Furnace Oil to Natural Gas on 17-08-1999 |
| M/s.Pioneer Energy Services | 30MW to 35.45MW on 16-07-1998 | From Tukkvakkam Village Ranigunta, Chittoor District to Kothapalem Village | From Naphtha to Multi fuels like HFO/LSHS/ LSFO/LSWR on 26-10-1996 |
| M/s.Astha Power Corporation Private Limited | | From Balanagar, Hyderabad to Pashamylaram, Medak Dt. | |
| M/s.Kurnool Power Projects Limited | | From Gondiparla Village, Kurnool District to Nemam Village near Kakinada, East Godavari District | From Furnace Oil to LSHS/ LSWR on 28-08-1998 |
| M/s.GBR Power Projects Limited (now RVK Energy (P) Ltd.) | | From Bhanur Village, Patancheru Mandal, Medak District to Bandlaguda Village, Ramachandrapuram Mandal, Medak District and again to Konkepudi in Pedana Mandal, Krishna District on 16-07-1996 | From Furnace oil to Natural gas on 23-02-1999 |
| M/s.Inden Power International Limited | | From Vendra, East Godavari District to .Edulabad, Ghatkesar Mandal | |

| | | | |
|--|--|--|--|
| M/s.Vaarahi Power Generation Limited | | | From Naphtha to LSHS/ LSWR in November, 1997 |
| M/s.Goldcrest Power Projects Limited | | From Vakalpudi, IDA, Kakinada to IDA, Parawada, Visakhapatnam | |
| M/s.SR Windogen Power Projects Limited | | From Tumulur Village, Maheswaram Mandal, Ranga Reddy District to Chengicherla Village, Ghatkesar Mandal, Ranga Reddy District | From Naphtha/ Furnace Oil to Furnace oil. LSHS. Orimulsion on 08-05-2000 |
| M/s.Vashista Power Projects Limited | | From IDA, Vakalapudi, Kakinada to G.Vemavaram Village, Thallarevu Mandal, East Godavari District and again changed to IDA, Peddapuram and again changed to Nemam Village, Kakinada, East Godavari District | |

(7) Two of the thirty one MPP developers commenced generation in the year 2000. M/s.G.B.R.Power Projects Limited (renamed as RVK Energy (P) Ltd.,) who changed the location of the proposed plant and also the fuel from residual fuel to Natural gas. filed an application (O.P.No.2 / 1999) for exemption under section 16 of the A.P.Electricity Reform Act. It started production in January, 2000. The Commission gave the exemption initially for a period of 3 months by the order dated 03-01-2000 and ultimately the Commission by order dated 31-03-2000 directed the said company to sell energy to APTRANSCO from 01-07-2000. The said company and its shareholders preferred CMA No.1458 / 2000 and 1553 2000 respectively in the High Court of Andhra Pradesh and obtained stay of the order of Commission. The said company is supplying energy to the consumers of its choice (third parties) under the orders of the High Court.

(8) M/s. Nagarjuna Electric Generating Company Limited also filed an application (O.P.No.31 / 1999) for exemption to supply to third parties. It started production in

For Sri Vathsa Power Projects Ltd.

M. K. Rao

Managing Director

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Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

November, 1998. It was permitted to supply power to third parties upto 31-01-2001 by the Commission's order dated 31-01-2000. The said company supplied energy for some time and suspended generation from April, 2000 as the fuel, Naphtha, became costly and cost of generation became uneconomical. The company obtained permission to shift the location. It is trying to obtain allocation of natural gas as fuel. The said company represented during the present enquiry that it intends to start generation again as the price of Naphtha had come down and therefore seeks exemption. It has suspended its plans to shift the location for the present.

(9) M/s.Astha Power Corporation Private Limited filed O.P.No.348 / 2000 seeking exemption under section 16 of the A.P.Electricity Reform Act, 1998. The Commission heard the said Company and by the order dated 01-07-2000 directed the said company to enter into arrangements with APTRANSCO for sale of power generated to them and consult CEA with regard to price if both the parties agree. It was prohibited from making third party sales. Both the parties (Astha and APTRANSCO) were instructed to approach the Commission on or before 02-09-2000 if they could not reach a settlement on any of the issues including price. M/s.Astha Power Corporation Private Limited filed CMA No.2062 / 2000 in the High Court of Andhra Pradesh against the said order. The CMA is pending. M/s.Astha Power Corporation Private Limited represented during the present hearing that as the matter is subjudice in the High Court, the decision in this enquiry may be deferred. The Commission has passed another interim order in this case on 23-04-2001 directing the Company to approach APTRANSCO with a specific offer. The High Court has since directed that no further proceedings be taken up in Astha's case pursuant to the order dated 01-07-2000 passed by the Commission.

(10) After the last round of extensions by the GoAP in May and June, 2000, the A.P. Mini Power Plant Developers Association approached the Commission for a discussion. The Commission heard the representatives of the Association on 14-07-2000, apprised them of the Commission's views on third party sales and advised them to negotiate with APTRANSCO with regard to the price and other conditions of supply. The Association again wrote to the Commission on 28-12-2000 informing that some of the members had approached APTRANSCO with their offers. They wanted a further discussion with the Commission. Subsequently the Commission received a report from APTRANSCO about price negotiations with some of the MPP developers.

(11) The Commission decided to hear the MPPs, APTRANSCO, the Government and the public with regard to permitting third party sales to MPP developers. A notice was given to all the MPP developers, APTRANSCO and the Government with an enclosure tracing the developments from the conception of MPPs under G.O.Ms.No.116 dated 05-08-1995 to APTRANSCO reporting the negotiations about price. A notice was also given to the public to participate in the discussions by sending a representation in advance and also, if desired, by personally deposing in the enquiry. A notice was published in a Telugu daily "Eenadu" and also an English daily "The Hindu". The case was posted for 03-04-2001.

(12) On the date of hearing, the MPP developers association made a detailed representation. Some of its members have also adopted the same arguments in their representations. Briefly the points put forth are that

- (i) The delay in the commissioning of the projects was due to lack of clarity in Government policy relating to fuel, sale of power and wheeling of power.
- (ii) The developers were asked to fend for themselves in the matter of fuel linkage.

For Sri Vothsa Power Projects Ltd.

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Managing Director

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Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- (iii) The Govt. was also not prompt in dealing with requests for change of fuel as well as change of location.
- (iv) Apart from the clearances of electricity department, number of other clearances were to be obtained from various central and state government agencies, which took a lot of time.
- (v) The government took its own time in dealing with requests for extensions.
- (vi) More recently the decision to prohibit the third party sale had an effect on the efforts of the developers.
- (vii) APTRANSCO have almost taken 9 months to decide on the price for purchase of power, even in the case of the few who have approached APTRANSCO with proposals.

It is therefore pleaded that the delay in establishing and operating the power stations was due to circumstances beyond their control. In the meanwhile the price of Naphtha had increased substantially throwing the economics totally out of gear. The association requested that in view of the circumstances under which delay has occurred, APTRANSCO should be directed to purchase power on cost plus basis, or in the alternative, third party sales should be permitted. It further suggests that the government may be requested to arrange supply of Natural gas to the developers which will enable them to generate power at cheaper rates. The association also opposed the proposal of APTRANSCO to increase the wheeling charges.

(13) It is not necessary to repeat the views of the individual developers who filed written representations or deposed during the hearing except to refer to the additional points made by them (which are not mentioned in the memorandum given by the association.)

- (i) M/s. Vashista Power Projects Limited asked for a cost plus tariff as per CEA norms with the cost being verified by an independent agency.

- (ii) M/s. Pioneer Energy Services canvassed for third party sales in view of the provisions in the proposed Electricity bill 2000.
- (iii) M/s. Goldcrest Power Projects Limited pleaded that the third party sale should be allowed as per the policy of Govt. of Andhra Pradesh.
- (iv) M/s. Lewis Stanley Energy Group Limited opposed the proposal for increasing wheeling charges saying that, if allowed, it will cut into the margin of the developer. It was also pointed out that the MPPs should be encouraged keeping in view the future and not the present availability of power.
- (v) M/s. LVS Power Limited stated that they have already drawn moneys from the financiers and the extension granted by GoAP in their case would expire by 30-04-2001. It was all set to produce power by July 2001.
- (vi) M/s. Krishna Godavari Power Utilities Ltd., have among other things represented that a generating company does not require any licence from the APERC.
- (vii) M/s. Nagarjuna Electric Generating Company Limited represented that though it had stopped generation earlier, it was now in a position to generate energy, as the price of Naphtha had fallen.
- (viii) M/s. RVK Energy power projects pointed out that G.O.Ms.No.152 basically proposed sales to third parties and sale to APTRANSCO only if the generation was in excess of the needs of the identified consumers. APTRANSCO and APERC should respect the policy laid down by the GoAP.
- (14) In response to the public notice, APSEB Assistant Engineers' Association, APSEB Engineers' Association, Sri M.Venugopala Rao, (Special Correspondent of Prajashakti), People's Monitoring Group on Electricity Regulation, Sri Ch. Venkateshwarlu, President, A.P.Electricity Consumer's Forum and CORE (Lok Satta) made written representations appeared in person to make their submissions :

For Sri Venkatesh Power Projects Ltd.

M. K. Rao

Managing Director

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[Signature]
 Director (RA&Co-ordination)
 APTRANSCO, Vidyut Soukha,
 HYDERABAD-500 082.

The points made by these persons taken together are:

- (i) The MPPs should not be permitted to generate power with residual fuel as it will be too costly for purchase by the grid. APTRANSCO should be permitted to purchase this power only in the strict merit order. The MPPs should be directed to supply to APTRANSCO at a reasonable price to be fixed by the Commission which is affordable by the consumer.
- (ii) Third party sales should not be allowed as it affected the financial viability of the main Licensee. Permission to third party sale would violate Article 14 of the Constitution. They would result in discrimination between MPPs and other generators like IPPs, APGENCO and NTPC who are not allowed third party sales. Third party sales would also result in discrimination between members of public taking supply from APTransco and those taking supply from MPPs. Third party sale will increase the burden of cross subsidy on other industrial consumers who do not receive supply from MPPs. Third party sale should not be allowed as MPPs would not suffer Transmission and Distribution losses which the Licensee suffers and the Tariffs of the Licensee for industrial consumers include considerable cross-subsidies.
- (iii) The Govt. GOs issued prior to February 99 should be treated as null and void. The Govt. was wrong in giving extensions to MPPs without reviewing demand and supply position. The earlier PPAs signed on the basis of the wrong demand projections should be cancelled. The Govt. scheme did not specify any criteria as to the technical, financial or administrative capabilities of the developers. There was no competitive bidding. The sanctions should be treated as cancelled in view of the long delay in implementing the sanctions.
- (iv) The MPPs which are based on residual fuels are environmental hazards. They should not be encouraged.
- (v) The MPPs were conceived to be established in industrial areas for supplying power to the neighbouring industries preferably by dedicated distribution systems without utilising the distribution system of APTANSCO. They are also conceived to be set up in tail end areas to improve supply conditions in

those areas. However, all MPP developers are concentrated in a few clusters and instead of supplying power to neighbourhood industrial consumers they are seeking to supply to consumers of their choice across the length and breadth of the State using APTRANSCO/DISCOMS' system.

- (vi) APTRANSCO should not wheel the power sought to be sold by MPPs as wheeling charges in kind stipulated in the Govt. notifications do not even cover the Transmission and Distribution losses.
- (15) The Chief Engineer/IPC submitted that APTRANSCO would buy power from any MPP as long as the purchase price was affordable by APTRANSCO and the purchase comes within the merit order. If Commission decides to permit to third party sales, APTRANSCO should be granted higher wheeling charges at Re.1 per unit.
- (16) No body appeared on behalf of the GoAP. But a letter has been filed in which the Principal Secretary to Government has urged that permission may be given to MPPs for third party sales to HT industrial consumers. If APTRANSCO loses on account of this arrangement, the Commission can fix appropriate wheeling charges taking into account the cross subsidisation foregone by APTRANSCO on account of third party sales.
- (17) The following six developers have approached APTRANSCO to negotiate the PPA for purchase of power by APTRANSCO.

- (i) M/s. Vashista Power Projects Limited
- (ii) M/s. Inden Power International Limited
- (iii) M/s. Pioneer Energy Services
- (iv) M/s. Golderest Power Projects Limited
- (v) M/s. VSL Power India Limited
- (vi) M/s. Kurnool Power Projects Limited

For Sri Vathsa Power Projects Ltd.

M. Mahan

Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

APTRANSCO has sent a report about the results of negotiation with these parties. The present order does not deal with these developers. A separate order is passed as regards these six MPPs (O.P.No. 70-B/2001).

(18) The present order deals with the remaining MPPs named below viz., those who have not negotiated with APTRANSCO for sale of power to them.

- (i) M/s. Shalivahana Power Corporation Limited
- (ii) M/s. Lewis staley Energy Group Limited (2 projects)
- (iii) M/s. LVS Power Limited
- (iv) M/s. Krishna Godavari Power Utilities Ltd., (2 projects)
- (v) M/s. Best powerline Ltd.,
- (vi) M/s. Vatsasa Power Projects Limited
- (vii) M/s. Vaarahi power Generation Limited
- (viii) M/s. SR Windogen Power Projects Limited

(19) For reasons already stated elaborately in our order in O.P.No.2 / 1999 (GBR Projects Ltd.) and O.P.No.348 / 2000 (Astha Power Corporation Pvt.Ltd.) the Commission is not inclined to permit third party sales. Currently the tariffs include substantial cross subsidy to the tune of about Rs.2,000 crores by industrial and commercial consumers. If these consumers are supplied power by MPPs, instead of the Licensee, the cross subsidy element now existing will come down, calling for increased tariffs for agriculture and domestic consumers giving rise to a rate shock to them or alternatively, the GoAP may have to bear the increased burden in terms of subsidy. Further, to the extent the government subsidy is limited the burden of cross subsidy will increase on those industrial and commercial consumers who stay with the Licensee. This would in turn lead to these consumers going out of the system as they would not be competitive for their products in the market with such high tariffs. Finally, the Licensee would be left with agricultural and domestic consumers

who are highly subsidized. This would effect totally the viability of the Licensee and will result in failure of Licensee to discharge its functions in the matter of supply of power. It is therefore evident that permitting mushroom growth of MPPs and third party sales would not at all be in the interest of the organized growth of the electricity industry which is essential for the progress of any civil society. Permitting third party sales would create discrimination between industrial consumers drawing power from IPPs and the industrial consumers drawing power from APTRANSCO/DISCOMS who will be paying for power at different rates. Further, the cost for supply of power for the Licensee includes cross subsidization and transmission and distribution losses in the system spread over the entire State and approved by the Commission whereas, the cost to the MPP developer does not include cross subsidization and transmission and distribution loss cost. Thus, allowing third party sales by MPPs at the same rate at which the Licensee supplies to HT consumers, would result in either unjust enrichment of developers which is neither contemplated nor permissible in a regulatory industry, or in supply of power at lower prices than prescribed resulting in differential prices for the same categories of consumers, leading to discriminatory treatment.

(20) In O.P.No.2 / 1999 and O.P.No.348 / 2000, the Commission has directed the developers to approach APTRANSCO and negotiate the sale of power on the basis of their project cost. It would be appropriate if directions are also issued to the eight developers mentioned in para 18 above to make an offer of price on the basis of the various Government of India notifications (including the notifications dated 30-03-1992). These notifications set out the method and manner of calculation of tariff for generating companies including appropriate rate of return. If APTRANSCO and the developers can negotiate and mutually agree on the price for the power to be supplied and other conditions, a PPA may be drawn up and submitted to the commission for its approval under Section 21 of APER Act. If on the

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

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17/12/99

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Director(RA&Co-ordination)
APTRANSCO, Vijayal Soudha,
HYDERABAD-500 002.

other hand they are not able to agree on the price and other terms and conditions, they may apply to the Commission for appropriate orders.

(21) Incidentally, it is seen that the following four out of the eight developers have signed Power Purchase and Wheeling Agreements (PPWAs) with APTRANSCO for supply of power mainly to third parties.

| Name | Date of signing PPA |
|--|---------------------|
| M/s. Shalivahana Power Corporation Ltd., | 23-10-98 |
| M/s. LVS Power Limited | 25-02-99 |
| M/s. Lewis Stanley Energy Group Limited | 17-06-99 |
| M/s. Best Powerline Limited | 26-06-99 |

Out of these, M/s. Shalivahana Power Corporation Ltd., and M/s. LVS Power Limited have entered into the PPWAs before the Commission came into being and in other two cases the PPWAs are entered subsequent to the formation of the Commission and the PPWAs are submitted to the Commission for its approval. The PPWAs were entered into in the context of the earlier G.Os. viz., mainly third party sales with an alternative contingent provision for sales to APTRANSCO. The terms and conditions on the basis on which supply would be made to APTRANSCO are spelt out only in the context of a contingent supply of excess power (i.e., in excess of the needs of the identified consumers). The pricing of supplies to APTRANSCO also is based on the pooled cost of the supply from central generators etc., to APTRANSCO under certain special circumstances. In view of the Commission's decision not to permit sales to third parties and also in the light of the change in the circumstances, it may be appropriate even if these MPP developers (i.e., those who have already signed PPWAs) renegotiate afresh with APTRANSCO regarding price and other terms and conditions at which they would be willing to supply power to APTRANSCO.

(22) The Commission hereby directs that the eight MPPs mentioned above send a specific proposal in writing based on the existing central govt. notifications on the basis of their project costs to APTRANSCO within a fortnight of the receipt of this order, with a copy to the Commission. APTRANSCO shall respond by communicating its views on the offer to the MPPs and the Commission within another fortnight. If the parties need more time for negotiations in the matter, they are free to approach the Commission in the matter. If APTRANSCO and the MPPs agree on the price and the other terms and conditions, a (fresh) PPWA may be drawn up and sent for the consent of the Commission.

(23) If there is no agreement between APTRANSCO and the MPPs on supply terms within a month's time, the Commission will hear the eight MPPs and APTRANSCO on 04-06-2001 for further orders.

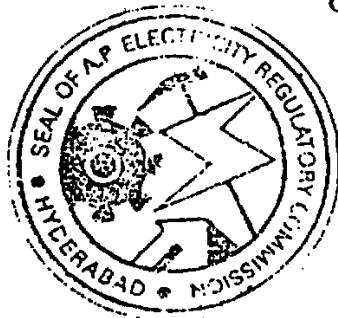
This order is signed by the Andhra Pradesh Electricity Regulatory Commission on 04th May, 2001.

Sd/-
(A.V.SUBBARAO)
MEMBER

Sd/-
(D.LAKSHMINARAYANA)
MEMBER

Sd/-
(G.P.RAO)
CHAIRMAN

CERTIFIED COPY



[Signature]
SECRETARY
A.P. Electricity Regulatory Commission
Hyderabad.

For Sri Varaha Power Projects Ltd.

[Signature]

Managing Director

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[Signature]
Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

SCHEDULE : B

PROJECT

Particulars of the Project
(Referred to in the Preamble to the Agreement)

| Name of the Project | Location | No. of Units | Capacity of each Generator | Capacity of the station |
|-----------------------------------|--|--------------|----------------------------|-------------------------|
| M/s Srivathsa Power projects Ltd. | At Sivakodu (V), Razole (Tq), E.G. Dist., Andhra Pradesh | 3 | 5734 kW | 17.202 MW |

For Srivathsa Power projects Ltd.

MSM

Managing Director

PMU

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 001.

SCHEDULE : C

TECHNICAL LIMITS

1. APTRANSCO System Parameters

(i) Frequency and voltage fluctuations

- (a) permitted short term frequency excursions : $\pm 3\%$ ($\pm 5\%$ extreme condition)
- (b) permitted short term voltage variation : $+5\%$ to -10%
- (c) permitted combined short-term simultaneous frequency excursions and voltage variations : $\pm 5\%$

(ii) Short circuit : 31.5 KA-3 sec.

(iii) Basic insulation levels (BIL) : 650 KVp

2. APTRANSCO Grid Requirements

- (i) Maximum levels of harmonics that the Project may impose on the Grid System : To be agreed mutually
- (ii) Phase voltage unbalance : 3% (Grid Code 3.4.4.2)
- (iii) Negative phase sequences : 8% to 10%
- (iv) Unsystematical faults (SLG fault level at Rajole SS) : 522 MVA
- (v) Fault clearance time : 0.25 sec
- (vi) Breaker back-up protection : Not provided
- (vii) Protection dependability : 1.01
- (viii) kV line breakers : 145 KV
- (ix) Short circuit ratio : 0.56
- (x) Automatic voltage regulation system and load frequency control : Provided

3. Dynamic Parameters

The Dynamic Parameters shall comprise :

- (i) nominal capacity ; : 17202 KWe
- (ii) starting conditions ; : -
- (iv) reactive power capability; : PF range 0.8 – 0.95
- (v) minimum notice to synchronisation; : 30 min
- (ix) ramp-up and ramp up rates; : 15 min – 100% load
- (x) voltage control range and : -7.5 to +12.5% in steps of 1.25%

For Sri Vaths Power Projects Ltd.

M. M. Rao

Managing Director

P. V. S.
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

SCHEDULE : D

SCHEDULING, CO-ORDINATION AND DESPATCH PROCEDURES

1. Operating Period

1.1 On execution of the agreement, each Party shall nominate one executive for co-ordination regarding the operation of the Project. The role of these executives would be to jointly:

- (a) Determine the annual plan for Scheduled Outages in accordance with Sections 1.2 below;
- (b) Undertake dispute resolution as per Article 14.1 (a) and (b) of this Agreement
- (c) Receipt of bills and verification of the same in accordance with Article 5 of this Agreement;
- (d) Review fuels and lubricating oil supplies and costs
- (e) Nominate the representatives of each Party to deal with the issues relating to metering in accordance with Article 4 of this Agreement;
- (f) Undertake any other general co-ordination required.

1.2 The Company shall, on execution of the agreement and each succeeding March 31 thereafter, submit to the APTRANSCO its proposed schedule of Scheduled Outages for the twelve (12) month period commencing on July 1 through June 30 of the following year; provided that the Company will use its reasonable endeavour not to schedule any Scheduled Outages during the months of November to July, unless otherwise agreed by the APTRANSCO. Any amendments to the schedule of Scheduled Outage shall be on mutual consent.

2. Availability, Testing and Monitoring

2.1 APTRANSCO will consider the project to be available at 17.202 Mega Watt, unless otherwise amended as per express declaration made by the company for a lower availability, due to reason attributable to the company, save and otherwise on account of scheduled outage and Force Majeure conditions.

2.2 The declarations made by the company would form basis for despatch from the project and meeting the guaranteed delivery.

For Sri Vathsa Power Projects Ltd.

M. S. M. M.

Managing Director

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M. M. M.

Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 2.3 The APTRANSCO may from time to time after the Commercial Operation Date of the Project (but not more frequently than once every twelve (12) months for Project) require the Company to demonstrate the Project's reliable capacity in accordance with the procedures for such testing followed in the original testing of the Project on mutually agreed time and date.

3. **Despatch Procedures**

- 3.1 Despatch of the Project will be controlled by the appropriate Load Despatch Centre of the APTRANSCO. The APTRANSCO will identify and notify the Company regarding the appropriate body and the names of the designated officers for the despatch of the Project within ten (10) days of execution of the agreement.
- 3.2 The nominated executives will despatch the Project in accordance with Section 2 above, this schedule and the merit order operation of the grid. A Despatch Instruction can either be conveyed orally or in writing (by fax or otherwise) provided that each oral despatch instruction will have to be confirmed in writing within eight (8) hours. The receipt of any Despatch Instruction will be acknowledged by the designated officers of the Company within one hour of receipt of the same.
- 3.3 In order to facilitate dispatches from APTRANSCO, the Company shall provide APTRANSCO at the Prescribed Time each day, an Energy Availability Declaration containing the following information:
- (a) The date and time that such Availability Declaration is issued;
 - (b) The period to which such Availability Declaration relates; and

4. **Delivered energy**

- 4.1 Delivered energy over a Tariff Year, shall be the sum of
- (A) for all Settlement Periods during which no Force Majeure event has been declared by either Party, the sum of the dispatched energy for each such Settlement Periods, expressed in kWh,
- plus
- (B) Difference between the energy units expected to be delivered at the declared capacity and actual for all settlement periods during delivery due to despatch instructions from APTRANSCO resulting in reduction in generation.

For Sri Vethsa Power Projects Ltd.

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Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

plus

- (C) generation when Force Majeure event has been declared by APTRANSCO from an event of Force Majeure under Article 10.1, determined as despatch energy for each period considering a capacity of 17.202 MW and 75% load factor or average declaring of the company during the preceding settlement period, whichever is lower.

5. **Despatch Rights**

- i. In despatching the Project, the Company shall follow the directives of the APTRANSCO to back down generation and to resume generation of Net Electrical Energy in each case consistent with the Project's Technical Limits, Prudent Utility Practices, the recommendations of the manufacturers of major equipment, this Agreement and other arrangements between the Company and the APTRANSCO regarding communication and co-ordination of operations (each such directive being called a "Despatch Instruction"). (The APTRANSCO shall not be required to reimburse the Company for any incremental costs or damages in respect of Despatch Instructions issued in compliance with the foregoing and with the following provisions.)
- ii. The number of Despatch Instructions shall not exceed one (1) per day. However if the Company re-declares its Declared Capacity, the APTRANSCO is entitled to one more Despatch Instruction.
- iii. Any Despatch Instruction issued by the APTRANSCO in violation of the Technical Limits specified in Schedule A shall not constitute a Despatch Instruction for the purpose of this Agreement.

For Sri Venkateswara Power Projects Ltd.

M. S. Rao

Managing Director

P. M. L.

Director (P.A. & Co-ordination)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 032.

SCHEDULE : E

FORMAT FOR MONTHLY BILLS

[The format for the monthly bills will be supplied by the Company to the APTRANSCO prior to COD. The format will include all-important items as per the terms of the agreement. The format shall be deemed to be incorporated in this Schedule by mutual agreement]

Along with the monthly bills, the Company shall submit appropriate documents relating to payment of interest on the loans drawn for implementing the project as per the financing documents with details of rate of interest, amount of interest and principal outstanding.

For Sri Vathsa Power Projects Ltd.

MS Man

Managing Director

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Director(RA&Co-ordination)
APTRANSCO, Vidyan Soudh,
HYDERABAD-500 032

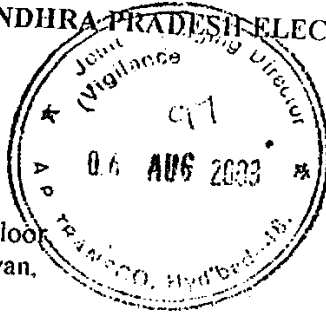
SCHEDULE - F

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION



From

Secretary
APERC
11-4-660, 5th Floor
Singareni Bhavan,
Red Hills,
Hyderabad - 500 004.



To

The Chairman & Managing Director
APTRANSCO, Vidyut Soudha,
Hyderabad

M/s. Sri Vathsa Power Projects Ltd.

Lr.No.APERC/Secy\IF: /D.No.1836/2003, Dt: 04 - 08 - 2003

Sir,

Sub: - APTRANSCO Draft Power Purchase Agreement entered into with M/s. Sri Vathsa Power Projects Ltd -consent - Reg.

A copy of the order passed by Andhra Pradesh Electricity Regulatory Commission on 02-08-2003 with regard to APTRANSCO Draft Power Purchase Agreement entered into with M/s. Sri Vathsa Power Projects Ltd is forwarded herewith.

Encl: as above

Yours faithfully,

[Signature]
4/8/03
SECRETARY

Copy to
Pri. Secy, Energy Dept., A.P.Secretariat, Hyderabad.

CE/IPC, APTransco, VS, Hyderabad.

Director (Engg)

Director (Law)

With a copy of order

With a copy of order

with a copy of order

the original order of the Commission is sent herewith for further action

For Sri Vathsa Power Projects Ltd.

[Signature]

Managing Director

[Signature]

Director(RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
HYDERABAD

Present: 1) Sri. G.P.Rao, Chairman
2) Sri. K.Sreerama Murthy, Member

Dated 04-08-2003

Transmission Corporation of Andhra Pradesh (APTRANSCO)
Vidyut Soudha, Khiratabad,
Hyderabad.

Applicant

In the matter of consent
for Draft Power Purchase
Agreement with M/s. Sri
Vathsa Power Projects Ltd
(Developer), Ground Floor, 41,
Pandurangapuram,
Visakhapatnam.

The Commission having considered the above application, the written views of the APTRANSCO and written representation of M/s. Sri Vathsa Power Projects Limited (Developer) and taking into account, the other material on record passed the following Order:

ORDER

Government of Andhra Pradesh (GoAP) during 1995, reviewed the power position in the State in the context of developing infrastructure for attracting new industry to the State. The GoAP noted that large sized power plants required long gestation periods. The proposals for setting up the power projects costing more than Rs.100 Crores had to be referred to Central Electricity Authority for approval. This was causing delay in setting up the projects. GoAP felt that it was necessary to take up mini power plants of

For Sri Vathsa Power Projects Ltd.

M. Man

Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

capacity upto 30 MW which could be implemented in a period of 12-18 months at suitable locations where industries are concentrated and the power plants can meet the demand of industries without any supply interruptions. In this background the Government framed a scheme under G.O.Ms.No.116 dated 05-08-1995 offering to permit prospective generators to set up short gestation generating stations involving investment of less than Rs.100 Crores (known in common parlance as Mini Power Plants or MPPs) based on residual fuels in the industrial estates, on the following terms:

- i) they should have tie up with the consumers with regard to quality, quantity and price of power;
- ii) there should be uninterrupted power supply to the industrial load centres except during unavoidable outages;
- iii) the generating stations having capacity of about 30 MW should be taken up to achieve quick grounding of the scheme;
- iv) the pricing arrangement will be subject to fixation of tariff by the Regulatory Commission ultimately;
- v) pay any duties or taxes and other charges imposed by the Government / Andhra Pradesh State Electricity Board (APSEB) as per rules;
- vi) wheeling of power by the APSEB at the request of the generator; wheeling charges to be at mutually agreed rate;
- vii) APSEB shall decide the upper ceiling of earmarked quantity of generation;
- viii) Scheme shall operate within the framework of the Indian Electricity (Supply) Act, 1948;
- ix) Units located in the tail-end area should be determined by calling for bids after APSEB has identified the locations.

2) The G.O.Ms.No.116 dated 05-08-1995 was modified by G.O.Ms.No.152 dated 29-11-1995. The revised policy framework envisaged the following:

- i) The MPPs will essentially be group captive, dedicated power stations to supply power to identified consumers who entered into agreement with the company's of mini power plants. Such power plants would be best suited to serve customers with a dedicated distribution system preferably over small compact areas.
- ii) The applications of these prospective investors shall be scrutinized by the APSEB and submitted to the Government which would grant licenses within four weeks in conformity with the existing Electricity laws and other statutes.
- iii) Energy from the MPPs can be supplied to the identified consumers using either APSEB's existing distribution network after entering into an arrangement like lease, rent etc., or setting up a dedicated transmission network.
- iv) The wheeling charges shall be collected in kind at the rates mentioned in the G.O.
- v) The energy generated in excess of the need of the identified customers can be purchased by the APSEB at the rates mentioned in the G.O., upto the end of December, 2000 AD. It can be upto 15% of the energy generated or more without creating any preemptive right of sale on mini power plant;
- vi) MPP company shall sell power to the consumers above the Board's High Tension tariff rate.
- vii) The industrial consumer can continue to be a consumer of APSEB also at his option or cease to be so;
- viii) Government of Andhra Pradesh would recommend to the Central Government to exempt the mini power plant equipment from custom duty and also help in obtaining preferential treatment in fuel supply allocation;

For Sri Vathsa Power Projects Ltd.

M. S. Manu

Managing Director

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D. M. K.
Director (RA & Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- 3) Consequent to the above G.O., 31 MPPs were issued permissions/sanctions to generate energy based on residual fuels. Permission to 12 of these projects were cancelled on 22-06-1998 by the Government.
- 4) None of the MPP companies could complete the work within the time granted by the Government. The Government has been extending time at their request.
- 5) Two of the 31 MPP companies commenced generation in 2000 & 1999 i.e. M/s. GBR Power Projects Ltd. & M/s. Nagarjuna Electric Generation Company. They were granted permission to supply power to third parties for a limited period i.e. upto 30-06-2000 and 31-01-2001 respectively as the Commission at this stage desired to review the policy of third party sale.
- 6) After discussions with representatives of MPP companies and on examination of APTRANSCO's views and concerns, the Commission conducted a public hearing on 03-04-2001 with regard to permitting third party sales by MPP companies.

After hearing the parties, APERC in its order in O.P.No.70-A / 2001 dated 04-05-2001 while prohibiting third party sale directed M/s.Srivathsa power limited and seven other mini power plant companies to "send a specific proposal in writing based on central Govt. Notification on the basis of their project cost to APTRANSCO within a fortnight of receipt of the above order with a copy to the commission. It was further directed that APTRANSCO shall respond communicating its views on the offer to the MPPs and the Commission within another fortnight. If the parties need more time for negotiations in the matter, they are free to approach the commission in the matter. If APTRANSCO and the MPPs agree on the price and the other terms and conditions, a (fresh) PPA may be drawn up and sent to the consent of the Commission under section 21 of APER Act 1998.

The Developer has moved the high court twice against the above order and also against APTRANSCO for not signing of PP & WA in accordance with the GOAP sanction.

Though the project was ready for commissioning in 2002, synchronization was not allowed by APTRANSCO in view of the court cases pending in the AP High Court.

The Developer vide letter dated 6.4.2002, informed that they withdrew cases against APTRANSCO and APERC and offered to sell total power that would be generated by the Developer to APTRANSCO and requested APTRANSCO to consider purchase of power at an adhoc rate of Rs.2.15 per unit pumped into the grid. The AP High Court accorded permission to withdraw the appeal against APERC order vide order dated 19.4.2002.

AP High Court permitted the Developer to withdraw the writ petition filed by it against APTRANSCO vide order dated 19.2.2002.

M/s Vathsasa Power Projects Ltd. vide their letter dated 30.4.2002 have furnished their firm proposals for sale of power to APTRANSCO for a period of 15 years as per the directions of APERC in O.P No: 70-A/2001. A series of discussions were held with the Developer by APTRANSCO duly assisted by APTRANSCO's consultants and finally the PPA was signed between APTRANSCO and the Developer on 07-09-2002 and was submitted to the Commission for consent vide Chief Engineer / IPC, APTRANSCO letter D. No. 84 / 2002 dated 18-09-2002.

The fixed charges negotiated and agreed to were based on the capacity of 17.202 MW and corresponding capital cost thereof.

Pending finalization of PPA and consent by APERC, the company was selling power to APTRANSCO at an adhoc price of Rs.1.69 and 1.65 arrived at, based on the pooled price of CGS power being purchased by APTRANSCO.

7) At this stage the Commission could not consider the issue of the consent to the PPA due to the following:

- i) Sanction for implementation of the Project expired by 31-10-2001.
- ii) The capital cost and the enhancement of the capacity were to be approved by the State Govt. before further action could be taken on the PPA.

For Sri Vathsasa Power Projects Ltd.

M. M. Rao

Managing Director

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Director (BA & Co-ordination)

- 5 - APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

- iii) All IPPs including specific MPPs for which PPAs were being sent for consent of the Commission must be got included in the generation expansion plan of APTRANSCO as well as Business Plan on approval from the Commission.

8) APTRANSCO in their revised load forecast and power procurement plan (capacity expansion plan) for 2002-07 submitted by letter dated 28-01-2003 included the subject project forming part of Mini Power Plants of a total capacity of 126 MW. APERC after obtaining the views of CEA, on load forecast and supply expansion plan, accorded approval for a capacity expansion of 5182 MW for the period 2002-2007 which included MPPs of a total capacity of 126 MWs.

9) Government of Andhra Pradesh vide letter dated 06-11-2002 accorded approval for the following in respect of M/s.Srivatsa Power Project Ltd.

- i. Change of Name of company from Vathsasa Power Projects Limited to "Srivathsa Power Projects Limited" under section 15(A) of Electricity Supply Act 1948.
- ii. For grant of extension of time for implementation of the project beyond 31-10-2001.
- iii. For enhancement of capacity from 15.4 MW to 17.202 MW and approval of capital cost of the Project of Rs. 56.88 Crores.

10) The following are the salient features of the Project.

a) Details of the Project:

| | | |
|------|-------------------------|--|
| i. | Capacity of the Plant | 17.202 MW |
| ii. | Location of the Plant | Sivakodu Village, Razolu Mandal, East Godavari District, AP. |
| iii. | Number of engines | 3 |
| iv. | Type of engine | Medium speed 4 stroke |
| v. | Capacity of each Engine | 5734 kWe |
| Vi. | Fuel | Natural Gas |

b) Tariff:

APTRANSCO has furnished a statement indicating year wise fixed costs, variable costs and levelised tariff which is reproduced below.

| Particulars | 1 st year | 5 th year | 10 th year | 15 th year | Levelised Tariff |
|------------------|----------------------|----------------------|-----------------------|-----------------------|---------------------|
| Fixed Cost | 1.266 | 1.205 | 0.982 | 0.609 | 1.120 |
| Variable Cost | 1.051 | 1.275 | 1.547 | 1.886 | 1.297 |
| Total cost / kwh | 2.317 | 2.480 | 2.529 | 2.495 | 2.417 |

11) On scrutiny of the PPA, the Commission felt that the terms of the PPA were not adequately negotiated and APTRANSCO should further negotiate on the following key issues.

- i) Capacity of the Station
- ii) Capital Cost
- iii) Auxiliary Consumption
- iv) Station heat rate
- v) O & M expenses
- vi) Duration of the agreement
- vii) Debt – equity ratio
- viii) Rate of return
- ix) Rate of interest
- x) Fuel linkage
- xi) Fuel Transportation Charges
- xii) Assignment

12) APTRANSCO was requested to renegotiate on the key issues with the Developer and resubmit the PPA after incorporating revisions. APTRANSCO was also requested to submit clarifications on the inconsistencies figured in the PPA relating to installed capacity.

For Sri Vathsa Power Projects Ltd.

M. Manu

Managing Director

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Director (RA&Co-ordination)

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HYDERABAD-500 082.

13) APTRANSCO after having negotiations with the Developer filed Amended Draft Power Purchase Agreement dated 01-05-2003 and the responses of the Developer and APTRANSCO's views on different issues vide letters dated 02-05-2003 and 10-06-2003 are discussed as follows.

Responses of the Developer and views of APTRANSCO to the suggestions of APERC on the various issues and the final observations of the Commission are given below:

14. **Capacity of the Station:**

(A) **Suggestion:**

The capacity of the Station is stated to be 17.202 MW. It is noted that this relates to the total capacity of the engine and not the output of the alternator. In the schedule of Technical parameters of the draft PPA (page 64) it is stated that considering the alternator efficiency indicated as 95.6 %, the generation at the alternator terminals is 16.445 MW. However, in the project report the alternator capacity is indicated as 16.17 MW. The station capacity therefore is to be considered as 16.17 MW only and not 17.20 MW as stated in the PPA.

(B) **Developer's Response:**

a) SPPL (Earlier known as Vathsasa Power Projects Ltd.) entered into an agreement dated 27.01.2001 to purchase 3 Nos. engines from Wartilla which were subsequently amended (on 03-08-2001) and the capacity of the engines at Alternator terminal were increased to 5734 KWe each with the aggregate capacity of the 3 Nos. engines were 17.202 MW. Copy of the addendum entered dt. 3.8.2001 was already submitted.

b) In addition, Superintending Engineer (TL&SS), Rajahmundry, carried out the inspection of the plant as per the procedure of APTransco on 23.5.2002 and confirmed the capacity of the plant as 17.15 MW at a frequency of 49.27 Hz.



(C) APTRANSCO's views:

In the original EPC contract, the electrical capacity was mentioned as 16.17 MWe. However, there has been an addendum to the EPC Contract, for the capacity of 3 Nos. Engines from Wartsila at an increased capacity of 5734 KWe aggregating the plant capacity to 17.202 MW. The copy of Addendum to the EPC contract is herewith furnished.

The PPA is structured for a fixed tariff based on deliverable units of 110 MUs. The recovery of fixed cost per unit does not change in case the capacity is reduced and the corresponding deliverable units reduce (considering constant PLF), so that the absolute recovery of fixed costs (Rs. / Unit x units delivered) remains same.

The actual capacity of the plant can be established on conducting capacity tests by APTRANSCO after signing the PPA. On completion of the capacity tests, capital cost, deliverable units and related fixed costs will be revised if necessary on the same principles as have been envisaged in the present PPA and the same will be intimated to APERC. APTRANSCO will also account for, for the changes if any, while purchasing power from the unit.

APTRANSCO further clarified in its letter dated 10-06-2003 that the inclusion of capacity at alternator terminals as 16.446 MW in the technical details on page 64 of the draft PPA dt.07-09-2002 is by oversight. APTRANSCO enclosed manufacturers technical specification and Name plate details of the new Engines conforming the capacity of the plant as 17.202 MW.

(D) Commission's observations:

Considering the material available on record and addendum dt.03-08-2001 issued to the contract, the Commission is inclined to accept that the capacity of the plant is 17.202 MW as indicated in the PPA. The Commission also takes note that the PPA is structured for a fixed charge

For SE Vardha Power Projects Ltd.

M. B. Rao

Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

based on deliverable units of 110 MU but not based on any capacity as submitted by APTRANSCO.

15. Project Capital cost:

(A) Suggestion:

Project Capital Cost of Rs. 56.88 Crores has been accepted in the PPA and approved by the GOAP. This works out to Rs. 3.52 Crores per MW considering the Station Capacity of 16.17 MW. The capital cost of Projects of similar capacity is around Rs. 2.75 – 3.1 Crores / MW. APTRANSCO should therefore negotiate with the company for the reduction of Capital Cost of the project. (Example: Wartsila machines.)

(B) Developer's Response:

The capital cost of the plant indicated as 2.75 to 3.1 crores did not have any basis. The project cost as completed as on Dec, 2001 was Rs. 59.25 cr. and as there was no alternative for the Developer, the project cost was agreed for Rs. 56.88 cr.

Only on competitive bidding, Wartsila is selected and the comparative costs have already been provided from the other manufacturers such as Caterpillar, Waukesha etc.

They understood that CEA valued these kinds of projects to be in the range of Rs.3.62 to 3.8 crores per MW, due to the inherent disadvantage of adverse economy of size for mini power plants. However, cost per MW of SPPL was well below the lower range specified by CEA.

The project cost should be site specific up to the boundary limit (excluding the evacuation and APTRANSCO sub station equipment). This depended on the site conditions, which involved land & site development cost, the foundation cost, transportation of equipment to site and erection & commissioning, which were site specific and varied with the location.

132 KV Sub station and the gas grid were built on the land which was an expensive agriculture land with black cotton soil and which was low lying. Hence, extensive land and site development by filling good quality earth had to be carried out. Considering the criticality of the operation, all the equipment and the structures were to be supported on very long concrete friction piles.

So, while arriving at the cost, all the above factors have to be considered. Based on the number of engines, the cost for the foundation supports, and corresponding electrical items will also vary.

(C) APTRANSCO's views:

Project capacity is considered at 17.202 MW and GOAP has approved the capital cost of the project at Rs. 56.88 Crs. The cost per mega watt works out to Rs. 3.306 Crs. When GOAP referred the project cost of LVS power Ltd. to CEA, the latter confirmed that per MW cost for similar plant was approved in the range of Rs. 3.6 Crs to 3.8 Crs.

(D) Commission's observations:

Considering the capacity of the plant as 17.202 MW and that the Government of AP has approved a total project cost of Rs. 56.88 Crores, cost per MW works out to Rs.3.3 Crores. APTRANSCO did not make any comparative study of capital cost of similar plants set up in the Country. The Gas plants, recently consented by the Commission have an estimated capital cost of Rs.2.8 Crores to 3.45 Crores / MW. However, those projects are with gas turbine technology as against small diesel engines being used by M/s.Sri Vathsa. Being smaller in capacity and with the employment of diesel engines instead of gas turbines, the capital cost / MW in case of M/s. Srivathsa is likely to be higher than the gas power plants consented recently by the Commission. The Commission made an attempt to compare the capital cost with similar plants proposed to be set up by M/s. Wartsila India Limited for decentralised fast track natural gas based 3 MW Rural Electrification Project. Based on the data available the capital cost is estimated to be around Rs. 3.17 Crores/ MW.

For Sri Vathsa Power Projects Ltd.

M. M. Rao

Managing Director

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M. M. Rao *✓*
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

Further CEA on enquiry from Go AP while deciding the capital cost of LVS project, stated that they had issued techno economical clearance for similar projects with capital cost ranging from Rs.3.62 to 3.84 Crores / MW. In view of the above it is considered that the capital cost as approved by the GoAP as stated by Licensee is comparable to the cost approved for power plants of this category.

Taking note of the foregoing including the company's submission on the land and the type of construction required, and submissions made by the licensee, the Commission is inclined to accept the capital cost of Rs.56.88 Crores, for the project.

16. Auxiliary Consumption:

(A) Suggestion:

APTRANSCO has stated that an auxiliary consumption of 4.25% has been accepted after negotiation. It is to be noted that in respect of similar gas based Projects, auxiliary Consumption of 3.5% has been provided in the project reports. This needs to be renegotiated with the Developer.

(B) Developer's Response:

SPPL's auxiliary consumption for the plant (for equipment used for generation) up to the transformer is 3.7% and the loss across transformer and the transmission loss amounts to 1.1% taking the cumulative loss to 4.8% as the energy supplied is metered at APTRANSCO sub station. However, SPPL agreed for 4.25% of auxiliary consumption during the negotiation with APTRANSCO.

The Developer during negotiations on 1.4.2003 has contended that due to improved efficiency in heat rate achieved by the plant compared to other plants, the plant's auxiliaries are more and hence the auxiliary consumption cannot be reduced.



The variable cost per unit for this plant is Rs. 1.05 per unit, as against the variable costs for other plants (considering 3.5% auxiliary consumption and SHR at 2305 Kcal / kWh) of Rs. 1.10 per unit. Therefore, this plant offers a better variable cost compared to similar plants in AP.

(C) APTRANSCO's views:

CEA has not laid down any guidelines with respect to auxiliary consumption for DG sets using natural gas as fuel. However, as per CEA guidelines, the auxiliary consumption for DG sets operating on liquid fuels is prescribed at 4.5%.

Since the plant is operated on gas, the station auxiliary consumption will not be as much as that required by the plants which operate on liquid fuels. Therefore, the station auxiliary consumption of this project was negotiated at 4.25%.

The PPA has provided for taking the benefits of reduced auxiliary consumption, and therefore, defined at 4.25% or actual whichever is lower.

It has now been informed that Station auxiliary consumption of similar projects like RVK Energy Pvt. Ltd. and Sriba Industries are at about 2.5%. The 11/132 KV power transformer losses for these projects are estimated at 1%. The transmission losses on the 132 KV interconnecting line is estimated at about 0.0075%.

However, in order to adjust the auxiliary consumption as per the performance of the other plants, the same was negotiated with the Developer for reduction in auxiliary consumption from 4.25% to 3.5%. But the Developer did not agree.

The actual auxiliary power consumption for this plant for the months from February 2003 to May 2003 varied between 4.02 to 4.25 %.

For Sri Vathsa Power Projects Ltd.

M. Mani

Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

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(D) Commission's observations:

As per the submission of APTRANSCO there are no norms laid for fixation of auxiliary consumption in respect of diesel engine generators to be run on Natural Gas.

CEA has fixed 4.5% as the norm for auxiliary consumption for medium speed four stroke diesel engine generators. APTRANSCO has negotiated and accepted a figure of 4.25%. While the company pleaded that the auxiliary consumption was around 4.8%, APTRANSCO considered that 3.5% would be adequate; however APTRANSCO stated that the company had not agreed. In the absence of any specified laid down norms for determining and providing for the auxiliary consumption, APTRANSCO has been directed to make physical verification of actual auxiliary consumption as the plant has been in operation since May 2002. APTRANSCO has submitted that actual auxiliary consumption is working out to around 4.02 to 4.25% for the months from February 2003 to May 2003. Developer vide letter dated 09-07-2003, stated that Auxiliary Consumption varied depending on the ambient temperature and on the number of engines running and it was as high as 4.5% during peak summer, however Developer agreed that it is possible to achieve 4.00% Auxiliary Consumption on an annual basis.

Considering the possible variations in the auxiliary consumption depending on the loading conditions and temperature, the Commission considers it reasonable to provide for the auxiliary consumption @ 4.00% or actuals whichever is less on annual basis.

17. O&M Expenses:

(A) Suggestion:

O&M @ 4% of the capital cost with escalation at 4.2% per annum has been accepted by APTRANSCO. The O&M expenses should be negotiated and limited to 3% including 1% fixed component for insurance and annual escalation as per GOI Guidelines (60% WPI and 40% CPI). Alternatively maximum escalation can be restricted to 3% per annum. However, there

shall not be any escalation for a period of one year from the date of COD as per GOI guidelines.

(B) Developer's Response:

The O&M cost agreed during negotiation was 4% including insurance with escalation of 4.2% only for the O&M cost and does not apply to insurance cost. It should be noted that for the gas engine, the spare parts required are to be imported from abroad which are subject to the risk of exchange variation and also customs duty and these engines are first of its kind in India and spares cannot be sourced locally. As per the O&M agreement the cost of maintenance works out to approximately 6.5% and on negotiation SPPL agreed for 4% which itself is a great burden for the project. Also, the additional cost is being incurred in insurance for terrorism coverage, which was not there in earlier times. Hence further reduction is not justifiable.

(C) APTRANSCO's views:

As per CEA guidelines for power plants based on 4 stroke DG engines, O&M expenses are allowed to be provided @ 4% (3% for O&M + spares and 1% for Insurance cost).

As this project has acquired DG engines, the O & M provision of 4% (3% for O&M+spares and 1% for Insurance cost) on the capital cost has been retained.

As per the O & M contract signed with Wartsila, the first year O & M cost, including insurance is Rs. 2.48 Crores, which works out to 4.36% of the cost of the project. The average O & M cost over the period of contract is 5.32%, without considering any escalation for foreign exchange on cost of spares. Therefore, the provision of O & M cost at 4% of the project cost is below the values as per the contract.

With regard to annual escalation for the O & M expenses, CEA guidelines stipulate an index linked to Wholesale Price Index (WPI) and Consumer Price Index (CPI).

For Sri Vathsa Power Projects Ltd.

M. Mani

Managing Director

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M. S. S. *B.*
Director (R&Co-ordination)
APTRANSCO, Vidyan Soudha,
HYDERABAD-500 082.

Based on the historical trend of these two economic parameters (WPI & CPI), which were in the range of 4-4.5%, the escalation index was determined at 4.2%. This escalation index was applied only on the O&M costs and the insurance cost was not escalated.

However, since the recent inflationary indices are at about 4.0%, the escalation index for the O & M costs was therefore negotiated at 4%. However, the Developer has not agreed to the proposal since the spares are required to be imported.

(D) Commission's observations:

The O & M charges of 4 % of the capital cost approved in the Draft PPA with 4.2 % annual escalation has been examined by the Commission. CEA guidelines provide for 4% for O & M with an annual escalation of 60% WPI and 40% CPI. The 4% incorporated in the PPA includes for 1 % towards insurance which is not subject to any escalation. Based on the guidelines stipulated by the CEA, the Commission accepts O&M expenses at 3% with annual escalation based on economic parameter of WPI and CPI at 60% and 40% respectively in addition to 1% towards insurance costs which is not subject to any escalation. However, there should be no escalation for a period of one year from the date of COD as per GOI guidelines.

18. Station Heat rate:

(A) Suggestion:

Station Heat Rate has been agreed @ 2166 kcal / kwh in the PPA. This needs a review as CEA guidelines stipulate 2000 kcal/kWh for Diesel Engine (DE) generators. Considering the fact that DE generators behave in the same manner with natural gas as fuel and the heat rates that are adopted in similar projects, APTRANSCO may negotiate with the Developer for acceptance of 2000 kcal/kWh.



(B) Developer's Response:

The selection of Wartsila engine is based on the higher efficiency i.e., better specific heat rate. The specific heat rate of other plants presently operating on the gas is much higher as compared to their plant and hence consumption has to be taken at actual.

(C) APTRANSCO's views:

Government of India (GOI) guidelines do not provide for any benchmark Station Heat rate for DG sets using natural gas as fuel.

Nevertheless, information is now available on the station heat rate of similar projects operating in AP, which are operating in the range of 2279 to 2805 Kcal/Kwh. Hence the station heat rate of 2166 Kcal/kWh for this project is considered to be reasonable.

(D) Commission's observations:

The Station Heat Rate approved for different projects of similar capacity is widely varying. The Government of India guidelines do not provide any benchmark Station Heat Rate for using DG sets with Natural Gas as fuel. Further the Station Heat Rate of various projects are ranging from 2279 to 2805 kcal/kWh as submitted by APTRANSCO. Hence, the mutually accepted Station Heat Rate of 2166 kcal/kWh which is less than the range appears reasonable and acceptable to the Commission. The Commission agrees with the proposed Station Heat Rate of 2166 kcal/kWh or actual whichever is less.

19. Fuel transportation charges:

(A) Suggestion:

Escalation @ 3% for Fuel Transportation Charges has been agreed in the agreement, which is not justified. APTRANSCO/ GOAP should take up the matter with GAIL (India) in this regard as well as on the minimum off take charges.

For Sri Vathsa Power Project

M. Manoj
Managing Director

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Director (RA&Co-ordination)
- 17 - APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

(B) Developer's Response:

No comments

(C) APTRANSCO's views:

Majority of the Fuel Supply Agreements with Gas Authority of India Limited (GAIL) are in standard format, which contain 3% escalation on transportation charges.

GAIL has informed that exercise of revision of transportation charges is on. Further action in this regard will be taken after hearing from GAIL and getting the details from the GAIL.

APTRANSCO will include the provision that fuel transportation charges shall be revised based on the directions of the concerned regulatory authority from time to time at Article 1.1.28.

(D) Commission's observations:

The Fuel Transportation Charges are decided as per the policy of M/s. GAIL India Limited who have indicated that the fuel transportation charges are going to be rationalized in near future adopting the cost of service methodology which is an international practice. APTRANSCO and GoAP may take up the issue with M/s GAIL (India) Ltd & the concerned regulatory authority when set up.

20. Fuel supply agreement:

(A) Suggestion:

The fuel supply agreement is valid upto 31.12.2010. The company should conclude the FSA for the entire duration of the agreement. Alternatively

- i) the Company should use alternative fuel and cap the price of fuel to that of natural gas
- ii) the fixed and variable charges to be proportionally limited to the actual generation.

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(B) Developer's Response:

They will not ~~claim~~ extra cost over and ~~above~~ the cost of natural gas for generation of power ~~from~~ our plant.

(C) APTRANSCO's views:

Fuel Supply Agreement (FSA) entered into between the Developer and GAIL is valid only upto 31.12.2010. It has been a standard practice for GAIL to enter into FSAs, which are valid upto 31.10.2010.

Further, the PPA provides for usage of only natural gas as primary fuel and hence the Developer is not allowed to use any fuel other than natural gas.

The Developer has agreed that they will not claim extra cost over and above the cost of natural gas for generation of power from their plant

Accordingly, a suitable provision to this effect has been incorporated in the PPA on the following lines.

"In the event of non-availability of natural gas, the company may operate the plant with alternative fuel subject to prior concurrence of APTRANSCO. However, in such an event the energy charges will be as decided by APTRANSCO, based on cost of natural gas or cost of such alternative fuel, whichever is lower."

There is no provision for use of fuels other than Natural gas in the power plant and same has been confirmed by the Developer.

(D) Commission's observations:

The Commission notes that the plant is not designed for the utilisation of any other fuel other than Natural gas as submitted by APTRANSCO and company. Hence the provision that the Developer may operate the plant with alternate fuel limiting the energy charges to the cost of Natural gas is not relevant.

For Sri Vathsa Power Projects Ltd.

M. S. Mas

Managing Director

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M. S. Mas
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
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The Commission notes that the fuel supply agreement is valid upto 2010 only. The Developer vide letter dated 03-06-2003 stated that they have already taken up the matter with GAIL to extend the FSA till the validity of the PPA and the same is under active consideration.

Subsequently the Developer filed an amendment to the contract made on 12-07-2003 between M/s. GAIL (India) Limited and the Developer extending the FSA till 31-12-2018 which is co-terminus with the term of PPA. The Commission while taking note of the fact directs that if Developer procures gas from sources other than GAIL, the cost of natural gas shall be limited to lowest of them.

21. Debt – Equity Ratio:

(A) Suggestion:

APTRANSCO has stated that they had negotiated debt – equity ratio of 65:35 to 70:30, claiming it to be a better deal as this enables a reduction of long term burden in terms of return of equity which has to be paid for the entire life of the project. This argument may not be correct. A higher equity to debt involves greater commitment on the part of the Developer and it would also provide a better negotiating tool for balancing any front loading of the tariffs. APTRANSCO should re-negotiate for original debt - equity ratio of 65:35. Further, the entire debt is issued as Non-Convertible Debentures (NCD) and not as loan from Financial Institutions. APTRANSCO has accepted the interest @ 16% on NCD for first six months and for balance period at @ 14.5%, which is not justified. Interest on NCD is to be in line with Govt. bond rate relating to FY 2001-2002. APTRANSCO should negotiate accordingly with the Developer and obtain details on NCDs issued by the Developer.

(B) Developer's Response:

The Developer also agrees for Debt Equity ratio of 65:35 instead of 70:30, as it is based on the financial arrangement the Developer has but Financial Institutions (FIs) did not agree for the same and they were ready to exit from the project, in case such arrangement was made by AP Transco. In

fact FIs did not even agree for the reduction in the interest from 16% as agreed in the loan document to 14.25%.

(C) APTRANSCO's views:

As per Government of India (GOI) guidelines on private sector participation in power sector, leverage (Debt-Equity ratio) to an extent of 70:30 in project financing is permitted.

Further, Change in Debt-equity ratio from the existing 70:30 to 65:35 would result in reduced benefits to APTRANSCO to an extent of more than Rs. 4 Cr assuming Average RoE at 15%. Even if RoE is reduced to 12%, Debt Equity ratio of 65:35 would not be beneficial and the same results in reduced benefits to APTRANSCO to an extent of Rs. 3 Cr (Approx) over PPA period. Hence, Debt-Equity ratio of 70:30 is preferred.

Even if ROE is reduced to 10% the debt equity ratio 70:30 is more beneficial as compared 65:35 debt equity ratio. There will be less payment of Rs. 2.19 Crs over the PPA period in debt ratio of 70:30.

(D) Commission's observations:

Though the Commission agrees that the higher equity contribution envisages greater involvement by the Developer, such arrangement will increase the tariff as the ROE is more than the interest on loan. Hence, the Commission advises to retain the debt-equity ratio of 70:30 as provided in the PPA.

22. Return on Equity:

(A) Suggestion:

The return on equity has been reduced by APTRANSCO to 15% (levelised at 14.09%) as against 16% in the guide lines. The basis for reduction and whether reduction is adequate is not clear. 16% on equity is an upper ceiling approved in GOI guidelines and APTRANSCO can negotiate for a lower ROE, say 10% to be in line with the prevailing bank deposit rates of 6.25%.

For Sri Vathsa Power Projects Ltd.
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Managing Director

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Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
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(B) Developer's Response:

The reduction on ROE is not agreeable as already the company lost ROE for the past one year and accumulated substantial interest as the plant is being operated on adhoc tariff. They did not want to be burdened further and requested for compensating the loss the Developer had undergone due to the delay in finalising of PPA, by adding the accumulated interest and ROE to the project cost.

The Developer did not agree to further reducing the RoE on the ground that Equity was committed more than three years ago and RoE of 14.09% was very low.

(C) APTRANSCO's views:

As per CEA guidelines, Return on Equity (RoE) @ 16% is allowed to the companies. However, APTRANSCO can negotiate a lower rate depending upon the circumstances.

APTRANSCO has further negotiated on 1.4.2003, but the Developer did not agree for reduction in return on equity to a lower level.

However, taking into account the lower rate of interest and the risk profile of the business, APTRANSCO suggests a Return on Equity of 10%.

(D) Commission's observations:

The Commission has suggested for reduction on return on equity to 10% against 15% agreed to between APTRANSCO and the Developer.

The Developer however did not agree stating that they lost ROE for one year and accumulated substantial interest as the plant is operating on adhoc tariff basis. Therefore they requested for retaining the existing provision. APTRANSCO suggested a return on equity at 10%. In all the PPAs, consented recently Income tax on ROE is a pass through and is to be reimbursed by APTRANSCO. However in the present case Tax is not reimbursable. To that extent the effective ROE will further come down subject to Tax holiday, if any. Considering the provisions as per Gol guidelines, PPAs

consented recently and non applicability of Income tax on ROE the Commission accepts the rate of return of 15% as agreed to between APTRANSCO and the Developer.

23. Interest on Loans:

(A) Suggestion:

The interest on NCD is to be inline with Government bond rate related to FY 2001-2002.

(B) APTRANSCO's Views:

Loans from Financing Institutions to the project are structured in the form of NCDs. The structuring of loan will not change risk profile of the project and hence there will not be any effect on interest rate whether the financing is in the form of loan or NCD.

APTRANSCO had negotiated the rate of interest as 14.5%, despite the project financing is tied up at 16% interest. The risk of reducing the interest costs by negotiating with the lenders or take the higher interest cost on the revenue costs was on the Developer.

The project funds were committed in the year 2000-01 and hence the lenders have loaded their cost of funds onto the project, after making up their margin. Under normal circumstances, any reduction in interest rate and restructuring the debt would entail pre-payment premium. In case the Developer has to negotiate any reduction in interest costs, from the present 16% to 14.5% or lower, he would have to meet the pre-payment premium, which was also loaded on the promoter.

However, considering the fact that the interest rates have softened further in the economy, APTRANSCO has negotiated with the Developer for further reduction in interest rates, and the Developer has agreed to reduce the same to 14% from the existing 14.5%. However, the interest rate for the first two quarters from the date of PPA is provided at 16% in order to afford an opportunity to the Developer to negotiate with the term loan lenders.

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For Sri Vathsa Power Projects Ltd.

M. S. Rao

Managing Director

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M. S. Rao
Director (RA&Co-ordination)
APTRANSCO, Vidyut Soudha,
HYDERABAD-500 082.

(C) Commission's observations:

APTRANSCO has filed a statement indicating the total benefits by reducing the interest rates from the earlier assumption of 14.5% to 14%. The Commission after going through submissions of APTRANSCO accepts the rate of interest of 14% as provided in draft PPA at clause No.14.1 as the loans were committed in the year 2000-2001 itself and the project is already in operation since May, 2002. However the Commission opines that the Developer should seek cheaper alternative sources of finance and swap the loans to provide possible relief to APTRANSCO and ultimately to the consumers. APTRANSCO should assist the Developer in this regard. The Commission directs APTRANSCO to take up this issue with the Developer.

24. Commercial Operation Date:

(A) Developer's Request:

The Developer has stated that the plant has been operating since May 2002. However in the absence of a consented PPA, the power is being supplied at an adhoc price of Rs.1.69 / 1.65 per kWh.

The Developer has therefore requested that 04-05-2002, from which date the power is being supplied to APTRANSCO, should be treated as the commercial operation date and the provisions of the PPA should take effect from that date onwards.

(B) APTRANSCO's views:

APTRANSCO informed the following in its letter dated 21-06-2003.

- i) As per article 1.1 (11) of the draft PPA, COD of the project means the date of witnessing of full load of the project, within 15 days from the date of approval of PPA.
- ii) The effectiveness of the contract will be considered from the date of the declared COD of the project.
- iii) Considering the effective date of PPA from 04-05-2002 is not possible as APTRANSCO has been purchasing power under

short-term power purchase @ Rs.1.65 ps./kWh delivered on mutual agreement.

(C) Commission's observations:

The contention of Developer to make PPA terms applicable from 04-05-2002 onwards need not be considered for the following reasons.

(a) Purchase of power at adhoc price was cleared by the Commission with a specific condition that it does not confirm any preemptive right on the Developer in terms of the PPA.

(b) The Government of A.P has not approved change of name of the Developer or grant of extension of time for implementation of the project beyond 31-10-2001 or enhancement of capacity from 15.4 MW to 17.202 MW or its related capital cost, by then.

(c) Government of AP accorded approval for those stated in Para (b) above, in its letter dated 16-11-2002.

(d) The Developer has been supplying power to APTRANSCO upto 31-03-2003 and an additional quantum of 50MU from 01-04-2003 on adhoc price basis being economic purchase under merit order.

APTRANSCO has quoted Article 1.1(11) of the draft PPA and recommended that the effective date for determining the revised tariff should be 15 days from the date of approval of the PPA by APERC. The Commission is of the view that while determining the COD of a project which is already in operation, due recognition must be given to the availability of the project, status of necessary approvals including fuel tie ups and its impact on tariff. The Developer has stated that he has been supplying power to APTRANSCO on adhoc basis since 04-05-2002 and has requested the same to be used as the date for commercial operation. From the date of synchronization, the Developer has been supplying power to APTRANSCO pursuant to the order issued by the Commission vide order dated 13-08-2002 and 16-01-2003, on adhoc price fixed during this period. In the tariff order for 2003-04, the Commission has considered purchase of power from this

For Sri Vathsa Power Projects Ltd.

M. Man

Managing Director

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PM 40
Director(RA&Co-ordination)
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Developer on two-part tariff basis from 01-04-2003 as all the relevant Government approvals and the necessary fuel tie-ups were in place. Hence the Commission fixes 01-04-2003 as the appropriate date for implementing the tariff as detailed in this order. Article 1.1(11) of the draft PPA should also be modified accordingly.

25. Subject to incorporating the amendments / modifications suggested at paras 16, 17, 20 and 24 and detailed here under, the Commission issues consent under section 21 (4) of the A. P. Electricity Reform Act, 1998 for the Amended Draft Power Purchase Agreement dated 01-05-2003 entered into between M/s. Sri Vathsa Power Projects Ltd., and APTRANSCO for the 17.202 MW gas based Mini-Power Plant.

Para 16 (D): Auxiliary Power Consumption,

Para 17 (D): O & M expenses,

Para 20 (D): Fuel Supply agreement,

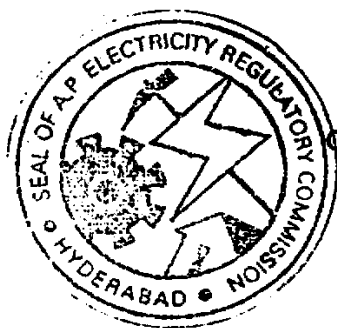
Para 24 (C): Commercial operation date

Revised / Restated and amended PPA, incorporating the above amendments, may be submitted to the Commission for record.

This Order is signed by the Andhra Pradesh Electricity Regulatory Commission on 4th August, 2003.

Sd/-
(K.SREERAMA MURTHY)
MEMBER

Sd/-
(G.P.RAO)
CHAIRMAN



CERTIFIED COPY

[Signature]
4/8/03
SECRETARY
A.P. Electricity Regulatory Commission
Hyderabad.