

Annexure to the Order on Petition No: PP1
of
Cochin Special Economic Zone (CSEZ)
in the matter of Power Purchase Agreement between KSEB and CSEZ

POWER PURCHASE AGREEMENT
(Model for guidance only)

THIS POWER PURCHASE AGREEMENT made on the between the (hereinafter referred to as the "Board" which expression shall, where the context so admits or implies, be deemed to include its successors or assignees as well) on the one part and the Cochin Special Economic Zone (CSEZ), Department of Commerce, Ministry of Commerce & Industry, Government of India (hereinafter referred to as the "CSEZ") on the other part, whereby it is agreed to as follows:

WHEREAS as per the proceedings No.KERC/CSEZ/2/71/2005 dated 29.1.2005 of Kerala State Electricity Regulatory Commission (herein after called the "Commission") has expressed no objection in operationalising the licence sanctioned by Government of Kerala *vide* GO(Rt) No.118/02/PD dated 20.6.02, to receive power for own use of CSEZ and for distribution to other consumers within the area specified in the said licence subject to the terms and conditions specified therein and any conditions specified by the Commission under proviso to Section 16 of the Electricity Act, 2003 (herein after called "the Act"). The said proceedings and GO(Rt) No.118/02/PD dated 20.6.02 shall form part of this agreement.

WHEREAS CSEZ agrees to abide by the terms and conditions specified in the said licence and any conditions specified by the Commission as per proviso to Section 16 of the Act.

AND WHEREAS the parties hereto have agreed to enter into this agreement on the following terms and conditions:

1. (a) The Board shall supply to CSEZ and the latter shall take from the Board power up to a total quantum of 7961 KVA (seven thousand nine hundred and sixty one KVA only) for its own use and for the purpose of supply to the consumers within the area of supply as provided in the licence.

(b) The supply to CSEZ shall be in the form of Three Phase Alternating Current at a nominal frequency of 50 Hz. Power up to a maximum of 7961 KVA (Contract Demand) will be supplied at a Voltage of 110,000 Volts.

(c) The frequency and voltage of electrical energy at the point of delivery of power to CSEZ shall be subject to the fluctuations that are ordinary, usual and incidental to the generation and transmission of electrical energy, but such fluctuations shall not except owing to extraordinary reasons beyond the control of the

Board, vary \pm 3% (**plus or minus** three percent) on the frequency and -12.5% (**minus** twelve and half percent) and +10% (**plus** ten percent) on the voltage.

2. (a) The point of delivery of power at 110000 Volts shall be at CSEZ's side of the 110000 Volts metering Current/Potential Transformers in the outdoor switch gear station of the Board at the CSEZ's premises. CSEZ shall install, maintain, do the repair and replacement of meter(s) and Current/Potential Transformer at its cost and they shall be the properties of CSEZ.

(b) CSEZ shall continue to provide to the Board free of charge all land or space required for the purpose of erecting necessary equipments or stations and allow the Board's Engineer, authorized in this behalf or its authorized representative access to such station at any time of the day or night.

(c) CSEZ shall at its own cost provide, install and maintain suitable 110 KV circuit breakers complete with protective gear on its side of the outdoor metering current transformer or in its main feeders with settings of the protective relays properly coordinated with the Board's system.

3. CSEZ shall all time maintain with the Board security to the extent of electricity charges based on average consumption for two months. This shall be fixed initially as Rs...../-. The security shall be in the form of irrevocable letter of credit with a maximum period of one year. The Bank charges for opening the LC shall be paid by CSEZ. The security shall be reviewed and revised after six months based on the average electricity bill amount for that period. CSEZ shall on demand in writing by the Board, replenish or enhance the security within ten days in the event of the same being found insufficient by the Board after such review. A demand for the purpose of this clause is deemed to have been made if a notice is sent by registered post giving ten days time to comply with it. In the event of CSEZ failing to replenish or enhance the security even after the demand as stated above is made, it shall be lawful for the Board to disconnect the service. The disconnection of supply in default of payment shall be as per Section 56 of the Act. The Board is at liberty at any time to appropriate and apply any security so furnished towards payment or satisfaction of all or any money which shall become due from or owed by CSEZ to the Board in respect of supply of electricity or otherwise under this agreement.

4. Supply is liable to be restricted or cut-off during power-cut/power restriction period after giving notice to CSEZ by the Board.

5. Peak load restriction or any other restriction necessitated by local condition or otherwise when imposed shall be binding on CSEZ and shall be strictly complied with by CSEZ.

6. (a) The quantity of electrical power and energy supplied by the Board to CSEZ shall be ascertained by means of a meter or meters and Current-Potential Transformer as per the specifications of the Board in line with the guidelines issued by the Central Electricity Authority in this regard. The meter(s) and Current and Potential Transformers shall be periodically calibrated by the Board or duly

authorized and approved third party laboratories. The periodicity and methodology of calibration shall be as per the standards in force and as specified by the Central Electricity Authority from time to time.

(b) When the meter or meters, Current or Potential Transformers become defective or the meter or meters cease to measure the electrical quantity supplied by the Board, CSEZ shall repair them or replace them by correct meter or meters or Current or Potential Transformer at its cost within one month of the meter or meters becoming defective or ceasing to register the electrical quantity or the Current or Potential Transformer becoming defective. The Board shall notify CSEZ if any defects in the meter and /or Current or Potential Transformers are noticed.

(c) The said meter or meters, shall properly be sealed and tamper protected in the presence of duly authorized representatives of both parties and shall not be interfered with by either party except in the presence of duly authorized representatives of both parties in this behalf.

(d) CSEZ shall purchase and install power factor meter at its cost. The average monthly power factor determined by the ratio of kWh and kVAh monthly reading taken shall be the basis for determining penalty and incentives.

7. (a) The reading of the said meter or meters shall be taken by the accredited representatives of both the parties hereto as near noon as practicable on the first day of each calendar month and recorded. The recording of the readings shall be in a card to be attached to such meters, which shall be open to the inspection by CSEZ. In the case of electronic remote reading or automatic reading, the appropriate security and protection system shall be an integral part of logging, registering and downloading the meter data. The readings so recorded shall be binding and conclusive between the parties hereto, as to the time and use and quantity of electrical power and energy supplied under this agreement. Invoice shall be prepared based on the metered values at the tariff as per the schedule attached hereto or other applicable tariff, as approved by the Commission. Payment shall be made within the date specified in the invoice issued to CSEZ by the Board for the power supplied. In default of payment, CSEZ is liable to pay interest at twice the bank rate for actual number of days of delay.

(b) If CSEZ fails to remit the dues within the time stipulated in Clause 7 (a) of this agreement, it shall be lawful for the Board to cut-off the supply of power after giving the notice contemplated in Section 56 of the Act. In that event, it shall also be lawful for the Board to invoke the security provided by CSEZ towards realization of the dues.

8. (a) If CSEZ shall at any time consider that any meter or meters or Current or Potential Transformer is not in proper order for correctly registering the quantity of supply, CSEZ may notify to the Board's Engineer authorized in this behalf for a special test with remittance of actual testing fee. On receipt of the application and testing fee, the Board in the presence of CSEZ or an agency duly authorized by it in this behalf shall cause to test the meter and if during such test, the error in the meter

or Current or Potential Transformer is found to exceed the limits of accuracy laid down as per the standards in force from time to time, CSEZ's bill shall be adjusted in accordance with the result of the test for the previous six months maximum demand and energy consumption from the date of test unless there is satisfactory evidence to show that the meter was not registering correctly or Current or Potential Transformer was not working correctly for a definite period in which case the bills shall be adjusted for such definite period not exceeding six months and the test fee shall be returned to CSEZ. If, however during the test, the error in the meter or Current or Potential Transformer in dispute is found to be within the limits of accuracy laid down from time to time, the previous bills shall be confirmed and the Board shall forfeit the test fee. Testing as stated above shall also be done at the instance of the Board, and in such case, testing fee shall be born by the KSEB if the meters and/or associated CTs/PTs are confirmed non-faulty. If the meters and/or CTs/PTs are confirmed as faulty after testing, charges/fee shall be born by CSEZ. If upon testing the meter or meters, Current or Potential Transformer are found to be defective, the Board shall be entitled to revise the invoice as per the test result for the period and such revision shall be binding on CSEZ. CSEZ shall rectify and/or replace the defective meter(s), Current or Potential Transformers at its cost.

(b) Regarding testing and calibration of meters and associated CT/PTs, the Central Power Research Institute (CPRI) , Chief Electrical Inspectorate (CEI) of Kerala or any other agency approved by the Commission shall be the designated agencies approved for the purpose.

9. In the event of any meter ceasing to register or Current or Potential Transformer becoming defective, the maximum demand and energy during the period of such cessation/defect shall be worked out based on the normal average maximum demand and energy consumption of previous six months preceding the detection of the cessation/defect of the meter or Current or Potential Transformer. If the average maximum demand or the energy consumption for the said previous six months cannot be taken due to any reason, the average maximum demand and energy consumption during the period the meter or the meters was defective or cease to register or the Current or Potential Transformer was defective shall be determined by the Board by taking the average maximum demand and energy consumption recorded for a period of three months after replacement by accurate and defect free meter or meters or Current or Potential Transformer by CSEZ at its cost.

10. (a) CSEZ shall pay for all electrical power/energy supplied to it by the Board under this agreement and ascertained as herein before provided, an amount calculated at the Tariff rate shown in the schedule ruling from time to time.

(b) The rates shown in the schedule are liable to revision by the Board from time to time with the approval of the Commission in which case the revised schedule shall be part of the Agreement and shall be binding on CSEZ and the Board shall

levy of charges at the revised rate or rates. CSEZ also agrees that the Board may change or alter the method of billing with the approval of the Commission.

(c) The tariff shown in the Schedule shall be exclusive of any duty or surcharge or any other tax/levies, either existing or to be imposed by the Government or Board which shall be borne by the Licensee.

11. For the purpose of this agreement, the maximum kVA Demand will be the average of the quantities of kVA delivered at the point of supply of CSEZ recorded during any consecutive 30 minutes period of maximum use in the month registered by the metering equipment installed near the point of supply. This is also defined as twice the largest number of kWh or kVAh supplied and taken during any consecutive 30 minutes in the month. The maximum demand based on which CSEZ shall be billed for Demand charges and energy charges called "Billing Demand" shall be the recorded maximum demand for the month or 75% of the Contract Demand.

12. CSEZ agrees to maintain the power factor of the intake electricity supply by it at not less than 0.90 lag by suitable power factor correction equipments at its cost. The incentives and penalties for deviation from the agreed power factor of 0.9 lag, shall be as given below:

If the power factor drops below 0.9 lag, the penalty payable by CSEZ, shall be 1% of the energy charge for every reduction of 0.01 fall from 0.90.

If the power factor is above 0.90, and between 0.90 and unity, incentive at the rate of 0.15% of the energy charges for each 0.01 unit increase in power factor shall be paid by the Board by adjustments in the bills.

13. All sums found due to the Board from CSEZ under or by virtue of these presents or by reasons of the breach thereof or otherwise are recoverable under the provisions of the Revenue Recovery Act for the time being in force as if they are arrears of public revenue due on land or in such other manner as the Board may deem fit. The above provisions shall not prejudice any other remedy to which the Board may be entitled for the recovery of such moneys.

14. (a) This agreement shall be valid for a period of 20 (twenty) years from and after that period the agreement shall continue to be in force until it is terminated by either party by issue of three months notice sent by registered post.

(b) If CSEZ wishes to terminate the agreement within the period of 20 years as in clause 14(a), it shall inform the Board by issue of three months notice sent by registered post. In such cases, CSEZ is liable to pay reasonable compensation as demanded by the Board. Any dispute on this clause shall be adjudicated upon by the Commission.

15. (a) Should CSEZ desire an increase or decrease in the supply of contract demand in excess of what is provided for under this agreement, the Board shall

consider the request of CSEZ and the Board shall upon execution of a fresh agreement for the whole supply on terms and conditions mutually agreed upon and with the approval of the Commission, supply such additional requirement provided sufficient surplus power is available at the corresponding point of supply at the specified time subject to the condition that CSEZ shall bear the cost of works for modification/alteration/enhancement of capacity of the existing transmission lines/substations owned by the Board necessitated to supply the increased contract demand.

(b) Where it is established to the satisfaction of the Board's Engineer not below the rank of Executive Engineer that CSEZ had dishonestly abstracted used or wasted maximum demand or electrical energy, or connects unauthorized additional load resulting an increases in the contract demand without sanction from the competent authority, such Engineer/Officer shall estimate the value of the maximum demand and electrical energy thus abstracted, consumed, used or wasted and the same shall be demanded and collected by the Board at one and a half times the ruling tariff both for maximum demand and energy for a period of previous six months unless there are convincing reasons to believe a different date by including it in the next bill or by a separate bill. Such amounts shall be deemed to be arrears of electricity charges when after demand they are not paid. CSEZ if aggrieved against an order of assessment made by the Board's Engineer/Officer may appeal to the concerned Chief Engineer (Distribution-South) within a fortnight from the date of communication of the order. If the matter is not resolved within fifteen days thereof, the same shall be brought before the Commission for adjudication under Section 86(1) (f) of the Act.

(c) All other disputes between KSEB and CSEZ shall be brought before the Commission by either party for adjudication under Section 86(1) (f) of the Act.

(d) CSEZ agrees to obtain approval from the Chief Electrical Inspector for energizing its installation before receiving the power from the Board.

16. CSEZ also agrees that when the recorded maximum demand of any month exceeds the contract demand as specified in the agreements entered into between CSEZ and the Board, and the Board and CSEZ have not signed any new agreement as envisaged in Clause 15(a) of this agreement, the excess demand will be charged at a rate approved by the Commission from time to time.

17. (a) The supply of electrical power under this Agreement shall be available continuously except, in cases of lock-out, strike of the employees of the Board, breakdown of machinery or plant, flood, drought or other *force majeure* or any other

cause over which the Board has no control for any discontinuance or diminution of the supply, but the Board shall restore the supply as soon as reasonably it can.

(b) CSEZ shall not be responsible for non-consumption of energy due to lock-out, strike of employees of the Licensee, major break-down of machinery/plant which to the satisfaction of the Board is responsible for the non-consumption of energy or other *force majeure*, over which CSEZ has no control, but shall resume consumption of energy as soon as reasonably it can. In such cases, where CSEZ is unable to consume energy, it shall promptly intimate the Board, the reasons for such non-consumption. In any event CSEZ shall be bound to pay to the Board, the minimum annual revenue guaranteed by CSEZ and specified in the schedule appended herewith, irrespective of in the question whether any energy has been consumed or not, whatever be the reason for non-consumption and also irrespective of the actual quantity consumed. However, the Board shall have the right to take periodical shut-down as and when required for the purpose of routine maintenance after giving reasonable notice to CSEZ and no claim for rebate or refund of charges on this account shall be entertained by the Board.

18. The provisions in the Electricity Act, 2003, and the amendments thereon from time to time and the statutory obligations under the regulations or directions or orders issued by the Commission from time to time shall also be binding on both parties.

19. The schedule appended hereto shall form part of this agreement.

20. The rights and liabilities, obligations and duties as between the Board and CSEZ shall be as provided for by this agreement only.

21. It is hereby agreed that all liabilities of whatever nature due to the Board from the heirs or successors or legal assignees of CSEZ shall be payable by CSEZ exclusively to the Board without any objection.

SCHEDULE

Description of the premises at which power supply is provided	:Cochin Special Economic Zone
Purpose for which the power is supplied	For own consumption of CSEZ and sale to units in CSEZ
Tariff for supply by the Board to the Licensee:	
Demand charge per KVA per month	Rs.225/-
Plus	
Energy charge per Unit	Rs.2.60
Plus	
Duty/surcharge/any other tax/levies either existing or to be imposed by the Board or Government from time to time	
Maximum Electrical Power required by CSEZ (Contract Demand)	7961 KVA at 110,000 Volts
Penalty for exceeding the Contract Demand	150% of the Demand Charge
Minimum revenue per year guaranteed by CSEZ	Twelve times the demand charge corresponding to 75% of the contract demand at the rates in force from time to time

IN WITNESS thereof Shri _____ for and on behalf of the Kerala State Electricity Board and Shri _____ for and on behalf of CSEZ have set their hands and seals on the first above written.

Signature of the KSEB

Signature of CSEZ

Witnesses:
(For the KSEB,

Witnesses (For CSEZ)

1.

1.

2.

2.