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POWER PURCHASE AGREEMENT

BETWEEN

NTPC LIMITED

AND

UNION TERRITORY OF DADRA & NAGAR HAVELI

FOR

**VINDHYACHAL SUPER THERMAL POWER STATION STAGE-IV
(2X500MW)**

THIS POWER PURCHASE AGREEMENT hereinafter called the "Agreement" entered into at on the day of, Two Thousand Eight (...../...../2008) between NTPC Limited, a Company incorporated under the Companies Act, 1956 having its registered office at NTPC Bhawan, Core 7, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi - 110003 (hereinafter called 'NTPC') which expression shall unless repugnant to the context or meaning thereof includes its successors and assigns as party of the first part; and Electricity Department of Union Territory of Dadra & Nagar Haveli, having its Head Office at Silvassa-396230 (referred to as 'DNH') which expression shall unless repugnant to the context or meaning thereof shall include its successors and permitted assigns as party of the second part.

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WHEREAS NTPC is a Generating Company as defined under Section 2(28) of the Electricity Act, 2003 and is a Government company within the meaning of Section-617 of the Companies Act, 1956.

AND WHEREAS NTPC is setting up a coal fired power station named as Vindhyachal Super Thermal Power Station (nominal capacity of 1000 MW) at Vindhyachal in Singrauli District of Madhya Pradesh State hereinafter specifically referred to as "Vindhyachal STPS Stage-IV" and generally to be referred as "Station" to be owned and operated by NTPC.

AND WHEREAS the DNH and other Bulk Power Customers are desirous of purchasing energy from Vindhyachal STPS Stage-IV and NTPC is willing to sell energy from Vindhyachal STPS Stage-IV to DNH and other Bulk Power Customers from the date of commissioning of Unit-I of Vindhyachal STPS Stage-IV on mutually agreed terms and conditions mentioned hereunder.

Now, therefore, in consideration of the premises and mutual agreements, covenants and conditions set forth herein, it is hereby agreed by and between the parties as follows: -

1.0 DEFINITIONS

- (a) The words or expressions used in this Agreement but not defined hereunder shall have the same meaning assigned to them by the Electricity Act, 2003 as amended from time to time, the Rules framed there under and Regulations issued by CERC from time to time.
- (b) The words or expressions mentioned below shall have the meanings respectively as assigned hereunder:

Act; 2003 Shall mean the Electricity Act, 2003 as amended or modified from time to time, including any re-enactment thereof.

Authority Central Electricity Authority.

Bulk Power Customer Bulk Power Customer in relation to a generating station shall mean the person to whom power is allocated from the station.

Billing Centre The office as intimated by NTPC from where the bills will be raised on DNH.

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Busbars	Shall mean 765 KV or 400 KV or 220 KV Busbars of the Station (as the case may be) to which outgoing feeders are connected.
CERC	Shall mean Central Electricity Regulatory Commission.
CTU	Shall mean Central Transmission Utility.
Capacity Charges	Capacity Charges are Fixed Charges as determined by CERC or any other competent authority and shall be paid on a monthly basis in proportion to the allocated capacity from time to time.
Charges for supply of energy	Shall mean and include all charges to be paid by Bulk Power Customer(s) in respect of supply of energy/power to them by NTPC in accordance with the provisions of this Agreement.
GOI	Shall mean Govt. of India.
IEGC	Shall mean Indian Electricity Grid Code, as approved by CERC or any other competent authority and as amended from time to time.
LC	Shall mean irrevocable Revolving Letter(s) of Credit.
PPA	Power Purchase Agreement.
WRLDC	Shall mean Western Regional Load Despatch Centre.
Main and Check Meter	Shall mean Meter for measurement and checking of import/export of energy on the outgoing feeders of the Station Busbars for UI Energy Accounting.
NTPC	Shall mean NTPC Limited.
Powergrid	Shall mean Power Grid Corporation of India Ltd.
WRPC	Shall mean Western Regional Power Committee established under Section 2(55) of the Electricity Act, 2003.



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Regional
Energy
Account
(REA)

Shall mean periodic Energy Accounting including amendments thereof issued by WRPC/WRLDC or any other competent Authority named from time to time.

Bipartite
Agreement
(BPA)

Shall mean the Bipartite Agreement dated 18/11/2003 signed by Union Territory of DNH and GOI as per the provisions of the GOI Scheme for One time Settlement of SEBs dues.

UI

Unscheduled Interchange (as defined by CERC).

2.0 GENERAL

2.1 Installed Capacity:

2.1.1 The nominal capacity of Vindhyachal STPS Stage-IV is proposed to be 1000 MW.

2.1.2 The nominal capacity of the Station is subject to change after placement of orders for the main plant equipment.

2.1.3 The Station is being developed as Mega Power project under Mega Power Policy of Govt. of India. One of the conditions of such Mega Power Policy is that the power be made available only to the Bulk Power Customer(s) which agree to comply with the terms and conditions of the Mega Power Policy. DNH hereby agrees to comply with the terms and conditions of the Mega Power Policy of the GOI.

2.2 Allocation of Power

2.2.1 Final allocation of power from Vindhyachal STPS Stage-IV amongst various customers of Western Region shall be decided by GOI/Competent Authority in accordance with the applicable guidelines of Govt. of India issued from time to time subject to signing of PPA by the Bulk Power Customers. Such allocation of power along with various terms and conditions mentioned therein shall form an integral part of this Agreement.

2.2.2 Fifteen percent capacity of the Station shall be kept unallocated at the disposal of Govt. of India and shall be subject to allocation from time to time as per the decision of Ministry of Power, GOI. Out of this unallocated capacity, balance if any, after such allocation by GOI shall be deemed to have been allocated to various Bulk Power Customers in proportion to their allocated shares excluding the provisions at Para 2.2.3.

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- 2.2.3 In line with the provisions of National Electricity Policy, up to 15% power from the station shall be retained by NTPC for development of market.
- 2.2.4 The right of DNH to draw power against the above allocation shall be limited to the amount of LC opened and maintained by them.
- 2.2.5 Notwithstanding the obligations of DNH to pay all the dues as per this Agreement, in the event of default in opening of LC of adequate amount in favour of NTPC or payment of bills beyond a period of 60 days of billing, NTPC shall be entitled to regulate/ divert the share of DNH to any other Bulk Power Customer(s) as per the provisions of generic procedure for regulation of power supply issued by CERC or any other competent authority from time to time read with the provisions of BPA till the time default is set right.
- 2.2.6 In case of default in payment of bills beyond a period of 90 days of billing, NTPC shall have the right to re-allocate power to other Bulk Power Customer(s).
- 2.2.7 In case of default, DNH shall continue to be liable to pay the Capacity Charges in proportion to its allocation during the period of regulation/ diversion of power till the power is reallocated to other Bulk Power Customer(s).

2.3 Operation of the Station

It is understood and agreed by and between the parties that NTPC shall operate the Station as a base load station as per the manufacturer's guidelines, applicable grid operating standards, directions of the CERC and relevant statutory provisions, as applicable from time to time.

3.0 TRANSMISSION / WHEELING OF POWER

- 3.1 Power shall be made available by NTPC at the busbars of the Station and it shall be the obligation and responsibility of DNH to make the required arrangement for evacuation of power from such delivery points of NTPC.
- 3.2 DNH shall coordinate with the appropriate authorities/agencies including Powergrid or any Transmission Licensee or other Licensees for power evacuation from the above delivery point.
- 3.3 DNH shall be responsible to coordinate with the Powergrid or any Licensee or other agencies for implementation of the transmission system for evacuation of power from the Station matching with the commissioning schedule of the station.

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- 3.4 For wheeling of the power beyond busbar of the Station, charges for utilisation of transmission system(s) owned by the Powergrid/other agency (ies) shall be paid directly by DNH to the Powergrid or Licensee or other agency(ies) by the DNH. NTPC shall not be responsible for payment of such charges.

4.0 SCHEDULING, METERING AND ENERGY ACCOUNTING

4.1 Scheduling

Methodology of generation scheduling shall be as per Indian Electricity Grid Code (as revised from time to time) and the decisions taken at WRPC forums.

4.2 Metering

- 4.2.1 A set of Main and Check Energy Meters of 0.2 accuracy class, as per IEGC/ CEA (Installation & operation of meters) Regulations 2006 as applicable, shall be installed on all outgoing feeders of the Station. DNH shall make all necessary arrangements for installation of meters, at all its drawal points.
- 4.2.2 The main and check meters shall be checked jointly at the time of installation and for any testing and/ or replacement, notice of seven days will be given, so that the representative of the DNH can be present for the same.
- 4.2.3 Data shall be downloaded from the meters at regular intervals as decided by WRPC/WRLDC for preparation of the REA/UI Account.
- 4.2.4 If the main meter is found to be not working at the time of meter readings or at any other time, NTPC shall inform the CTU/WRPC/WRLDC of the same and data from check meters shall be considered by WRPC/WRLDC for energy accounting for the period.
- 4.2.5 If both the main and check meter(s) fail to record or if any of the PT fuses is blown out, then the energy accounting shall be done on a mutually agreeable basis between NTPC, DNH and WRLDC/WRPC for the period of defect. In case there is no mutual agreement, the decision of Member Secretary of the WRPC would be final and binding.
- 4.2.6 The main & check meter shall be checked on a quarterly basis by comparison of the readings between these two meters and in case the readings of the two meters differ by more than 0.4%, both the meters will be checked separately with respect to another reference meter and defective meter shall be replaced. The energy metered during the period of defect would be revised by applying a correction factor on the energy metered by the defective meter.

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4.2.7 Once in every five years, both main and check meters shall be tested for accuracy by a substandard meter either at the station or at any approved testing laboratory. During testing, in case the error is found to be more than the permissible limits, then the meter shall be replaced by a correct meter.

4.3 Energy Accounting

4.3.1 Both the parties agree to facilitate issue of Regional Energy Accounts by 1st day of every month.

4.3.2 NTPC shall prepare and submit bills to DNH and other Bulk Power Customers on the basis of such Regional Energy Accounts.

4.3.3 Regional Energy Account issued by WRPC/ WRLDC or any other Competent Authority shall be binding on all the parties for billing and payment purposes.

4.3.4 Any change in the methodology of Regional Energy Accounting shall be done only as per the decisions taken in the RPC forums and both the parties agree to abide by the Methodology so finalised.

5.0 TARIFF

5.1 Terms and conditions:

5.1.1 The Tariff for the electricity supplied from the Station would be as determined by CERC or any other Competent Authority authorised from time to time.

5.1.2 In case the tariff is not determined by CERC or any other competent authority prior to commencement of commercial operation of the 1st unit of the Station, the parties agree that NTPC may work out an adhoc tariff based on CERC's terms and conditions or guidelines of competent authority, as applicable from time to time and as per estimated completion cost for the project. NTPC shall inform DNH of such adhoc tariff and pending determination of tariff by CERC or any other competent authority, billing on provisional basis would be carried out, subject to appropriate adjustment as and when the tariff is determined by CERC or any other competent authority or any order passed pending the determination of such tariff.

5.2 Sale of Infirm Power:

Infirm power, i.e., sale of energy prior to commercial operation of the unit, will be billed by NTPC based on methodology as notified by CERC or any other competent authority from time to time.

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5.3 Taxes, Levies, Duties, Royalty, Cess etc.:

5.3.1 Tax on Income:

Tax on the income derived from generation of electricity by NTPC shall be computed as an expense and shall be recovered from the Bulk Power Customer(s). Billing and recovery of income tax shall be as per regulations of CERC or any other competent authority as applicable from time to time.

5.3.2 Other Taxes, Levies, Duties, Royalty, Cess etc.:

Statutory taxes, levies, duties, royalty, cess or any other kind of imposition(s) imposed/charged by any Government (Central/State) and/or any other local bodies/authorities on generation of electricity including auxiliary consumption or any other type of consumption including water, environment protection, sale or on supply of power/electricity and/or in respect of any of its installations associated with the Station payable by NTPC to the authorities concerned shall be borne and additionally paid by DNH to NTPC.

6.0 BILLING AND PAYMENT

6.1 Billing:

The charges under this Agreement shall be billed by NTPC and shall be paid by the DNH in accordance with the following provisions:

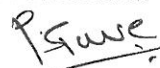
6.1.1 NTPC shall present the bills after the end of each calendar month as per CERC Regulations for energy supplied to DNH from the Station as per Regional Energy Account issued by WRPC/WRLDC or any other Competent Authority.

6.1.2 Billing Centre of NTPC shall carry out billing and associated functions. NTPC would submit the bills to the Official and of the address as intimated by DNH.

6.1.3 The monthly bill for the Station shall be for the aggregate charges in accordance with the provisions of this Agreement. If for certain reasons some of the charges which otherwise are in accordance with this Agreement, cannot be included in the main monthly bill, such charges shall be billed as soon as possible through supplementary bill(s).

6.1.4 The bill(s) of NTPC shall be paid in full subject to the condition that—

- i) there is no apparent arithmetical error in the bill(s).
- ii) the bill(s) is/are claimed as per the agreed tariff.
- iii) they are in accordance with the Regional Energy Accounts issued by WRPC/WRLDC or any other Competent Authority.

6.1.5 If DNH disputes any amount, it shall pay 95% of the disputed amount forthwith and file a written objection with NTPC within 30 days of presentation of the bill, giving following particulars:

- i) Item disputed, with full details/data and reasons of dispute
- ii) Amount disputed against each item.

Provided that non-acceptance of tariffs determined/approved by CERC or any other competent authority shall not be a valid ground for dispute.

6.1.6 The amount of excess/shortfall with respect to the said 95% payment and finally determined amount in line with Clause 7.0 shall be paid/adjusted with the applicable interest from the date on which the amount in dispute was payable/refundable.

6.2 Establishment of Letter of Credit(LC) and payment of bills:

6.2.1 Payment of bills for supply of power from the Station shall be made by DNH through irrevocable revolving Letters of Credit (LC) established in favour of NTPC with a public sector / scheduled commercial bank [as agreed by NTPC] at least one month prior to the commencement of power supply from the Station.

6.2.2 The LC shall cover 105% of one month's estimated billing in respect of power supplied from this Station to DNH. This shall be in addition to the obligation of DNH to establish similar letters of credit for supply of energy to DNH from all other generating Stations of NTPC.

6.2.3 The amount of LC shall be reviewed each half-year commencing April and October in each financial year on the basis of the average of billing of previous 12 months and the LC amount shall be enhanced/ reduced accordingly.

6.2.4 The LC shall be established for a minimum period of one year. DNH shall ensure that LC remains valid at all times during the entire/extended validity of this Agreement.

6.2.5 LC shall specify the manner and dates when bill(s) can be presented to Bank by NTPC. The bills so presented by NTPC to the Bank shall be promptly paid on their presentation. The LC charges shall be borne by DNH.

6.2.6 Provisions of Bipartite Agreement signed on 18.11.2003 between Administration of DNH and Govt. of India under the Scheme for one time Settlement of SEB dues shall be applicable for supply of power from this

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station and safeguarding payments for the same. It is hereby mutually agreed that after the validity period of the Bipartite Agreement is over, an alternative payment security arrangement in the form of Escrow Arrangement as a back up to the Letter of Credit shall be provided. Under this arrangement an Escrow Account in favour of NTPC shall be established through which the Receivables of DNH shall be routed as per the terms of Escrow Agreement. DNH hereby agrees that NTPC will have first charge on Receivables of DNH. DNH agrees to enter into a separate 'Agreement to Hypothecate Cum Deed of Hypothecation' whereby, DNH shall hypothecate Receivables to the extent required for Payment of dues of NTPC by DNH including this Agreement by creation of first charge in favour of NTPC. These Receivables shall be routed through Escrow Account for payment to NTPC in case of default in payments.

The Escrow Agreement and Agreement to Hypothecate Cum Deed of Hypothecation shall be established by DNH to the satisfaction of NTPC at least one year before the completion of the validity period of the Bipartite Agreement. In the event before expiry of BPA, DNH does not sign the 'Escrow Agreement' and 'Agreement to Hypothecate Cum Deed of Hypothecation' at least 3 months before the expiry of BPA or DNH creating any superior charge in favour of any other party on its Receivables, NTPC shall have the right to reallocate power to other customers. In case of termination of this Agreement or reallocation of power due to reasons stated above, DNH shall be liable to pay capacity charges till the power is reallocated.

Since the payments from DNH are currently secured as per the provisions of the BPA, establishing of Escrow Arrangement is not being insisted upon by NTPC presently. DNH and NTPC agree that this Agreement shall be deemed to have created a legally binding first charge on DNH's Receivables in favour of NTPC. Accordingly, DNH shall not create any encumbrance, charge, and lien or otherwise execute any instrument which in any way affects the first charge over the Receivables. While creating any subsequent charge on its Receivables or agreeing to provide Escrow cover or any other form of payment security to any other entities like power supplier(s), banks, financial institutions etc. during the interim period till signing of Escrow Agreement with NTPC, DNH shall duly inform such power supplier(s), banks, financial institutions etc. of the legally binding first charge on DNH's Receivables in favour of NTPC and the first charge of NTPC shall be in preference to any other charge that DNH may create in favour of any other party.

Except for the provisions of this Agreement other terms and conditions for operation of "Escrow Agreement" and "Agreement to Hypothecate Cum

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Deed of Hypothecation" shall be in the format prescribed by Government of India as "Standard Bidding Document (Case II)" / competitively bid Ultra Mega Power Projects.

DNH agrees to ensure that the successor entities of DNH are duly notified of the above arrangement with NTPC and shall be bound by the terms of this Agreement as if they are parties to this Agreement.

7.0 SETTLEMENT OF DISPUTES

7.1 All differences or disputes between the parties arising out of or in connection with this Agreement shall be mutually discussed and resolved within 90 days.

7.2 Arbitration

7.2.1 In the event that the parties are unable to resolve any dispute, controversy or claim relating to or arising under this Agreement, as stated above, which are falling under the provisions of the Electricity Act, 2003, the same shall be dealt in accordance with the said Act.

7.2.2 All other disputes which are not covered under the Electricity Act, 2003 shall be referred to arbitration. The appointment of Arbitrators and arbitration proceedings shall be governed by the Arbitration and Conciliation Act, 1996. The venue of Arbitration shall be New Delhi. The Courts of Delhi shall have exclusive jurisdiction in all matters.

8.0 FORCE MAJEURE

Neither party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of this Agreement to the extent that such a failure is due to force majeure events such as war, rebellion, mutiny, civil commotion, riot, strike, lock-out, forces of nature, accident, act of God or any other such reason beyond the control of concerned party. Any party claiming the benefit of this clause shall reasonably satisfy the other party of the existence of such an event and give written notice within a reasonable time to the other party to this effect. Generation/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.

9.0 IMPLEMENTATION OF THE AGREEMENT

All discretions to be exercised and directions, approvals, consents and notices to be given and actions to be taken under these presents unless

otherwise expressly provided herein, shall be exercised and given by the signatories to this Agreement or by the authorised representative(s) that each party may nominate in this behalf and notify in writing to the other party by Registered Post. Any other nomination of authorised representative(s) shall be informed likewise in writing to/by DNH within one month of signing of the Agreement. Notwithstanding any nomination, the Regional Executive Director (West), NTPC Ltd., WRHQ, Samruddhi Trade Centre, 2nd Floor, MIDC Marol, Andheri (East) Mumbai- 400093, as well as Executive Director (Commercial), NTPC Ltd., NTPC Bhawan, Core 7, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi- 110 003 or their authorised representative(s) at its Registered Office first above mentioned shall be authorised to act severally for and on behalf of NTPC.

10.0 NOTICE

All notices required or referred to under this Agreement shall be in writing and signed by the respective authorised signatories of the parties mentioned herein above, unless otherwise notified. Each such notice shall be deemed to have been duly given if delivered or served by registered mail/speed post of Department of Posts with an acknowledgement due to the other parties in terms of Clause 9.0 above.

11.0 EFFECTIVE DATE AND DURATION OF AGREEMENT

This agreement shall come into force from the date of signing of this Agreement for all purposes and intent and shall remain operative upto completion of twenty five (25) years from the date of commercial operation of last unit of Vindhyachal STPS Stage-IV, unless it is specifically extended on mutually agreed terms.

12.0 SUCCESSORS AND ASSIGNS

In case the functions of DNH are reorganised and/or this PPA is assigned to other organisation(s)/agency(ies), partly or wholly, the Agreement shall be binding mutatis mutandis upon the successor Distribution/Trading organisation(s)/agency(ies)/entities and shall continue to remain valid with respect to the obligations of the successor organisation(s)/agency(ies)/entities provided that the successor organisation(s)/agency(ies) is/are owned or controlled by the Union Territory of Daman & Diu.

In the event the functions of DNH are reorganised and/or this PPA is assigned to Private organisation(s)/agency (ies), partly or wholly, DNH shall ensure that the agreements namely 'Escrow Agreement' and 'Agreement to Hypothecate Cum Deed of Hypothecation' as mentioned at

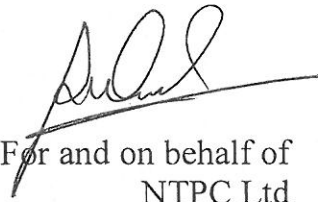
6.2.6 are signed by the assignee before assignment of this Agreement failing which NTPC shall have the right to terminate this Agreement. In the event of termination of this Agreement DNH shall be liable and continue to pay the Capacity Charges each month till firm arrangement for sale of DNH's share with alternate customers substituting the DNH is tied up.

IN WITNESS WHEREOF the parties have executed these presents through their Authorised Representatives on the date mentioned above.

WITNESS:

1.


अरुण सार पण्डेय
ARUND SABAR PANDEY
ज्येष्ठ प्रबन्धक (वाणिज्यिक)
Sr. Manager (Commercial)
NTPC Limited, New Delhi


For and on behalf of
NTPC Ltd

एस. एन. गोयल
S.N. GOEL
महाप्रबन्धक (वाणिज्यिक)
General Manager (Commercial)
एनटीपीसी लिमिटेड / NTPC Limited

2.




For and on behalf of
Administration of DNH