

**Distribution Franchise Agreement**

**For**

**Bhiwandi Distribution Circle**

**Between**

**Maharashtra State Electricity Distribution Company Limited  
(Distribution Licensee)**

**and**

**M/s Torrent Power Ltd.  
(Distribution Franchisee)**

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(Distribution Franchisee)**





General Stamp Office, Mumbai

Date महाराष्ट्र MAHARASHTRA

L. S. V. No. 8 DEC. 2006

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Proper Officer



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M. S. E. D. CO. LTD.  
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परवाना धारक मुद्रांक विक्रेता  
M-9870142197

### DISTRIBUTION FRANCHISE AGREEMENT FOR BHIWANDI CIRCLE

This Agreement made at Mumbai this 20th day of December 2006 between Maharashtra State Electricity Distribution Company Ltd., a company registered under the Companies Act, 1956 having its registered office at Prakashgad, Bandra (E), Mumbai-400 051, hereinafter referred to as "MSEDCL" (which expression unless repugnant to the context or meaning thereof shall include its successors and assigns) of the ONE PART

And

Torrent Power Ltd., a company registered under the Companies Act, 1956 having its registered office at Torrent House, Off-Ashram Road, Ahmedabad - 380 009, hereinafter referred to as "the Distribution Franchisee" (which expression unless repugnant to the context or meaning thereof shall include its successors and permitted assigns) of the OTHER PART.



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WHEREAS:

- A. MSEDCL is a Distribution Licensee under the provisions of the Electricity Act, 2003 (the "Act") having license to supply electricity in certain areas of the State of Maharashtra.
- B. Under the provisions of the Act, MSEDCL is entitled to distribute electricity to a specified area within its area of supply through another person referred to as Franchisee.
- C. For the purpose of sale and supply of electricity in the Bhiwandi Distribution Circle as more particularly described hereinafter, MSEDCL selected Torrent Power AEC Limited through the competitive bidding process.
- D. MSEDCL issued a Letter of Intent No. Dir (Operations)/CE (IR)/BF/015438 dated 12<sup>th</sup> June, 2006 to the said Torrent Power AEC Ltd. and the same had been accepted by Torrent Power AEC Ltd.
- E. Torrent Power AEC Limited has amalgamated into Torrent Power Limited, the Distribution Franchisee herein.
- F. The parties have agreed to record the terms and conditions for sale, purchase and distribution of the electricity within the Franchise Area by executing this indivisible Distribution Franchise Agreement.
- G. The parties are fully aware that this Agreement is for sale and purchase of electricity for distribution in franchise area through the Distribution Franchisee as contemplated under the Act.

**NOW, THEREFORE, IN VIEW OF THE FOREGOING PREMISES AND IN CONSIDERATION OF THE MUTUAL COVENANTS, PREMISES AND AGREEMENTS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:**

1. **ARTICLE 1: DEFINITION OF TERMS**

**Definition of Terms**

For the purpose of this Distribution Franchise Agreement (including all its annexures), the following terms, phrases and their derivations shall have the meanings given below unless the context clearly mandates a different interpretation. Where the context so indicates, the present tense shall imply the future tense, words in plural include the singular, and words in the singular include the plural. The word 'shall' is always mandatory and not merely directory. The definitions are applicable regardless of whether the term is written in capital letters.



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**Agreement Representative**

Shall mean the persons, nominated by the Parties as set forth in Article-19.4.

**Big Four**

Big Four, is a group of international accountancy and professional services firms that handles the vast majority of audits for publicly traded companies as well as many private companies. The present members of the Big Four are Pricewaterhouse Coopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG. The term shall include the members constituting the group at the relevant time.

**Collection Efficiency**

Shall mean the ratio of revenue actually realized from consumers (excluding the subsidy amount, if any) and energy billed to Consumers (excluding the subsidy amount, if any), in percentage terms for a particular period and shall be calculated as below:

Collection Efficiency= (Revenue realized from Consumers / Energy Billed to Consumers)\*100

**Consumer**

Means any person who is supplied with electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to the public under the Act or any other law for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a licensee, the Government or such other person, as the case may be.

**Complaint**

Means any written or electronic correspondence by a Consumer expressing dissatisfaction with the products services, or customer service of the Distribution Franchisee.

**Contract Year**

Shall mean each successive period of one year beginning from the Effective Date of this Agreement.

**Distribution System**

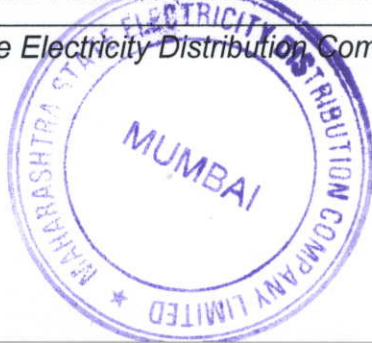
Means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the Consumers.

**Distribution**

Means the supply and conveyance of electricity by means of distribution system.

**Distribution Assets**

Shall mean the assets employed by the Distribution Licensee/ Distribution Franchisee in the Franchise Area for distribution of electricity.



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**MSEDCL Distribution Assets**

Shall mean the assets created and employed by MSEDCL in the Franchise Area for distribution of electricity.

**Franchisee Distribution Assets**

Shall mean the assets created and employed by Distribution Franchisee in the Franchise Area for distribution of electricity.

**Distribution Losses**

Shall mean the difference between energy supplied at the Input Points and Energy Billed to Consumers in percentage terms for a particular period and shall be computed as below:

$\text{Distribution Losses} = (\text{Energy Intake at Input Points} - \text{Energy Billed to Consumers}) / \text{Energy Intake at Input Points} \times 100$

**Effective Date**

Shall mean the date of handing over of the business operations of Franchise Area by MSEDCL to the Distribution Franchisee pursuant to this Agreement after the conditions precedent are satisfied. Such date shall be indicated by the Distribution Franchisee and accepted by MSEDCL which shall not be later than 15<sup>th</sup> February 2007 unless mutually agreed.

**Engineer-in-Charge**

Shall mean any person, nominated by each of the Parties as set forth in Article-19.3.

**Expiry Date**

Shall mean the tenth anniversary of the Effective Date.

**Expiry Payment**

Shall mean the payment to be made on expiry of the Agreement by either Party to the other Party as per Article-16.

**Termination Payment**

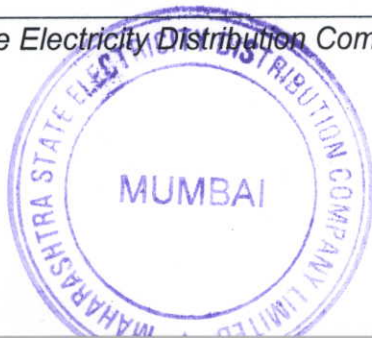
Shall mean the payment to be made on Termination of the Agreement by either Party to the other Party as per Article-16.

**Extra High Voltage or EHV**

Shall mean any voltage above 33,000 Volts subject to permissible variations

**Franchise**

Means the rights granted by MSEDCL to the Distribution Franchisee to act as a franchisee of MSEDCL to distribute electricity in the Franchise Area and all the rights, powers and authorities available to MSEDCL as a distribution licensee necessary to fulfil the obligations and responsibilities as contemplated under this Agreement and which can be conferred upon the Distribution Franchisee under the Act.



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**Franchise Area**

Shall mean the area as mentioned in the Article- 4.4 in respect of which the Distribution Franchisee shall act as a franchisee of MSEDCL.

**Force Majeure**

Without limiting the general limitations of liability in any way arising under this Agreement neither party is responsible for failure or delay in performance of services or obligations hereby undertaken due to occurrence of any event of force Majeure including acts of God, acts of any Government (de jure or de facto) or regulatory body or public enemy, war, riots, embargoes, industry-wide strikes, the reduction in supply due to outage of generation facilities / transmission lines or any other causes, circumstances, or contingencies, whether of a similar or dissimilar nature to the foregoing, beyond the parties control, which cannot be reasonably forecast or prevented, thereby, hindering the performance by the parties of any of their obligations hereunder.

**GoM**

Means the Government of Maharashtra and any Ministry, Department, or any other Authority of the Government of Maharashtra

**Input Point**

Shall mean EHV/HV Substations as specified in Article- 4.4 and shall include such other EHV/HV substations, which may feed energy to the Franchise Area in the future.

**Input Rate**

Shall mean Rupees per unit of electricity supplied by the MSEDCL at the Input Points as quoted in the accepted Financial Proposal of the bidder and attached as Annexure-8.

**Major Incident**

Means an incident associated with the Distribution and retail supply of electricity in the Franchise Area, which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to human beings and shall include any other incident, which MSEDCL expressly declares to be a major incident. Significant interruption of service for this purpose shall mean interruption impacting more than 10,000 Consumers continuously for a period of more than 24 hours and substantial damage to equipment shall mean damage to Distribution Assets exceeding Rs 500 Lacs in gross value.

**MERC**

Shall mean the Maharashtra Electricity Regulatory Commission, or its successors.



msl

**MSETCL**

MSETCL shall mean the Maharashtra State Electricity Transmission Company Limited and its successors and assigns.

**Law**

Means, in relation to this agreement, all laws in force in India and would include any statute, ordinance, regulation, notice, circular, code, rule or direction, or any interpretation of any of them by a Governmental instrumentality and also includes all applicable Rules, Regulations, Orders, Directions, Notifications by a Governmental instrumentality pursuant to or under any of them and shall include all Rules, Regulations, Decisions, Directions and Orders of MERC.

**Open Access**

Shall mean open access as defined in the Electricity Act 2003.

**Person**

Shall include any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person.

**Prudent Utility Practices**

Shall mean the practices, methods and standards that are generally accepted nationally from time to time by electric utilities for the purpose of ensuring the safe and efficient distribution of electricity, operation and maintenance of Distribution Assets, billing and collection of distributed power etc.

**ARTICLE 2.1: CONDITIONS PRECEDENT TO BE SATISFIED BY THE DISTRIBUTION FRANCHISEE & MSEDCL**

**2.1.1 Submission of Performance Guarantee**

The Distribution Franchisee shall secure the performance guarantee by providing an unconditional and irrevocable Letter of Credit (L/C) to the satisfaction of MSEDCL from any nationalized bank or ICICI Bank, IDBI Bank, UTI Bank or HDFC Bank for an amount equivalent to two months' estimated amount payable to MSEDCL by Distribution Franchisee based on energy input at Input Points in Franchise Area in 2005-06 and Input Rate quoted by the Distribution Franchisee for first year of franchise term. The Earnest Money Deposit shall be refunded on submission of Letter of Credit.

This Letter of Credit shall be governed as per conditions stipulated in Article- 11.

**2.1.2 Completion of Audit of Various Parameters**

The Joint Audit Team of MSEDCL and the Distribution Franchisee shall complete an audit of the parameters listed below:



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- 2.1.2.1 Opening level of Distribution Losses and Collection Efficiency;
- 2.1.2.2 Opening Asset Register;
- 2.1.2.3 Opening level of Inventory;
- 2.1.2.4 Ongoing Contracts as on Effective Date; and
- 2.1.2.5 Determination of average tariff for the base year i.e. FY 2005-06 for the purpose of Article-7.

In the cases where the opening levels cannot be ascertained, suitable mutually agreed procedures shall be laid out to compute the same.

**2.1.3 Calibration of Meters**

The authorized representatives of MSEDCL and the Distribution Franchisee shall conduct a joint Calibration of the interface meters at the Input points.

**2.1.4 Methodology for application of price variation clause for Article 5.2.7 shall be finalised.**

**2.1.5 Methodology to compute Distribution Losses and Collection Efficiency for each year during the term of this Agreement shall be finalised.**

**2.1.6 The Distribution Franchisee has been authorized under Section 126, Section 135 (2), and Section 152 of Electricity Act 2003 for taking necessary action to prevent the unauthorized use, theft & pilferage of electricity in Franchisee Area.**

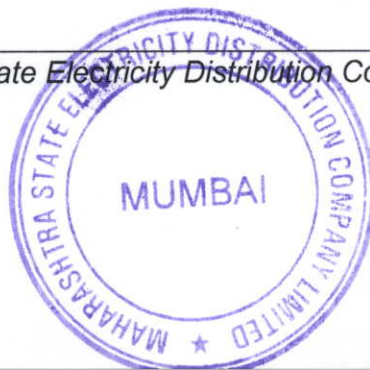
**2.1.7 All the conditions precedent stated herein above shall be satisfied within 60 (sixty) days of signing of this Agreement or such further period as may be extended by the parties mutually. If, the Distribution Franchisee fails to satisfy Article 2.1.1 above, within the stipulated duration, MSEDCL shall be entitled to terminate this Agreement and forfeit the earnest money deposit of the Distribution Franchisee at its discretion.**

**ARTICLE 2.2: CONDITIONS SUBSEQUENT TO BE SATISFIED BY THE DISTRIBUTION FRANCHISEE & MSEDCL**

**2.2.1 Arrears Determination:**

The Joint Audit Team of MSEDCL and the Distribution Franchisee shall complete an audit of:

- 2.2.1.1 Opening level of arrears;
- 2.2.1.2 Segregation into permanently disconnected and current live arrears;
- 2.2.1.3 Ageing analysis of current live arrears upto a period of three months;
- 2.2.1.4 Credit Balance from Consumers; and
- 2.2.1.5 Joint verification of permanently disconnected Consumers.



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- 2.2.2 Methodology to compute average tariff for each billing period for the purpose of Article-7 during the term of this Agreement shall be finalised.
- 2.2.3 MSEDCL shall identify the Consumers for which Service Connection Charges (SCC) have been received by it, but connections have not been provided. The Distribution Franchisee shall be responsible for providing connection to these Consumers. The installation material for such connections shall be issued by MSEDCL to the Distribution Franchisee and further supervision charges received from the Consumers, if any, towards such connections shall be remitted to the Distribution Franchisee.
- 2.2.4 All the conditions subsequent stated above shall be satisfied within thirty (30) days except for 2.2.1.5 which shall be completed within six months time, from the Effective Date or such further time as may be mutually extended by the Parties.

### **ARTICLE 3: TERM OF AGREEMENT**

**3.1 Term of Agreement**

The term of this Agreement shall be for a period of ten (10) years from the Effective Date.

**3.2 Renewal of Agreement**

At the instance of the Distribution Franchisee, MSEDCL may consider to renew the duration of Franchise at its discretion for such period or periods as may be considered appropriate by MSEDCL, provided the Distribution Franchisee applies formally in writing for renewal one year prior to the expiry of the Franchise. MSEDCL shall communicate its decision in this respect within a period of six months of such application by the Distribution Franchisee.

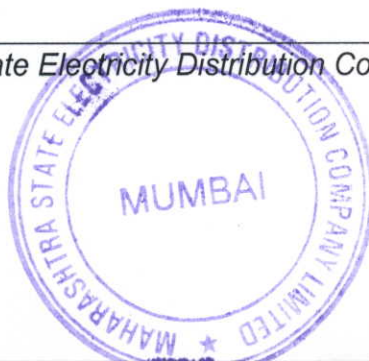
The terms and conditions of such Renewal shall be decided with mutual consent.

**3.3 Early Termination**

This agreement can be terminated before the expiration of the Franchise Period as per the provisions of Article-16 and Article-3.4 of this Agreement.

**3.4 Event Of Abandonment**

If the Distribution Franchisee ceases to operate all and/or any substantial part of the Distribution System for a period of forty-eight (48) consecutive hours without the prior written consent of MSEDCL, then MSEDCL or its designates shall be entitled to immediately enter any and/or all of the site(s) and operate the Distribution System, provided however that



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An event of abandonment shall not have been set to occur, if the cessation of operation has resulted from -

- (i) an event of Force Majeure; or
- (ii) a scheduled outage.

It is however expressly agreed that if the Distribution Franchisee is proceeding with diligence and good faith to overcome or remedy such event and such event is overcome or remedied within a further period of forty-eight (48) hours, then such an event shall not be treated as an event of abandonment.

It is hereby expressly agreed that all third party liabilities arising out of the event of abandonment shall be borne by the Distribution Franchisee alone. The Distribution Franchisee shall indemnify and hold MSEDCL harmless against the same as provided in Articles 14.1.1.2. The Distribution Franchisee shall compensate MSEDCL for the losses suffered by MSEDCL, if any, as provided in Article 14.1.1.3.

### **3.5 Survival**

The expiry or termination of this Agreement shall not affect accrued rights and obligations of the parties under this Agreement, nor shall it affect any continuing obligations for which this Agreement provides, either expressly or by necessary implication, the survival of, post its expiry or termination.

## **ARTICLE 4: GRANT OF DISTRIBUTION FRANCHISE**

### **4.1 Grant of Franchise**

Subject to the terms and conditions of this Agreement and the Act, MSEDCL agrees to sell/supply electricity to the Distribution Franchisee at annual Input Rates for further distribution in the Franchise Area and the Distribution Franchisee hereby agrees that it shall perform all the obligations and accept all the liabilities of MSEDCL as the Distribution Licensee for the Franchise Area as stipulated in the Law, as if they were to apply to the Distribution Licensee and other activities as stipulated in this Agreement. In consideration of the above, the Distribution Franchisee shall have "Right to Use" the MSEDCL Distribution Assets and all other rights, powers and authorities available to MSEDCL as a Distribution Licensee to perform its obligation under this Agreement. Distribution Franchisee however shall not be the owner of MSEDCL Distribution Assets.

### **4.2 Legal Status of Distribution Franchisee**

The Distribution Franchisee shall be a franchisee of the MSEDCL as defined under the Act and it shall not be a licensee under Section 14 of the Act.



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**4.3 Exclusivity**

The Distribution Franchisee will be the exclusive franchisee of MSEDCL in the Franchise Area. The Distribution Franchisee shall not be entitled to assign or transfer in any manner its rights and obligations under this Agreement to its affiliate or any other third party without the prior approval of MSEDCL. However the Distribution Franchisee may appoint the sub-contractor (s) for outsourcing some of its activities with a prior three days written intimation to MSEDCL.

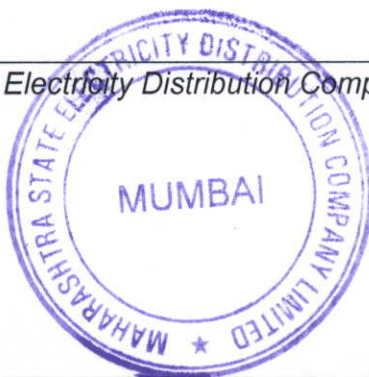
It is however clarified that the Distribution Franchisee alone shall be liable and responsible to MSEDCL for the due performance of this Agreement and any default / breach of any of the terms and conditions of this Agreement by any such sub-contractor shall be deemed to be a default / breach by the Distribution Franchisee.

**4.4 Franchise Area**

4.4.1 The Franchise Area shall be the Bhiwandi Distribution circle of MSEDCL spread over approximately 721 square kilometres as defined in Article- 4.4.2.

4.4.2 The Franchise Area at present contains 48 feeders from its five EHV substations and one EHV substation of Tata Power Company Limited as below:

Name of EHV Substation	Capacity Installed (MVA)	Maximum Demand (MVA)	Connected Load (MVA)	No of Feeders
100/ 22 kV, Bhiwandi	150	235	229	13
220/ 22 kV, Temghar	150	175	184	11
220/ 22 kV, Kamba	100	120	134	8
220/ 22 kV, Padgha	125	125	179	9
220/ 22 kV, Colourchem	20	20	24	1
Total (MSEDCL)	545	675	750	42
220/ 22 kV, Netivali (Tata)	150	-	-	2



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In addition there are four 100 kV EHV Feeders (three from Padgha and one from 220/100 kV Kolshet substation) in the Franchise Area. These substations currently form the Input Points for injection of electricity in the circle.

The Franchise Area as on Effective Date shall be as mentioned in the map demarcating the Franchise Area within MSEDCL area, the map indicating various areas for the purpose of tariff & duty classification and the electrical map of existing distribution network annexed as Annexure-1 hereto.

In case the details provided in the Annexure-1 is different from the Joint Audit report, the conclusions of the Joint Audit report shall be final and Annexure -1 shall stand amended accordingly.

**4.5 Effect of Acceptance**

By accepting the Franchise and executing this Distribution Franchise Agreement, the Distribution Franchisee accepts and agrees to comply with the provisions of this Distribution Franchise Agreement and the Act.

**4.6 Directions**

Distribution Franchisee shall comply with MSEDCL directives issued for compliance of the Laws, Regulations, Orders and Directives of MERC. However, the Distribution Franchisee shall have option of following alternative methods for complying with the applicable Laws, Regulations, Orders and Directives of MERC.

**4.7 Intent**

It is the intent of both the parties that each party shall enjoy all rights and be subject to all obligations of this Distribution Franchise Agreement for the entire term of the Agreement and to the extent any provisions have continuing effect, after its expiration.

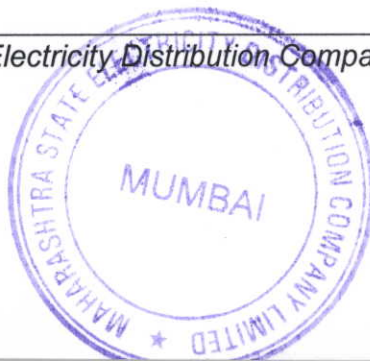
**ARTICLE 5: ACTIVITIES OF DISTRIBUTION FRANCHISEE**

**5.1 'Right of Use' to MSEDCL Distribution Assets**

5.1.1 The Distribution Franchisee shall be entitled to use the MSEDCL Distribution Assets to perform its obligation under this Agreement. MSEDCL shall however, continue to be the owner of such assets.

5.1.2 Distribution Franchisee shall use and maintain such assets at its own cost to keep them in good working condition as per Prudent Utility Practices.

5.1.3 Distribution Franchisee shall not dispose off or alienate or in any way encumber such assets without prior written approval of MSEDCL.



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- 5.1.4 If any such asset is scrapped, the same shall be deposited at the major store of the MSEDCL at Kalyan by the Distribution Franchisee at its cost. MSEDCL shall duly identify the scrap against its Asset register for Transformers & accessories and HT network.
- 5.1.5 MSEDCL has prepared an Asset Register of the Franchise Area, which shall be verified and signed by both the parties in compliance to the provisions of Article 2.1.2.2.
- 5.1.6 On termination/ expiry of this agreement, the Distribution Franchisee shall without demur hand over physical possession/ custody of MSEDCL Distribution Assets in same condition, subject to normal wear and tear and Article 5.1.4.
- 5.1.7 Any shortfall in the quantity of MSEDCL Distribution Assets verified and recorded in the joint audit report shall be recovered from the Distribution Franchisee at the cost of replacement of such asset.
- 5.1.8 If the Distribution Franchisee uses MSEDCL's IT systems for billing the Consumers, separate charges for the same shall be payable.
- 5.1.9 If the Distribution Franchisee intends to utilise other services of MSEDCL such as Testing facilities for HT/LT metering, switching/ substations and Distribution transformers or any other technical assistance, the charges for the same shall be payable.
- 5.2 New Capital Expenditure**
- 5.2.1 MSEDCL will invest in the Franchise Area as per its minimum investment plan for five years from the Effective Date annexed as Annexure-2 hereto in consultation with the Distribution Franchisee, which shall facilitate reduction in Distribution Losses and improvement in the quality of supply in the Franchise Area. Provided, however, that if MSEDCL delays the annual capital investment beyond a period of three months from the expiry of the Contract Year, interest @12% per annum shall be payable to the Distribution Franchisee by MSEDCL for the period after expiry of said three months. The interest payment shall be monthly and shall be adjusted from the month end invoice.
- 5.2.2 The Distribution Franchisee shall plan and implement capital expenditure (other than capital expenditure as planned and committed by MSEDCL) to improve efficiencies, upgrade infrastructure etc. as is deemed necessary by him. Such capital expenditure would include replacement of Distribution Assets.
- 5.2.3 The cost of all such capital investment shall be borne by Distribution Franchisee.



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- 5.2.4 The Distribution Franchisee shall also maintain a separate record of the Distribution Assets purchased by it with all details and particulars. It shall also make entries of these assets in the asset register.
- 5.2.5 Upon expiry/ termination of this Agreement, Distribution Franchisee shall hand over all the Distribution Assets of Franchise Area, to MSEDCL in working condition subject to normal wear and tear. The Distribution Franchisee shall not have a right to take back these assets, if the same are to be compensated by MSEDCL in terms of the Agreement.
- 5.2.6 On the Expiry/ Termination of this Agreement, MSEDCL shall compensate Distribution Franchisee for the Distribution Assets added by Distribution Franchisee, at the depreciated value of such asset.
- 5.2.7 Such assets in normal working condition shall be transferred to MSEDCL at the depreciated value, computed as per the costs and depreciation rates annexed as Annexures-3 & 4 hereto respectively. The applicable revision of the schedule of costs shall be used for calculating the transfer value. The schedule of costs shall be adjusted for the price variation clause as per MSEDCL procurement contracts for the relevant period.
- 5.2.8 If any new asset added by the Distribution Franchisee is not featuring in the Annexure- 3, the cost of the same shall be ascertained quarterly by an independent agency mutually appointed for the purpose. The independent agency shall be a combination of one of the big four accounting firms and an internationally reputed asset valuation expert. The cost of such an agency shall be shared equally by both the parties. The depreciation rate for such asset, if not appearing in Annexure-4, shall be taken as per the prevailing MSEDCL regulations or MERC regulations or as per the Companies Act, 1956 in that sequence.
- 5.2.9 The Distribution Franchisee shall submit details of the assets added by it on a quarterly basis, and the value of such assets shall be certified by MSEDCL as acceptable in terms of Article 5.2.7 and Article 5.2.8. Such certification shall be done within a period of 90 (ninety) days.
- 5.3 Inventory of O&M Spares**
- 5.3.1 MSEDCL will hand over the inventory of O&M spares in the Franchise Area to the Distribution Franchisee on the Effective Date of this Agreement.
- 5.3.2 Upon termination/expiration of this Agreement, Distribution Franchisee shall return the inventory of O&M spares to MSEDCL in the same form and quantity as specified in previous article.
- 5.3.3 Distribution Franchisee shall compensate MSEDCL for the difference between the inventory levels in quantity terms on Effective Date and



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that on date of termination/expiration, to eliminate any risk with respect to inflation.

5.3.4 MSEDCL shall compensate the Distribution Franchisee for the inventory of O&M spares at termination/ Expiry of Agreement at latest acquisition price as may be applicable provided that, the maximum inventory that shall be taken over by MSEDCL shall not be more than the minimum inventory norms specified in Annexure 6.

5.3.5 Further, for the period of first three months from Effective Date, MSEDCL may issue O&M spares to the Distribution Franchisee at its request, subject to availability, and at rates decided by MSEDCL.

**5.4 Supply of Energy**

5.4.1 MSEDCL shall supply the power at Input Points, which shall not be less than the corresponding input units of FY 2005-06 i.e. 2426 MUs, subject to MERC Directives on load shedding. Without prejudice to the foregoing, MSEDCL shall not discriminate in the supply of power between the Franchise Area and its other Distribution circles.

5.4.2 The Distribution Franchisee may procure the power from other sources for expected shortfall in supply with the concurrence of MSEDCL and MERC and subject to the regulatory provisions.

5.4.3 MSEDCL will facilitate the Distribution Franchisee to approach MERC for approval of such procurement scheme.

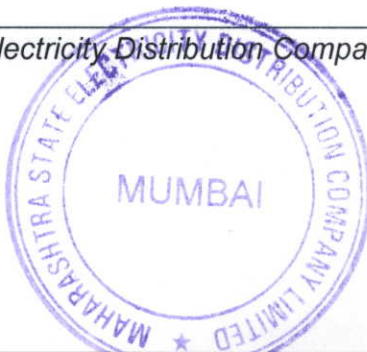
5.4.4 Such scheme will be implemented only after approval of MERC. MSEDCL will have no responsibility or liability if such scheme is not approved/ rejected by MERC.

5.4.5 In case any cross-subsidy surcharge is applicable on purchase of power from such scheme, MSEDCL shall represent the matter at appropriate forum for abolishment of the same at Distribution Franchisee's cost.

5.4.6 In case of procurement of power from sources other than MSEDCL, the wheeling charges @ 7% shall be payable by Distribution Franchisee for using the distribution network of MSEDCL for distribution of power in the Franchise Area and shall be levied as per Article-7.

5.4.7 The aforementioned wheeling charges would be used till the time MERC notifies these charges under the provisions of Open Access Regulations. Thereafter, the same shall be applicable for the purpose of calculation and payment of Network Usage Cost.

5.4.8 The Distribution Franchisee shall not sell the Input Energy to anyone outside the Franchisee Area.





5.4.9 The Distribution Franchisee shall strictly adhere to the planned load shedding schedule of MSEDCL based on directives issued by MERC. The Distribution Franchisee shall also follow the instructions of MSETCL / State Load Dispatch Centre for grid discipline

**5.5 Liabilities and Obligations**

The Distribution Franchisee shall accept all liabilities and perform all obligations of the distribution licensee in the Franchise Area as a franchisee of MSEDCL, in compliance with the Law, Regulations and Directives of MERC issued from time to time as if they were to apply to licensee and directives of MSEDCL for compliance of laws, regulations, orders and directives of MERC. The broad scope of work would be as follows:

5.5.1 Undertake distribution & supply of power to the Consumers of MSEDCL in the Franchise Area.

5.5.2 Undertake all Operation & Maintenance related activities in Franchise Area.

5.5.3 MSEDCL shall cancel or may authorize the Distribution Franchisee to cancel the ongoing contracts, if requested by the Distribution Franchisee. In such an event, MSEDCL will bear all the liabilities and third party claims accrued prior to Effective Date.

**5.6 Technical Duties and Responsibilities**

The broad duties and responsibilities would include, but not limited to, the following activities:

**5.6.1 Load Forecast**

The Distribution Franchisee shall carry out demand estimation/ load forecast periodically and apprise the same to MSEDCL.

**5.6.2 Energy Audit**

The Distribution Franchisee shall carry out energy audit on a monthly basis and submit a report of the same to MSEDCL. The methodology for the same has been enclosed at Annexure -5.

**5.6.3 Operation, Repair & Maintenance and Up gradation**

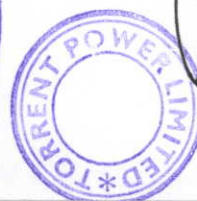
The Distribution Franchisee shall at its own cost perform:

5.6.3.1 Operation and maintenance of Distribution Assets from the start of outgoing 22 kV feeders of EHV Sub stations.

5.6.3.2 Operation and maintenance of sub-stations and transformer stations.

5.6.3.3 Installation of metering devices and carry out meter reading, monitoring all feeders and distribution transformers.

5.6.3.4 Repair, maintain and replace failed distribution transformers as per MERC Supply Code and Standards of Performance.



- 5.6.3.5 Maintain a minimum level of rolling stock of transformers and other necessary material as per Annexure-6 enclosed.
- 5.6.3.6 Upgrade, renovate and maintain the existing distribution network/ systems/ IT assets and systems as per Prudent Utility Practices and the standards that may be prescribed by MERC.
- 5.6.3.7 For carrying out day-to-day maintenance work, if shutdown is required from EHV station on any feeder, the Distribution Franchisee shall apply for proper permit from the concerned MSETCL's EHV substation. Such permit shall be returned to concerned EHV substation immediately after the work is completed. The Distribution Franchisee shall also intimate schedule of planned outages to the concerned EHV substation and maintain day-to-day coordination for smooth operation of transmission network.

**5.6.4 Compliance with standards**

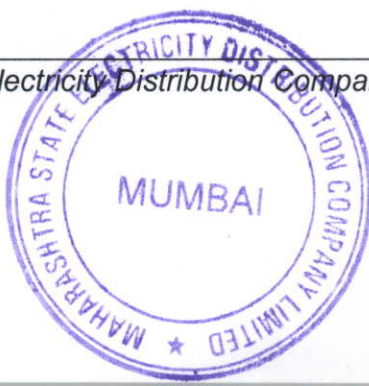
- 5.6.4.1 The Distribution Franchisee shall take all reasonable steps to ensure that all Consumers within the Franchise Area receive a safe and reliable supply of electricity as defined by MERC.
- 5.6.4.2 The Distribution Franchisee shall be responsible for complying with all Indian Electricity Rules, MERC Standards, Regulations and other Directives as issued and modified from time to time and as applicable to any distribution licensee. Any penalty imposed by MERC or any other Government Authority on account of failure of the Distribution Franchisee in compliance shall be borne by the Distribution Franchisee.
- 5.6.4.3 The Distribution Franchisee shall conduct its franchised business in the manner, which it considers to be best calculated to achieve the Overall Performance Standards for provision of Supply of services and the promotion of the efficient use of electricity by Consumers pursuant to Electricity Act 2003.

**5.6.5 Consumer Service**

**(A) Electricity Supply Code**

The Distribution Franchisee shall:

- a) Comply with Electricity Supply Code and other conditions of supply as approved and modified by MERC from time to time. Any penalty imposed by MERC for non-compliance shall be borne by the Distribution Franchisee;
- b) Bring to the notice of the Consumers the existence of the Supply Code (and conditions of supply as approved and modified by MERC from time to time), including its substantive revision and their right to inspect or obtain a copy in its latest form;



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- c) Make available a copy of the Supply Code (and conditions of supply as approved and modified by MERC from time to time) revised from time to time, for inspection by the public during normal working hours; and
- d) Provide free of charge a copy of the Supply Code (and conditions of supply) as revised from time to time to each new Consumer, and to any other person who requests it at a price not exceeding the cost of duplicating it.

**(B) Consumer Complaint Handling**

The Distribution Franchisee shall comply with the complaint handling procedure approved by MERC. The Distribution Franchisee shall:

- a) Establish within a period of one year from the Effective Date, a Consumer service centre as per minimum specifications placed at Annexure-7 for Consumer Complaints and redressal system.
- b) Redress commercial and billing Complaints.
- c) Make available, on demand, a copy of the complaint handling procedure, revised from time to time, for inspection by the public at each of the relevant premises during normal working hours; and
- d) Provide free of charge a copy of the procedure revised from time to time to each new Consumer, and to any other person who requests for it at a price not exceeding the cost of duplicating it.
- e) To comply with the Orders and Directions, if given by Consumer courts under Consumer Protection Act'1986.

**(C) Consumer Services**

The Distribution Franchisee, on request of the Consumer, to the extent that is reasonably available to the Distribution Franchisee, shall provide:

- a) Information on all services provided by the Distribution Franchisee including information on the charges, which may be available to the Consumers;
- b) Information on meter readings for the electricity services provided to the Consumer premises by the Distribution Franchisee in the Franchise Area; and
- c) Information on the status of the Consumer's account with the Distribution Franchisee.

**5.6.6 Obligation to Connect Consumers**

Subject to the provisions of this Agreement, the Distribution Franchisee shall have the following obligations:

- a) Subject to the provisions of the Electricity Act 2003, the Distribution Franchisee shall, on the application of the owner or occupier of any premises within the Franchise Area, give supply of electricity to such premises within one month of the application requiring such supply subject to provisions of Electricity Act 2003 and applicable Regulations.



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- b) Distribution Franchisee shall be responsible for incurring capital expenditure in order to provide new connections in the Franchise Area. The expenditure involved in providing new connection, net of Service Connection Charges and any other contributions / charges received from the Consumer towards capital cost of providing new connection as per applicable Regulations, shall form a part of the Franchisee Distribution Assets to be compensated in terms of Article-5.2.6.
- c) Subject to the provisions of the Electricity Act 2003, the Distribution Franchisee may refuse to supply, or may disconnect the supply of electricity to any premises.
- d) The Distribution Franchisee shall retain the Service Connection Charges (SCC) collected from the Consumers for giving new connections levied as prescribed by MSEDCL.
- e) The Distribution Franchisee shall collect the Security Deposit from the Consumers for giving new connections, which shall be transferred to MSEDCL.
- f) The applicable interest on these deposits shall be borne by MSEDCL and shall be transferred to the Distribution Franchisee to meet its obligations as per applicable regulations.
- g) The adjustment against arrears on account of Consumers who are permanently disconnected by the Distribution Franchisee after the Effective Date shall be allowed from the Security Deposit of the respective Consumer after following applicable regulations. However, in case of Consumers existing on the Effective Date, MSEDCL shall have the first right on the security deposit.
- h) The Distribution Franchisee shall not grant new connections to Permanently Disconnected (PD) Consumers as on Effective Date without the written consent of MSEDCL unless arrears have been recovered from them and remitted to MSEDCL. MSEDCL shall take responsibility for such cases and defend the legal cases, at its own cost, arising out of such an action by the Distribution Franchisee.

#### **5.7 Commercial Duties and Responsibilities**

The Distribution Franchisee shall perform in the Franchise Area:

- 5.7.1 Meter reading and billing to the Consumers as per the retail tariffs approved by MERC from time to time.
- 5.7.2 Collections from the Consumers as per the billing.
- 5.7.3 Collection of arrears on behalf of MSEDCL.



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- 5.7.4 Make timely payments to MSEDCL as per the terms and conditions of this Agreement.
- 5.7.5 Replace defective meters with new meters.
- 5.7.6 Maintain Consumer database and billing records.
- 5.7.7 Initiate necessary action, in accordance with the procedure for anti theft, disconnection and control of commercial losses as defined in Electricity Act 2003 and applicable MERC Regulations and Directives.
- 5.7.8 Discharge all duties and responsibilities of MSEDCL as the distribution licensee as required by the License Regulations of the MERC except such of the conditions, which cannot be complied with by the Distribution Franchisee alone.
- 5.7.9 Undertake any other activity as may be notified from time to time by MERC to the distribution licensee.

**5.8 Duties and Responsibilities of MSEDCL**

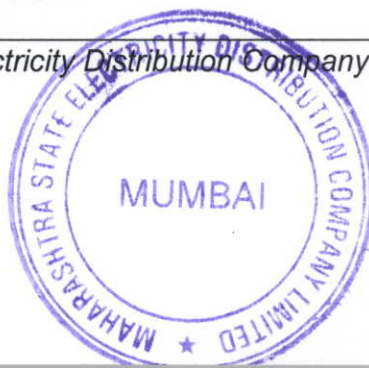
The broad duties and responsibilities of MSEDCL would include, but not limited to, the following activities:

- 5.8.1 MSEDCL shall ensure the supply of power to Distribution Franchisee of acceptable quality standards as per Article 5.4.
- 5.8.2 MSEDCL shall communicate to Distribution Franchisee any shortfall or inability to supply, the power requirements of the Distribution Franchisee.
- 5.8.3 MSEDCL shall carry out meter reading jointly with Distribution Franchisee on a monthly basis at Input Points of the Franchise Area.
- 5.8.4 MSEDCL shall carry out capital expenditures as per the "Minimum Investment Plan" attached as Annexure-2.
- 5.8.5 MSEDCL shall support the Distribution Franchisee initiatives to adopt innovative practices to bring about effectiveness and efficiency in electricity distribution business.

**ARTICLE 6: METERING AND MEASUREMENT**

**6.1 Metering System:**

- 6.1.1 The Distribution Franchisee shall install and operate the Check Metering system in accordance with this Article 6 and Central Electricity Authority (Installation and Operations of Meters) Regulations, 2006. In addition to the existing Main Meters at each of the Input Points, the Distribution Franchisee shall also provide a check meter at each of them.



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**6.2 Inspection and Testing of Meters**

6.2.1 MSEDCL/MSETCL shall inspect and if necessary, recalibrate the metering system on a regular basis but in any event, at least once every three (3) months or at a shorter interval at the request of either party.

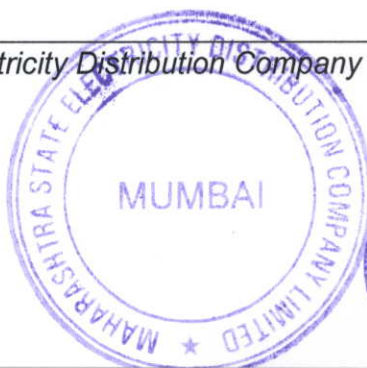
6.2.2 Each Meter comprising the metering system shall be sealed by MSEDCL, Distribution Franchisee and MSETCL, and shall not be opened, tested or calibrated except in the presence of all the parties.

**6.3 Inaccuracy of Meters**

In case the difference between the readings of the main meter and the check meter for any calendar month is within 0.5%, the reading of the main meter shall be taken as final. If however, the variation exceeds  $\pm 0.5\%$ , the final value shall be arrived at as per the procedure, laid down in Article 6.3.3 below.

Whenever difference between the readings of the Main meter and the Check meter for any month is more than 0.5%, the following steps shall be taken Checking of CT and VT connections

- a) Calibration of interface meters at site with reference standard meter of accuracy class higher than the meter under test.
- b) On carrying out the re-calibration of the main meter, if it is discovered that either the percentage of inaccuracy exceeds  $\pm 0.5\%$  or that the main meter is not working, the following procedure in order of priority, whichever is feasible, for arriving at the computation of quantity of energy during the period between the last calibration and the present, shall be followed:
  - i) on the basis of the readings of the check meter if installed and functioned accurately; or
  - ii) by correcting the error if the percentage of error is ascertainable of calibration, tests or mathematical calculation; or
  - iii) By estimating the volume of energy delivered based on the meter reading on the upstream of the network i.e. energy reading of meters installed on LV side of the power transformers or HV side of the transformer.
- c) The correction to the quantity of energy injected shall apply to the following periods (hereinafter referred to as the "Correction Period"):
  - i) to any period of time during which the main meter was known to be malfunctioning or to which the parties mutually agree;





- ii) if the period during which the main meter was malfunctioning is not known or is not agreed to between the parties, the correction shall be applicable for a period equal to half the time elapsed since the date of the preceding calibration test, provided that under no circumstance shall the Correction Period exceed one month.
- d) If the difference exists even after such checking or testing, then the defective meter shall be replaced with a correct meter.
- e) In case of conspicuous failures like burning of meter and erratic display of metered parameters and when the error found in testing of meter is beyond the permissible limit of error provided in the relevant standard, the meter shall be immediately replaced with a correct meter.
- f) In case where both the Main meter and Check meter fail, at least one of the meters shall be immediately replaced by a correct meter.

#### **6.4 Measurement**

- 6.4.1 Distribution Franchisee shall carry out weekly meter readings at Input Points at 18.00 hours on 7th, 14th, and 21<sup>st</sup> day of each calendar month and intimate the same to MSEDCL by 10.00 Hrs on the next business day.
- 6.4.2 A joint meter reading by both the parties shall be carried out on the 0.00 Hrs on the Effective Date.
- 6.4.3 A joint meter reading by both the parties shall be carried out on the last day of every calendar month at 1800 Hrs w.e.f the Effective Date. Adjustments, if any, shall be carried out for weekly payments as mentioned in Article 7 based on the aforementioned meter reading.
- 6.4.4 MSEDCL shall raise invoices as mentioned in Article 7 based on input units measured by Distribution Franchisee as specified in previous Article.
- 6.4.5 The Metering and Measurement System stated in this Article shall also be applicable to payments on account of Wheeled Electricity.
- 6.4.6 Until 0.2 Class meters are installed as main meters, the reading of check meter shall be used for billing provided the check meters are of 0.2 accuracy class.

### **ARTICLE 7: BILLING AND PAYMENT**

#### **7.1 Billing**

##### **7.1.1 Monthly Invoice**

The First Invoice raised by MSEDCL on the Distribution Franchisee shall correspond to the energy input between first day and thirtieth day from the Effective Date and shall be computed as below:



$$MI = (RIE_M + WC_M + ED_{RM} + TOSE_M + SDN_M + P) - (S_M + CARPD_{RM} + CARCL_{RM})$$

Where

**RIE<sub>M</sub> = Revenue for Input Energy as per Joint Measurement**

It shall be computed as below:

$$RIE_M = EI_M * AIR_N * TIR_N$$

Where, EI<sub>M</sub>= Energy input in the Franchise Area during the month, which shall be the energy input by MSEDCL less energy sourced by Distribution Franchisee from other sources.

AIR<sub>N</sub>= Annualized Input Rate applicable for the year as per Annexure-8.

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as ratio of prevailing average tariff for that billing period as applicable to all MSEDCL Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for every month and the same shall be used for computation of the revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC

**WC<sub>M</sub> = Wheeling Charges applicable to the Month computed as below:**

$$= 0.07 * EPOM_M * AIR_N * TIR_N$$

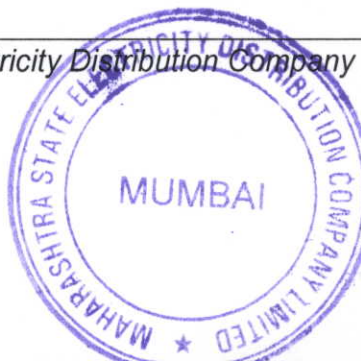
Where:

EPOM<sub>M</sub> is Energy procured over and above the quantity supplied by MSEDCL;

AIR<sub>N</sub>= Annualized Input Rate applicable for the year as per Annexure-8

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as Ratio of prevailing average tariff for that billing period as applicable to all MSEDCL Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for



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every month and the same shall be used for computation of the Revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC.

The aforementioned wheeling charges would be used till the time MERC notifies these charges under the provision of Open Access Regulations. Thereafter, the same shall be applicable for the purpose of calculation and payment of network usage Cost.

**ED<sub>RM</sub>** is the Electricity Duty Realized during the period and for which the information has been received as per Article-13.1.

**TOSE<sub>M</sub>** is the Tax on Sale of Electricity leviable as per applicable Law during the billing period

**SDN<sub>M</sub>** is the Security Deposit collected for new connections issued during the period and for which information has been received as per Article-13.1

**P** is the penalty leviable on the Distribution Franchisee for delay on account of previous payments and shall be computed @18% per annum quarterly compounded on the outstanding amount.

**CARPD<sub>RM</sub>** is the Credit available to the Distribution Franchisee for incentive on account of arrears from the permanently disconnected Consumers collected and remitted to MSEDCL during this billing cycle and shall be computed as below:

$$\text{CARPD}_{\text{RM}} = 0.2 * \text{ARPD}_{\text{RM}}$$

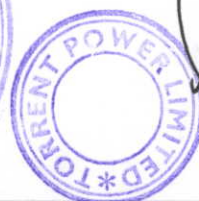
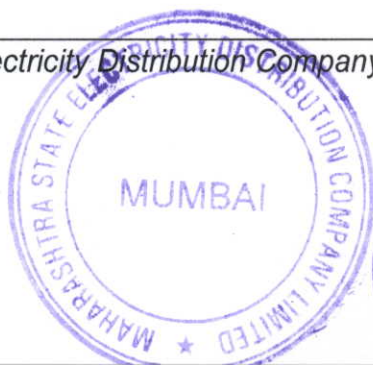
Where **ARPD<sub>RM</sub>** is the amount of arrears on account of permanently disconnected Consumers prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

**CARCL<sub>RM</sub>** is the Credit Available to the Distribution Franchisee for incentive on account of arrears from the current live Consumers collected and remitted during this billing cycle and shall be computed as below:

$$\text{CARCL}_{\text{RM}} = 0.1 * \text{ARCL}_{\text{RM}}$$

Where **ARCL<sub>RM</sub>** is the amount of arrears on account of current live Consumers, accrued three months prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

**S<sub>M</sub>** is the subsidy provided to subsidised Consumers in the Franchise Area for which energy bills have been raised to Consumers during this period. However, if the processing cycles which are overlapping the period before Effective Date and after Effective Date, such subsidy amount shall be adjusted on a pro-rata basis.



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### **7.1.2 Fortnightly Invoice**

The second and third Invoice raised by MSEDCL on the Distribution Franchisee shall correspond to the energy input between 31<sup>st</sup> and 45<sup>th</sup> day from the Effective Date and 46<sup>th</sup> and 60<sup>th</sup> day from the Effective Date and shall be computed as below:

$$FI = (RIE_F + WC_F + ED_{RF} + TOSE_F + SDN_F + P) - (S_F + CARPD_{RF} + CARCL_{RF})$$

Where:

**RIE<sub>F</sub> = Revenue for Input Energy for the fortnight**

It shall be computed as below:

$$RIE_F = EI_F * AIR_N * TIR_N$$

Where, EI<sub>F</sub>= Energy input in the Franchise Area during the fortnight, which shall be the energy input by MSEDCL less energy sourced by Distribution Franchisee from other sources.

AIR<sub>N</sub>= Annualized Input Rate applicable for the year as per Annexure-8

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as Ratio of prevailing average tariff for that billing period as applicable to all MSEDCL Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for every month and the same shall be used for computation of the Revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC

**WC<sub>F</sub> = Wheeling Charges applicable to the fortnight computed as below:**

$$= 0.07 * EPOM_F * AIR_N * TIR_N$$

Where:

EPOM<sub>F</sub> is Energy procured over and above the quantity supplied by MSEDCL during the fortnight;

AIR<sub>N</sub>= Annualized Input Rate applicable for the year as per Annexure-8

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as Ratio of prevailing average tariff for that billing period as applicable to all MSEDCL



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Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for every month and the same shall be used for computation of the Revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC.

The aforementioned wheeling charges would be used till the time MERC notifies these charges under the provision of Open Access Regulations. Thereafter, the same shall be applicable for the purpose of calculation and payment of network usage cost.

**ED<sub>RF</sub>** is the Electricity Duty Realized during the period and for which the information has been received as per Article-13.1.

**TOSE<sub>F</sub>** is the Tax on Sale of Electricity leviable as per applicable Law during the billing period

**SDN<sub>F</sub>** is the Security Deposit collected for new connections issued during the period and for which information has been received as per Article-13.1.

**P** is the penalty leviable on the Distribution Franchisee for delay on account of previous payments and shall be computed @18% per annum quarterly compounded on the outstanding amount.

**CARPD<sub>RF</sub>** is the Credit available to the Distribution Franchisee for Incentive on account of arrears from the permanently disconnected Consumers collected and remitted to MSEDCL during this billing cycle and shall be computed as below:

$$\text{CARPD}_{\text{RF}} = 0.2 * \text{ARPD}_{\text{RF}}$$

Where **ARPD<sub>RF</sub>** is the amount of arrears on account of permanently disconnected Consumers prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

**CARCL<sub>RF</sub>** is the Credit available to the Distribution Franchisee for Incentive on account of arrears from the current live Consumers collected and remitted during this billing cycle and shall be computed as below:

$$\text{CARCL}_{\text{RF}} = 0.1 * \text{ARCL}_{\text{RF}}$$

Where **ARCL<sub>RF</sub>** is the amount of Arrears on account of current live Consumers, accrued three months prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

**S<sub>F</sub>** is the subsidy provided to subsidised Consumers in the Franchise Area for which energy bills have been raised to Consumers during this period.



However, if the processing cycles which are overlapping the period before Effective Date and after Effective Date, such subsidy amount shall be adjusted on a pro-rata basis.

### 7.1.3 Weekly Invoice

Subsequent to the third invoice, MSEDCL shall raise weekly invoices commencing from the first of every calendar month and for the remaining period in the calendar month for which the third invoice has been issued. However, the invoice for the fourth week of the month shall be issued for the charges of the remaining days in the calendar month as illustrated below:

No. of days in the month	Duration of the last Invoice	No. of days billed
31	22 <sup>nd</sup> Day-31 <sup>st</sup> Day	10
30	22 <sup>nd</sup> Day-30 <sup>th</sup> Day	9
29	22 <sup>nd</sup> Day- 29 <sup>th</sup> Day	8
28	22 <sup>nd</sup> Day-28 <sup>th</sup> Day	7

The Weekly Invoice to be raised by MSEDCL on the Distribution Franchisee shall be calculated as below:

$$WI = (RIE_W + WC_W + ED_{RW} + TOSE_W + SDN_W + P) - (S_W + CARPD_{RW} + CARCL_{RW})$$

Where:

**RIE<sub>W</sub> = Revenue for Input Energy for the week**

It shall be computed as below:

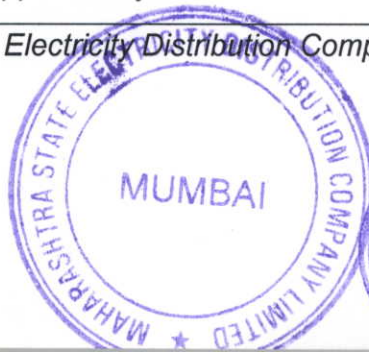
$$RIE_W = EI_W * AIR_N * TIR_N$$

Where, EI<sub>W</sub>= Energy input in the Franchise Area during the week, which shall be the energy input by MSEDCL less energy sourced by Distribution Franchisee from other sources.

AIR<sub>N</sub>= Annualized Input Rate applicable for the year as per Annexure-8

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as Ratio of prevailing average tariff for that billing period as applicable to all MSEDCL Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for every month and the same shall be used for computation of the Revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC





**WC<sub>W</sub> = Wheeling Charges applicable for the week computed as below:**

$$= 0.07 * EPOM_W * AIR_N * TIR_N$$

Where:

EPOM<sub>W</sub> is Energy procured over and above the quantity supplied by MSEDCL during the week;

AIR<sub>N</sub> = Annualized Input Rate applicable for the year as per Annexure-8

$$TIR_N = AT_N / AT_{2005-06}$$

Tariff Indexing Ratio applicable to the billing period, calculated as Ratio of prevailing average tariff for that billing period as applicable to all MSEDCL Consumers and average tariff as applicable to all MSEDCL Consumers in FY 2005-06. Average tariff shall be computed as sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories. The Tariff Indexing Ratio shall be computed for every month and the same shall be used for computation of the Revenue for Input Energy for units supplied to the Distribution Franchisee in the respective calendar month. Approved Tariff for this purpose shall mean the tariff and the applicable FOCA approved by MERC.

The aforementioned wheeling charges would be used till the time MERC notifies these charges under the provision of Open Access Regulations. Thereafter, the same shall be applicable for the purpose of calculation and payment of network usage cost.

ED<sub>RW</sub> is the Electricity Duty Realized during the previous billing cycle and for which information has been received as per Article-13.1.

TOSE<sub>W</sub> is the Tax on Sale of Electricity leviable as per applicable Law during the billing period

SDN<sub>W</sub> is the Security Deposit collected for new connections issued during the previous billing cycle and for which information has been received as per Article-13.1

P is the penalty leviable on the Distribution Franchisee for delay on account of previous payments and shall be computed @18% per annum quarterly compounded on the outstanding amount.

CARPD<sub>RW</sub> is the Credit available to the Distribution Franchisee for Incentive on account of arrears from the permanently disconnected Consumers collected and remitted to MSEDCL during this billing cycle and shall be computed as below:



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$$\text{CARPD}_{\text{RW}} = 0.2 * \text{ARPD}_{\text{RW}}$$

Where  $\text{ARPD}_{\text{RW}}$  is the amount of arrears on account of permanently disconnected Consumers prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

$\text{CARCL}_{\text{RW}}$  is the Credit available to the Distribution Franchisee for Incentive on account of arrears from the current live Consumers collected and remitted during this billing cycle and shall be computed as below:

$$\text{CARCL}_{\text{RW}} = 0.1 * \text{ARCL}_{\text{RW}}$$

Where  $\text{ARCL}_{\text{RW}}$  is the amount of arrears on account of current live Consumers, accrued three months prior to the Effective Date collected and remitted by the Distribution Franchisee to MSEDCL during this billing cycle.

$S_w$  is the subsidy provided to subsidised Consumers in the Franchise Area for which Energy Bills have been raised to Consumers during this period. However, if the processing cycles which are overlapping the period before Effective Date and after Effective Date, such subsidy amount shall be adjusted on a pro-rata basis.

## **7.2 Payment**

Distribution Franchisee shall make the payment to MSEDCL in the following manner:

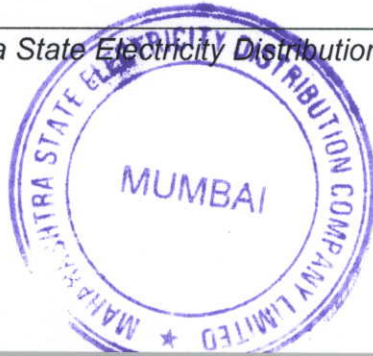
- 7.2.1 Distribution Franchisee shall maintain a record of total amount collected from Consumers against energy billed, security deposit, and taxes & duties levied as applicable and intimate the same to MSEDCL as per Article 13.1.1.
- 7.2.2 Distribution Franchisee shall make the first payment within a week of first invoice raised on 31st day from the Effective Date corresponding to the energy input between first day and thirtieth day from Effective Date.
- 7.2.3 Distribution Franchisee shall make the second payment within a week of second invoice raised on 46th day of operation from the Effective Date corresponding to the energy input between 31st day and 45th day from Effective Date.
- 7.2.4 Distribution Franchisee shall make the third payment within a week of third invoice raised on 61st day of operation from the Effective Date corresponding to the energy input between 46th day and 60th day from Effective Date.
- 7.2.5 Thereafter, MSEDCL shall raise weekly invoices as above and Distribution Franchisee shall make the payments within a week of receipt of such invoice.



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- 7.2.6 If any of the due dates is a public holiday, the payment shall be remitted on the next working day of MSEDCL.
- 7.2.7 The Distribution Franchisee may be required to provide credit to some Consumers under relevant Directives/ Orders/ Policies of MERC e.g. wind farm etc. The amount (in Rupees) of the credit given by the Distribution Franchisee to such Consumer shall be adjusted from the payment due towards revenue for input energy.
- 7.2.8 In the event that any Consumer in the Franchise Area avails Open Access under the extant Regulations, the Distribution Franchisee shall retain the cross-subsidy surcharge paid, and adjustment for Distribution Losses of such Consumer. The wheeling charges for using the Distribution System shall be apportioned between MSEDCL and the Distribution Franchisee on the basis of a mutually agreed formula. However additional sur-charges, if any, shall be remitted to MSEDCL along with the regular payments.
- 7.2.9 Distribution Franchisee shall collect and remit to MSEDCL, the arrears from current live Consumers accrued in last one month prior to Effective Date within three months of Effective Date in accordance with Article-8.4.
- 7.2.10 Distribution Franchisee shall collect and remit to MSEDCL, the arrears from current live Consumers accrued for the duration between three months prior and one month prior to Effective Date within six months of Effective Date in accordance with Article-8.5.
- 7.2.11 Upon recovery of the arrears, Distribution Franchisee shall, within 7 (seven) days, provide the details of collection and make such payment to MSEDCL.
- 7.2.12 MSEDCL shall give credit to Distribution Franchisee towards the incentive on collection of arrears after receipt of such amount and documentary details from Distribution Franchisee. This credit shall be provided in the subsequent invoice raised as per Article 7.1.
- 7.2.13 The Distribution Franchisee shall also timely remit to MSEDCL any other charges arising from the execution of the contract such as charges towards use of MSEDCL billing facilities, testing facilities, etc. and the adjustments on account of reconciliation as per Article-9 and 10.
- 7.2.14 The payment to be made by Distribution Franchisee against invoice as mentioned in Article 7.1 shall be net of subsidy amount. The subsidy amount shall commensurate with the documentation provided by Distribution Franchisee for subsidy claim for the invoice period and shall be governed by Article 9.



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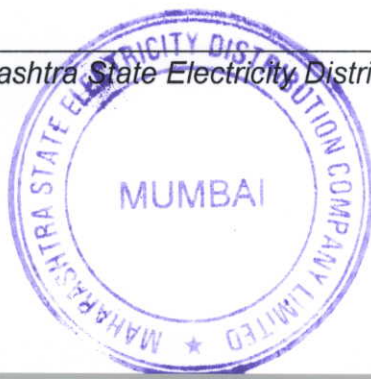
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- 7.2.15 MSEDCL shall give credit to the Distribution Franchisee for the outstanding credit balance of Consumers as determined in the joint audit process, upon the Distribution Franchisee providing such credit to Consumers. The credit shall be provided in the subsequent invoice raised by MSEDCL and shall be subject to appropriate documentation.
- 7.2.16 Any delay in payment to MSEDCL after due date shall attract a penal interest of 18% per annum quarterly compounded.
- 7.2.17 In case of a shortfall or default in payment by Distribution Franchisee against the payment obligation as per earlier Article, MSEDCL may recover such amount by invocation of L/C given by the Distribution Franchisee to secure performance guarantee.
- 7.2.18 Distribution Franchisee shall be responsible for payment of all taxes, duties, and statutory /local levies arising as a result of commercial transaction under this contract, such as service tax, sales tax etc. MSEDCL shall not be responsible for any tax related liability. However, any change in taxes/ duties/ statutory levies can be collected from Consumers through change in tariff subject to MERC's approval.

#### **ARTICLE 8: ARREARS**

- 8.1 Arrears have been classified in two categories:  
a) Arrears from connected live Consumers and  
b) Arrears from Permanently Disconnected (PD) Consumers
- 8.2 The connected live Consumers are those, which are currently legally connected to the distribution network of the Franchisee Area. Whereas permanently disconnected Consumers are no longer connected with the distribution network.
- 8.3 Distribution Franchisee should maintain separate accounts for collection from arrears and collection on account of demand to Consumers for electricity supplied from the Effective Date. MSEDCL shall transfer the right to collect the arrears to Distribution Franchisee on the Effective Date and the Distribution Franchisee and MSEDCL shall unfailingly follow the procedure attached at Annexure 9 for collection of arrears.
- 8.4 Distribution Franchisee shall be liable to collect the arrears from current live Consumers accrued in last one month on account of charges for usage of electricity prior to Effective Date. These arrears shall be collected and remitted to MSEDCL by Distribution Franchisee within three months of Effective Date. The Distribution Franchisee shall collect and remit amount at least equivalent to 65% Collection



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Efficiency including the amount already recovered. Any collections beyond 65% Collection Efficiency shall also be remitted to MSEDCL.

- 8.5 Distribution Franchisee shall also be liable to collect the arrears from current live Consumers accrued for the duration between three months and one month prior to Effective Date on account of charges for usage of electricity prior to Effective Date. These arrears shall be collected and remitted to MSEDCL by Distribution Franchisee within six months of Effective Date. The Distribution Franchisee shall collect and remit amount at least equivalent to 65% Collection Efficiency including the amount already recovered. Any collections beyond 65% Collection Efficiency shall also be remitted to MSEDCL.
- 8.6 Distribution Franchisee shall make best endeavour to collect the arrears from current live Consumers accrued before three months on account of charges for usage of electricity prior to Effective Date. MSEDCL shall offer an incentive to Distribution Franchisee towards collection of such arrears @ 10% of total amount net of taxes and duties recovered from Consumers. However, the collection from current live Consumers may first be appropriated towards current bill and then towards the arrears. MSEDCL shall not share any expenses, costs incurred by the Distribution Franchisee for such recovery.
- 8.7 Arrears on account of connected live Consumers, which are currently under any dispute or in the process of litigation on Effective Date, shall not to be transferred to Distribution Franchisee for recovery. The responsibility to recover such arrear shall rest with MSEDCL.
- 8.8 Distribution Franchisee shall make best endeavour to collect the arrears accrued prior to Effective Date from PD Consumers. MSEDCL shall offer an incentive to Distribution Franchisee towards collection of such arrears @ 20% of total amount net of taxes and duties recovered from Consumers. MSEDCL shall not share any expenses, costs incurred by the Distribution Franchisee for such recovery.
- 8.9 Arrears realized from the forfeiture or adjustment against security deposit from Consumers shall not be eligible for the incentives stated in this Article.
- 8.10 Upon recovery of the arrears, Distribution Franchisee shall, within 7 (seven) days, provide the detail of collection and make such payment to MSEDCL.
- 8.11 Upon expiry / termination, Distribution Franchisee shall not transfer to MSEDCL any arrears accrued during the term except the arrears accrued in last one month prior to the expiry / termination date of this agreement benchmarked to the prevailing level of Collection Efficiency. These arrears shall be jointly determined and agreed by MSEDCL and the Distribution Franchisee. These arrears shall be collected and



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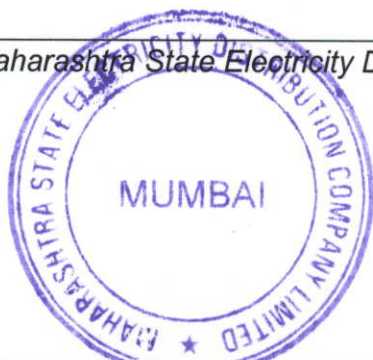
remitted by MSEDCL to the Distribution Franchisee within three months of Expiry / Termination Date.

- 8.12 Arrears accrued during the term of Agreement prior to one month of Expiry / Termination shall also be passed on to the Distribution Franchisee as and when collected by MSEDCL. However, MSEDCL shall not be under any obligation to collect such arrears. The Distribution Franchisee shall also give incentive @10% of arrears recovered net of taxes and duties for the period three months prior to the Expiry Date from current live Consumers and @20% of arrears recovered net of taxes and duties from permanently disconnected Consumers.
- 8.13 The Distribution Franchisee shall not grant new connections to permanently disconnected Consumers without the consent of MSEDCL unless arrears have been fully recovered from them and remitted to MSEDCL. Distribution Franchisee shall provide periodic information on status of permanently disconnected Consumers. Further, there shall be a joint inspection of permanently disconnected Consumers at quarterly intervals with a methodology which shall be decided. If at any stage, such a connection comes to the notice of MSEDCL, the Distribution Franchisee shall immediately disconnect the Consumer. MSEDCL and Distribution Franchisee shall jointly defend the legal cases arising out of such an action by the Distribution Franchisee. Distribution Franchisee shall bear the associated costs.
- 8.14 Notwithstanding anything contained herein, the legal rights of MSEDCL to recover the outstanding arrears from the Franchise Area shall also survive the Term of this Agreement.
- 8.15 Notwithstanding anything contained herein, the legal rights of Distribution Franchisee to recover the outstanding arrears accrued during the term of the Agreement from the Franchise Area shall also survive the Term of this Agreement.

#### **ARTICLE 9: PROVISION FOR SUBSIDY**

In addition to the provisions stated in Article 7, the Subsidy shall be governed by the following:

- 9.1 The Government of Maharashtra (GoM) presently offers subsidy on electricity tariff in certain Consumer categories, as approved by MERC, which is directly collected by MSEDCL on account of electricity supplied to those Consumers in Franchisee Area.
- 9.2 The Distribution Franchisee shall facilitate MSEDCL in raising the claim on account of electricity supplied to subsidized Consumers in Franchise Area of subsidy from GoM by way of assisting in furnishing information and necessary documentation.



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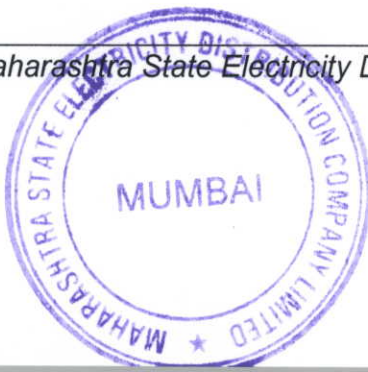


- 9.3 The Distribution Franchisee shall submit the statement of subsidy claims with the detailed records of the Consumers eligible for subsidy after verifying the accuracy and admissibility of each Consumer included in the same.
- 9.4 MSEDCL shall provide credit to Distribution Franchisee for subsidy claim towards supply of power to subsidized Consumer category in Franchise Area in the respective Invoices as per Article-7. However, a reconciliation of accounts shall be carried out every three months.
- 9.5 An Independent Auditor, preferably one of the big four auditors, appointed by the mutual consent of MSEDCL and the Distribution Franchisee, shall audit the claim for Subsidy raised by the Distribution Franchisee on a quarterly basis as mentioned in 9.4 above. The fees for this Audit shall be shared equally by both the parties. Notwithstanding the above, Distribution Franchisee shall allow the Government Auditors to verify the particulars or details provided for determining the claim for subsidy. The amount of subsidy determined by the Government Auditor shall be final and binding.
- 9.6 In the event of partial or complete withdrawal of subsidy by GoM on subsidized Consumer categories during the term of this Agreement, Distribution Franchisee shall be responsible for collection of such subsidy amount withdrawn by the GoM from the subsidized Consumers through modified tariff.
- 9.7 In the event of subsidy defaults by the GoM, the Distribution Franchisee shall comply with MSEDCL policy directives for such events. Such MSEDCL policy directives shall be with prospective effect and shall be applicable across the MSEDCL licence area.

**ARTICLE 10: ELECTRICITY DUTY**

In addition to the provisions of Article 7, the Electricity Duty shall be governed as below:

- 10.1 The Distribution Franchisee shall establish separate accounting for Electricity Duty collection as per provisions of Bombay Electricity Duty Act' 1958. An Independent Auditor, preferably one of the big four auditors, appointed by the mutual consent of MSEDCL and the Distribution Franchisee shall audit the Electricity Duty collection by the Distribution Franchisee. The fees for this Audit shall be shared equally by both the parties.
- 10.2 Notwithstanding the above, Distribution Franchisee shall allow the Government Auditors to verify the particulars or details provided for payment of Electricity Duty. The amount of Electricity Duty determined by the Government Auditor shall be final and binding.



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- 10.3 The Distribution Franchisee shall promptly remit the amount collected on account of Electricity Duties to MSEDCL as per Article-7 without any delay.
- 10.4 Any change in taxes and duties as notified by GoM, so collected by Distribution Franchisee from the Consumers in Franchise Area shall be adjusted appropriately and paid to MSEDCL in addition to its payment obligation computed as Article 7.1

**ARTICLE 11: PERFORMANCE GUARANTEE**

As provisioned in the Article-2.1.1 of this Agreement, the Distribution Franchisee shall submit and maintain valid for the term of this Agreement, a performance guarantee to the satisfaction of MSEDCL in the form of an irrevocable and unconditional letter of credit (L/C) from any nationalized bank or ICICI bank, IDBI bank, UTI bank, HDFC bank for an amount equivalent to two months' estimated amount payable to MSEDCL by Distribution Franchisee based on energy input at Input Points in Franchise Area in FY 2005-06 and Input Rate quoted by the Distribution Franchisee for first year of Franchise term.

The Letter of Credit shall be governed as below:

- 11.1 The L/C shall be initially valid for a period of one year from the Effective Date.
- 11.2 The Distribution Franchisee shall renew the L/C 15 (fifteen) days before its expiry date and furnish the same to MSEDCL, failing which MSEDCL shall have the right to invoke the L/C.
- 11.3 Within one week of beginning of each quarter, the amount of the L/C shall be upgraded, based on average energy input in previous quarter and applicable Input Rate for the year as per Annexure-8. However, under no circumstances shall the amount of L/C be revised downwards.
- 11.4 MSEDCL may recover the outstanding payment after payment due date by invoking the L/C.
- 11.5 Distribution Franchisee shall, within one week of invocation of the L/C by MSEDCL, restore the same to original level.
- 11.6 MSEDCL shall review the amount of the Letter of Credit after one Contract Year depending on the payment record of the Distribution Franchisee.

**ARTICLE 12: DEPUTATION OF MSEDCL EMPLOYEES**

The existing employees in the Franchise Area will be given an option to join the Distribution Franchisee on deputation.

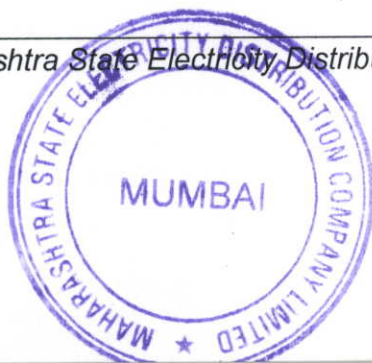


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- 12.1 MSEDCL will make a list of such employees who wish to be on deputation. Thereafter, the Distribution Franchisee shall have freedom to choose from the list of willing employees. The Distribution Franchisee will have a right to accept/ reject without assigning any reason thereof.
- 12.2 MSEDCL employees on deputation with the Distribution Franchisee shall be governed by the Distribution Franchisee's working terms and conditions. However, the Distribution Franchisee shall make those terms and conditions available upfront to all willing employees opting for deputation. For employees on deputation from MSEDCL, the employment terms and conditions shall be MSEDCL's terms & conditions of deputation as attached in Annexure 10 would be applicable. Distribution Franchisee would have the right to send any Deputationist back to MSEDCL with one month's notice to the MSEDCL without assigning any reasons.
- 12.3 The cost of employees on deputation would be borne by Distribution Franchisee. The Distribution Franchisee will compensate the Deputationist towards all the benefits available to him/ her as per his/ her employment terms of MSEDCL such as monthly salary, statutory contributions like provident fund and pension funds etc. Distribution Franchisee will also be responsible for any liability arising on account of fringe benefit tax and any other tax applicable on benefits of Deputationist.
- 12.4 At the end of the period of deputation or the Franchisee Agreement whichever is earlier, the employees on deputation will return to MSEDCL. Such employees will not lose their seniority in MSEDCL due to deputation with the Distribution Franchisee.
- 12.5 The Distribution Franchisee shall have the right to employ any number of personnel on any terms and conditions (Distribution Franchisee's Employees) to discharge the day-to-day functions relating to distribution of power in Franchisee Area.
- 12.6 However, Distribution Franchisee's employees shall not become either permanent or contract employees of MSEDCL at any point in time during and after expiry of this agreement. The Distribution Franchisee shall expressly clarify at the time of the appointment of an employee that he/she shall not have a right to claim employment with MSEDCL during the subsistence or even after the expiry of this Agreement. Only the persons expressly agreeing to these conditions shall be employed by the Distribution Franchisee. MSEDCL will not be responsible or liable for the claims raised by the employees of the Distribution Franchisee and the Distribution Franchisee shall indemnify MSEDCL in respect thereof.



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## **ARTICLE 13: REPORTING AND AUDIT**

### **13.1 Reporting**

The Distribution Franchisee shall furnish to MSEDCL the following information as per schedule stated therein:

13.1.1 Distribution Franchisee shall be required to submit data regarding billing and collection inclusive of electricity duty, Security Deposit collected on account of new connections.

13.1.2 For the initial stabilization period, Such data shall be submitted as per schedule below:

Days from Effective Date	Information to be submitted on Day
1-27	30
28-42	45
43-57	60
58-60	63

13.1.3 After the initial stabilization period, the above information shall be submitted as per the respective billing cycle and shall be submitted to MSEDCL not later than three days after the end of the billing cycle as per Article-7.1.

13.1.4 Distribution Franchisee shall be required to update the asset register and submit the same to MSEDCL on a quarterly basis for the first year and thereafter on a monthly basis within 30 days after the end of respective periods.

13.1.5 Distribution Franchisee shall generate periodic Management Information System (MIS) and Monitoring Reports as required by MSEDCL and MERC in formats enclosed at Annexure-11 and communicate them to MSEDCL through email.

13.1.6 Distribution Franchisee shall submit detailed inventory status reports on an annual basis for all inventories within the Franchisee Area.

13.1.7 All correspondence, records, reports, presentations and other forms of information developed by the Distribution Franchisee whether electronic or physical, and required by the Licensee to continue operations, shall become the property of MSEDCL upon Expiry/ termination subject to applicable permissions. MSEDCL reserves, without limitation, the right to use procedures, forms and productivity enhancement methods developed under this Agreement elsewhere subject to applicable permissions. Notwithstanding the above, the Distribution Franchisee shall have the right to retain copies of information, reports, correspondence, presentations mentioned above.



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13.1.8 Distribution Franchisee shall notify MSEDCL of any Major Incident affecting any part of the Distribution System that has occurred and shall at the earliest possible and in any event, by no later than fifteen (15) days or such period as may be extended by MSEDCL from the date of such Major Incident. Distribution Franchisee shall also submit a report to MSEDCL giving full details of the facts within the knowledge of the Distribution Franchisee regarding the incident and its cause.

13.1.9 Distribution Franchisee shall provide to the MSEDCL within reasonable time such further particulars and information as may be required by MSEDCL relating to the implementation of this Agreement for providing the same to the GoM or any other statutory authorities entitled to the same under the provisions of the law.

**13.2 Audit**

13.2.1 Distribution Franchisee will allow for yearly audit of assets and inventories within the Franchise Area by MSEDCL.

13.2.2 Distribution Franchisee will also allow an yearly audit of the billing data including the system and database and Consumer service centres operated within the scope of the Franchise Area.

13.2.3 MSEDCL may, at anytime during the subsistence of this agreement, authorize any person(s) to inspect, verify and audit the required data and records for the purpose of verifying information received under this contract, and the Distribution Franchisee shall be obliged to extend all cooperation, assistance and facilities, as may be required, to such authorized person(s).

13.2.4 The audit of electricity duty and claims for subsidy shall be carried out as mentioned in Article 9 and Article 10.

13.2.5 MSEDCL reserves the right to conduct the physical verification of the Distribution Assets belonging to MSEDCL at any time during the term of this Agreement.

13.2.6 All the aforesaid audits/verifications shall be conducted by person(s) duly authorized for the specific purpose by the Agreement Representative.

13.2.7 The Distribution Franchisee shall comply with all reporting formats and data requirements prescribed by the Auditors.

**ARTICLE 14: INDEMNIFICATION**

**14.1 Indemnity**

14.1.1 The Distribution Franchisee during the term of this Agreement shall indemnify, defend and hold MSEDCL harmless against:



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- 14.1.1.1 Any acts of omissions/commission of Distribution Franchisee with regard to the MSEDCL electricity services. In such event Distribution Franchisee shall have no claim for compensation, incentive or any other claim against MSEDCL.
- 14.1.1.2 Claims against MSEDCL made by any third party for any act of commission or omission by Distribution Franchisee, Distribution Franchisee shall indemnify and hold MSEDCL harmless and compensate all the losses so caused to MSEDCL. MSEDCL shall also be entitled to defend any action with third parties at the cost and expenses of Franchisee.
- 14.1.1.3 All monetary obligations or losses or implications arising out of such action of Distribution Franchisee in the nature of costs, expenses or damages. MSEDCL shall have no liability in respect of loss of profit, loss of income, loss of agreement or any other losses or damages suffered or arising out of or in connection with existence of any defects whether latent or apparent in electricity network and the obligation of Distribution Franchisee to provide support services shall remain unaffected thereby.
- 14.1.1.4 Claims on all the employees of MSEDCL on deputation against any loss/implication arising out of the actions of Distribution Franchisee.
- 14.1.1.5 Non-payment of all taxes, duties, and statutory /local levies arising as a result of this commercial transaction as required under Article 7.2.18
- 14.1.1.6 Non-compliance of the Laws, Regulations, Orders and Directives of MERC by the Distribution Franchisee.
- 14.1.1.7 Any penalty imposed on account of non-compliance as stated hereinabove.

This Indemnification shall survive the term of this Agreement.

14.1.2 MSEDCL shall indemnify, defend and hold the Distribution Franchisee harmless against:

- 14.1.2.1 Acts of commission or omission in the Franchise Area by MSEDCL prior to the Effective Date of this Agreement.
- 14.1.2.2 Third party claims on account of MSEDCL Distribution Assets as on Effective Date, for a period of six months from the Effective Date provided the Distribution Franchisee has taken all reasonable care of the Distribution Assets. The aggregate amount of the liabilities to be compensated by MSEDCL during the said period of six months in respect of all such claims shall be limited to Rs. 50 Lakhs. Provided, however



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that such indemnity shall be limited only to legally established claims.

#### **14.2 Procedure for claiming indemnity**

##### **14.2.1 Third party claims**

- (a) Where either party is entitled to indemnification from the other party pursuant to Article 14.1, it shall promptly notify the other party of such claim, proceeding, action or suit referred to in Article 14.1 in respect of which it is entitled to be indemnified. Such notice shall be given as soon as reasonably practicable after the Indemnified party becomes aware of such claim, proceeding, action or suit. The indemnifying party shall be liable to settle the indemnification claim within thirty [30] days of receipt of the above notice. Provided however that, if:
- (i) the Parties choose to contest, defend or litigate such claim, action, suit or proceedings in accordance with Article 14.2.1(b) below; and
  - (ii) the claim amount is not required to be paid/deposited to such third party pending the resolution of the dispute,

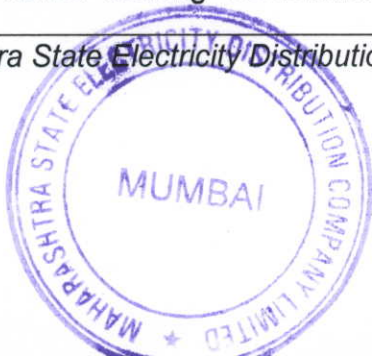
The indemnifying party shall become liable to pay the claim amount to indemnified party or to the third party, as the case may be, promptly following the resolution of the dispute, if such dispute is not settled in favour of the indemnifying party.

- (b) The indemnified Party may in consultation with the Indemnifying Party, contest, defend and litigate a claim, action, suit or proceeding for which it is entitled to be indemnified under Article 14.1 and the indemnifying Party shall reimburse to the indemnified Party all reasonable costs and expenses incurred in this respect.. However, the indemnified Party shall not settle or compromise such claim, action, suit or proceedings without first getting the consent of the indemnifying Party, which consent shall not be unreasonably withheld or delayed.

The indemnifying Party may, at its own expense, assume control of the defence of any proceedings brought against the indemnified Party, if it acknowledges its obligation to indemnify, gives prompt notice of its intention to assume control of the defence, and employs an independent legal counsel at its own cost.

#### **14.3 Indemnifiable Losses**

Where either party is entitled to Indemnifiable Losses from the indemnifying party pursuant to Article 14.1, it shall promptly notify the indemnifying party of the Indemnifiable Losses. The indemnifying party shall pay the Indemnifiable Losses within [30] thirty days of receipt of the notice seeking Indemnifiable Losses by indemnified party. It is



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expressly agreed herein that the Indemnifiable losses of either party shall be restricted to costs and expenses for all claims except for the Indemnifiable losses for third party claims, wherein consequential damages shall also be included, if applicable.

**ARTICLE 15: INSURANCE**

- 15.1 The Distribution Franchisee at its own discretion shall insure the assets purchased during the term of this Agreement.
- 15.2 The Distribution Franchisee shall also obtain and keep in effect all Insurances required under laws of India.

**ARTICLE 16: EVENT OF DEFAULT AND TERMINATION**

**16.1 Distribution Franchisee Event of Default**

The occurrence and continuation of any of the following events, unless any such event occurs as a result of a Force Majeure event or a breach by MSEDCL its substantial obligations under this Agreement, shall constitute a Distribution Franchisee event of default:

**16.1.1 Critical Event of Default**

16.1.1.1 Failure or refusal by Distribution Franchisee to perform its following obligations under the Agreement:

- a Failure on account of Distribution Franchisee to make payments as per Article- 7 of this Agreement;
- b Failure to submit in time the Information Report as per Article 13.1.1, 13.1.2 and 13.1.3;
- c Failure to maintain a performance guarantee as per the Article 11 of this Agreement.

**16.1.1.2**

- a. The Distribution Franchisee has engaged in a corrupt practice or/and fraudulent practice in competing for executing the contract.
- b. A resolution for winding up has been passed by the majority shareholders of the Distribution Franchisee.
- c. The Distribution Franchisee is declared insolvent or bankrupt.



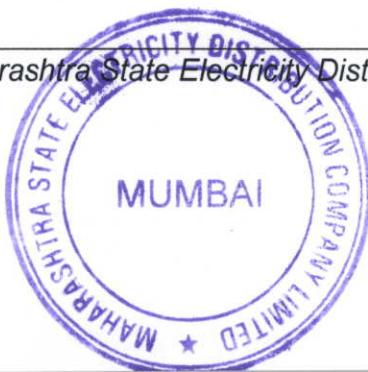
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- d. The Distribution Franchisee has unlawfully repudiated this Agreement or has otherwise expressed an intention not to be bound by this agreement.
- e. Any representation or warranty made by the Distribution Franchisee during the term of the agreement is found to be false and misleading.
- f. The Distribution Franchisee is indulging in any malpractice or corrupt practice or fraudulent practice(s).
- g. Sale of Input energy in the Franchise Area to any party outside the Franchise Area.
- h. Failure to comply with non-critical events of default within the specified period.

**16.1.2 Non-critical Event of Default**

- 16.1.2.1 Failure to submit periodic performance report (Billing and Collection report, updation of Assets Register on monthly basis, Energy audit report) to MSEDCL after a stabilization period of two months from Effective Date.
- 16.1.2.2 Reporting inconsistencies in energy/ revenue accounting, if observed during periodic/ unscheduled inspection.
- 16.1.2.3 Failure to comply with any other material terms and conditions, as applicable under this Agreement for a consecutive period of thirty (30) days.
- 16.1.2.4 Persistent non-compliance of Standards of Performance laid down by MERC after the first Contract Year. Persistent would mean non-compliance of any of terms of Standards of Performance in all similar cases for a continuous period of three months.
- 16.1.2.5 Persistent non-compliance of MERC's "Electricity Supply Code and Other Conditions of Supply" as approved and modified from time to time after the first Contract Year. Persistent would mean repeated non-compliance of any of terms of MERC's "Electricity Supply Code and Other Conditions of Supply" for a continuous period of three months.
- 16.1.2.6 Failure to deposit statutory payments of MSEDCL's Deputationist employees within the stipulated period.
- 16.1.2.7 Failure on account of Distribution Franchisee to comply with all the relevant labour laws applicable to MSEDCL's employees.



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If any of the above is in default for a period of more than 60 days, it shall become a Critical Event of Default

**16.2 MSEDCL Event of Default**

The occurrence and continuation of any of the following events, unless any such event occurs as a result of a Force Majeure Event or a breach by Distribution Franchisee of its substantial obligations under this Agreement, shall constitute a MSEDCL Event of Default:

- a) Critical Event of Default
  - i) MSEDCL does not ensure the supply of power to Distribution Franchisee of acceptable quality standards as per Article 5.4 above 90% of entitled pro-rata quantity as per article 5.4.1 for a period of six days in a calendar month.
- b) Non-Critical Event of Default
  - i) Breach of Any other material terms and conditions, as applicable under this Agreement for a consecutive period of thirty (30) days. If the default continues for a period of more than 60 days, it shall become a Critical Event of Default.

**16.3 Termination Procedure for Event of Default by Distribution Franchisee**

16.3.1 On the occurrence of any Event of Default, or its coming to notice of MSEDCL, MSEDCL shall issue an Event of Default notice to the Distribution Franchisee.

16.3.2 The Distribution Franchisee shall eliminate/ mitigate consequences of such Event of Default within a period of 15 days for Event of Default cited at 16.1.1.1 and 60 days for Events of Default cited at 16.1.1.2.

16.3.3 In case the Distribution Franchisee is unable to eliminate/ mitigate the consequences of Event of Default within the period stipulated at 16.3.2 a preliminary notice of termination may be served by MSEDCL to the Distribution Franchisee, elaborating the event of default by Distribution Franchisee.

16.3.4 If the default is not cured within a period of thirty days, this Agreement may be terminated after serving the final termination notice to the Distribution Franchisee.

16.3.5 It is expressly agreed that both the parties shall continue to perform their respective obligations until the serving of final termination notice, whereupon this Agreement shall terminate on date of such notice.

16.3.6 MSEDCL shall exercise its Step-in rights after serving the final termination notice. The Distribution Franchisee shall be obliged to extend transition assistance for a period of 30 days from the serving of



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such Final termination notice, failing which the costs and expenses incurred by MSEDCL on the account of non-provision of such assistance by the Distribution Franchisee shall be recovered from the Termination payment of the Distribution Franchisee.

**16.4 Termination Procedure for MSEDCL Event of Default**

16.4.1 On the occurrence of Event of Default by MSEDCL, the Distribution Franchisee shall issue an Event of Default notice to MSEDCL.

16.4.2 MSEDCL shall eliminate/ mitigate consequences of such Event of Default within a period of 60 days.

16.4.3 In case MSEDCL is unable to eliminate/ mitigate the consequences of Event of Default, a preliminary notice of termination may be served by the Distribution Franchisee to MSEDCL, elaborating the Event of Default by MSEDCL.

16.4.4 If the default is not cured within a period of thirty days from the date of serving of preliminary termination notice, this Agreement may be terminated after serving the final termination notice to the defaulting Party.

16.4.5 It is expressly agreed that both the parties shall continue to perform their respective obligations until the serving of final termination notice, whereupon this Agreement shall terminate on date of such notice.

16.4.6 MSEDCL shall exercise its Step-in rights after receiving the final termination notice. The Distribution Franchisee shall be obliged to extend transition assistance for a period of 30 days from the serving of such Final termination notice, failing which the costs and expenses incurred by MSEDCL on the account of non-provision of such assistance by the Distribution Franchisee shall be recovered from the Termination payment of the Distribution Franchisee.

**16.5 Consequences of Termination**

**16.5.1 Consequences of Termination for Distribution Franchisee Event of Default**

- a) Without prejudice to the other rights of MSEDCL in case of termination, Distribution Franchisee shall pay all the dues payable to MSEDCL on the date of termination. Distribution Franchisee shall pay all other dues only after the payment of all MSEDCL dues.
- b) MSEDCL has right to make good any shortfall from the performance guarantee.
- c) MSEDCL unconditionally reserves the right to claim from Distribution Franchisee any costs, expenses or loss that it may have incurred by



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reason of breach of failure on the part of Distribution Franchisee to observe and perform any of the terms and conditions of the agreement.

- d) On termination of this Agreement however occasioned, the Distribution Franchisee shall forth with deliver to MSEDCL all papers including the forms used, partially used and unused receipts books, all promotional materials and documents which may have come into its possession or custody under the terms of this Agreement or otherwise.
- e) The Distribution Franchisee shall furnish a certificate of Non-encumbrance to claim the amount due to him as per provisions of Article-5.2.

**16.5.2 Consequences of Termination for MSEDCL Event of Default**

Without prejudice to the other rights of Distribution Franchisee in case of termination, MSEDCL shall pay all the dues payable to Distribution Franchisee on the date of termination.

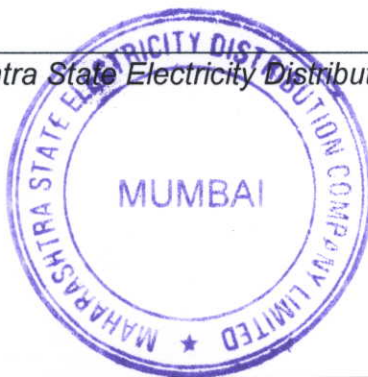
**16.6 Step In Rights of MSEDCL**

**16.6.1 Step-in Rights in case of Event of Default after serving of Final Termination Notice**

- 1. MSEDCL or its Designate(s) shall be entitled to immediately enter any and/or all of the Site(s) and operate the Distribution System and collect revenues due from Consumers.
- 2. MSEDCL shall have the right to invoke the Letter of Credit furnished by the Distribution Franchisee and to recover all its dues and outstanding amounts.
- 3. The Distribution Franchisee shall transfer all the Fixed Assets brought in as a part of the New Capital Expenditure in the Franchise Area in accordance with the Article-5.2.

**16.6.2 Step-in Rights in the Event of Abandonment by the Distribution Franchisee**

- 1. MSEDCL or its Designate(s) shall be entitled to immediately enter any and/or all of the Site(s) and operate the Distribution System.
- 2. MSEDCL shall issue a take-over notice to the Agreement Representative and serving of such notice shall be treated as a deemed takeover of operations by MSEDCL.
- 3. MSEDCL shall invoke the Letter of Credit furnished by the Distribution Franchisee.





4. MSEDCL shall forfeit all Current Assets of the Distribution Franchisee in the Franchise Area.
5. MSEDCL shall forfeit all Capital Assets (Movable & Immovable) brought in the Franchise Area in accordance with the Article-5.2.
6. However, the liability of meeting the repayment obligations on account of financing arrangements for such assets shall lie with the Distribution Franchisee.

**16.6.3 Step-in Rights of MSEDCL in the Events of Partial Disruption of electric supply services**

In case of disruption of electric supply services in any part of the Franchise Area, leading to severe public inconvenience, MSEDCL shall have a right to step-in the Franchise Area and restore electric supply services. The costs and expenses incurred for restoration by MSEDCL shall be borne by the Distribution Franchisee.

**16.7 Mode of Expiry Payment**

16.7.1 The expiry payment to the Distribution Franchisee shall consist of the following:

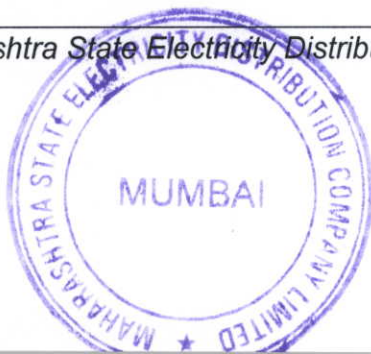
- a) Depreciated Value of capital assets worked out as per Article-5.2;
- b) Value of current assets worked out as per Article-5.3;
- c) Arrears accrued in the last one-month prior to Expiry as per Article-8.13.

16.7.2 An amount equal to 70% of the depreciated value of capital assets on Expiry Date worked out as per the audit conducted at the end of ninth contract year shall be released to the Distribution Franchisee not later than 15 days from the Expiry Date upon furnishing of a certificate of non-encumbrance by the Distribution Franchisee.

16.7.3 The balance payment on account of capital assets after accounting for deviations shall be released on completion of physical verification and auditing but not later than 60 days from expiry.

16.7.4 MSEDCL shall furnish to the Distribution Franchisee a bank guarantee for an amount equivalent to the depreciated value on the expiry date, of Distribution Assets added by the Distribution Franchisee. Such value shall be based on the capital assets audit conducted at the end of ninth year. The bank guarantee shall be furnished six months prior to expiry and shall be encashable to the extent dues established under (i) below and subject to 16.7.2 above, if the payment computed as per Article 5.2.7 & 5.2.8 is not released within a period of 60 (sixty) days on the fulfilment of all of the following:

- (i) Such Assets have been physically verified by the Joint Audit Team of MSEDCL and the Distribution Franchisee



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and have been found to be in working order. The verification shall be completed within one month after Expiry of the agreement. In case of shortfalls, the non-disputed amount shall be released promptly.

- (ii) The Distribution Franchisee has furnished a Certificate of Non-encumbrance in respect of such Distribution Assets.
- (iii) The title and possession of such assets has been transferred to MSEDCL.

16.7.5 The payment for current assets due to the Distribution Franchisee shall be released not later than 60 days from Expiry date.

16.7.6 MSEDCL shall also establish a bank guarantee for payment towards arrears accrued one month prior to the Expiry after such an amount has been jointly determined and agreed by MSEDCL and Distribution Franchisee. The bank guarantee shall be encashable by Distribution Franchisee, if such jointly agreed payment is not released within a period of 90 days from Expiry.

16.7.7 All the above payments shall be released after deductions on account of any outstanding amount towards MSEDCL, if any.

**16.8 Mode of Termination Payment in case of MSEDCL Event of Default**

16.8.1 The Termination payment to the Distribution Franchisee shall consist of the following:

- i) Depreciated Value of capital assets worked out as per Article-5.2;
- ii) Value of current assets worked out as per Article-5.3;
- iii) Arrears accrued in the last one-month prior to termination as per Article-8.13.

16.8.2 An amount equal to 50% of the depreciated value of capital assets on Termination date worked out as per the audit conducted at the end of last contract year shall be released to the Distribution Franchisee not later than 15 days from the Termination Date upon furnishing of a certificate of non-encumbrance by the Distribution Franchisee.

16.8.3 The balance payment on account of capital assets after accounting for deviations shall be released on completion of physical verification and auditing but not later than 60 days from Termination Date.

16.8.4 MSEDCL shall furnish to the Distribution Franchisee a bank guarantee for an amount equivalent to the depreciated value on the Termination date, of Distribution Assets added by the Distribution Franchisee. Such value shall be based on the capital assets audit conducted at the end of last contract year. The bank guarantee shall be furnished within a period of 15 days from Termination and shall be encashable to the extent dues established under (i) below and subject to 16.8.2 above, if the payment computed as per Article 5.2.7 & 5.2.8 is not released within a period of 60 (sixty) days on the fulfilment of all of the following:



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- (i) Such Assets have been physically verified by the Joint Audit Team of MSEDCL and the Distribution Franchisee and have been found to be in working order. The verification shall be completed within one month after Termination of the agreement. In case of shortfalls, the non-disputed amount shall be released promptly.
- (ii) The Distribution Franchisee has furnished a Certificate of Non-encumbrance in respect of such Distribution Assets.
- (iii) The title and possession of such assets has been transferred to MSEDCL.

16.8.5 The payment for current assets due to the Distribution Franchisee shall be released not later than 60 days from Termination date.

16.8.6 MSEDCL shall also establish a bank guarantee for payment towards arrears accrued one month prior to such Termination after such an amount has been jointly determined and agreed by MSEDCL and Distribution Franchisee. The bank guarantee shall be encashable by Distribution Franchisee, if such jointly agreed payment is not released within a period of 90 days from Termination.

16.8.7 All the above payments shall be released after deductions on account of any outstanding amount towards MSEDCL, if any

**16.9 Mode of Termination Payment in case of Distribution Franchisee Event of Default**

16.9.1 The Termination payment to the Distribution Franchisee shall consist of the following:

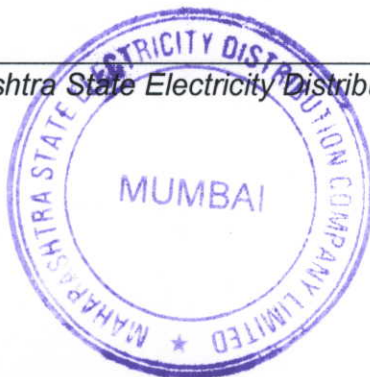
- a) Depreciated Value of capital assets worked out as per Article-5.2;
- b) Value of current assets worked out as per Article-5.3;
- c) Arrears accrued in the last one-month prior to Expiry as per Article-8.13.

16.9.2 An amount equal to 50% of the depreciated value of capital assets on Termination date worked out as per the audit conducted at the end of last contract year shall be released to the Distribution Franchisee not later than 15 days from the Termination Date upon furnishing of a certificate of non-encumbrance by the Distribution Franchisee.

16.9.3 The balance payment on account of capital assets after accounting for deviations shall be released on completion of physical verification and auditing but not later than 60 days from Termination Date.

16.9.4 The payment for current assets due to the Distribution Franchisee shall be released not later than 60 days from Termination date.

16.9.5 The payment for arrears accrued in the last one month prior to expiry shall be released not later than 90 days from the Termination date.



16.9.6 All the above payments shall be released after deductions on account of any outstanding amount towards MSEDCL, if any.

**ARTICLE 17: GOVERNING LAW AND DISPUTE RESOLUTION**

**17.1. Governing Law**

17.1.1 This Agreement has been executed and delivered in India and its interpretations, validity and performance shall be construed and enforced in accordance with the laws of India and also the laws applicable to the State of Maharashtra.

17.1.2 Any dispute arising out of compliance/ non-compliance of this Agreement shall be exclusively under the jurisdiction of court at Mumbai

**17.2 Amicable Settlement**

17.2.1 Either Party shall be entitled to raise any dispute or differences of whatever nature arising under, out of or in connection with this Agreement including its existence or validity by giving a written notice to the other Party, which shall contain:

- (i) The details of the Dispute;
- (ii) The grounds for such Dispute; and
- (iii) All documentary evidence in support of its claim.

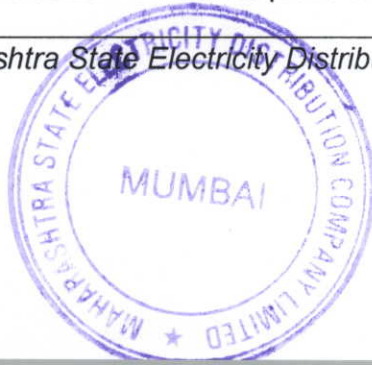
17.2.2 The other Party shall, within thirty (30) days of receipt of dispute notice issued under Article 17.2.1, furnish:

- (i) Counter-claim and defences if any regarding the Dispute; and
- (ii) All documentary evidence in support of its defences and counter-claim.

17.2.3 Both the parties shall constitute a Permanent Dispute Resolution Body having equal representation from each of the parties. The disputes or differences arising under this Agreement shall be referred for resolution to this body, which shall communicate its decision within Thirty (30) days.

17.2.4 In case of non-settlement of dispute by the Permanent Dispute Resolution body, such dispute or differences shall be referred for decision to a body constituted of MD, MSEDCL and Head, Distribution Franchisee (by whatever name called) which shall communicate its decision within a period of 15(fifteen) days.

17.2.5 Any dispute arising out of, in connection with or with respect to this agreement, the subject matter hereof, the performance or non-performance of any obligation hereunder, which cannot be resolved by negotiation between the Parties and the Dispute Resolution procedure as stated in the foregoing Articles, shall be exclusively submitted to arbitration at the request of either party upon written notice to that



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effect to the other party and. The proceedings shall be conducted subject to the provisions of the Arbitration and Conciliation Act, 1996 (the Arbitration Act) by a panel consisting of three arbitrators.

17.2.6 While submitting the dispute or difference to arbitration in accordance with this Article the Party so submitting shall, in its notice, specify the name of one arbitrator appointed by it. Within 30 (thirty) days of the receipt of notice, the other Party shall appoint an arbitrator. The third arbitrator (who will act as the chairman) shall be nominated by the two arbitrators appointed as aforesaid or, failing such nomination within 30 (thirty) days of the appointment of the second arbitrator, shall be appointed in accordance with the Arbitration Act.

17.2.7 The language of the arbitration shall be English. The venue of Arbitration shall be Mumbai.

17.2.8 The arbitration award shall be in writing. The arbitrators shall also decide on the costs of the arbitration proceedings.

17.2.9 The Parties agree that the award of the arbitrators shall be final and binding upon the Parties.

17.2.10 Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Article 17 shall survive the termination of this Agreement.

17.2.11 Both the parties shall continue to perform their respective obligations during the conduct of the Dispute Settlement Procedure.

### **17.3 Disputed Payments**

17.3.1 An invoice raised by MSEDCL in terms of Article-7 can be disputed by the Distribution Franchisee; however, the Distribution Franchisee shall remit the payment against the same to MSEDCL within the stipulated time.

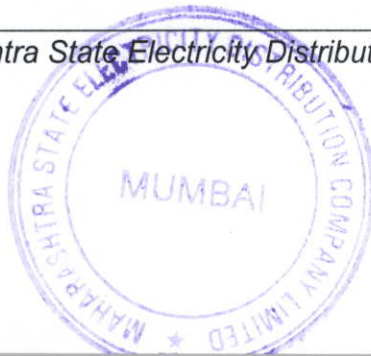
17.3.2 In case the dispute is resolved in the favour of the Distribution Franchisee, MSEDCL shall within 7 days of settlement of such dispute refund the excess amount along with an interest of 12% per annum on this amount, for a period from the date of remission of payment by the Distribution Franchisee and the date of refund of the excess amount.

17.3.3 The information submitted by Distribution Franchisee and forming a basis for the Invoice can also be disputed by MSEDCL.

17.3.4 In case the dispute is resolved in the favour of MSEDCL, the Distribution Franchisee shall within 7 days of settlement of such dispute refund the additional amount along with an interest of 12% per annum on this amount, for a period from the date of remission of corresponding payment by the Distribution Franchisee and the date of remittance of the additional amount.

### **17.4 Severability**

If any section, provision or Article of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, or is pre-empted by central or state laws, regulations or regulatory agencies, the remainder of this



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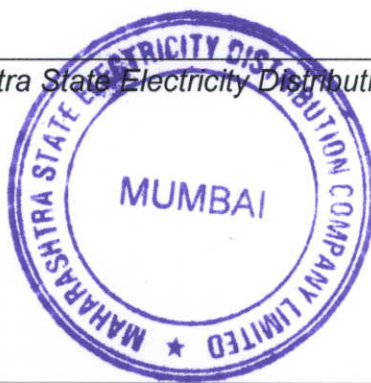
Agreement shall not be affected, except as is otherwise provided in this agreement. However if the implication of such a situation is significant, both the parties may mutually decide the future course of action.

**ARTICLE 18: FORCE MAJEURE**

- 18.1 No Party shall be liable to the other Parties if, and to the extent, that the performance or delay in performance of any of its obligations under this Agreement is prevented, restricted, delayed or interfered with due to occurrence of any event of force Majeure including acts of God, acts of any Government (de jure or de facto) or regulatory body or public enemy, war, riots, embargoes, industry-wide strikes, the reduction in supply due to outage of generation facilities / transmission lines or any other causes, circumstances, or contingencies, whether of a similar or dissimilar nature to the foregoing, beyond the parties control, which cannot be reasonably forecast or prevented, thereby, hindering the performance by the parties of any of their obligations hereunder. The Party claiming an event of force majeure shall promptly notify the other Parties in writing, and provide full particulars of the cause or event and the date of first occurrence thereof as soon as possible after the event and also keep the other Parties informed of any further developments. The Party so affected shall use its best efforts to remove the cause of non-performance, and the Parties shall resume performance hereunder with the utmost dispatch when such cause is removed. For the purpose of clarity, the Parties agree that the failure of a Party to adhere to any statutory or regulatory requirement or to obtain necessary approvals shall not be deemed to be a force majeure situation.
- 18.2 A condition of force majeure shall not relieve any Party of any obligation due under this Agreement prior to the event of force majeure.
- 18.3 In the event of a prolonged event of Force Majeure (continuing for a period of more than 180 days) a preliminary notice of termination may also be issued by either Party leading to the termination of the Agreement. The payment mechanism for this case shall be the same as described in Article-16.7.

**ARTICLE 19: MISCELLANEOUS PROVISIONS**

- 19.1 MSEDCL shall refrain from unreasonably interfering with the Distribution Franchisee in exercising of its rights or the performance of or compliance with its obligations under this Agreement.
- 19.2 MSEDCL shall make all reasonable efforts to ensure that its staff not assigned to the Franchise Area does not impede the Distribution Franchisee from exercising its rights or performing its obligations under this Agreement.



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- 19.3 The Parties shall establish formal communication means for purposes of exercising their respective rights and performing or complying with their respective obligations under this Agreement. Each of the Parties shall designate an Engineer-in-charge who is duly authorised to act on behalf of the respective Parties, to liaise for purposes of and carry out Agreement Management pertaining to the management of all matters related to the compliance with the requirements of this Agreement. The Engineer-in-charge shall be of the rank of Chief Engineer or equivalent and above from MSEDCL and a rank of General Manager and above from Distribution Franchisee.
- 19.4 Both the parties shall duly appoint their respective Agreement Representative and the Disputes or differences arising out of the execution of this Agreement shall be dealt by them. The Agreement Representative shall be of the rank of Executive Director or equivalent and above from both the sides.
- 19.5 Distribution Franchisee may consider the use of innovative operating systems and technical solutions for loss reduction, theft prevention, credit control, etc. If such a system is being implemented then the Distribution Franchisee will submit information about such plans, processes and procedures to MSEDCL. All these systems must be in compliance with Regulatory and Licensee conditions. MSEDCL, in consultation with the Distribution Franchisee may depute a reasonable number of its employees to be trained on such new systems and processes.
- 19.6 In the event the Distribution Franchisee undergoes merger/ acquisition/ amalgamation, it will duly seek approval from MSEDCL for assignment of this agreement to the new entity. This would facilitate better coordination with the new entity.
- 19.7 The necessary approvals/consents under this agreement shall not be withheld or delayed unreasonably by any of the party. Any approval or consent given under this Agreement shall be valid only if given in writing.
- 19.8 The Distribution Franchisee may create charge on its gross margin i.e. the revenue realizations less the amount payable to MSEDCL as per the regular invoices. Notwithstanding the foregoing, the repayment obligations in all cases shall lie with the Distribution Franchisee.
- 19.9 The language of communication between two parties shall be English only.
- 19.10 The Distribution Franchisee shall not use the MSEDCL assets for any other use except for distribution of electricity and activities concerned with the subject of this Franchisee
- 19.11 MSEDCL at the request of the Distribution Franchisee shall pursue with the relevant agencies for the augmentation of EHV line and transformer capacity for Franchise Area.
- 19.12 **Infrastructure Roll-out Plan:** The Distribution Franchisee shall submit an Infrastructure Roll-out plan to MSEDCL stating the tentative investments to be carried out by in the Franchise Area to lower the Distribution Losses and improve the quality of supply. The same may



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be submitted before Effective Date. The plan shall be indicative and the actuals may differ.

- 19.13 MSEDCL shall mark a copy of the Directives received by it under applicable laws, Regulations and Directives of MERC, which are not in the public domain.

**19.14 Notices**

All notices to be given under this Agreement shall be in writing and in the English language.

All notices must be delivered personally, by registered or certified mail or by facsimile transmission to the address given below:

For MSEDCL:

Engineer In Charge :

Chief Engineer (Bhandup Zone)  
MSEDCL,  
'Vidyut', LBS Marg  
Near Asian Paints  
Bhandup, Mumbai-400078  
Phone:022-25650652  
Fax: 022-25643990  
E-Mail: cebhandup@mahadiscom.in

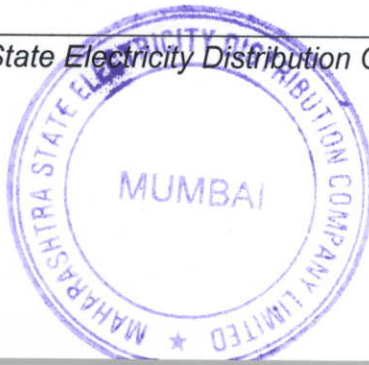
Agreement Representative:

Director (Operations)  
MSEDCL  
G-9, Prakashgad, Prof. Anant Kanekar Marg  
Bandra (East)  
Mumbai-400051  
Phone:022-26474750  
Fax:022-26472976  
E-Mail: dirop@mahadiscom.in

For Distribution Franchisee:

Engineer-in-charge:

Mr. Shrirang B. Karandikar  
General Manager  
Torrent Power Limited  
Electricity House, Lal Darwaja  
Ahmedabad-380001  
Phone:079-25502881  
Fax: 079-25506386



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A handwritten signature in blue ink, appearing to be "R. Karandikar".



E-Mail: sbkarandikar@torrentpower.com

Agreement Representative:

Mr. Ashok Modi  
Executive Director  
Torrent Power Limited  
Electricity House, Lal Darwaja  
Ahmedabad-380001  
Phone: 079-25502881  
Fax: 079-25506386  
E-Mail: ashokmodi@torrentpower.com

All notices shall be effective: (i) if sent by facsimile transmission, when sent (on receipt of confirmation of the correct number or address); (ii) if sent by registered post or certified mail, within 5 days of dispatch; and (iii) if delivered personally, on receipt by intended recipient. Provided that all notices given by facsimile transmission shall be confirmed by registered or certified mail.

Each party shall forthwith notify the other party of any change in its address to which notices under this Agreement are to be delivered, mailed or facsimiled.

19.15 Amendment:

This Agreement may be amended only by written agreement of the Parties hereto, duly executed by an authorized representative of each of the Parties hereto.

19.16 Non-Waiver

The failure in any one or more instances of a Party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any right or privilege in this Agreement conferred or the waiver by said party of any breach of any of the terms, covenants or conditions of this Agreement shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect.

19.17 Binding Effect

This Agreement and the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Annexures attached hereto form part of the Agreement.

MSEDCL and the Distribution Franchisee hereby represent and warranty that:

- a) They are not prevented under the applicable Laws and Regulations to enter into this Agreement;
- b) They have obtained the required authorizations/ permits to sign this Agreement.



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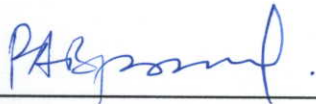
IN WITNESS WHEREOF the Parties have executed these presents through their authorized representatives at  
[Mumbai].

For and on behalf of

[M/s Maharashtra State Electricity  
Distribution Company Limited]

For and on behalf

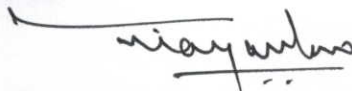
[M/s Torrent Power Limited]




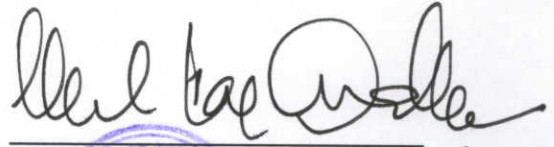
Signature with seal

Managing Director  
Maharashtra State Elect. Distribution Co. Ltd.  
"Prakashgad" Bandra (E),  
MUMBAI - 400 051.  
Dec 20, 2006

Witness:

1.   
(VINAYAK RAO)

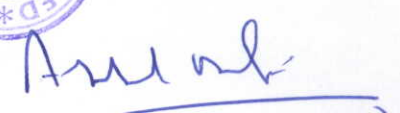
2.   
A.D. PALANWAR



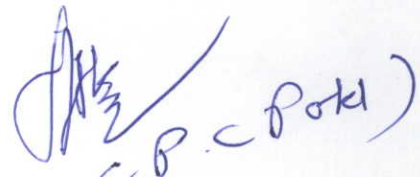
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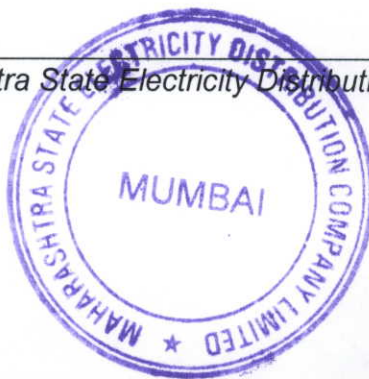
20th Dec, 2006

Witness:

1.   
(ASHOK MOOI)

2.

  
C.P. CHOPRA

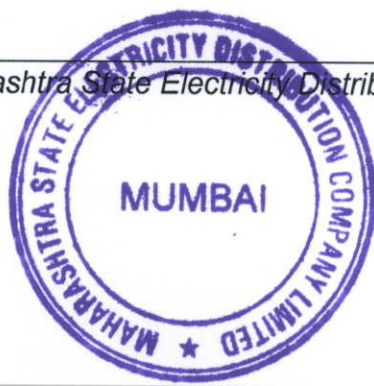






**List of Annexures**

- Annexure-1: Brief Description of Bhiwandi Distribution Circle Area (electrical and geographical map)
- Annexure-2: Minimum Capital expenditure plan of MSEDCL for Franchise Area
- Annexure-3: Schedule of costs for Distribution Assets for 2005-06
- Annexure-4: Depreciation Rates for Distribution Assets
- Annexure-5: Methodology for Energy Audit
- Annexure-6 Minimum level of inventory
- Annexure-7: Specifications of Consumer Service Centre
- Annexure-8: Schedule of Annualized Input Rates
- Annexure-9: Procedure for recovery of arrears
- Annexure-10: Deputation Rules of MSEDCL
- Annexure-11: MIS Report and Monitoring Report

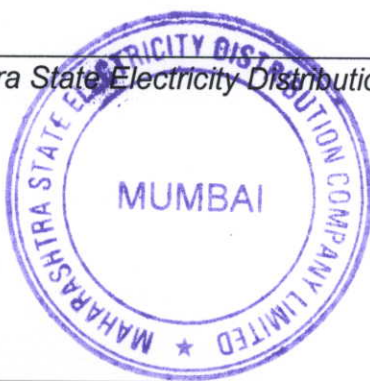


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**Annexure-1**  
**Brief Description of Bhiwandi Distribution Circle Area**

1.Area	:	721 Sq. Kms
2.No. of EHV Substations in Area	:	5 (MSEDCL),1(Tata Power)
3.No. of 100 kV Feeders	:	4
4.No. of 22 kV Feeders	:	44
5.LT line overhead	:	956 Kms.
6.LT cable underground	:	8 Kms
7.HT overhead line	:	712 Kms
8.HT underground cable	:	7 Kms.
9.22kV/0.43 kV Distribution Transformers:		2208
10.		

Category	No. of Consumers
<b>HT Consumers</b>	
HTP-I Industrial (BMR/PMR)	154
HTP-III PWW (BMR/PMR)	6
HTP-V Railway Traction	1
HTP-VI C Complex	3
HTP-VIII Poultry/Br.	1
P.D. Consumers	-
<b>HT Total:</b>	165
<b>LT Consumers:</b>	
LD-1 Domestic	60512
LD-2 Commercial	18748
LD-2 Cinema	17
LTP-3 Industrial	4248
LTP-3 Power loom	42331
LT-PWW (U)	5
LT-PWW (R )	34
LT-AG	572
LT-Poultry	48
ST. Light	188
Temp. Connection	22
P.D. Consumers	33155
<b>LT Total:</b>	159880
<b>All Total:</b>	160045

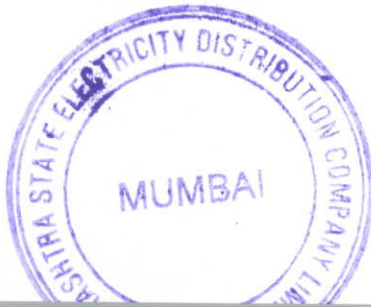


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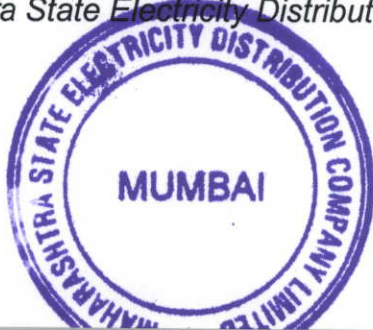
**Annexure-2**  
**Minimum Capital expenditure plan of MSEDCCL for Franchise Area**  
**Minimum Capital Investment proposed by MSEDCCL in Bhiwandi Circle**

Sr. No.	Particulars	Rate (Rs Lakh)	1		2		3		4		5	
			Qty	Amount (Rs Lakh)	Qty	Amount (Rs Lakh)	Qty	Amount (Rs Lakh)	Qty	Amount (Rs Lakh)	Qty	Amount (Rs Lakh)
1	22 KV Switching Station	1000.0			1	1000.0	1	1000.0	1	1000.0	1	1000.0
2	Overhead 22 KV line to reduce load of feeder (KM)	6.7	60	400.2								
3	Underground cable (KM)	18.6	10	186.0			20	133.4	20	133.4	20	133.4
4	New DTC	6.5	50	325.0	30	195.0	10	65.0	10	65.0	10	65.0
6	Overhead 3 Phase LT Line (KM)	3.0	15	45.0								
7	Replacement of Conductor (KM)	3.0	50	150.0	10	30.0	5	15.0	5	15.0	5	15.0
8	LT cable lane (KM)	6.6	15	98.3	5	32.8						
9	<b>Total</b>			<b>1204.5</b>		<b>1257.8</b>		<b>1213.4</b>		<b>1213.4</b>		<b>1213.4</b>



**Annexure-3**  
**Schedule of costs for Distribution Assets for 2005-06**

Cost of various items under Distribution Asset, as applicable in 2005-06 (in Rs per unit)					
<b>I.</b>	<b>High Tension Lines</b>				
<b>Sr. No.</b>	<b>Wind Pressure</b>	<b>50kg/m<sup>2</sup></b>	<b>75kg/m<sup>2</sup></b>	<b>100kg/m<sup>2</sup></b>	<b>150kg/m<sup>2</sup></b>
<b>1</b>	<b>11 kV Lines with 30 mm<sup>2</sup> ACSR (Weasel)</b>				
	Conventional Line Fittings	133385	133385	133385	335667
<b>2</b>	<b>22 kV Lines with 30 mm<sup>2</sup> ACSR (Weasel)</b>				
	Conventional Line Fittings	158070	158070	158070	347672
<b>3</b>	<b>Double Pole Structure per every 1.6 kms of 11kV/22kV Lines with 30 mm<sup>2</sup> ACSR (Weasel)</b>				
a.	Conventional Line Fittings 11kV		28146		
b.	Conventional Line Fittings 22kV		28146		
<b>4</b>	<b>Tapping Structure</b>				
a.	11kV line with isolator	25073	25073	25073	37081
b.	11kV line without isolator	13565	13565	13565	25574
c.	22kV line with isolator	29226	29226	29226	31635
d.	22kV line without isolator	14501	14501	14501	26510
<b>II.</b>	<b>Distribution Transformer Centre</b>				
<b>Sr. No.</b>	<b>Wind Pressure</b>	<b>50kg/m<sup>2</sup></b>	<b>75kg/m<sup>2</sup></b>	<b>100kg/m<sup>2</sup></b>	<b>150kg/m<sup>2</sup></b>
<b>1</b>	<b>11/0.433 kV T/F</b>				
a.	63 kVA with D/B	142885	142885	166902	166902
b.	100 kVA with D/B	165017	165017	189035	189035
<b>2</b>	<b>22/0.433 kV T/F</b>				
a.	63 kVA with D/B	178277	178277	202294	202294
b.	100 kVA with D/B	201452	201452	225470	225470
<b>III.</b>	<b>Low Tension Lines</b>				
<b>Sr. No.</b>	<b>Wind Pressure</b>	<b>50kg/m<sup>2</sup></b>	<b>75kg/m<sup>2</sup></b>	<b>100kg/m<sup>2</sup></b>	<b>150kg/m<sup>2</sup></b>
<b>1</b>	<b>3ph. 5 wire</b>				
a.	With Phase ANT neutral GNAT	186650	186650	186650	281001
b.	With all GNAT	153700	153700	153700	247590
<b>2</b>	<b>3ph. 4 wire</b>				
a.	With Phase ANT neutral GNAT	163925	163925	163925	228525
b.	With all GNAT	121096	121096	121096	195659
<b>3</b>	<b>1ph 3 wire</b>				
a.	With all GNAT	125315	125315	125315	235072
<b>4</b>	<b>1ph 2 wire</b>				
a.	With all GNAT	105098	105098	105098	216839



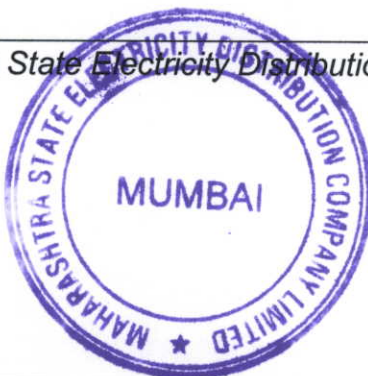
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*Distribution Franchise Agreement for Bhiwandi Distribution Circle*

IV	Service Connections				
1	Three Phase (L.T. Connections)	With MCB with Meter	without MCB with Meter		
a.	Upto 5 H.P.	5233	-		
b.	Above 5 H.P. (upto 20 H.P.)	6581	-		
2	Single Phase (L&F) Connections				
		1513	1395		



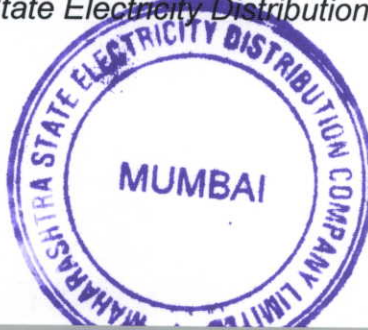
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**Annexure-4**

**Depreciation Rates for Distribution Assets**

Description of Asset	Depreciation Rate (%)
A. Land owned under Full Title	-
B. Land held under Lease	-
a) for investment in the land	-
b) for cost of clearing site	-
Assets purchased	-
A) Plant and machinery in generating stations included plant foundations;-	-
i) Hydro-electric	3.4
ii) Steam electric & NHRS waste heat recovery boilers plants.	7.84
iii) Diesel - electric & gas plant.	8.24
B) Cooling towers and circulating water systems.	7.84
C) Hydraulic works forming part of hydro-electric item including	
i) Dams, spillways, weirs, canals, reinforced concrete, flumes & siphons.	1.95
ii) Reinforced concrete pipelines and surge tanks steel pipelines sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	3.4
D) Building & civil Engineering works of permanent character, not mentioned above:	
i) Offices & showrooms	3.02
ii) Containing thermo electric generating plant	7.84
iii) Containing hydroelectric generating plant	3.4
iv) Temporary erection such as wooden structures.	33.4
v) Roads other than kutchha roads	3.02
vi) Others	3.02
E) Transformers transformer(kiosk) substation equipment and other fixed apparatus (including plant foundations)	
i) Transformers (including foundations) having a rating of 100 kilo volt amperes and over	7.84
F) Others	7.84
G) Switchgear including cable connections.	7.84
Lighting arrestors;	7.84
i) Station type	7.84
ii) Pole type	12.77
iii) Synchronous condenser	5.27
H) Batteries	33.4
i) Underground cable including joint boxes and dis-connected boxes.	5.27
ii) Cable duct systems	3.02
I) overhead lines including supports;	
i) Lines on fabricated steel operating at nominal voltage higher than 66kv	5.27



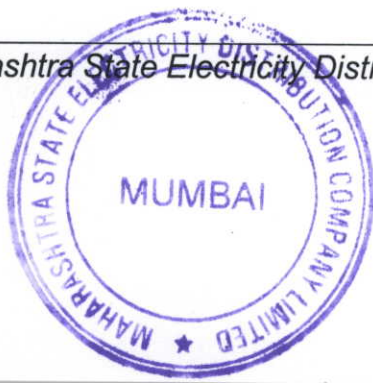
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*Distribution Franchise Agreement for Bhiwandi Distribution Circle*

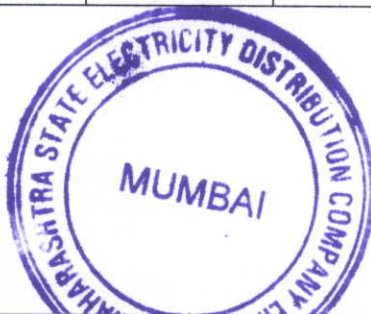
ii) Lines on steel supports operating at nominal voltage higher than 13.2 kilo volts but not exceeding 66 kilo volts	7.84
iii) Lines on steel or reinforced concrete supports.	7.84
iv) Lines on treated wood supports.	7.84
J) Meters	12.77
K) Self propelled vehicles	33.4
L) Air conditioning plants;	
i) Static	12.77
ii) Portable	33.4
M) i) Office furniture and fittings	12.77
ii) Office equipments	12.77
iii) Internal wiring including fittings and apparatus	12.77
iv) Street light fittings.	12.77
N) Apparatus let on hire:	
i) Other than motors	33.4
ii) Motors	12.77
O) Communication equipment;	
i) Radio and high frequency carrier system	12.77
ii) Telephone lines and telephones	12.77



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**ANNEXURE-5**  
**METHODOLOGY FOR ENERGY AUDIT**

Energy Input	Sr. No.	Column Name	Description	Source of data	Remarks
	1	Dist.	Energy sent to O&M division from EHV substations on 33kV, 22kV, 11kV feeders	Joint Meter Readings by MSEDCL and the Distribution Franchisee	
	2	EHV Consumers	Energy sent to EHV Consumers under O&M division from EHV feeders	Substationwise import/export energy transactions of concerned EHV substations from SE (EHV O&M) Kalwa, Padgha	
	3	Other input at distribution level	Energy input other than non-EHV source like CPPs, IPPs, NCE generation sources, small hydro etc.	Distribution Franchisee	
	4	Cross-over, if applicable	Energy exchange between adjacent circles	Distribution Franchisee	Only mutually agreed transactions considered. Every import must have corresponding export and vice-versa.
Total input Energy	5	Sum of 1-4			
Metered Billing	6	HT	Energy Sales to High Tension Consumers	Distribution Franchisee	
	7	LT	Energy Sales to Low Tension Consumers	Distribution Franchisee	
	8	Metered LT-AG apportioned unit	Apportioned energy sales to low tension Ag Consumers	Distribution franchisee	Due to quarterly billing cycle metered Ag sales appears in billing data once in three months at the end of every quarter. To avoid this uneven appearance this sale is apportioned to remove fluctuation in total sales and thus losses.
	9	Credit Billing	Credit units not appearing in HT sales at (6) above to HT Consumers	Distribution Franchisee	





**Distribution Franchise Agreement for Bhiwandi Distribution Circle**

	10	Other Billing	Miscellaneous metered billing not appearing in (6) to (9) above	Distribution Franchisee	
	11	Total Metered Energy	Sum 6-10		
	12	Percentage of Metered Billing w.r.t. Input Energy	11/5 * 100		
Unmetered Energy	13	LT-AG Load in HP as on ----- -----	Connected Load of Unmetered Ag consumers in HP for the circle as on end of latest quarter	Distribution Franchisee	
	14	KWh/ HP/ Month	Index derived from sample metered DTC for the Division	Distribution Franchisee	
	15	Consumption	Multiplication of 13 & 14		
	16	Other	Other Miscellaneous billing not appearing in 14-15	Distribution Franchisee	
	17	Total Unmetered Energy	Sum 15-16		
	18	% Unmetered energy w.r.t. Input Energy	17/5 %		
Total Energy Sales	19		11+17		
Loss	20		5-19		
Loss in percentage	21		21/5		



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**ANNEXURE-6**  
**MINIMUM LEVEL OF INVENTORY**

Sr. No.	Material Description	Unit	Quantity
1	Distribution Transformer 22/0.4 kV of various capacities	Nos	25
2	22 kV XLPE Cable of following sizes	Km	1
3	LT PVC armoured Cable	Km	2
4	Conductor	Km	10
5	RSJ Poles of following sizes		
6.1	RSJ for HT	Nos	50
6.2	RSJ for LT	Nos	50
6	Hardware Set suitable for Conductor	Set	200
7	HRC Fuse base of different capacities	Nos.	500
8	Aluminium Lugs of different sizes	Nos.	2000
9	22 kV End termination kits suitable for various sizes	Sets	24
10	Meters		
11.1	Single phase electronic meters	Nos.	1000
11.2	Three phase meters	Nos.	1000
11	Current Transformers 22kV	Nos	12
12	Potential Transformers 22kV/ 110 V	Nos.	12





**ANNEXURE-7**

**SPECIFICATIONS OF CONSUMER SERVICE CENTRE**

The Consumer Service Centre (CSC) is an initiative for providing information and service to the consumers. The CSC shall act as an interface between the customer and the Distribution Franchisee operations in the entire customer facing process. The services to be rendered by the CSC shall be as below:

Connection services – relates to customer acquisition including temporary connection, load change, category change, name/ address change and closure of connection

Billing- duplicate bill generation and billing related compliant handling

Collection Management- collection facilitation

Recording and redressal of supply related complaints

Help desk

The CSC shall be in the shape of physical infrastructure and shall be manned by persons of the Distribution Franchisee.

The channels of interface at the CSC shall be as under:

Help desk services

User self-use kiosks (optional) – Touch screen kiosks to be kept at the sub divisional offices, which will guide the customer through graphical user interface. These kiosks shall also act as collection boxes, which will help in collecting the payment of the electricity bills and issue a receipt once the cheque/ cash is received.

Notice Boards disseminating information regarding:

Power outages schedule;

Standards of Performance;

Emergency numbers in case of accidents;

General information regarding saving of power;

Contact numbers of concerned officials;

Performance graphs.

**Operations of the CSC**

**New Connection process**

The CSC agent shall explain to the Customer, the details of filling up of the forms and shall also inform the customer about the required documents, fees and other charges. The CSC agent shall check the adequacy of the form and document and shall issue a receipt to the consumer. The form shall be promptly forwarded for further action to connect the customer.

**Duplicate Bill**

The CSC shall issue a duplicate bill to the customer upon payment of a nominal fee.



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**Collection of Payments**

The CSC shall be equipped to handle collection of bills from the consumers. The CSC shall collect the payment against bills and issue a prompt receipt to the consumer.

**Complaint Handling**

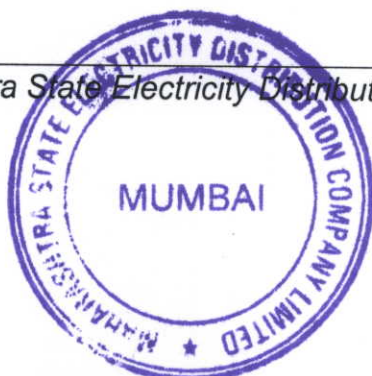
The CSC shall register the commercial and supply related complaints of consumers and issue a complaint number to the customer. The complaints so registered shall be promptly forwarded for taking necessary action for redressal.

**SPECIFICATIONS****Minimum Hardware**

Sr. No.	Particulars	Quantity	Description
1	Personal Computers	2	Pentium IV 2.0 Ghz, 256 MB RAM, 40 GB hard disk
2	External modem	2	56 kbps
3	Line Matrix Printer	1	500 LPM
4	Printer	1	400 cps, 200 pages per hour
5	RDBMS		Oracle 9i
6	Phone Lines	2	

**Functionality of Software**

1. Logging, tracking and managing complaints
2. Analysis and Reporting
  - a. Identify trends
  - b. Recurring electrical equipment problem identification
  - c. Time to resolve
  - d. First contact resolution rate
  - e. Complaint tickets issued reports and MIS reports
  - f. Daily Collection report
3. E-mail Interface
4. Web based solution
5. Collection management
6. Complaint/ query handling-billing, new connection



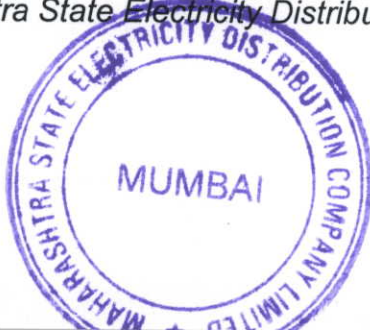
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ILLUSTRATIVE LIST OF THE COMPLAINTS/ SERVICES TO BE HANDLED BY THE CSC

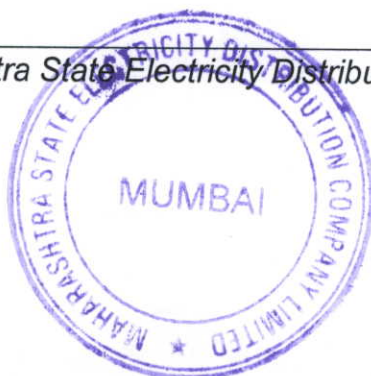
Sr. No.	Service Segment	Service Details
1	<b>New Connection Related</b>	Request for application form
		Query on time taken for new connections
		Security Deposit queries
		Application status
		Expected Date of meter installation
		Capital works expected completion date
		Customer number assignment
		Contract not provided
		Temporary Connection
		Other new connections request
2	<b>Meter Related</b>	Meter Running-fast
		Meter Running-slow/ sluggish
		Meter Stuck up
		Meter burnt
		Shifting of meter
		Other meter related requests
3	<b>Billing Related</b>	Billing Correction request
		Wrong Billing
		Duplicate billing request
		On demand bill request
		Late bill receipt
		Meter Reading-correction request
		Meter Reading not taken
		Arrears dispute
		Additional charges dispute
		Surcharge dispute
		Back billing dispute
		Other billing requests
		Reporting of theft/ malpractice
4	<b>Disconnections and Dismantlement related</b>	Disconnection dispute
		Disconnection request
		Temporary disconnection request
		Dismantlement dispute
		Termination request
		Other disconnection and dismantlement requests
		Reconnection requests
5		Fuse-off call



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	<b>Supply Related</b>	Supply failed-total area
		Supply failed-individual
		Supply failed-one phase out
		Dim supply
		Voltage fluctuation
		Blinking
		Transformer-smoke/ flames
		Transformer-cable/ lugs burnt
		Transformer-sparking at the poles
		Transformer-leaking
		Voltage-High/Low
		Line-snapped/ bunched/twisted/ tree branches touching
		Pole-shock
		Pole-Leaning/ fell down
		Pole- Rushed/ damaged
		SC- Wire broken/ damaged/ loose connection
		Street Light-not glowing
		Other supply related requests
6	<b>Other Customer Related Requests</b>	Name Change
		Title transfer
		Category Change
		Address Change
		Telephone Number change
		Shifting of service
		Connected Load query
		Change of connected load
		Conversion from single phase to three phase
		Delay in release of additional load
		Exception status query
		Replacement of service wire
		Requirement of additional Poles
		Line shifting/ DTC shifting
		Additional streetlight reqd
		Status of complaints
		Other customer requests



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**Annexure-8**  
**Schedule of Annualised Input Rates**

Serial No.	Contract Year from effective date	Annualized Input Rate (Rs per KWh)
1	1	1.80
2	2	1.81
3	3	1.88
4	4	1.95
5	5	2.02
6	6	2.09
7	7	2.18
8	8	2.27
9	9	2.35
10	10	2.45

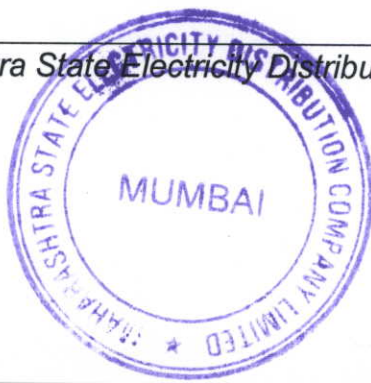


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**ANNEXURE-9**

**PROCEDURE FOR RECOVERY OF ARREARS**

- 1) A high level committee comprising independent external legal, financial and technical experts shall be constituted by MSEDCL for this purpose. The legal expert of the committee shall be the Chairman.
- 2) The broad scope of work of the committee would be as under:
  - a. Recommending the validity and quantum of arrears.
  - b. Recommending waiver of interest and/ or principal of the arrears depending on the merits of the case and applicable MSEDCL policies.
  - c. Recommending suitable instalments for payment of finally settled amount
  - d. The arrears shall be divided into three broad areas:
    - i. Arrears for theft assessments
    - ii. Arrears for energy billed
      - Based on actual meter reading
      - Based on assessment
    - iii. Arrears for miscellaneous charges, security deposits, etc.
  - e. The Committee shall follow a methodology for the above arrears with the approval of MSEDCL.
- 3) The broad process to be followed would be as under:
  - a. The Consumers shall be notified of the formation and the working of the committee through mass media.
  - b. Notices would be sent to Consumers with arrears
  - c. If the customer has not heeded the notice or paid his dues, he would then be called by the Committee for settlement of his case
  - d. If he does not appear before the Committee then the Committee shall take ex-parte decision as per merit of the case.
  - e. In case of disputed dues of billing, actual meter reading or actual assessment depending on load would be carried out and a fresh demand notice be served on the Consumer.
  - f. After a particular Consumer's arrears have been mutually finalized and recommended by the committee, a schedule of payment would be drawn up.
  - g. Such a payment schedule with reasons and recommendations shall be put for the approval of the competent authority to be nominated by MSEDCL
  - h. Upon final decision of the competent authority for each defaulting Consumer, the Distribution Franchisee shall follow the due process of disconnection as stipulated by Electricity Act 2003.



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- 4) The Distribution Franchisee shall continue to show the old arrears of MSEDCL in the Consumers' bill so as to effectively continue the claim of MSEDCL on these arrears.
- 5) The Distribution Franchisee shall make available suitable office and secretarial help to the committee at the Franchise Area.
- 6) The expenses incurred for the high level committee in this respect shall be borne by MSEDCL.



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**Annexure-10**  
**Deputation Rules of MSEDCL**

**1. Period of deputation:**

The period of deputation shall not exceed the term of this Agreement.

MSEDCL shall have the right to recall the employees on deputation in case of vigilance enquiries or departmental proceedings are pending against him or are initiated any time during the tenure of his deputation.

Also, in case the services of the Deputationist are required by MSEDCL, MSEDCL has a right to recall the Deputationist prior to the completion of deputation period with the consent of the Distribution Franchisee.

Distribution Franchisee would have the right to send any Deputationist back to MSEDCL with one month's notice to the MSEDCL without assigning any reasons.

**2. Pay and Allowances :**

During the period of deputation, the Deputationist shall draw the pay in the pay scale which he is holding prior to the deputation, with all other allowances or any increase in the pay and allowances from time to time for whatsoever reasons, had he been continued with the MSEDCL. The expenditure on this account shall be borne by the Distribution Franchisee.

**3. Travelling Allowance :**

The Deputationist shall be entitled to Travelling Allowance and Daily Allowance for journey while on Tour as per the rules of the Distribution Franchisee OR as per the rules applicable to the employees in MSEDCL for which the Deputationist shall have to intimate to the Distribution Franchisee within one month otherwise he shall be governed under MSEDCL rules.

**4. Leave Travel Concession :**

The deputationist shall opt either for the Leave Travel Concession rules pertaining to the Distribution Franchisee OR MSEDCL within one month. Otherwise he shall be governed under MSEDCL rules. The expenditure on this account shall be borne by the Distribution Franchisee.

**5. Medical Reimbursement :**

The Deputationist shall have liberty to opt for the Medical Reimbursement Scheme, pertaining to the Distribution Franchisee OR of the scheme prevailing in MSEDCL as per G.O.20(P). The expenditure on this account shall be borne by the Distribution Franchisee.

**6. Contributions**



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**Leave Salary Contribution**

During the period of deputation, the leave salary contribution @ 11% of the emoluments after adjusting for leaves actually earned and availed by the Deputationist shall be borne by the Distribution Franchisee and remitted to MSEDCL.

**Contributory Provident Fund Contribution**

During the period of deputation, the CPF Subscription @ 12% of the monthly emoluments shall be recovered from the emoluments of the Deputationist as per the Contributory Provident Fund Regulations of the MSEDCL and remitted to the MSEDCL every month by the Distribution Franchisee along with additional equal matching amount of contribution, as a Employer's share.

The due date of remittance of the payment of contribution of contributory provident fund of the Deputationist (both contributions) shall be adhered by the Distribution Franchisee to MSEDCL. The Payments towards CPF Advance and 90% of CPF amount and final settlement of CPF which is payable on superannuation to the concerned Deputationist, shall be made by MSEDCL.

**Gratuity Contribution**

The Gratuity Contribution pertaining to the period of deputation shall be borne by the Distribution Franchisee as per the existing regulations of the MSEDCL as amended from time to time.

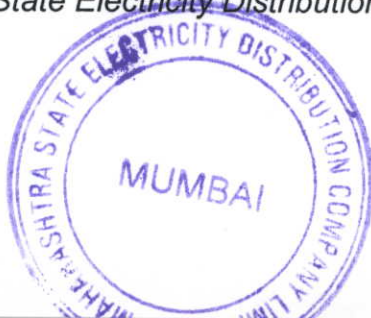
The Payment towards final settlement of Gratuity including the eligible advance shall be made by MSEDCL.

The payments towards leave salary contribution, CPF and Gratuity contribution shall be sent by the Distribution Franchisee by separate Demand Draft for each item in favor of MSEDCL every month. In case of default in remittance on the part of the Distribution Franchisee, the interest @10% shall be levied by the MSEDCL.

**7. Leave :**

During the period of deputation, the Deputationist shall be governed by the leave rules of the MSEDCL, except casual leave for which the Deputationist shall be at liberty to opt for the rules prevailing with Distribution Franchisee or of MSEDCL.

The Distribution Franchisee shall also be liable to pay leave salary and allowances in respect of special Disability Leave, if any, granted to the Deputationist on account of any disability incurred in and through the service under the Distribution Franchisee, even if such disability manifests itself, after termination of the service with the Distribution Franchisee.



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A handwritten signature in blue ink, appearing to be "P. S. S.".



**8. Vehicle Facility :**

The Deputationist, during the period of deputation, may be provided suitable vehicle by the Distribution Franchisee for official use, if he is entitled for the same under MSEDCL.

**9. Travel in India or Abroad while on Deputation :**

The Deputationist may travel anywhere in India on tour for the works of Distribution Franchisee without intimation to MSEDCL. If, however, he is required to travel abroad, the permission of the MSEDCL shall be obtained in advance.

**10. Recoveries :**

**Accommodation/Quarter**

If Residential Accommodation /Quarter is provided by the MSEDCL in Franchisee Area, the rent under the rules of MSEDCL towards the Accommodation /Quarter shall be recovered from the Deputationist from his monthly salary and remitted to the MSEDCL every month.

**Loan and Advances**

The Distribution Franchisee may grant any loan or advance to the Deputationist. However, the recovery towards the same shall be made by the Distribution Franchisee, only during the deputation period of the concerned Deputationist. The MSEDCL shall not be liable for any un-recovered portion of any loan or advance or interest, granted to the Deputationist by the Distribution Franchisee.

**General Recoveries**

The amount towards recoveries from the Deputationist such as Life Insurance Premium, Loan from Credit Societies, Housing Loans, Vehicle Loans from MSEDCL or any Bank etc, shall be remitted by the Distribution Franchisee after its recovery from the salary of the Deputationist, directly to the concerned Organisation i.e. MSEDCL, Bank, LIC or Credit Society etc, as the case may be.

**11. Insurance Coverage**

During the period of deputation, the Deputationist shall be covered under insurance policy. The risk coverage and other facilities under the policy shall be in line with the provisions of Workmen's Compensation act, 1923 and any other Labour Law, if any, in force or coming in existence in future. The amount of premium paid towards the policy to be borne by the Distribution Franchisee.

**12. Retirement Benefits**

The Deputationist shall continue to be governed for retirement benefits as per the rules applicable to the employees in MSEDCL.



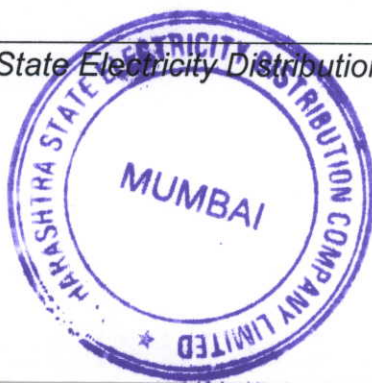
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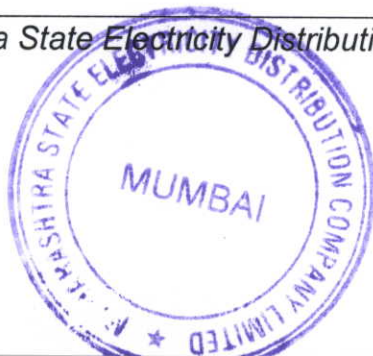
**13. General**

1. The Distribution Franchisee shall furnish the Confidential Reports in respect of the Deputationist in the State-wise Seniority, to the MSEDCL in the prescribed form every year.
2. The Deputationist shall be entitled for the benefits of the next higher scale/post as per the rules of MSEDCL under General Order No. 74(P) dated 30/4/1974/G.O.111 (P) dt.13/5/1982 OR promotion as per due turn according to the rules under MSEDCL.
3. If departmental enquiry is to be instituted against the Deputationist for major acts of misconduct he shall be repatriated to the MSEDCL and the departmental action will be taken by the concerned Competent Authority in MSEDCL.
4. If the Deputationist submits resignation or seeks voluntary retirement then such application shall be forwarded by the Distribution Franchisee to MSEDCL for taking decision in the matter.
5. The Distribution Franchisee may revise the rules/regulations after the initial deputation period regarding the service conditions, financial matters and other pecuniary benefits pertaining to its organization. No such revision shall be made by the Distribution Franchisee without the consent of the Deputationist.



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**ANNEXURE-11**  
**MIS REPORTS**



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**PERFORMANCE INDICATORS**

**CONSUMER AVERAGE INTERRUPTION DURATION INDEX - ( CAIDI )**

Month	Total duration of sustained interruptions during the month Minutes	Total No. of sustained interruptions during the month	CAIDI = C/A CAIDI = $\frac{\text{SAIDI}}{\text{SAIFI}}$
	C	A	

**SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX - ( SAIFI )**

Month	Total No. of sustained interruptions during the month	Total no. of consumers	SAIFI = A/B
	A	B	

**SYSTEM AVERAGE INTERRUPTION DURATION INDEX - ( SAIDI )**

Month	Total duration of sustained interruptions during the month Minutes	Total no. of consumers	SAIDI = C/B
	C	B	



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**No. of pending RCI Connections**

Sr. No.	Circle	Residential	Commercial	Industrial	Remarks
		R	C	I	

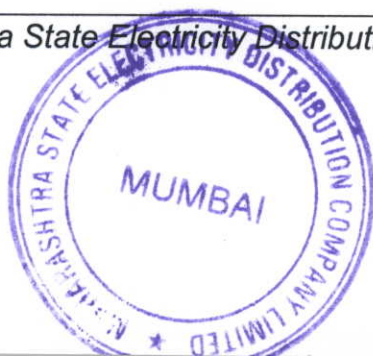
**MERC SOP NOT FOLLOWED**

Sr. No.	Circle	No. of SOP cases		Remarks
		Nos.	Fine Rs.	

**No. of pending consumer grievances**

Sr. No.	Circle	Pending	Remarks

**Losses-Bhiwandi**



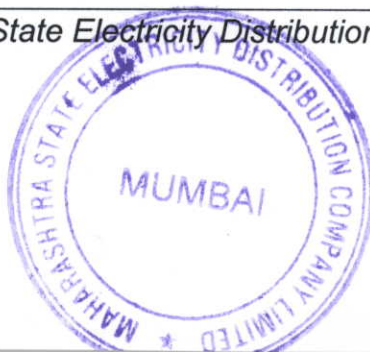
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*Distribution Franchise Agreement for Bhiwandi Distribution Circle*

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Sr. No.	Circle	Distribution Losses			Remarks
		Monthly	Six Monthly	Yearly	



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### New Connection Details

Sr. No.	Circle	New Connections released		First bill issued		Remarks
		In month	Upto	In month	Upto	

### Collection Efficiency

Sr. No.	Circle		Month		Remarks
		Demand	Collection	% C.E.	

### Reduction in PD Arrears

Sr. No.	PD Arrears -Effective Date		PD Arrears -Every Month end		Remarks
	Consumer No.	Rs. Crores	Cons.	Rs. Crores	

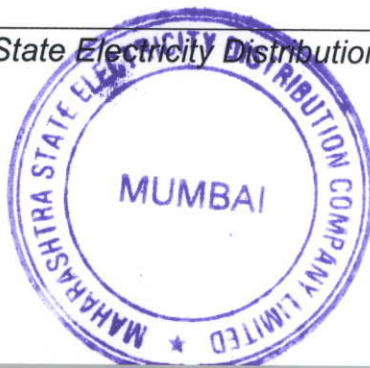


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**Pending Agricultural Connections**

<b>Sr. No.</b>	<b>Circle</b>	<b>Paid Pending</b>	<b>Test report Submitted</b>	<b>Pending Under KVV</b>	<b>Remarks</b>



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## Details of Accidents in the Franchise Area

Sr. No.	No. of Fatal Accidents						No. of Non Fatal Accidents						Remarks
	DF Employees		Other Persons		Animals		DF Employees		Other Persons		Animals		
	During month	Cumulative	During month	Cumulative	During month	Cumulative	During month	Cumulative	During month	Cumulative	During month	Cumulative	

## Energy Audit of Express Feeders

Sr. No.	Name of S/stn	Name of feeder/ Name of Consumer & Cons. No.	Month	Energy Con. recorded by S/Stn meter	Energy Con. recorded by consumer meter	Diff- erence	% Loss	Remark
1	400/220/100 KV PADGHA	100KV Pise MWSSB (BMC W/W) Cons.No. 033 C.D.(KVA) - 10500 C.L.(KW) - 12838 &						





msf

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Details of HT Consumers addition during the month

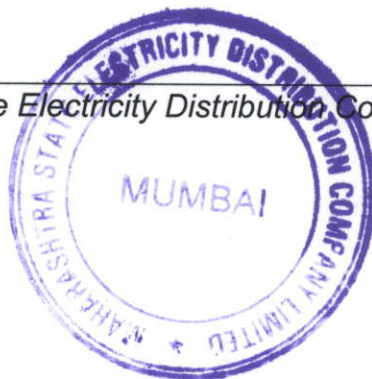
Month	Bhiwandi	No. HT Consumers added during the month	No. HT Consumers added during the month				Meter on HT/L T	CT Ratio	PT Ratio	HT Cubicle provided	Meter Details Make	Meter No.	Meter CT ratio	Initial Reading	Date of Release	Remarks / Purpose
			Name of HT Cons.	Cons. No.	Category	Conn. Load CL (KW)	Contract Demand CD (KVA)									



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**Complaints**

Sr.No.	Particulars	During the month	Upto date Progress
		Bhiwandi	Bhiwandi
	<u>Consumer Grievance Redressal Forum</u>		
1	No. of Complaints /Grievance received		
2	No. of Complaints /Grievance solved		
3	Balance complaints at the end of month to be resolved		
	<u>MERC</u>		
1	No. of Complaints /Grievance received		
2	No. of Complaints /Grievance solved		
3	Balance complaints at the end of month to be resolved		

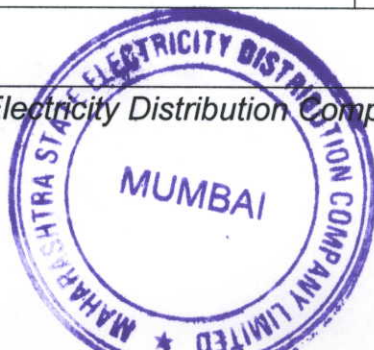


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**Infrastructure Augmentation**

Sr. No.	Description	Unit	Up-to-date Progress
	<b><u>TECHNICAL</u></b>		
<b>1</b>	<b>As per 2001 Census</b> Villages Towns Villages - Electrified Towns - Electrified Balance to be Electricified - Villages Balance to be Electricified - Towns	Nos. Nos. Nos. Nos. Nos. Nos.	
<b>2</b>	<b>WADIES</b> Electrified during the month Balance to be Electricified Total Electrified - Cumulative	Nos. Nos. Nos.	
<b>3</b>	<b>22 KV Line - Overhead</b> As on Added during the month Added during the year Upto date	KM KM KM KM	
<b>4</b>	<b>22 KV Line - Underground</b> As on Added during the month Added during the year Upto date	KM KM KM KM	
<b>5</b>	<b>LT Line - Overhead</b> As on Added during the month Added during the year Upto date	KM KM KM KM	
<b>6</b>	<b>LT Line - Underground</b> As on Added during the month Added during the year Upto date	KM KM KM KM	



*MSD*

7	22/0.4 KV DTC		
	Xmers in operation	Nos.	
	Added during the month	Nos.	
	Augmented during the month	Nos.	
	Failed during the month	Nos.	
	% Failure	%	



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General Stamp Office, Mumbai

महाराष्ट्र MAHARASHTRA

- 8 DEC 2006

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श्री सौ. कांचन हर्षद बोंगळे  
कोलगेट मैदाना पर  
EXECUTIVE ENGINEER (IR & ADM)  
INTERNAL REFORM  
श्री M. S. E. D. CO. LTD.  
Prakashgad, Bandra (E),  
Mumbai - 400 051.  
AF 193530  
15 DEC 2006  
012837

प्रमाणित  
परमाणु धारक मुद्रांक  
M-9870142197

### Supplementary Agreement to the Distribution Franchise Agreement for Bhiwandi Circle

This Supplementary agreement made at Mumbai this 25<sup>th</sup> day of January 2007 between Maharashtra State Electricity Distribution Company Ltd., a company registered under the Companies Act, 1956 having its registered office at Prakashgad, Bandra (E), Mumbai 400 051, hereinafter referred to as "MSEDCL" (which expression unless repugnant to the context or meaning thereof shall include its successors and assigns) of the ONE PART





**AND**

Torrent Power Ltd, a company registered under the Companies Act, 1956 having its registered office at Torrent House, Off-Ashram Road, Ahmedabad 380 009, hereinafter referred as "the Distribution Franchisee" (which expression unless repugnant to the context or meaning thereof shall include its successors and permitted assigns) of the OTHER PART

**WHEREAS**

MSEDCL and Torrent Power have entered into Distribution Franchisee Agreement for Bhiwandi Circle dated 20<sup>th</sup> day of December 2006; and

**WHEREAS**

The Parties to this agreement unanimously agree that a methodology for computation of Average Billing Rate (ABR) including the procedure for clarification and calculation and application of tariff indexation with illustrated example needs to be clarified along with some other issues.

**"NOW THEREFORE, IN VIEW OF THE FOREGOING PREMISES  
AND IN CONSIDERATION OF THE MUTUAL COVENANTS,**





**PREMISES AND AGREEMENTS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:**

**A. "Notwithstanding anything contained in Article 7.1.1, 7.1.2 & 7.1.3 in the Distribution Franchise Agreement for Bhiwandi Circle dated 20<sup>th</sup> Dec. 06, the methodology for computation of Average Billing Rate (ABR) shall be as under:**

**Methodology for calculation and application of Tariff Indexation**

**Methodology for computation of Average Billing Rate (ABR)**

The methodology for computation of ABR for the purpose of indexing the quoted input rate to reflect the impact of change of tariff as envisaged in Chapter 7 of the Distribution Franchise Agreement shall be as detailed below:

1. The indexation shall be based on the change of tariff as applicable to all the MSEDCL consumers in the Distribution Franchisee Area.
2. The monthly indexation shall be weighted average of units billed for each category and the applicable average tariffs considering all the elements of tariff defined in item 3 below.





For purpose of clarity, it shall be equal to the tariff revenue billed divided by number of units billed in a month.

3. All components of tariff shall be considered for indexation purpose except those in the nature of taxes / duties, interest income and delayed payment charges.
4. For the purpose of computation of indexation ratio, average tariff as applicable to all MSEDCL Consumers in Distribution Franchisee area for FY 2005-06 shall be Rs.3.4987 per unit based on the accounts information available. However, this figure shall be audited by one of the Big Four Accounting firms for finalization. The fees for such audit shall be shared equally by the Distribution Franchisee and MSEDCL.
5. The detailed procedure for computation of average billing rate is attached as Annexure A and an illustrative example is attached at Annexure B.
6. Any dispute on the above shall be resolved as per the dispute resolution process defined in the Distribution Franchisee Agreement.





7. The indexation ratios computed shall be subjected to audit by Independent Auditors as envisaged under the Distribution Franchisee Agreement.

B. The consumer bill proposed to be distributed by the Distribution Franchisee shall provide the information to the consumers on arrears in the main bill as (a) arrears before the effective date and (b) arrears after the effective date. The money collected by the Distribution Franchisee shall be adjusted against the current billing of Distribution Franchisee, Distribution Franchisee arrears and MSEDCL arrears in that order. However, the Distribution Franchisee shall not be permitted to keep any advance amount without adjusting against all pending MSEDCL arrears, if any. It is hereby clarified that if the amount paid by the consumer against a bill is more than his current bill amount and the arrears of the Distribution Franchisee, then the balance amount, after adjusting the current dues and DF arrears, shall be adjusted against the arrears of MSEDCL.

C. The Distribution Franchisee shall provide consumer-wise information in the format specified by MSEDCL detailing the billing, collection and all related information on a monthly basis every month



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by a mutually agreed date. Such information shall be kept confidential by MSEDCL and shall be used only under conditions of default by Distribution Franchisee under the Distribution Franchisee Agreement.

D. Cases of excessive billing, if any, during the last three months before the Effective Date shall be jointly identified by the MSEDCL and Distribution Franchisee and shall be referred to the high level committee envisaged under Annexure – 9: 'Procedure for recovery of arrears' in the Distribution Franchisee Agreement. Such excessive amount shall be excluded from the payment responsibility as per provisions of Article 8.4 and 8.5 of the Distribution Franchisee Agreement.



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The parties to the Agreement unanimously agree that this Agreement shall be supplementary to the Distribution Franchise Agreement for Bhiwandi Circle dated 20<sup>th</sup> Dec. 2006.

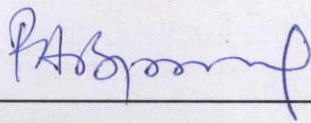
IN WITNESS WHEREOF the parties have executed these presents through their authorized representatives at (Mumbai)

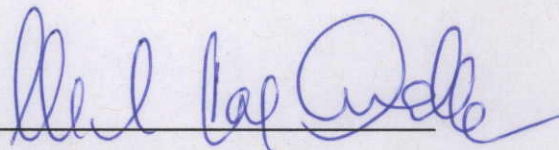
For and on behalf of

[M/s Maharashtra State  
Distribution Company Limited]

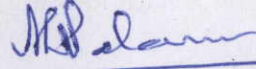
For and on behalf

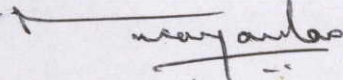
[M/s Torrent Power Limited]

  
Signature with seal

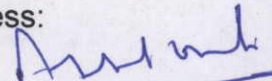
  
Signature with seal

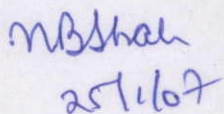
Witness:

1.   
(Shri A.D. Palamwar)

2.   
(Shri Vinayak Rao)

Witness:

1.   
(ASHOK MODI)

2.   
(NISARK SHAH)





## **Annexure A: Procedure for calculation and application of Tariff Indexation**

- 1) For raising the first bill for the month of February 2007, MSEDCL will consider the average billing rate of December 06 for tariff indexation under Article 7 of DFA on a provisional basis. The actual rate of February 2007 will be calculated by PC wise pro-rating the sales of February and March 2007 which will be made available by Torrent by first week of April 07. The truing up of tariff indexation will be done based on this actual rate provided by Torrent and the differential amount will be adjusted in the first weekly invoice of April 2007
- 2) For all months starting from March 2007 e.g. month 'n', all the fortnightly/ weekly bills raised during the month 'n' will be indexed based on the provisional average billing rate determined in first week of month 'n' (considering sales recorded for previous month 'n-1'). The actual rate of month 'n' will be calculated by PC wise pro-rating the sales of month 'n' and 'n+1' which will be made available by Torrent by first week of month 'n+2'. The truing up of tariff indexation will be done based on this actual rate provided by Torrent and the differential amount will be adjusted in the first





weekly invoice of month 'n+2'. An illustration of the same is enclosed herewith as Annexure B

- 3) For calculating the actual average billing rate in (1) and (2) above, the components of billing like Electricity Duty, Tax on sale of electricity, delayed payment interest, penal rate for theft assessment shall be excluded
- 4) The actual average billing rate computed in (1) and (2) above will be audited by the independent auditor ('Big Four') annually (including next year's April pro-rata period and excluding current year's April pro-rata period)



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## Annexure B: Illustrative Example

Applicable rate for respective month

	February	March
Energy Charges	2.00	2.00
FOCA	0.10	0.25
Total	2.10	2.25

PC (billed on 4th of each month)

	Units	Revenue	Pro-rata units	Pro-rata revenue	
4th Feb	200	420	26.67	56.00	Pro rata for 4 days
4th March	300	675	257.14	578.57	Pro rata for 24 days
			283.81	634.57	Total for 28 days

PC (billed on 12th of each month)

	Units	Revenue	Pro-rata units	Pro-rata revenue	
12th Feb	200	420	80.00	168.00	Pro rata for 12 days
12th March	300	675	171.43	385.71	Pro rata for 16 days
			251.43	553.71	Total for 28 days

Rate applicable  
for truing up  
February input  
energy

	Pro-rata units	Pro-rata revenue	
PC billed on 4 <sup>th</sup>	283.81	634.57	
PC billed on 12 <sup>th</sup>	251.43	553.71	
Total	535.24	1188.29	2.22

