

MEMORANDUM OF UNDERSTANDING

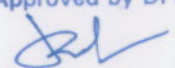
FOR THE YEAR 2013-2014

BETWEEN

**POWER GRID CORPORATION OF INDIA
LTD.**

AND

MINISTRY OF POWER, GOVT. OF INDIA

MoU 2013-14
Approved by DPE/TF

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MEMORANDUM OF UNDERSTANDING 2013-14

Part-I: VISION, MISSION & OBJECTIVES

VISION:

“World Class, Integrated, Global Transmission Company With Dominant Leadership in Emerging Power Markets Ensuring Reliability, Safety and Economy”.

MISSION:

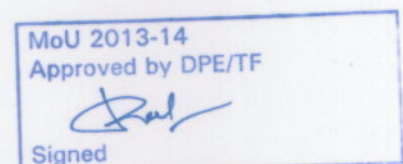
“We will become a Global Transmission Company with Dominant Leadership in Emerging Power Markets with World Class Capabilities by:

- World Class: Setting superior standards in capital project management and operations for the industry and ourselves
- Global: Leveraging capabilities to consistently generate maximum value for all stakeholders in India and in emerging and growing economies
- Inspiring, nurturing and empowering the next generation of professionals
- Achieving continuous improvements through innovation and state of the art technology
- Committing to highest standards in health, safety, security and environment”

OBJECTIVES:

The Corporation has set following objectives in line with its Mission and its status as “Central Transmission Utility” to:

- Undertake transmission of electric power through Inter-State transmission system.
- Discharge all functions of planning and coordination relating to Inter-State transmission system with -
 1. State Transmission Utilities;
 2. Central Government;
 3. State Governments;



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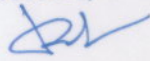
MEMORANDUM OF UNDERSTANDING 2013-14

PART-II

Performance Evaluation Parameters and Targets

Performance Evaluation:

For the purpose of performance evaluation of the Corporation for the year **2013-2014**, the scale and the weights assigned to various parameters are shown in the following table.

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(PART-II)
PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2013-14					Documentary evidence and source/origin of documents	BE 2012-13		BE 2011-12	
				Excellent	V.Good	Good	Fair	Poor		Target (V.Good)	Target (V.Good)	Target (V.Good)	Target (V.Good)
1	2	3	4	5	6	7	8	9	10	11	12	12	
1	Static Financial Parameters @												
	(a) Financial indicators - Profit related ratios												
	(i) Gross Margin / Gross Block	(%)	2	13.61	13.25	12.69	12.22	11.77		13.04	13.25		
	(ii) Net Profit / Net Worth	(%)	10	14.97	14.32	13.70	13.11	12.53		12.11	11.38		
	(iii) Gross Profit / Capital Employed	(%)	10	13.18	12.68	12.20	11.73	11.29		12.58	12.36		
	(b) Financial indicators - Size related												
	(i) Gross Margin (from projects commissioned upto 31 Mar.2013)	(Rs. Crs.)	6	11780	11240	10734	10250	9786		8620	7936		
	(ii) Gross Margin (from projects commissioned after 31 Mar.2013)	(Rs. Crs.)	2	734	678	616	560	509		598			
	(iii) Gross Sales	(Rs. Crs.)	4	14360	13699	13047	12425	11834		10350	9000		
	(c) Financial Returns - Productivity related												
	(i) PBDIT / Total Employment	(Rs. Lacs/ Employee)	7	132.00	125.72	119.73	114.03	108.60		93.61	76.19		
	(ii) Added Value / Gross sales	(%)	9	41.42	39.55	37.67	35.72	33.70		39.32	38.00		
2	Dynamic Parameters												
	a) Quality (ISO certification, internalisation of quality)												
	(i) Implementation of PAS 99 in ER-I & SR-II	Date	0.5	Dec' 2013	Jan'2014	Feb' 2014							
	(ii) Implementation of ISO 50001 for Energy Management System at Corporate Centre Office, Gurgaon, RHQ Building of Southern Region-I and Northern Region-II	Date	1.5	Dec' 2013	Jan'2014	Feb' 2014							
	b) Customer Satisfaction												
	No. of Trippings per line attributable to POWERGRID #	Nos.	2	2.20	2.40	2.60	2.80	2.90		2.40	2.40		
	(i) Un-Planned												
	c) Business Development												
	(i) Revenue from Consultancy (Excluding RGGVY)	(Rs. Crs.)	2	270	265	252	240	229		200	200		
	d) Rajiv Gandhi Grameen Vidyutikaran Yojna targets												
	(i) Completion of infrastructure of electrification of villages												
	a) UE Villages	Nos	1	261	237	227	216	206		1000	28302		
	b) PE Villages	Nos	0.5	2216	2015	1920	1823	1741		180000	710000		
	(ii) Energisation of villages	Nos	0.25	628	570	543	517	492					
	(iii) BPL Household Connections	Nos	0.25	61000	55455	52814	50299	47904					
@ 1	Transmission charges for 2013-14 have been estimated based on CERC tariff norms (2009-14) notified on 20.01.2009. The above parameters has been calculated without considering fresh equity raising from the market in FY 2013-14. In the event depending on market conditions and resource requirement the company may go for FPO and which will require adjustment of above ratios.												
	The absolute values of Gross Profit, Net Profit, Net worth, Gross Block & Capital Employed against "Excellent" target are considered as Rs. 8653 Cr, Rs. 4300 Cr, Rs. 25723 Cr, Rs. 91952 Cr & Rs. 65664 Cr respectively. Impact of International Financial Reporting Standards not considered in above.												
#	The no. of trippings (unplanned) do not include those attributable to sub-station bays of POWERGRID, but maintained by other utilities.												

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PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2013-14						Documentary evidence and source/ origin of documents	BE 2012-13		BE 2011-12	
				Excellent	V.Good	Good	Fair	Poor	Target (V.Good)		Target (V.Good)	Target (V.Good)	Target (V.Good)	
1	2	3	4	5	6	7	8	9	10	11	12			
e)	Human Resource Management													
	(i) Attrition as % of total employees	%	0.5	4%	5%	6%	7%	8%		5%				
	(ii) Effectiveness of Grievance Redressal system - % of grievances settled vis-à-vis received during the year	% settlement	0.5	80%	70%	60%	50%	40% & Below		70%				
	(iii) Medicare, Medical and health check up camp	Nos.	0.5	10	9	8	7	6		9				
	(iv) Number of structured meetings with employees' representatives	Number of meetings	0.5	3	2	1	0	0		2				
	(v) Review HR Policy for meeting changing business priorities.	Nos.	0.5	2	1	-	-	-		1				
	(vi) Training Days per employee per year	Days per employee per year	0.5	5.5	4.5	3.5	2.5	1.5		4.5			5	
	(vii) Risk management training courses to Additional General Manager and above	Nos.	0.5	30	27	25	23	21		-				
	(viii) % fulfillment of training plan for Skill Upgradation/ Multi-skilling of non-executives	%	0.5	70%	60%	50%	40%	30%		60%				
	(ix) Intensive training and international exposure for the Senior level Executives (General Manager and above)	Nos.	0.5	15	12	10	-	-		-				
	(x) Certification of POWERGRID employees in Project Management	Nos.	0.5	33	30	27	24	21		16			9	
f)	R&D for Sustained & Continuous innovation													
	(i) Erection of single phase units of the transformer bank in the Second Bay of 1200kV National Test Station, Bina	No. of Phase units of Transformers to be Erected in Second Bay	0.3	3	2	1	0	-						
	(ii) Installation and Charging of 2nd 1200kV single phase Circuit Breaker in the first Bay of 1200kV National Test Station, Bina	Date	0.3	31-Dec-2013	31-Jan-2014	28-Feb-2014	15-Mar-2014	31-Mar-2014						
	(iii) Superconducting Fault Current Limiter (SFCL) : Feasibility Study	Date	0.3	31-Dec-2013	31-Jan-2014	28-Feb-2014	15-Mar-2014	31-Mar-2014						
	(iv) Smart Grid: Development of analytics using PMU measurement for Line Parameter Validation - prototype	Date	0.3	10-Mar-2014	15-Mar-2014	20-Mar-2014	25-Mar-2014	31-Mar-2014						
	(v) Proto Development and Testing of 765kV D/C Towers DB & DC type (Vertical Configuration) (Wind Zone-III)	Date	0.3	15-Jan-2014	31-Jan-2014	15-Feb-2014	28-Feb-2014	15-Mar-2014						
	(vi) Development of analytics for Micro Grid controller	Date	0.5	10-Mar-2014	15-Mar-2014	20-Mar-2014	25-Mar-2014	31-Mar-2014						
	(vii) Formulation of Energy Storage pilot project in terms of technology, capacity etc.	Date	0.5	10-Mar-2014	15-Mar-2014	20-Mar-2014	25-Mar-2014	31-Mar-2014						
	(viii) R & D Expenditure	% of PAT of 2012-13	2.5	1	0.9	0.8	0.7	0.6		0.9			0.8	

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(PART-II)
PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2013-14						BE 2012-13		BE 2011-12	
				Excellent	V.Good	Good	Fair	Poor	Documentary evidence and source/ origin of documents	Target (V.Good)	Target (V.Good)	Target (V.Good)	
1	g) Project Implementation (i) Activities for timely completion of transmission projects a) Foundation b) Tower Erection c) Stringing d) Ckt. Kms commissioning / ready for commissioning e) Transformation capacity addition/ ready for commissioning f) Inter-regional power transmission capacity addition/ ready for commissioning g) Capital Expenditure of Rs. 20,000 Crore (BE)	3	4	5	6	7	8	9	10	11	12		
		Nos	2.5	15000	13636	12987	12369	11780		13636	13630		
		Nos.	2.5	13500	12273	11688	11132	10802		11818	13180		
		Ckms	2	7000	6364	6061	5772	5497		6364	8630		
		GW-Ckms	2	7500	6818	6494	6184	5890		6580	5858		
		MVA	3	20000	18000	16500	15000	13500		18110	16425		
		MW	3	2100	-	-	-	-		2100	2100		
		(%)	2	100	80	60	40	-		80	-		
3	Corporate Social Responsibility and Sustainability Development Targets attached at Appendix-I (as per Guidelines)		8	-	-	-	-	-		-	-		
4	Enterprise - specific Parameters (a) Operational Targets												
	(i) Availability of Tr. System *	(%)	3	99.20	98.80	98.40	98.00	97.60	AR	98.80	98.80		
5	Secure Grid Operation (i) Observance of all prescribed Outage protocols (ii) Adherence to Grid Code (iii) Performance of protection Systems of POWERGRID network	Yes/ No Yes/ No Yes/ No	1 1 1	Yes Yes Yes	- - -	- - -	- - -	- - -	- - -	Documents/ Reports	- - -		
6	Commercial (i) Average No. of Days for Realisation of revenue	Days	1	68	70	72	74	76	Internal documents/ Reports	-	-		
	Total		100										

* Transmission System availability calculated as per CERC methodology.

Footnote: 1. Non-compliance of Corporate Governance will also be penalized by way of negative marking and the MoU Score will be increased in the following manner in accordance with DPE OM 18 (8)/2005-GM, Dated 22nd June 2011.

Sl. No.	Annual Score	Grading	Penalty Marks	Difference in Score From 'Excellent' Grade
1	85% and above	Excellent	0	0
2	75% - 84%	Very Good	0	0
3	60% - 74%	Good	0.5	0.02
4	50% - 59%	Fair	0.5	0.02
5	Below 50%	Poor	1	0.04

If a CPSE fails to submit the Self evaluation report in the format enclosed with the OM, its grading will be treated as poor and score will be inflated accordingly.

2. CPSEs have to give a Certificate regarding Implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin. Dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task force at the time of MoU Evaluation. (In other words, the MoU Ratings can be increased by 0.04)

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CSR and Sustainability parameters

Sl. No.	Draft Parameter(s)	Unit	Weight	Parameter Scale for FY 2013-14				
				Excellent	V. Good	Good	Fair	Poor
1(i)	Training /Awareness of employees /other stakeholders on CSR/ Sustainability/ Environment Conservation	Man days trained/ year	1	1000	900	850	800	750
1(ii)	Energy Management : Energy conservation –Solar Lights/ LED Lights in Control Room/ Buildings etc.	Nos. of sub-stations	2	4	3	2	1	0
2	On CSR & SD activities, publication of an annual target booklet for 2013-14 by June, 2013 (in electronic form at website/emails), involving, top management, employees and other stakeholders.	Yes/ No	1	Yes	No	-	-	-
3	Publication of annual CSR & Sustainability Performance Report for 2012-13 by Dec. 2013	Yes/ No	1	Yes	No	-	-	-
4	(i) A CSR project in backward district – – Kokrajhar (Assam) (Weightage 0.5)	<p>a) Name of Project: Capacity Building Programme on Transmission line Tower Erection</p> <p>b) Date of start of Project: 01.04.2013</p> <p>c) Annual Targets Plan for the year: Imparting training to 60 youths</p> <p>d) Budgetary allocation for the planned Annual target: About Rs. 20 Lakhs</p> <p>e) Name of the agency for baseline survey/ need assessment: Departmentally undertaken by POWERGRID</p> <p>f) Name of the agency for implementation of the activity/ project: M/S Jyoti Structures Ltd.</p> <p>g) Name of the agency selected for monitoring activity / project: POWERGRID</p> <p>h) The involvement of the CPSE in any or all these activities to be specified: Appointment of implementing partner, Selection of Candidates, Boarding and lodging, monitoring etc.</p> <p>i) Date of completion of the activities/ project planned for the year: 31.03.2014</p> <p>j) The name of the agency engaged for evaluation of the completed project/ activity during the year: To be finalized</p> <p>k) Report of the evaluation agency: Shall be prepared by Evaluation Agency</p> <p>l) The social impact assessment report, if any, in case of activities/ project completed during the year: Shall be submitted by May 2014.</p>						

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	<p>(ii) A CSR project in backward district – Banka (Bihar) (Weightage 0.5)</p>	<p>a) Name of Project: Provision for Drinking water and drainage facilities b) Date of start of Project: 01.04.2013 c) Annual Targets Plan for the year: Installation of handpumps and improvement of drainage system d) Budgetary allocation for the planned Annual target: About Rs. 20 Lakhs e) Name of the agency for baseline survey/ need assessment: Xavier Institute of Social Service, Ranchi f) Name of the agency for implementation of the activity/ project: To be identified g) Name of the agency selected for monitoring activity / project: POWERGRID. h) The involvement of the CPSE in any or all these activities to be specified: Appointment of implementing partner and monitoring. i) Date of completion of the activities/ project planned for the year: 31.03.2014 j) The name of the agency engaged for evaluation of the completed project/ activity during the year: To be finalized k) Report of the evaluation agency: Shall be prepared by Evaluation Agency l) The social impact assessment report, if any, in case of activities/ project completed during the year: Shall be submitted by May 2014.</p>							
	<p>III) An SD project (Weightage 1)</p>	<p>a) Name of Project: Water & Waste management for 5 Villages in various regions of POWERGRID. b) Date of start of Project: 01.04.2013 (long term three years project) c) Annual Targets Plan for the year: Baseline survey, feasibility report & start of work d) Budgetary allocation for the planned Annual target for FY 2013-14: About Rs. 1 Crore e) Name of the agency for baseline survey/ need assessment: Shall be done. f) Name of the agency for implementation of the activity/ project: Facility will be created around the establishments of POWERGRID in association with NGOs. g) Name of the agency selected for monitoring activity / project: POWERGRID h) The involvement of the CPSE in any or all these activities to be specified: Appointment of implementing & evaluation agency, Monitoring i) Date of completion of the activities/ project planned for the year: 31.03.2014 j) The name of the agency engaged for evaluation of the completed project/ activity during the year: Shall be engaged k) Report of the evaluation agency: Shall be prepared after completion of the project l) The social impact assessment report, if any, in case of activities/ project completed during the year – Shall be submitted after completion of project.</p>							
5	Expenditure on CSR & Sustainability activities (1% of PAT of FY 2012-13)	<table border="1"> <tr> <td>% utilization</td> <td>0.5</td> <td>100</td> <td>90</td> <td>85</td> <td>80</td> <td>70</td> </tr> </table>	% utilization	0.5	100	90	85	80	70
% utilization	0.5	100	90	85	80	70			
6	Constitution/ meetings of a Board Level Committee and a management level committee on CSR & SD	<table border="1"> <tr> <td>Yes/ No</td> <td>0.5</td> <td>Yes</td> <td>No</td> <td>-</td> <td>-</td> <td>-</td> </tr> </table>	Yes/ No	0.5	Yes	No	-	-	-
Yes/ No	0.5	Yes	No	-	-	-			

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MEMORANDUM OF UNDERSTANDING 2013-14

PART-III

Self declaration/certification

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2013-14. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. POWERGRID has no right of claim in this regard.



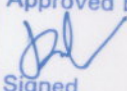
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PART-IV

Commitment/ Assistance from the Government

- 1.0 The Ministry of Power would assist POWERGRID in realisation of outstanding dues from the beneficiaries. Presently utilities with major outstanding are Uttar Pradesh, Delhi, Bihar, Odisha, Jharkhand & Himachal Pradesh. However, outstanding dues of the utilities can keep on changing and accordingly assistance of MoP shall be sought.
- 2.0 The Ministry of Power will take up with The Ministry of Environment and Forest for expeditious clearance of projects to avoid delays in their timely execution.
- 3.0 The Ministry of Power shall assist POWERGRID for extending benefits available under **Mega Power Project Status** to the transmission projects associated with such generation projects and transmission projects required for establishment of the proposed **National Power Grid**.
- 4.0 The Ministry of Power shall assist POWERGRID in getting confirmation from statutory authority that "Deemed Export" benefits under Foreign Trade Policy of Govt. of India shall be applicable to the indigenous supplies awarded through International Competitive Bidding for POWERGRID Transmission Projects being an integral part of the "Power Sector".
- 5.0 Government of India / The Ministry of Power shall assist Corporation through State Governments for safety of Company's personnel as well as the transmission system equipment in the disturbed areas like North-Eastern States, Jammu & Kashmir etc.

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MEMORANDUM OF UNDERSTANDING 2013-14

Part-V

Action Plan for Implementation and Monitoring of the MOU

- a) POWERGRID undertakes to submit quarterly reports on various performance areas within 30 days of the end of the quarter.
- b) POWERGRID Management will ensure quarterly internal monitoring of the performance against the MoU targets.

R. N. Nayak

**(R. N. Nayak)
Chairman & Managing Director
POWERGRID**

P. Uma Shankar

**(P. Uma Shankar)
Secretary
Ministry of Power**

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