

MEMORANDUM OF UNDERSTANDING

FOR THE YEAR 2015-2016

BETWEEN

**POWER GRID CORPORATION OF INDIA
LTD.**

AND

MINISTRY OF POWER, GOVT. OF INDIA

MoU 2015-16
Approved by DPE/TF
Signed 

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MEMORANDUM OF UNDERSTANDING 2015-16

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:

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

- Setting superior standards in capital project management and operations for the industry and ourselves;
- 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; and
- 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;
 4. Generating companies;

5. Regional Power Committees;
 6. Authority;
 7. Licensees;
 8. Any other person notified by the Central Government in this behalf.
- To ensure development of an efficient, co-ordinated and economical system of inter-State transmission lines for smooth flow of electricity from generating stations to the load centres.
 - Efficient Operation and Maintenance of Transmission systems.
 - Restoring power in quickest possible time in the event of any natural disasters like super cyclone, flood etc. through deployment of Emergency Restoration Systems.
 - Provide consultancy services at national and international level in transmission sector based on the in-house expertise developed by the organisation.
 - Participate in long distance telecommunication business ventures.
 - Ensure principles of Reliability, Security and Economy matched with the rising/desirable expectation of a cleaner, safer, healthier Environment of people, both affected and benefited by its activities.

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PART-II

Performance Evaluation Parameters and Targets

Performance Evaluation:

For the purpose of performance evaluation of the Corporation for the year **2015-2016**, the scale and the weights assigned to various parameters are shown in the following table.

(PART - II)
PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2015-16						Documentary evidence and source/ origin of documents
				Excellent	V. Good	Good	Fair	Poor	10	
1	2	3	4	5	6	7	8	9	10	
1	Static/ Financial Parameters @									
(i)	Growth/ Size/ Activity									
a)	Sales Turnover, excluding interest and other income (Operating Turnover)	(Rs. Crs.)	12	20200	19200	18286	17415	16586		
b)	Gross Operating Margin	(Rs. Crs.)	10	17396	16480	15696	14948	14236		Annual Report (AR)/ Audited Results
(ii)	Profitability	%	10	12.33	11.62	11.13	10.66	10.20		
a)	PAT/ Net worth									
(iii)	Cost and Output Efficiency	(Rs. Lacs/ Employee)	10	56.58	53.08	50.55	48.14	45.85		
a)	PAT per Employee									
(iv)	Efficiency of Asset Use	No. of Days	8	68	70	72	74	76		Internal documents/ Reports/ AR
a)	Average Collection Period of Trade Receivables (Debtors Turnover Ratio)									
2	Dynamic/ non-financial Parameters									
(i)	Research & Development	Date	1	1-Feb-16	15-Feb-16	29-Feb-16	15-Mar-16	31-Mar-16		Test Reports/Internal documents/ R&D Expert Group Report
a)	Implementation of Battery energy storage system									
b)	Fault Current Limiter – Commencement of implementation.	Date	1	1-Feb-16	15-Feb-16	29-Feb-16	15-Mar-16	31-Mar-16		
c)	High Temperature Superconductor Cable for power transmission (Demonstration project) - Implementation commencement	Date	1	1-Feb-16	15-Feb-16	29-Feb-16	15-Mar-16	31-Mar-16		

② 1. Transmission charges for 2015-16 have been estimated based on CERC tariff norms for the block period 2014-19.
2. POWERGRID is a Transmission Services Company, hence Gross Operating Margin has been calculated as - Revenue from Operations less Operation and maintenance expenses. Gross Operating Margin = Revenue from Operations (as per Schedule 2.25) - Purchase of Stock in Trade - Employee Benefits Expense (as per Schedule 2.27) - Transmission and other expenses (as per Schedule 2.30) excluding Miscellaneous expenses and Non-Operating expenses. The Schedules referred are part forming part of Annual Report 2013-14.
3. The No. of Employees against "V. Good" target is considered as '8854 Nos'. The same will be considered at the time of evaluation.

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PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2015-16						Documentary evidence and source/ origin of documents
				Excellent	V.Good	Good	Fair	Poor	10	
1	2	3	4	5	6	7	8	9	10	
(ii)	Initiatives for Growth									
	Physical targets									
	a) Foundation	Nos.	2	12000	10800	9600	8400	7200		
	b) Tower Erection	Nos.	3	15000	13500	12000	10500	9000		
	c) Stringing	Ckms.	2	8500	7650	6800	5950	5100		
	d) Ckt. Kms commissioning / ready for commissioning	GW-Ckms.	2	11200	10080	8960	7840	6720		
	e) Transformation capacity addition/ ready for commissioning	MVA	3	27500	24750	22000	19250	16500		Annual Report (AR)
	f) Inter-regional power transmission capacity addition/ ready for commissioning	MW	3	5800	4300	2700	1600	-		
(iii)	Project Management & Implementation									
	a) Capital Expenditure of Rs. 20,000 Crore (BE)	(%)	4	100	90	80	70	60		
	b) Gwalior-Jaipur 765kV S/c Second line (under Odisha-C)*	Completion Date	1	31-Jul-15	31-Aug-15	30-Sep-15	-	-		AR/ Internal Documents/ Reports
	* Assuming forest clearance is accorded by 30th April, 2015									
	c) Aurangabad-Beed - Sholapur 765kV D/C line	Completion Date	1	31-Aug-15	30-Sep-15	31-Oct-15	-	-		
(iv)	Productivity and Internal Processes									
	Customer Satisfaction									
	No. of Trippings per line attributable to POWERGRID									
	a) Un-Planned	Nos.	2	1.50	1.80	2.10	2.40	2.70		AR/ Internal Documents
	Measures taken to increase efficiency and productivity of manpower/ resources									
	a) Remote operation of Sub-stations at NTAMC	Nos.	1	50	45	40	35	30		
	b) To prepare a comprehensive report on Power Quality Measurement towards mitigation of electrical pollution	Date	1	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16	-		
	c) Study and preparation of a comprehensive report to make transmission infrastructure resilient to climate change (i) Power transmission	Date	2	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16	-		AR/ Internal Documents
	d) Study of techno-economical viability including business strategy for wire business	Date	1	15-Jan-16	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16		
	e) Study of techno-economical viability including business strategy for Telecom business update	Date	1	15-Jan-16	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16		
	f) Revenue from Consultancy business	Rs. in Cr.	1	350	325	310	295	280		

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(PART - II)

PERFORMANCE EVALUATION PARAMETERS AND TARGETS

S. No.	Parameter	Units	Weights	Parameter Scale for FY 2015-16					Documentary evidence and source/ origin of documents
				Excellent	V.Good	Good	Fair	Poor	
1	2	3	4	5	6	7	8	9	10
(v)	Technology, Quality, Innovative practices								
	a) Prototype development of active power filter	Date	1	31-Aug-15	30-Sep-15	31-Oct-15	30-Nov-15	-	
	b) Smart Ventilation System-Prototype development	Date	1	29-Feb-16	15-Mar-16	31-Mar-16	-	-	
	c) Implementation of ISO 50001 for Energy Management System at SR-II RHQ building	Date	1	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16	-	AR/ Internal Documents
	d) Implementation of ISO 50001 for Energy Management System at Manesar Complex (NTAMC)	Date	1	31-Jan-16	29-Feb-16	15-Mar-16	31-Mar-16	-	
	e) Implementation of ISO 27001 for Information Security Management System at Corporate Center	Date	1	31-Dec-15	31-Jan-16	29-Feb-16	15-Mar-16	-	
(vi)	Human Resource Management								
	a) Attrition as % of total employees	%	1	4	5	6	7	8	
	b) Training Days per employee per year	Days/ emp/ year	1	5.5	4.5	3.5	2.5	1.5	
	c) Programme on Leadership Development and Succession Planning (No. of executives at E7 level)	No. of executives	1	70	60	50	40	30	AR/ Internal Documents
	d) Certification of POWERGRID employees in Project Management	Nos.	1	50	45	40	35	30	
	e) 15 days certified Skill Development Trainings to non employees	(No. of persons)	1	1000	900	800	700	600	
3	Sector/ Enterprise Specific Parameters								
	a) RGGVY								
	i) Completion of PE/ UE Villages	Nos.	1	2764	2513	2393	2279	2171	AR/ Certification by Management
	ii) BPL household connections	Nos.	1	91000	90000	81818	77922	74212	
	b) Green Energy Corridors - II								
	i) Finalization of report & commencement of work for Solar Power Park	Date	1	30-Nov-15	31-Dec-15	31-Jan-16	29-Feb-16	31-Mar-16	AR/ Internal Documents
	c) Availability of Tr. System *	(%)	3	99.20	98.80	98.40	98.00	97.60	AR
	d) Laying of incremental fiber for connecting Gram Panchayats under Phase-I of the NOFN Project (as per DPE minutes No. M-1/0158/2014-DPE (MoU) dated March 20, 2014) #	Nos.	1	8000	7000	6000	5000	4000	AR/ Internal Documents
	* Transmission System availability calculated as per CERC methodology.								
	# Subject to allocation of entire 14000 GPs under phase-I to POWERGRID.								
	All internal documents to be signed at least by Functional Director of the Board.								
	Negative marking for CG rating, Non-Compliance to DPE guidelines, Entry of MoSPI & Survey data, Non-Compliance to MSME guidelines and CSR provisions as per Companies Act.								
6	Total		100						

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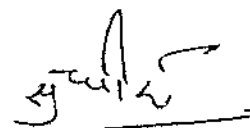
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MEMORANDUM OF UNDERSTANDING 2015-16

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 2015-16. 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.



Authorised Signatory

MEMORANDUM OF UNDERSTANDING 2015-16

PART-IV

Self declaration for Compliance of Directives of Government & Regulators

It is hereby certified that POWERGRID has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government/ regulators, CPSE has no right of claim in this regard.



Authorised Signatory

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PART-V

Commitment/ Assistance from the Government

- 1.0 MoP would assist POWERGRID in realisation of outstanding dues from the beneficiaries.
- 2.0 MoP will take up with The Ministry of Environment and Forest for expeditious clearance of transmission projects of POWERGRID to avoid delays in their timely execution.
- 3.0 MoP shall extend necessary help for resolving the Right-of-Way (RoW) issues of transmission projects of POWERGRID with State Governments to facilitate their timely implementation.
- 4.0 MoP shall assist POWERGRID in issuance of necessary certification required for "Deemed Export" benefits under Foreign Trade Policy of Govt. of India, that may be applicable to the indigenous supplies awarded through International Competitive Bidding for POWERGRID Transmission Projects.
- 5.0 For achieving targets under RGGVY, Ministry of Power shall assist in (a) sanction & timely availability of funds by REC / MoP, (b) directing State Governments / Power Utilities for Forest Clearance, BPL List and land for sub-station prior to start of work, (c) Taking over of executed works by concerned State utility in stipulated timeframe, and (d) Timely availability of work-front, including resolution of ROW issues, for undertaking works.
- 6.0 GoI/ MoP 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.
- 7.0 MoP shall assist in appointment of non-official Directors on the Board as per the applicable Regulations.

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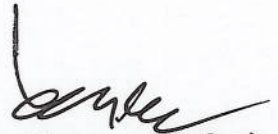
Part-VI

Action Plan for Implementation and Monitoring of the MOU

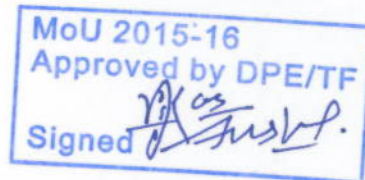
- a) POWERGRID undertakes to submit quarterly reports on various performance areas within 30 days of the end of the quarter.
- b) POWERGRID Management will ensure quarterly internal monitoring of the performance against the MoU targets.



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



(Pradeep Kumar Sinha)
Secretary
Ministry of Power



APPENDIX-I**LIST OF PROJECTS, MONITORED BY MOSPI, EXPECTED TO COMPLETE IN 2015-16**

Sl. No.	Name of Transmission Line Project
1	Transmission System for Phase-I Generation Projects in Odisha - Part - B
2	Transmission System for Phase-I Generation Projects in Odisha - Part- C
3	Transmission System for Phase-I Generation Projects in Jharkhand and West Bengal - Part - A2
4	System Strengthening - XVII in Southern Regional Grid
5	System Strengthening in Northern Region for Sasan & Mundra (UMPP)
6	Northern Regional Transmission Strengthening Scheme
7	Northern Regional System Strengthening Scheme - XVI
8	Northern Regional System Strengthening Scheme - XXI
9	Northern Regional System Strengthening Scheme - XXIV
10	Transmission System for Phase-I Generation Projects in Jharkhand and West Bengal - Part - B
11	Transmission System for connectivity of Essar Power Gujarat Limited.
12	System Strengthening in Southern Region - XVIII
13	Transmission System for Transfer of Power from Generation Project in Sikkim to NR/WR Part - A.
14	Transmission System for Phase-I Generation Projects in Odisha- Part- A

APPENDIX II

WORKING OF GROSS OPERATING MARGIN FOR THE YEAR 2015-16

I Direct Method

Particulars	2012-13	2013-14	2014-15 (Proj)	2015-16 (Ex)	2015-16 (VG)
Sales	12,757.90	15,230.30	16,970.00	20,200.00	19,200.00
Other Operating incomes (if any)	-	-	-	-	-
Less: Operating Expenses					
Purchase of stock-in-trade	63.50	219.40	-	-	-
Employee Cost	886.40	941.60	1,025.50	1,128.00	1,107.50
Transmission & other expenses (Excluding Non-Operating expenses as indicated below)	846.70	1,075.00	1,343.70	1,675.80	1,612.20
Gross Operating Margin	10,961.30	12,994.30	14,600.80	17,396.20	16,480.30

II Indirect Method

Particulars	2012-13	2013-14	2014-15 (Proj)	2015-16 (Ex)	2015-16 (VG)
Profit Before Tax	5,645.30	6,263.70	5,825.50	6,326.80	5,932.60
Add:					
Prior Period Adjustment	(24.70)	20.50	84.00	-	-
Exceptional/ Extra-Ordinary Items	-	-	-	-	-
Depreciation/ Amortization/ Impairment	3,351.90	3,995.70	4,885.10	6,109.70	5,681.20
Finance Costs	2,535.20	3,167.60	4,140.30	5,188.00	4,991.00
Add: Non Operating Expenses	24.50	37.90	70.90	71.70	75.50
Less: Non Operating Income	570.90	491.10	405.00	300.00	200.00
Gross Operating Margin	10,961.30	12,994.30	14,600.80	17,396.20	16,480.30