

**SRI LANKA**

**STANDARDISED**

**SMALL POWER PURCHASE AGREEMENT BETWEEN**

**CEYLON ELECTRICITY BOARD**

**AND**

**[GENERATING COMPANY]**

**FOR THE SALE OF ELECTRICITY FROM**

**NON-CONVENTIONAL RENEWABLE ENERGY-BASED**

**POWER PLANTS**

**WITH AN INSTALLED CAPACITY UP TO 10 MW**

**UNDER THE**

**COST-BASED, TECHNOLOGY-SPECIFIC, THREE-TIER**

**STANDARDISED TARIFFS**

**EFFECTIVE FROM JANUARY 2008**

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**STANDARDIZED AGREEMENT FOR PURCHASE OF ELECTRICAL ENERGY  
BETWEEN  
THE CEYLON ELECTRICITY BOARD  
AND  
[GENERATING COMPANY]  
Maximum Power Capacity \_\_\_\_\_ kW  
Ref: DGM (EPT)/MHP/\_\_\_\_\_**

This Agreement is made and entered into at Colombo this **..th day of \_\_\_\_\_**  
**20\_\_** by and between the **Ceylon Electricity Board**, a body corporate duly constituted by Act No. 17 of 1969 and having its head office at 50, Sir Chittampalam A. Gardiner Mawatha, Colombo in the Democratic Socialist Republic of Sri Lanka (hereafter referred to as "**CEB**"), and \_\_\_\_\_ a Public Limited Company duly incorporated in Sri Lanka under the Companies Act No. 7 of 2007 and having its Registered office at \_\_\_\_\_ (hereafter referred to as "**Seller**" which term or expression where the context so requires means and includes the said \_\_\_\_\_ and its successors and assigns, as permitted hereby).

WHEREAS, the Seller has submitted a proposal for sale to CEB of electrical energy from a small power production facility in Sri Lanka; and

WHEREAS, the Seller's project and tender of electrical energy for sale qualifies under the Small Power Producer Procurement Scheme of CEB, which is approved by the Government; and

WHEREAS, CEB may purchase electrical energy under applicable law and regulations of the Democratic Socialist Republic of Sri Lanka; and

WHEREAS, the Seller is a company duly incorporated and validly existing under the laws of the Democratic Socialist Republic of Sri Lanka, has all requisite corporate and legal authority to execute this Agreement, and is permitted by applicable laws and regulations to sell independently produced power; and

WHEREAS, the Seller wishes to sell and to deliver, and CEB wishes to purchase and to accept delivery of, the offered electrical energy to be produced by the Seller from the Facility described at Appendix B, all pursuant to the terms and conditions as set forth in this Agreement;

WHEREAS, CEB is a body corporate that is not able to assert any defences of sovereign immunity to enforcement of contracts with private entities.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Seller and CEB hereby agree as follows:

## **ARTICLE 1 DEFINITIONS**

When used with initial capitalization, whether in the singular or in the plural, the following terms shall have the following meanings:

"Agreement" means this document, including its appendices and all documents, regulations, or standards incorporated by reference, as such may be amended from time to time.

"Appendix A" means the appendix to this document defining the tariff applicable for sale of energy output to CEB by Small Power Producers and the methodology for calculating the applicable tariff for the years thereafter.

"Appendix B" means the appendix to this document setting out key specifications of the Seller's Facility

"Appendix C" means the appendix to this document defining the technical standards for testing the Facility for the purpose of demonstrating whether or not the Facility satisfies the grid connection requirements of CEB.

"Commercial Operation Date" means the first day of the succeeding month following the day on which:

- (1) Subject to Section 4.3, the Seller notified CEB that electrical energy deliveries can commence, or
- (2) The Seller has commenced deliveries of electrical energy to CEB.

"Contract Year" means the twelve-month period beginning with the Commercial Operation Date and each succeeding twelve-month period.

"Due Date" means thirty (30) days after the date on which CEB reads its meters installed at the Metering Point for the purpose of determining the amount of Energy Output of the Facility for the prior period, which reading shall occur pursuant to Article 5.2(a).

"Emergency" means a condition or situation, which is likely to result in disruption of service to CEB's customers, or is likely to endanger life or property.

"Energy Input" means the amount of Electrical Energy import to the facility from CEB Grid under the agreement entered into between the Seller and the CEB.

"Energy Output" means the amount of electrical energy generated by the Facility and delivered to CEB under this agreement.

"Facility" means all of the Seller's equipment and appurtenant land at a single site or parcel of land utilised to produce and deliver Energy Output, including but not limited to, Seller's generating, metering, and protective equipment.

"Government" means the Government of the Democratic Socialist Republic of Sri Lanka.

"Grid Point" means the connection stud of the last line side isolator located on the grid system of CEB; depicted as "G" on the diagram in Exhibit A.

"IEC Standards" means the relevant standards published by International Electrotechnical Commission of No. 3, rue de Varembé, P.O.Box 131,CH-1211 Geneva, Switzerland.

"Prudent Utility Practices" means accepted international practices, standards and engineering and operational considerations, including but not limited to, manufacturers' recommendations and the exercise of reasonable skill, diligence, foresight, and prudence that would be exercised or generally followed in the operation and maintenance of facilities similar to the Facility.

"Interconnection Guidelines" means the CEB Guide for Grid Interconnection of Embedded Generators, Sri Lanka (2000) or any subsequent version of this or a reasonable and prudent substitute guidance or standard adopted by CEB to apply to interconnection of the facilities of Small Power Producers.

"Metering Point" means the point where CEB metering of Seller's Energy Output and Energy Input to the seller initially takes place and where title to electricity delivered by Seller passes to CEB. The Metering Point is shown as Point M on Exhibit A.

"Must Run Facility" means the Seller has operating control over the amount and timing of electrical energy to be generated by the Facility, subject only to Emergencies and such directions as may be issued by CEB for the protection of its electrical system.

"MW" means a megawatt or 1000 kilowatts.

"Month" or "month" means a calendar month.

"Party" means the Seller or CEB.

"Prime Rate" means the prime rate as announced from time to time by the Central Bank of Sri Lanka for Rupee amounts, and in force on such date and, for the purpose of this Agreement, a change in any such rate shall be effective on, or from date on which it is announced or, if such announcement provides for such change to come into effect on a later date, on and from such later date.

"Regulator" means the electricity regulatory authority of the Democratic Socialist Republic of Sri Lanka, or his delegate.

"Scheduled Outage" means an outage which is scheduled in advance for the purpose of performing maintenance on the Facility.

"Small Power Producer" means the owner or operator of a facility having an installed generating capacity of not more than 10 MW and capable of generating electricity from Renewable Energy Sources for selling its Energy output.

"Transmission Line" means the transmission line which connects the Termination Point to the Grid Point enabling the Seller to deliver electrical energy generated by the Facility to the CEB.

"Termination Point" means the connection stud of the line side isolator of the Facility depicted as "T" on the diagram in Exhibit A.

"Unscheduled Outage" means an outage, which is not a Scheduled Outage.

## **ARTICLE 2 SALE AND PURCHASE OF ENERGY OUTPUT**

### **2.1 Sale and purchase of Energy Output**

The Seller shall deliver and sell, and CEB shall accept and purchase the electrical Energy Output generated by the Facility of the Seller, which Seller shall maintain its status as a Small Power Producer and which Energy Output shall be as specified in Appendix B for Quality of Electrical Energy at the Termination Point.

### **2.2 Obligations of the Seller**

- a) The Seller shall notify CEB in writing at least 30 days prior to synchronising or operating the Seller's generators in parallel with the CEB grid system, and co-ordinate such commencement of operation with CEB. Seller if required may purchase energy from CEB National Grid ("Energy Input") after signing an agreement with the relevant provincial office of the CEB.
- b) Prior to the Commercial Operation Date and thereafter on or before 1st December of each subsequent Year, the Seller shall furnish to CEB an annual forecast that includes the following: (i) anticipated monthly generation availability, and (ii) Scheduled Outages for each year; provided, however, the Seller shall have no liability to CEB and shall be subject to no penalty in the event that the actual amount of electrical energy delivered to CEB, or the times of said delivery, differ from the amounts or times shown in said forecasts.
- c) The Seller shall notify CEB one month in advance of Scheduled Outages, including a non-binding estimate of expected length, and as soon as possible, of any Unscheduled Outages, including a non-binding estimate of expected length.
- d) Notwithstanding that the Seller's Facility is a Must Run Facility, whenever CEB's system or the systems with which it is directly interconnected experience an Emergency, or whenever it is necessary to aid in the

restoration of service on CEB's system or on the systems with which it is directly or indirectly interconnected, CEB may, in its sole discretion, curtail or interrupt the taking of all or a portion of Energy Output thereunder, provided such curtailment or interruption shall continue only for so long as it is reasonably necessary under Prudent Utility Practices.

- e) The Seller shall maintain the Facility as per Prudent Utility Practices to ensure the agreed generation capacity (Maximum Power Capacity indicated in kW) of the Facility throughout the Term. If the developer closed the generation of the Facility or reduces the generation capacity during the contract period, CEB has the right to recover the excess amount paid over the levelised tariff (Rs. 11.77 /kWh) from the Seller for the energy supplied to the CEB from the Commercial Operation Date.
- f) The Seller shall comply strictly with Interconnection Guidelines and all CEB Standards applicable to interconnection of similar facilities. The Seller shall make all arrangements at its own expense necessary to make available the Energy Output to CEB at the Grid Point. CEB shall cooperate with the Seller in these arrangements.
- g) The Seller shall obtain all the necessary permission, clearances for construction and operation of the facility. The Seller should obtain the permit from the Sri Lanka Sustainable Energy Authority prior to the Commercial Operation of the power plant.

### 2.3 CEB's obligations

- a) CEB's obligations to make payments as described herein, shall continue during the term of this Agreement, and shall only be excused in the event of Force Majeure arising under Article 6 herein.
- b) Because the Seller's Facility is a Must Run Facility, CEB shall use its best efforts to coordinate and to minimize any periods of interruption, reduction, refusal, or curtailment as provided for in this Article with the periods of previously Scheduled Outage at the Facility. CEB shall, prior to initiating any interruption, reduction or refusal of Energy Output under this Article, use its best efforts to provide the Seller with a minimum of twenty-four (24) hours advance notice, such notice to include an explanation of the cause of the interruption, and an estimate of the start and duration of the interruption.
- c) CEB shall not assert the Seller's liability for, and the Seller shall not be liable to CEB for, any direct damages resulting from the Seller's inadvertent or accidental and non-negligent failure in meeting the Energy Output. Without CEB's prior written approval, the said limitation of the Seller's liability shall not apply where the Seller deliberately reduces Energy Output for the purpose of selling or attempting to sell electrical energy to any third party, or for the purpose of producing any other form of energy capable of being produced at the Facility.

## 2.4 Interruptions

- a) CEB may interrupt, reduce or refuse to purchase and accept delivery of all or a portion of Energy Output from the Facility, to the extent that such interruption, reduction or refusal is necessary, in CEB's sole discretion, under Emergencies or under Prudent Utility Practices, in order for CEB to install equipment, make repairs, replacements, investigations or inspections of CEB's electrical network.
- b) Even though the Seller's Facility is a Must Run Facility, CEB shall not be obligated to purchase or take Energy Output if the Facility is not operated and maintained in a manner consistent with Prudent Utility Practices in accordance with Article 4.

## **ARTICLE 3 TERM; TERMINATION**

### 3.1 Term

As of the date and when signed below by all Parties, this Agreement shall commence and, subject to the termination provisions set forth in this Agreement, shall continue for a period of **twenty (20)** years, beginning on the Commercial Operation Date. Notwithstanding the foregoing, the applicable provisions of this Agreement shall remain in effect after termination hereof to the extent necessary to provide for final billings, billing adjustments, payments, and effectuation of all rights hereunder.

### 3.2 Default

- (a) Events of Default hereunder shall be each or any of the following events:
  - (i) The Seller fails to achieve the milestones set forth in Article 11(b).
  - (ii) The Seller fails to complete, abandons, or cancels construction of the Facility.
  - (iii) the Seller, during the period from Contract Year nine to Contract Year fifteen fails to deliver to the CEB an aggregate Energy Output equal to seven times the average Energy Output delivered during the period from Contract Year one to Contract Year eight;
  - (iv) The adjudged bankruptcy, dissolution, or liquidation of either Party, in which case the bankrupt, dissolved, or liquidated Party shall be deemed to be the Party in default hereunder.
  - (v) Either Party fails to perform or observe any of the terms, conditions, or provisions of this Agreement and the appendices hereto, and such failure shall not be rectified or cured within sixty (60) days after written notice thereof from the non-defaulting Party, provided, however, that if such failure cannot reasonably be cured within such sixty (60) day period, such further period, not to exceed two years after written notice thereof, as reasonably shall be required to effect such cure, provided that the defaulting Party commences within such sixty (60) day period to effect such cure

and at all times thereafter proceeds diligently to complete such cure as quickly as possible, subject to the provisions of Article 6.

- (vi) Without reasonable excuse, the failure of any party to make an undisputed payment when due and non-payment continues for more than ninety (90) days.
- (vii) The compulsory expropriation, acquisition or nationalisation of the material assets or equity of the Seller by any instrumentality of the Government, or the dissolution or reorganisation of CEB such that it cannot perform its obligations hereunder.
- (viii) Either Party contests and denies the enforceability of this Agreement, in which case the Party contesting enforceability shall be deemed to be the Party in default hereunder.

(c) Termination

Upon the occurrence of an Event of Default, in each and every case, the non-defaulting Party shall give 30 days written notice to the defaulting Party and may pursue any remedies provided for in this Agreement or under law, and may terminate this Agreement by giving 60 days written notice to the other Party, provided that should CEB claim any Event of Default against the Seller, it shall notify and afford the Seller's lenders reasonable time, access and opportunity to remedy the event giving rise to the default, and shall cooperate with the Seller's lenders to this end.

## **ARTICLE 4 CONSTRUCTION; INTERCONNECTION; OPERATION; METERING**

### 4.1 Approvals

- a) The seller shall obtain and remain in compliance with all governmental and other environmental and other approvals, licenses, permits, and certificates necessary for the construction, and operation of the Facility for the duration of this agreement.
- b) The Seller shall obtain all licenses, permits, approvals and registrations necessary, imposed or required by the Government of Sri Lanka and/or any other agency or any local authority in Sri Lanka and shall comply with all legal requirements relating thereto, to enable the Seller to construct, develop, maintain and operate the Facility in accordance with this Agreement.
- c) The Seller shall obtain all customs clearances and approvals for the importation and transportation of all equipment necessary for the design, and construction of the Facility.
- d) The Seller shall obtain all necessary visas and work permits from Government agencies or departments in Sri Lanka to enable the Seller's

expatriate officers and staff to work in Sri Lanka for the duration of their assignment.

#### 4.2 Standards

- a) CEB's standards and requirements for equipment, transmission, and distribution including the Interconnection Guidelines shall apply to the Facility and to the Transmission Line.
- b) The Facility shall be operated by the Seller in a manner consistent with Prudent Utility Practices.

#### 4.3 Testing

Upon completion of construction, the Facility shall be tested by and at the expense of the Seller as per with the technical standards set out in Appendix C hereof, and incorporated by reference herein. CEB shall be entitled to witness testing procedures. The parties shall meet and agree to the procedures, standards, protective settings and a program for the testing of the Facility in accordance with the Appendix C hereto. CEB undertakes to accept and pay for all electrical output generation during any such testing. The Seller shall certify in writing to CEB as provided in Article 10 (h) (2), that the Facility conforms to the specifications for Quality of Electrical Energy at the Termination Point set out in Appendix B and incorporated by reference.

#### 4.4 Inspection of Seller's equipment

Upon reasonable prior notice, CEB has the right to inspect the Seller's equipment of the Facility to ensure compliance with Prudent Utility Practices and the Interconnection Guidelines. Such access shall not interfere with the Seller's normal business operations. If, in the opinion of CEB, the Seller's equipment is not being so operated and maintained, CEB shall notify the Seller of any such discrepancies which the Seller shall correct promptly. Until such correction, CEB is not required to accept and pay for Energy Output.

#### 4.5 Induction type generators

If the Seller's Facility includes an induction type generator(s), the Seller shall pay CEB, at prevailing rates, the cost for all capacity and energy consumed from CEB to excite the induction generators.

#### 4.6 Meters

- a) The CEB shall procure, own and maintain the primary metering equipment ("Metering Equipment") employed for purposes of measurement and billing under this Agreement, at the cost and expense of the Seller. The Metering Equipment will be located at the Metering Point depicted as "M"

in Exhibit A. The Metering Equipment shall be sealable. The Seller shall provide a lockable cubicle for the Metering Equipment as required by CEB.

- b) The Seller shall provide CEB access to the Facility at all reasonable times upon reasonable prior notice for the purpose of reading or inspecting meters, examining the operation of the Facility or other purposes reasonably related to performance under the terms of this Agreement. Such access shall not interfere with the Seller's normal business operations. All CEB personnel shall follow all Facility safety and procedural rules while on the Facility premises.
- c) The Metering Equipment shall be tested at least annually, at the Seller's expense, in accordance with Prudent Utility Practices. At any reasonable time, either Party may request a test of the accuracy of any metering equipment. Each Party shall bear the cost of a test requested by it. The results of meter calibrations or tests shall be available for examination by the Parties at all reasonable times. If, at any time, any metering equipment is found to be inaccurate by more than two percent (2.0%), CEB shall cause such metering equipment to be made accurate or replaced as soon as possible. Each party shall be present for breaking the seals, testing, recalibration and sealing of meters. If either Party believes that there has been a meter failure or stoppage, it shall immediately notify the other. CEB shall then investigate and take corrective action if so required.
- d) Testing and calibration of meters, and any verification of meter accuracy, shall be performed pursuant to IEC Standards, by CEB or by a mutually agreed upon qualified independent third party. Calibration shall occur before use of the meters. All meters shall be sealed and locked by CEB after calibration. The Seller shall be notified of calibration, and have the right to be present at such testing and calibration.
- e) Any supplemental electrical energy purchased by seller shall be pursuant to normal CEB tariffs for that category and amount of power.

#### 4.7 Transmission Line

CEB shall design and construct the Transmission Line as per CEB technical standards and IEC Standards at the cost and expense of the Seller so as to be available to transmit the electrical energy generated by the Facility as of the Commercial Operation Date, or if CEB is not able to commit to construct the Transmission Line so as to be available to transmit the electrical energy generated by the Facility as of the Commercial Operation Date, or if the parties otherwise agree that it is preferable for Seller to construct the Transmission Line as per CEB technical standards and IEC Standards at its own expense, and CEB shall cooperate and assist Seller as necessary to obtain any necessary right of way or easements for the Transmission Line. The Transmission Line will be operated and maintained by CEB at its own cost and expense.

#### 4.8 Protective Apparatus

- a) Seller shall install at its own expense such protective apparatus as reasonably required by CEB to protect from damage the CEB system and the Transmission line from fluctuations or variations in voltage, power, current and frequency of the Energy Output, and so as to satisfy the Specification of the Seller's Facility for Quality of Electrical Energy at the Termination Point set out in Appendix B herein.
- b) CEB shall have the right to review the design of all equipment of the Seller as to the adequacy of the protective apparatus provided at the Facility. The Seller shall be notified of the results of such review by CEB in writing within thirty (30) days of the receipt of all specifications related to the proposed design. Any flaws perceived by CEB in the proposed design shall be described in the written notice. Any additions or modifications required by CEB shall be incorporated by the Seller.

### **ARTICLE 5 DELIVERY AND ACCEPTANCE OF ENERGY OUTPUT; PAYMENT**

#### 5.1 Title to Energy

CEB shall accept all Energy Output that substantially satisfies the specification of the Seller's Facility for Quality of Electrical Energy at the Termination Point set out in Appendix B herein, and title to such Energy Output shall pass from Seller to CEB at the Metering Point. Where these Specifications are not substantially satisfied, CEB may reject such Energy Output where it could reasonably damage CEB's system, by disconnecting the Facility from the CEB's system.

#### 5.2 Billing

- a) CEB shall read its meters provided as in Article 4.6 (a) at the end of each month for determination of the electrical energy delivered to and accepted by CEB under the terms of this Agreement, and shall supply the results of such meter readings (including time and date of the reading) to the Seller within fifteen (15) days following the reading thereof.
- b) CEB shall pay the Seller on or before the due date the Tariff as calculated pursuant to the provisions of Appendix A for all Energy Output that is not disputed in good faith pursuant to Article 8. Any undisputed amounts unpaid after the Due Date shall bear interest at the Prime Rate compounded on a monthly basis. Either party may dispute any billing error, amount, or payment by written notification to the other Party within one (1) year of receipt of a meter reading or other alternative billing information pursuant to subpart (d) of this section, whether or not payment has been made by CEB. If dispute resolution is in favour of the Seller, CEB shall pay the disputed amount plus interest at the Prime Rate,

compounded monthly, from the Due Date to the date payment is made. If resolution is in favour of CEB, the Seller shall refund any payment received of the disputed amount plus interest at the Prime Rate, compounded monthly, from the original Due Date to the date the refund is made. All such payments shall be due within fifteen (15) days of the date of such resolution.

- c) In the event that any data required for the purpose of determining payment hereunder are unavailable when required, such unavailable data may be estimated by CEB, subject to any required adjustment based upon actual data in the next subsequent payment month.
- d) To determine the amount of electrical energy delivered and accepted, billing and payment will be based on the first available of the following metering or estimation options in order of preference:
  - i. The primary CEB meter measurement(s) when that CEB meter satisfies for the period at issue the accuracy standard in Article 4(c); or
  - ii. The Seller's secondary or other meter or check meter measurement when that secondary meter is positioned to record the Energy Output, and when that meter(s) satisfies the accuracy standard in Article 4(c) for the period of issue.
  - iii. Where all meters and sub meters fail to accurately register electrical energy delivered and accepted, the average monthly data for the Facility from the same month in the prior Contract Year, if available, as reasonably adjusted for the particular billing period by any relevant available data regarding rainfall, stream flow, actual Facility fuel consumption, average heat rate, hours of operation, time of operation of generators, and native self-use of power output (collectively "Operating Variations") during the period of meter failure, shall be employed to estimate the amount of electrical energy delivered and accepted. Where such data are not reliably available, the average monthly electrical energy delivered and accepted during the previous six (6) billing periods prior to meter failure (or fewer months if the Facility is less than six months from the Commercial Operation Date), as adjusted or normalised for outages or Operating Variations, shall be used to estimate electrical energy delivered and accepted by the Facility for the period of issue.
- e) CEB may set off amounts owed by CEB to the Seller regarding the Facility against amounts owed by the Seller to CEB regarding the Facility under this Agreement.
- f) The Seller may interrupt, reduce or refuse to make available Energy Output to CEB only to the extent that the Seller reasonably determines that such interruption, reduction, or refusal is necessary in order to install

equipment in, make repairs, replacements, investigations and inspections of, or perform maintenance on the Facility which directly affect, the Energy Output. The Seller shall, prior to initiating any interruption, reduction or refusal of Energy Output, use its best efforts to provide CEB a minimum of twenty-four (24) hours advance notice, such notice to include an explanation of the cause of the interruption, and an estimate of the start and duration of the interruption.

- g) All payments made under this Agreement shall be calculated as per the Appendix A of this agreement. Any applicable Value Added Tax or similar Sales Taxes that is payable will then be added to such payments.
- h) CEB shall supply and sell electricity to the Facility under normally applicable terms, conditions, and rates for the category of service and demand of the Facility's usage of power.

## **ARTICLE 6 FORCE MAJEURE**

- a) For purposes of this Agreement, the term "Force Majeure" shall mean any of the following events not within the reasonable control and not due to the failure, negligence or persistent disregard of the Party whose performance is adversely affected or becomes impracticable, and who chooses to invoke Force Majeure:
  - i. Action of a court or public authority having or purporting to have jurisdiction or restraints by a court or regulatory agency;
  - ii. A break or fault in CEB's transmission or distribution systems or failure of CEB's or the Seller's transformers, switches, or other equipment necessary for delivery and receipt of electrical energy by CEB from the Seller;
  - iii. After the Commercial Operation Date, the failure by the Seller after reasonable effort to obtain a necessary consent or approval from the Government;
  - iv. Any Act of God, fire, explosion, excessive rains, floods, tidal wave, epidemic, or earthquake;
  - v. Failure of any major supplier to perform;
  - vi. Any other cause, whether or not similar thereto, beyond the reasonable control of, and without the fault or negligence of, the party claiming Force Majeure.
  - vii. Civil disturbance, insurrection, rebellion, hostilities, public disorder or public disobedience, sabotage, riot, embargo, blockade, quarantine,

labour dispute, strikes, lockouts, acts of war or the public enemy whether or not war is declared;

- viii. Nationalisation, expropriation, or confiscation of the assets or authority of CEB by any authority of the Government.
  
- b) Any obligations of either Party which arose before the occurrence of the Force Majeure event causing non-performance shall not be excused as a result of the occurrence of a Force Majeure event. The late payment of money owed is not excused by Force Majeure. No event resulting from a failure of a Party to operate and maintain their respective plant and equipment accordance with Prudent Utility Practices shall be deemed to be an event of Force Majeure.
  
- c) No default shall occur, provided that the adversely affected non-performing Party invoking Force Majeure shall:
  - i. Provide prompt notice in writing to the other Party of the occurrence of the Force Majeure, giving an estimation of its expected duration and the probable impact on the performance of its obligations hereunder, and submitting good and satisfactory evidence of the existence of the Force Majeure,
  - ii. Exercise all reasonable efforts to continue to perform its obligations hereunder,
  - iii. Expeditiously take action to correct or cure the Force Majeure and submit good and satisfactory evidence that it is making all reasonable efforts to correct or cure the Force Majeure,
  - iv. Exercise all reasonable efforts to mitigate or limit damages to the other Party, to the extent such action will not adversely affect its own interests, and
  - v. Provide prompt notice to the other Party of the cessation of the Force Majeure.
  
- d) If a Party is rendered wholly or partly unable to perform its duties and obligations under this Agreement because of a Force Majeure event, that Party shall be excused to the extent necessary from whatever performance is affected by the Force Majeure event to the extent so affected.
  
- e) Notwithstanding the foregoing, if a Party is prevented from substantially performing its obligations under this Agreement for a period of three (3) years due to the occurrence of a Force Majeure event, the other Party may terminate the Agreement by ninety (90) days written notice given any time thereafter to the non performing Party, unless substantial



electrical system and the public, as a result of the operation of the Seller's equipment.

## **ARTICLE 8 DISPUTE RESOLUTION**

- a) The parties agree that if there is any dispute or difference between them arising out of the Agreement or in the interpretation of any of the provisions thereof they shall endeavour to meet in an effort to resolve such dispute by discussion, within 30 days (Conciliation Period) of such dispute arising, failing such resolution then the parties in dispute shall refer at their costs the dispute to a mutually agreed expert with experience in the field of Power generation or related field or call upon the Government of Sri Lanka to appoint an expert in the field of Power generation or related field to resolve the matter within 60 days from the conciliation period, where the difference or dispute involves a claim in money this Article shall apply where the claim is less than Sri Lanka Rupees 1,000,000.00 . Where such dispute is not resolved as aforesaid at the end of ninety (90) days after the conciliation period notwithstanding the fact that the claim is less than Rs. 1,000,000.00 then the provisions of 8(b) shall apply.
- b) Any dispute that is not resolved under 8(a) above may be submitted by either party to arbitration for final settlement under the Arbitration Act No. 11 of 1995.
- c) The performance of the contract may continue during arbitration proceedings as far as possible.

## **ARTICLE 9 DELEGATION AND ASSIGNMENT**

This Agreement shall inure to the benefit of and bind the respective successors, assigns, and delegates of the Parties. No assignment or delegation by the Seller of any of its rights, duties, or obligations here under shall be made or become effective without the prior written consent of CEB in each case being obtained, which consent shall not be unreasonably withheld by CEB or its successors in interest, except that without CEB consent the Seller may (1) delegate or assign some or all of its rights and duties to an affiliate whose principal functions are to hold the ownership interest in or to operate the Facility, or(2) assign or delegate to an unrelated entity for purposes of financing, obtaining equipment, or construction of the Facility. The Seller shall promptly notice CEB in writing of any assignment or delegation that it makes.

## **ARTICLE 10 MISCELLANEOUS PROVISIONS**

- a) This Agreement may not be modified or amended except in writing signed on behalf of both Parties by their duly authorized officers.
- b) This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof, and all previous agreements, discussions, communications and correspondences with respect to the subject matter hereof are superseded by the execution of this Agreement.
- c) The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the Democratic Socialist Republic of Sri Lanka.
- d) Each Party represents and warrants to the other that the execution and performance of this Agreement does not conflict with any rules, regulations or requirements binding that Party, and that there is no legal or administrative action pending that prohibits or impairs the Party from performing under the Agreement.
- e) There shall be no implied waivers under this Agreement. The failure of either Party to require compliance with any provision of this Agreement shall not affect that Party's right to later enforce the same. It is agreed that the express waiver by either Party of performance of any of the terms of this Agreement or of any breach thereof shall not be held or deemed to be an implied waiver by that Party of any subsequent failure to perform the same or any other term or condition of this Agreement or of any breach thereof.
- f) If any clause of this Agreement is ruled invalid by a court of competent jurisdiction, it shall not affect the remainder of the Agreement if it can be construed to effect its essential purpose without the invalid clause.
- g) The headings in this Agreement are descriptive, and are not intended to affect the interpretation or meaning of the Agreement.
- h) Any notice, invoice, or other communication which is required or permitted by this Agreement, except as otherwise provided herein, shall be in writing and delivered by personal service, telecopy, or mailed postage prepaid, properly addressed as follows:
  - i. In the case of the Seller to the person, the Seller, and address as indicated on the signature execution line below.
  - ii. In the case of CEB to: General Manager, Ceylon Electricity Board, No.50, Sir Chittampalam A Gardiner, Mawatha, Colombo 2, Sri Lanka.

Another address or addressee may be specified in a notice duly given as provided. Each notice, invoice or other communication which shall be mailed, delivered or transmitted in the manner described above shall be deemed sufficiently given and received for all purposes at such time as it is delivered to the addressee or at such time as delivery is refused by the addressee upon presentation.

## **ARTICLE 11 FIRST REFUSAL; MILESTONES**

### a) First Refusal

At the conclusion of the term of this Agreement, CEB shall have the right of first refusal on terms identical to those offered by a third party to the Seller, to purchase any electrical energy to be sold from the Facility after the term of this Agreement. The Seller shall inform CEB in writing of any such terms offered by a third party. CEB shall sixty (60) days thereafter to exercise its right of first refusal, if at all.

### b) Milestones

- i. The Seller shall have a period of **one** month for receipt of all permits and approvals necessary for land acquisition and use; construction, and operation of the Facility, from the date hereof.
- ii. The Seller shall have a period of **one** week after achieving the Milestone (i) above, to achieve the Commercial Operation Date.

In witness whereof the Parties have executed this Agreement and one other of the same tenor, by affixing their respective common seals, as of the ..th day of the month of **September 2008**.

CEYLON ELECTRICITY BOARD			THE SELLER		
	Seal			Seal	
1	By		1	By	
	Name			Name	
	Title			Title	
2	By		2	By	
	Name			Name	
	Title			Title	
	Witness 1			Witness 1	
	Witness 2			Witness 2	

**APPENDIX A -Tariff for delivery of energy output**  
**Calculation of the Total Tariff for Mini Hydro Technology**

**1. Payment for Energy Output**

- 1.1 Payments to be made to the Seller under this Agreement shall be calculated by CEB in accordance with the provisions of this Appendix. The methodology for calculating the Total Tariff is given under Clause 2 of this Appendix A.
- 1.2 The Total Tariff shall be calculated for each Calendar Year.
- 1.3 The Total Tariff comprises three sub components:
- (a) Escalable operation and maintenance cost of the Seller expressed in Rs./kWh
  - (b) Escalable component expressed in Rs./kWh
  - (c) Non-escalable component expressed in Rs./kWh
- 1.4 The base values of the sub components of Total Tariff payable to the Seller in each Contract Year is depicted in Table 1.

**2. Methodology of Calculation**

- 2.1 The Total Tariff in each Calendar Year is the arithmetic sum of the following sub components determined in accordance with the provisions below.
- (a) Escalable operation and maintenance cost of the Seller, expressed in Rs/kWh (The base value of 1.35 Rs./kWh for year 2008 would escalate by  $R_n^{OM}$  )
  - (b) Escalable component, expressed in Rs./kWh (The base value of 1.30 Rs./kWh for year 2008 would escalate by  $R_n^{EC}$  but payable only from Contract Year 16 onwards.)
  - (c) Non-escalable component, expressed in Rs./kWh (as specified in column (c) of Table 1)
- 2.2 The respective operation and maintenance cost of the Seller and escalable component for each Contract Year shall be determined using the following formula and are applicable from the Commercial Operation Date. Calculation of the sub components of tariff by application of annual escalation to respective base sub components is shown in the example below.

- 2.2.1 The operation and maintenance cost component of the Seller shall be:

$$X_n = X(1 + R_n^{OM})$$

Where:

- $X_n$  = the operation and maintenance cost component of the Seller for Calendar Year  $n$
- $X$  = the operation and maintenance cost component of the Seller for the Calendar Year prior to the Calendar Year  $n$ . The applicable value for year 2008 until the Calendar Year in which the Commercial Operation date occurs is specified in column (a) of row 2 in Table 1

$R_n^{OM}$  = The annual rate of escalation for the operation and maintenance cost component.

$R_n^{OM}$  is the arithmetic mean of:

- i. the average percentage change of Sri Lanka Consumer Price Index of the five (5) year period preceding the Calendar Year and
- ii. the average percentage rate of change of the exchange rate of the Rupee against the US Dollar during the five (5) year period preceding the Calendar Year

$n$  = Calendar Year

### 2.2.2 Annual rate of escalation for the escalable component (Table 2)

The annual rate of escalation for the escalable component shall be:

$$R_n^{EC} = \frac{2}{3} \times R_n^{OM}$$

Where:

$R_n^{EC}$  = The annual rate of escalation for the escalable component

$R_n^{OM}$  = the arithmetic mean of:

- i. the average percentage increase of Sri Lanka Consumer Price Index of the five (5) year period preceding the Calendar Year and
- ii. the average percentage rate of change of the exchange rate of the Rupee against the US Dollar during the five (5) year period preceding the Calendar Year

### 2.2.3 The escalable component shall be:

$$Z_n = Z(1 + R_n^{EC})$$

Where:

$Z_n$  = the escalable component of the Seller for Calendar Year  $n$

$Z$  = the escalable component of the Seller for the Calendar Year prior to the Calendar Year  $n$ . The applicable value for year 2008 until the Calendar Year in which the Commercial Operation date occurs is specified in column (b) of row 2 in Table 1

$R_n^{EC}$  = the annual rate of escalation for the escalable component calculated pursuant to clause 2.2.2 above

This escalable component shall be calculated annually for each Calendar Year, but shall only become payable from the Contract Year 16.

Example: for mini hydro technology

For Commercial Operation Date = 15th September 2008

Per Table 1 (column (a)), the operation and maintenance cost of the Seller (escalable) for the Contract Year 1 until the end of the relevant Calendar Year = 1.35 Rs/kWh

From 1st January 2009, the operation and maintenance cost paid in the previous year (2008) will be escalated by the annually announced operation and maintenance escalation rate  $R_n^{OM}$  for year 2009.

1. Assume that the annual values for  $R_n^{OM}$  for the years 2009, 2010 and 2011 as determined according to clause 2.2.1 above is 7.8%, 9.2% and 10.3%

Then,

- (a) the operation and maintenance cost component of the Seller payable from 15<sup>th</sup> September 2008 to 31st December 2008 shall be: 1.35 Rs/kWh
- (b) the operation and maintenance component of the Seller payable from 1st January 2009 to 31st December 2009 (shall be:  $1.35 \times (1+0.078) = 1.46$  Rs/kWh
- (c) the operation and maintenance cost component of the Seller payable from 1st January 2010 to 31st December 2010) shall be:  $1.46 \times (1+0.092) = 1.59$  Rs/kWh
- (d) the operation and maintenance component of the Seller payable from 1st January 2011 to 31st December 2011 shall be:  $1.59 \times (1+0.103) = 1.75$  Rs/kWh

2. Per Table 1 (column (b)), the base escalable component of the Seller is 1.30 Rs/kWh. This escalable component shall be calculated annually for each Calendar Year, but shall only become payable from the Contract Year 16.

Assume that the annual values for  $R_n^{OM}$  from 2008 to 2028 as determined according to clause 2.2.1 above are as shown in the table below.

Calendar Year	$R_n^{OM}$
2008	0.0652
2009	0.078
2010	0.092
2011	0.103
2012	0.099
2013	0.096
2014	0.095
2015	0.090
2016	0.088
2017	0.087
2018	0.086
2019	0.085
2020	0.084
2021	0.083
2022	0.082
2023	0.081
2024	0.080
2025	0.079
2026	0.078
2027	0.077
2028	0.076

Then the operation and maintenance cost component of the Seller payable for each Calendar Year per example above are shown in the table below:

Calendar Year	O & M cost component (Rs./kWh) $X_n$
2008 (15 <sup>th</sup> Sep onwards up to 31 December 2008)	1.35
2009	1.46
2010	1.59
2011	1.75
2012	1.93
2013	2.11
2014	2.31
2015	2.52
2016	2.74
2017	2.98
2018	3.23
2019	3.51
2020	3.80
2021	4.12
2022	4.46
2023	4.82
2024	5.21
2025	5.62
2026	6.05
2027	6.52
2028(until 14 <sup>th</sup> September 2028)	7.02

3.

Then, the escalable component of the Seller for Calendar Year 2008 shall be:

$$= 1.30 \text{ Rs/kWh}$$

the escalable component of the Seller for Calendar Year 2009 shall be:

$$= 1.30 \times (1 + 0.078 \times \frac{2}{3}) = 1.37 \text{ Rs/kWh}$$

the escalable component of the Seller for Calendar Year 2010 shall be:

$$= 1.37 \times (1 + 0.092 \times \frac{2}{3}) = 1.45 \text{ Rs/kWh}$$

the escalable component of the Seller for Calendar Year 2011 shall be:

$$= 1.45 \times (1 + 0.103 \times \frac{2}{3}) = 1.55 \text{ Rs/kWh}$$

Therefore, the escalable component of the Seller from Contract Year 1 to Contract Year 20 shall be:

Calendar Year	$R_n^{OM}$	The escalable component of the Seller $Z_n$	The escalable component of the Seller payable (Rs./kWh)
2008 (15 <sup>th</sup> Sep onwards up to 31 Dec 2008)	0.0652	1.30	0
2009	0.078	1.37	0
2010	0.092	1.45	0
2011	0.103	1.55	0
2012	0.099	1.65	0
2013	0.096	1.76	0
2014	0.095	1.87	0
2015	0.090	1.98	0
2016	0.088	2.10	0
2017	0.087	2.22	0
2018	0.086	2.35	0
2019	0.085	2.48	0
2020	0.084	2.62	0
2021	0.083	2.77	0
2022	0.082	2.92	0
2023	0.081	3.08	0
2023(from 15 <sup>th</sup> September 2023 up to 31 Dec 2023)	0.081	3.08	3.08
2024	0.080	3.24	3.24
2025	0.079	3.42	3.42
2026	0.078	3.59	3.59
2027	0.077	3.78	3.78
2028(until 14 <sup>th</sup> September 2028)	0.076	3.97	3.97

4. Therefore, applicable Total Tariff payable using the assumed values as above and for Commercial Operation Date = 15th September 2008 calculated according to the clause 2.1 will be:

a. Contract years 1 to 8 (from 15.09.2008 to 14.09.2016)

Calendar Year	From	To	Operation & Maintenance cost (escalable) Rs./kWh $X_n$	Escalable Component Rs./kWh $Z_n$	Non Escalable Component Rs./kWh	Total Tariff Rs./kWh
2008	15/09/2008	31/12/2008	1.35	0	11.80	13.15
2009	01/01/2009	31/12/2009	1.46	0	11.80	13.26
2010	01/01/2010	31/12/2010	1.59	0	11.80	13.39
2011	01/01/2011	31/12/2011	1.75	0	11.80	13.55
2012	01/01/2012	31/12/2012	1.93	0	11.80	13.73
2013	01/01/2013	31/12/2013	2.11	0	11.80	13.91
2014	01/01/2014	31/12/2014	2.31	0	11.80	14.11
2015	01/01/2015	31/12/2015	2.52	0	11.80	14.32
2016	01/01/2016	14/09/2016	2.74	0	11.80	14.54

b. Contract years 9 to 15 (from 15.09.2016 to 14.09.2023)

Calendar Year	From	To	Operation & Maintenance cost (escalable) Rs./kWh $X_n$	Escalable Component Rs./kWh $Z_n$	Non Escalable Component Rs./kWh	Total Tariff Rs./kWh
2016	15/09/2016	31/12/2016	2.74	0	4.45	7.19
2017	01/01/2017	31/12/2017	2.98	0	4.45	7.43
2018	01/01/2018	31/12/2018	3.23	0	4.45	7.68
2019	01/01/2019	31/12/2019	3.51	0	4.45	7.96
2020	01/01/2020	31/12/2020	3.80	0	4.45	8.25
2021	01/01/2021	31/12/2021	4.12	0	4.45	8.57
2022	01/01/2022	31/12/2022	4.46	0	4.45	8.91
2023	01/01/2023	14/09/2023	4.82	0	4.45	9.27

c. Contract years 16 to 20 (from 15.09.2023 to 14.09.2028)

Calendar Year	From	To	Operation & Maintenance cost (escalable) Rs./kWh $X_n$	Escalable Component Rs./kWh $Z_n$	Non Escalable Component Rs./kWh (c)	Total Tariff Rs./kWh
2023	15/09/2023	31/12/2023	4.82	3.08	0	7.90
2024	01/01/2024	31/12/2024	5.21	3.24	0	8.45
2025	01/01/2025	31/12/2025	5.62	3.42	0	9.03
2026	01/01/2026	31/12/2026	6.05	3.59	0	9.65
2027	01/01/2027	31/12/2027	6.52	3.78	0	10.30
2028	01/01/2028	14/09/2028	7.02	3.97	0	10.99

**Table 1: The base values of the sub components of Total Tariff payable to the Seller**  
 [These are the tariffs for min-hydro technology for SPPAs signed after 1<sup>st</sup> January 2008.  
 For other technologies and more recent tariff updates, please see [www.energy.gov.lk](http://www.energy.gov.lk) ]

		(a)	(b)	(c)		
1	Technology used by the Seller	Operation and maintenance cost of the Seller (escalable) Base Value Rs./kWh	Base escalable component Rs./kWh	Non-escalable component Rs./kWh		
				Tier 1	Tier 2	Tier 3
		From Contract Year 1 to 20	From Contract Year 1 to 20 (See Note 1 below)	From Contract Year 1 to 8	From Contract Year 9 to 15	From Contract Year 16 to 20
2	Mini Hydro	1.35	1.30	11.80	4.45	0

**Table 2: Annual rate of escalations**

		(a)	(b)
1	Technology used by the Seller	Annual rate of escalation (%)	
		From the second Calendar Year of operation	From the second Calendar Year of operation
2	Mini hydro	$R_n^{OM}$	$R_n^{EC}$

$$R_n^{OM} \text{ for year 2008} = 6.52 \%$$

$$R_n^{EC} \text{ for year 2008} = \frac{2}{3} \times R_n^{OM} = 4.35 \%$$

Note 1.

This base escalable component of 1.30 Rs./kWh would escalate by  $R_n^{EC}$  but payable only from Contract year 16 onwards.

## APPENDIX B

### SPECIFICATIONS OF THE SELLER'S FACILITY

<b>NAME OF FACILITY</b>	:	_____ Project – DGM (EPT)/MHP/_____
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#### LOCATION OF FACILITY:

Postal Address	:	_____
Telephone	:	_____
Route	:	Road map is attached (refer page 32)

<b>TYPE OF FUEL</b>	:	Not applicable
<b>TYPE OF POWER GENERATION TECHNOLOGY</b>	:	Hydro

#### SPECIFICATION OF THE FACILITY:

Energy Source (indicate stream name)	:	_____
Prime Mover (indicate capacities in kW)	:	_____
Number of Units	:	_____

#### GENERATOR SPECIFICATION:

Type	:	_____
No. of Generating Units	:	_____
Out Put Voltage	:	_____
Power Rating (indicate rates in kVA)	:	_____
Power Factor	:	_____
Method of out put power Control	:	_____
Method of out put voltage Control	:	_____

<b>TRANSFORMER</b>	:	_____
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<b>PROTECTION EQUIPMENT</b>	:	As specified in the CEB Guide for Grid Interconnection of Embedded Generator (2000)
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#### QUALITY OF ELECTRICAL ENERGY AT THE TERMINATION POINT

Voltage	:	33 kV +/- 10%
Maximum Power Capacity (indicate in kW)	:	_____
Maximum Line Current	:	_____
Frequency	:	_____
Power Factor	:	_____

**ESTIMATED ANNUAL ENERGY OUT PUT**

a. Maximum estimated annual Energy Output

<b>Month</b>	<b>kWh</b>
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
<b>TOTAL</b>	

b. Minimum estimated annual Energy Output

<b>Month</b>	<b>kWh</b>
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
<b>TOTAL</b>	

<b>EXPECTED DATE OF TESTING</b>	:	
<b>PROPOSED GRID CONNECTION SCHEDULE</b>	:	

## **APPENDIX C**

### **TECHNICAL STANDARDS FOR TESTING OF THE FACILITY**

1. The Engineering Recommendation G59/1 and connected documents thereto of The Energy Networks Association, 18 Stanhope Place, Marble Arch, London W2 2HH, United Kingdom
2. CEB Guide for Grid Interconnection of Embedded Generators, Sri Lanka (2000)
3. Any subsequent written agreement comes into force between the Seller and CEB on testing the Facility.

## Exhibit A

### **INFORMATION TO BE INDICATED IN THE SINGLE LINE DIAGRAM**

1. The following are to be indicated in the Single-Line diagram:
  - (a). Grid Point "G", Termination Point "T" and Metering Point "M"
  - (b). Limits of Ownership for CEB & Seller
  - (c). All protection equipment
  - (d). Location of seller's energy metering equipment (if any)
2. VOLTAGE AT THE GRID POINT = 33kV (+10%, -10%)
3. VOLTAGE AT THE TERMINATION POINT = 33kV (+10%, -10%)

Single line diagram is given in page 31.

Note:

Metering Point	At this point CEB fixes its metering equipment for the measurement of Energy Output and the title of electrical energy passes to CEB.
Grid Point	Up to this point all developing costs shall be borne by the seller
Termination Point	The Seller owns all equipment except the portions marked as CEB's property up to this point and Seller has to operate and maintain them at his expense.

**SINGLE LINE DIAGRAM OF THE SMALL POWER PRODUCTION FACILITY**

**ROUTE MAP (1: 50,000) AND PROJECT LOCATION**