

**Protocol to the Agreement between the Government of
the Republic of India and the Royal Government of
Bhutan regarding the Tala Hydroelectric Project**

The Government of the Republic of India and the Royal Government of Bhutan, (hereinafter called the 'Parties');

Bearing in mind the friendly relations subsisting between the two countries and their peoples and working to strengthen the same;

Noting the provisions of Article 9 of the Inter-Governmental Agreement pertaining to the Tala Hydroelectric Project dated March 5, 1996 with regard to establishing the rate at which Tala power will be sold to India;

Recalling that currently the PTC India Ltd. (PTC) and the Department of Energy (DOE) are the designated nodal agencies in India and Bhutan respectively for inter-country transfer of power.

Have agreed, in pursuance of the said Agreement as follows:

- (1) The tariff for both primary and secondary energy shall be Rs. 1.80 per unit with effect from the date of commercial operation of Tala Hydroelectric project.
- (2) Review of the aforementioned tariffs shall be undertaken between the two governments and the review will be carried out as per frequency and on the basis as outlined below:
 - a) With respect to the provision in the Tala Agreement of 1996 pertaining to review every three years, it is hereby agreed that in the event the expenditure for Operations & Maintenance (O&M) exceeds 1.5% of the total cost to completion of the project escalated at 4% per annum, the same shall be reviewed and the excess expenditure compensated through suitable adjustment in tariff.
 - b) In case of any unforeseen event requiring excessive expenditure not covered by insurance, such unforeseen event would also be considered and provided for, through suitable adjustment.

c) The tariff arrived at (1) above will be increased by 10% every five (5) years till the loan is fully repaid and thereafter @ 5% every five (5) years. However, since the loan liquidation will not necessarily fall in multiples of five (5) year period, it will be accordingly prorated to take into account the different increase rates.

(3) Through this Protocol, the two governments hereby authorize the designated nodal agencies to enter into a Power Purchase Agreement (PPA) taking into account the contents of this Protocol.

(4) The sale of surplus power from Tala project to India within the scope of the 1996 Agreement, this protocol and subsequent PPA between the designated nodal agencies, shall be valid for a period of thirty five (35) years. The two governments may agree to extend the Agreement by mutual consent for which a new PPA will be negotiated.

5) All other provisions of the March 5, 1996 Inter-Governmental Agreement between the Government of the Republic of India and the Royal Government of Bhutan regarding the Tala Hydroelectric Project shall remain unchanged.

IN WITNESS WHEREOF, the Parties have caused to be subscribed thereto signatures of their duly authorized representatives.

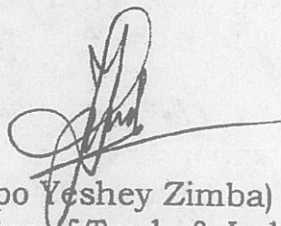
Written in English language in New Delhi and signed on the Twenty Eighth Day of July, Two Thousand and Six.

FOR THE GOVERNMENT
OF THE REPUBLIC OF INDIA

FOR THE ROYAL
GOVERNMENT OF BHUTAN



(Sushilkumar Shinde)
Minister of Power



(Lyonpo Yeshey Zimba)
Minister of Trade & Industry