

LNG PROCUREMENT - CALENDER YEAR 2018

ADVANCE INTIMATION

21st March 2017

1 Introduction

Torrent Power Limited (“**TPL**”) is an integrated power utility and one of the largest private sector players in India having interests in power generation, transmission, distribution and manufacturing and supply of power cables. TPL also has 1 MT per annum of regasification and storage capacity at Petronet LNG Limited’s Dahej Terminal (PLL-Dahej).

TPL’s requirement of Liquefied Natural Gas (“**LNG**”) for CY 2017 has already been procured by the end of last year. TPL now intends to import LNG cargoes on Delivered Ex-Ship (“**DES**”) basis. This communication (“**Advance Intimation**”) is an attempt to inform interested LNG suppliers about TPL’s procurement plans for the Calendar Year 2018. During the 2nd quarter of Calendar Year 2017, TPL intends to issue an “Invitation to Offer LNG - 2018” (ITO-18). It may be noted that interested suppliers will have to make binding offers in response to ITO-18. TPL’s web site www.torrentpower.com will contain this Advance Intimation and other related documents released from time to time.

This Advance Intimation is only for awareness of potential suppliers and in no way is to be considered as an offer or invitation to offer. TPL has no obligation to procure LNG as a consequence of this communication. However, on the basis of the information contained herein, TPL intends to have discussions with the interested LNG suppliers.

2 Key Information relating to TPL’s requirement

A. Supply Term

- i. Supply Period shall be CY 2018 (January to December).
- ii. The CY will be divided into 12 calendar months. The binding offer made by the potential supplier will be respectively for each month of the CY.
- iii. With the exception of fluctuations in power demand due to seasonality, operational constraints of storage and import terminal, the supply profile is expected to be evenly spread.
- iv. Annual Delivery Plan (ADP) for CY 2018 shall be agreed during the period 1st October 2017 to 31st December 2017. For this purpose, the supplier and TPL shall co-operate in good faith to determine the ADP in co-ordination with PLL-Dahej, the import terminal.
- v. Scheduled Arrival Window (SAW) shall be a period of one day in consonance with the agreed ADP.

B. Specifications

The Specifications of LNG at the Delivery Point shall be as follows:

Gross Heating Value (volume based)	1000 – 1180 Btu/SCF
Wobbe Index	1360 - 1440 Btu/SCF
Methane	Min. 85 mol %
Ethane	Max. 8.0 %
Propane and heavier	Max. 3.5 %
Butanes and heavier	Max. 2.0 %
Pentanes and heavier	Max. 0.1 %
Nitrogen	Max. 1.0 mol %
Carbon Dioxide	Max. 1.0 mol %
Oxygen	Max. 0.5 mol %
Hydrogen Sulphide	Max. 5 mg/ Nm ³
Mercaptan Sulphur	Max. 7 mg/ Nm ³
Total Sulphur (including mercaptans)	Max. 10 mg/ Nm ³

C. Quantity required

- i. Nine (9) cargoes, each in the range of 3 TBtu to 3.4 TBtu, with an operational tolerance +/- 5% of the notified Estimated Unloaded Quantity (EUQ).
- ii. Suppliers will be free to quote less than the required number of cargoes in the Supply Period.

D. Pricing

- i. Suppliers will be required to quote their binding offer price on Delivered Ex-Ship (DES) basis (“**Binding Price Offer**”) for each LNG cargo.
- ii. The Binding Price Offer shall have a specific validity period (at least 5 working days).
- iii. Suppliers will quote the slope of Brent_m for all the LNG cargoes offered by them in the Supply Period. Suppliers will be required to quote separately for each calendar month during which they are willing to make an offer. **THE PRICE FORMULA SHOULD NOT INCLUDE A CONSTANT**. Any deviation from this requirement shall render the offer sent **INVALID** for further consideration.
- iv. All the values of the price quoted shall be rounded to four (4) decimal places.
- v. Determination of Brent_m

Brent_m for a given month is the arithmetic mean of the 3 values of BRICE (US\$/bbl) for the 3 months immediately preceding (and not including) the month in which the commencement of unloading of the LNG cargo falls. Brent_m shall be rounded to 4 decimal places;

BRICE for a given month is the arithmetic mean of all the settlement prices (in US\$/bbl) for each quoted day of that month as published by the Intercontinental Exchange of the first line ICE Brent futures contract. The first line settlement price will be used except to the expiration date of each maturity. On such date, the applicable pricing quotation will

be rolled to the second nearby maturity. BRICE will not be rounded.

Commencement of unloading shall be deemed to occur at the point in time at which the relevant LNG carrier is shown to be all fast in the port log at the Discharge Port.

E. Master Sale Purchase Agreement (MSPA)

- i. It is a pre-requisite for suppliers to have an executed MSPA with TPL.
- ii. Suppliers, who have not yet executed MSPA with TPL, shall be sent a draft MSPA separately on request, which will have to be executed by April 28, 2017.

F. Credit Support

- i. Suppliers will have to indicate if they would need credit support on cargo-by-cargo basis.
- ii. Suppliers offering open credit will have additional weightage in evaluation of offers.

G. Discharge Port

- i. Primary Discharge Port shall be PLL-Dahej, Gujarat, India
- ii. Alternate Discharge Ports: TPL may nominate any other any other ports on western coast of India, at least 30 days prior to SAW, and subject to ship-shore compatibility. TPL will not have to incur any additional costs in this regard.

H. Diversion outside India

- i. TPL shall have the option of diverting up to 2 of the LNG cargoes to an alternative unloading port located outside of India. Exercise of such option will be communicated at least 30 days before the SAW of the LNG cargo. TPL shall reimburse Seller for all documented reasonable incremental costs incurred by Seller (including but not limited to incremental shipping costs and port costs) as a result of this diversion. In addition to this, TPL shall also share the net gain with seller via an upside sharing mechanism in the ratio of 75:25 between TPL and seller respectively. Such diversion will be subject to availability of shipping capacity and ship-shore compatibility. Needless to mention, net loss if any, will be borne by TPL.

I. Co-buyer

- i. TPL reserves the right to nominate a co-buyer for any or all cargos purchased, subject to completion of KYC documentation and execution of Master Sale Purchase Agreement by co-buyer, if required. In such a case, Seller shall provide the required shipping and commercial documents to each of the co-buyers.

3 Conclusion

The above are salient terms for TPL's proposed procurement of LNG for CY 2018. These terms are based on our recently concluded procurement for CY 2017. TPL will be pleased to receive and respond to any queries received in writing in relation to this document. We look forward to your continued interest and consequent participation in ITO-18.
