

IMPORTANT NOTICE

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THE REPUBLIC OF UGANDA

Dated as of 8 December 1999

THE UGANDA ELECTRICITY BOARD

- AND -

AES NILE POWER LIMITED

POWER PURCHASE AGREEMENT

– RELATING TO –

THE BUJAGALI HYDROELECTRIC PROJECT

UGANDA

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THIS POWER PURCHASE AGREEMENT (this "Agreement") is made as of this 8th day of December 1999, by and between the **UGANDA ELECTRICITY BOARD**, a statutory corporation established under the Electricity Act, Cap. 135, with its principal office located in Kampala, Uganda ("UEB"), and **AES NILE POWER LIMITED**, a limited liability company established under the Laws of Uganda, with its registered office located in Kampala, Uganda ("the Company").

PREAMBLE

A. The Government of the Republic of Uganda ("GOU") desires and intends to rely on the private sector to develop, construct and operate a hydroelectric power production facility located at Dumbbell Island on the River Nile in. Uganda approximately eight kilometers north of the existing Owen Falls hydroelectric facility, and to construct associated transmission facilities.

B. The Company desires and intends to develop, own, operate and maintain the Project pursuant to the provisions of the Basic Agreements and the Financing Agreements.

C. Simultaneously herewith, the Company is entering into an Implementation Agreement with GOU with respect to the Project.

D. The Company desires and intends to sell to UEB, and UEB desires and intends to purchase from the Company, the Contracted Capacity, the associated Net Electrical Output of, and Ancillary Services with respect to, the Complex pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the representations and warranties, conditions and promises herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1 Definitions.

Unless the context otherwise requires, capitalized terms used in this Agreement shall have the respective meanings given to them below.

"Abandonment" - Voluntary cessation of construction or operation of the Complex, as the case may be, and the withdrawal of all, or substantially all, personnel by the Company from the Site for reasons other than UEB's acts or omissions, a breach by GOU of its -obligations under the Implementation Agreement or a Force Majeure Event; provided, however, that the Company shall not be deemed to have voluntarily ceased operation of the

Complex so long as it is using all reasonable efforts to regain control of the Complex or reinstate such operation.

"Additional Consents" - The approvals, consents, authorizations or other requirements not listed in Annex A to the Implementation Agreement which are required from any Relevant Authority under any Law of Uganda for any or all of the Company, the Lenders, the Investors and

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the Contractors with respect to the Project.

"AES Operating Contractor" - The wholly-owned subsidiary of AES Corporation that is nominated to be the O&M Contractor pursuant to this Agreement.

"Agreed Curve" - As established in the Implementation Agreement.

"Agreement" - This Power Purchase Agreement, together with all Annexes attached hereto, dated as of the date hereof, between UEB and the Company, as the same may be amended from time to time.

"Ancillary Rights" - As established in the Implementation Agreement.

"Ancillary Services" - Services provided by the Company from the Complex other than the provision of Net Electrical Output, being the provision of Reactive Power, voltage control, frequency regulation and black start capability.

"Available Capacity" - In any hour of a day, the amount of capacity declared by the Company to be available from the Complex in accordance with Annex E at Nominal Hydraulic Conditions.

"Average Buy Rate" - With respect to any month's Capacity Payment, the average of the daily published rates for the purchase of Dollars with Shillings in large transactions in the interbank currency exchange market, which rates are received by the Company from the Reference Banks on each Business Day of the preceding calendar month; provided, however, that if one or more Reference Banks do not or will not provide a quotation on any day, the average shall be of those Reference Banks that are providing a quotation so long as there are at least two such Reference Banks. If one or no Reference Banks are providing quotations, the Average Buy Rate shall be the rates quoted by at least two banks selected by UEB and the Company that are then participating in the interbank currency exchange market and which have exchanged at least US\$2,000,000 in such market within the preceding 30 days.

"Basic Agreements" - This Agreement, the Implementation Agreement and the agreements, other than the Financing Agreements, that are required to be executed on or before Financial Closing in connection with the Project, as the same may be amended from time to time.

"Boundary" - As established in Annex A.

"Business Day" - Any day of the week other than a Saturday or Sunday that is not a Ugandan national holiday or a day on which banks are authorized by law or executive order to be closed in Uganda; provided, however, that in the event that such a law or executive order results in banks in Uganda being closed for more than three weekdays or non-holidays in succession, the next weekday following such three days shall be deemed to be a Business Day.

"Capacity Payment" - For any month, the amount to be paid by UEB to the Company determined pursuant to Annex D.

"Change in Law" -

(a) The adoption, promulgation, bringing into effect, repeal, amendment, reinterpretation, change in application, change in interpretation or modification after the date hereof of any Law of Uganda, by any Relevant Authority;

(b) the imposition of any material condition not required as of the date hereof in connection with the issuance, renewal or modification of any Consent, by any Relevant Authority; or

(c) the imposition by any Relevant Authority of any Additional Consent; or

(d) the change or modification of the License by the Authority (other than in response to a petition therefor by the Company agreeable to UEB), the modifications by the Authority of the amount or timing of payments required to be made by or to the Company pursuant to the Basic Agreements, the imposition of other obligations imposing a cost on the Company, or the determination by the Authority that any action or omission of the Company consistent with the Basic Agreements constitutes unfair competition under the Electricity Act;

which in case of any of the above establishes either a material increase in cost or material reduction in revenue as a consequence of any requirement for the design, construction, financing, ownership, operation or maintenance of the Project that is materially more restrictive than the most restrictive requirements (i) in effect as of the date hereof, (ii) specified in any applications, or other documents filed in connection with such applications, for any Specified Consent or (iii) agreed to by the Company in any Basic Agreement, or Financing Agreement, but excluding a Change in Tax.

"Change in Tax" - The adoption, promulgation, bringing into effect, repeal, amendment, reinterpretation, change or failure in application against the provisions of the relevant legislation, change in interpretation or modification after the date hereof of any Law of Uganda, by any Relevant Authority, relating to any tax, duty, license fee or other revenue-producing measure, including any application of any tax, duty, license fee or other revenue-producing measure which differs from the assumptions set out in Table 5 to Annex D.

"Check Measuring System" - A Hydraulic Measuring Device and Output Meter, and related equipment supplied by the Company and conveyed to UEB. and owned and operated by UEB after the Commercial Operations Date.

"Commercial Operations Date" - Except as provided in Section 9.2. the date on which the last Unit in time to be installed as part of the Complex has been Commissioned.

"Commissioned" - With respect to any Unit, the completion of Commissioning thereof.

"Commissioning" - With respect to any Unit, the operations required for testing thereof in accordance with Annex B.

"Commissioning Test" - One or more tests designed to determine, among other things, whether the Complex is able to operate at Contracted Capacity, or the UEB Line is capable of

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operating as required, as appropriate, in each case as further set forth in Annex B.

"Company" - AES Nile Power Limited, a limited liability company established under the Laws of Uganda, with its registered office located in Kampala, Uganda.

"Company Default Purchase Price" - As established in the Implementation Agreement.

"Company Event of Default" - As established in Section 4.2.

"Complex" - The hydroelectric power station, including the dam, the powerhouse and related switchyard facilities extending to the Boundary to be constructed as part of the Project, whether completed or at any phase in its construction, as more particularly described in Annex A. Unless and until exercise of the Option, the Complex shall include the first four Units.

"Complex Rated Capacity" - The normal full load capacity of the Complex less the MW consumed by the Complex when generating (calculated by reference to the Nominal Hydraulic Conditions), as determined by the Commissioning Tests.

"Consents" - Any Specified Consent or Additional Consent.

"Contracted Capacity" - The capacity of the Complex that the Company agrees to provide at Nominal Hydraulic Conditions pursuant to Annex A; provided, however, that if Complex Rated Capacity is less than Contracted Capacity. Contracted Capacity shall be Complex Rated Capacity for purposes of calculating Bonus/Penalty pursuant to Section 6 of Annex D.

"Contractor" - Any Person with whom the Company contracts for the provision of " goods or services relating to the design, construction, operation or maintenance of the Project.

"Construction Start" - The making by the Company of a payment to the Contractor under the EPC Contract equal to at least 5% of the EPC Contract sum or price, the delivery by the Company of a notice to proceed under the EPC Contract, the mobilisation of crews and machinery to commence construction and the commencement of actual construction on the Site, consistent with the EPC Contract.

"Control Centre" - UEB's national control centre located in Lugogo, Kampala, or such other control centre designated by UEB from time to time (but not more than one at any time), from which UEB shall Dispatch the Complex.

"Control Room" - The control room for the Complex from which the Company shall operate the Complex.

"Co-ordinating Committee" - The committee established pursuant to Section 6.4 for the purposes described therein.

"Debt Service Reserve Account" - As established in the Implementation Agreement.

"Delay Damages Date" - The date which is 47 months (49 months if the Option is exercised) after the earlier of the date of Construction Start or Financial Closing, which Delay Damages Date

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may be extended in accordance with the terms of this Agreement.

"Development Agreement" - As established in the Implementation Agreement.

"Development Plan" - The plan prepared by the Company and approved by UEB for the construction and operation of the Project, included as Annex A hereto. The Development Plan specifies the Project scope, the design parameters, standards and minimum functional specifications for the Complex and the UEB Line, the operating limits of the Complex and the required interconnection facilities.

"Dispatch" - The issue of instructions for the Net Electrical Output and Ancillary Services from the Complex by UEB from the Control Centre in accordance with the Grid Protocol.

"Dollar" or "US\$" - The lawful currency of the United States of America.

"Due Date" - With respect to any invoice delivered by the Company pursuant to Section 8.3(a) or 8.3(b), the 15th day of the month following the month in which the invoice was sent, or if such 15th day is not a Business Day, then, subject to Section 8.3(e), the next succeeding Business Day.

"Emergency" - With respect to UEB, a condition or situation that, in the sole opinion of UEB, does materially and adversely, or is likely materially and adversely to (i) affect the ability of UEB to maintain safe, adequate and continuous electrical service to its customers, having regard to the then-current standard of electrical service provided to its customers, or

(ii) present a physical threat to persons or property or the security, integrity or reliability of the Grid System. With respect to the Company, a condition or situation that, in the sole opinion of the Company, does materially and adversely, or is likely materially and adversely to, affect the safety, integrity or reliability of the Complex or present a physical threat to persons or property.

"Energy Purchase Price" - The US\$ equivalent of US\$0.06 for each kWh of Interim Net Electrical Output.

"Engineer" - An independent consulting engineer, or engineering company, of international repute appointed by agreement of the Company and UEB (or, in default of agreement, as appointed pursuant to the procedures for the appointment of an Expert pursuant to Section 14.3), for the purposes of monitoring the construction, testing and Commissioning of the Complex and the construction, testing and commissioning of the UEB Line.

"EPC Bond" - The performance bond posted pursuant to the EPC Contract.

"EPC Contract" - The contract to be entered into by the Company with respect to the design, construction, commissioning and completion of the Complex and UEB Line, as such contract may be amended from time to time.

"Financial Closing" - The date on which the initial disbursement is made by any Lender.

"Financing Agreements" - The loan agreements, notes, indentures, security agreements,

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guarantees and other agreements, documents and instruments relating to the permanent financing (including refinancing) of the Project, as the same may be amended from time to time.

"Forced Outage" - The inability of the Complex to make available capacity in accordance with this Agreement other than as a result of a Major Maintenance Outage. Specific Maintenance Outage, Non-Specific Maintenance Outage or Force Majeure Event.

"Force Majeure Event" - As defined in Section 13.1 and 13.2.

"GOU" - The Government of the Republic of Uganda.

"GOU Default Purchase Price" - As established in the Implementation Agreement.

"GOU Event of Default" - As established in the Implementation Agreement.

"Grid Protocol" - That set of conditions issued by UEB to which UEB and every other user connected to the Grid System agrees to comply. Unless and until a formal Grid Protocol is developed and promulgated. Annex E will serve as the Grid Protocol.

"Grid System" - The high-voltage transmission facilities owned by UEB through which the Net Electrical Output of the Complex will be received and distributed by UEB to users of electricity, and electrical energy will be delivered by UEB to the Complex at the Boundary, as required.

"Guarantee" - The agreement pursuant to which GOU guarantees to the Company the payment of UEB's Capacity Payments and all other sums due to the Company pursuant to this Agreement.

"Head Pond" - The impounded water at the head of the dam.

"Hydraulic Adjusted Contracted Capacity" - As established in Annex A.

"Hydraulic Conditions" - As established in Section 7(a)(iii) of Annex C.

"Hydraulic Measuring Device" - A set of electronic measuring devices used to measure Hydraulic Conditions.

"Implementation Agreement" - The agreement of that name by and between GOU and the Company, dated as of the date hereof, as the same may be amended from time to time.

"Initial Commercial Operations Date" - The date that is 44 months (46 months if the Option is exercised) after the earlier of the date of Construction Start or Financial Closing, which Initial Commercial Operations Date may be extended as a consequence of a Force Majeure Event in accordance with the terms of this Agreement.

"Interest Rate" - 13% per annum.

"Interim Net Electrical Output" - The energy equivalent, in kWh. of Available Capacity declared by the Company as being capable of Dispatch in accordance with Section 3.1(b) and Annex E prior to the Commercial Operations Date; provided, however, that if for any given hour UEB

Dispatches the energy equivalent of the Available Capacity declared to be available, and the Complex does not deliver such amount. Interim Net Electrical Output for that hour shall be the amount actually delivered at the Output Meters, in kWh.

"kW" - KiloWatt.

"kWh" - KiloWatt-hour.

"Lapse of Consent" - Any Consent:

(a) that is revoked by the Relevant Authority which issued it;

(b) that is not issued, renewed or, having lapsed, is not reissued, within 180 days of application by the Company for that Consent to be issued, renewed or reissued, as the case

may be, and as a result the Company's ability to perform its obligations under the Basic Agreements or Financing Agreements is materially and adversely affected; or

(c) that is made subject, subsequent to its grant, upon renewal or otherwise, to any terms or conditions which materially and adversely affect the Company's ability to perform its obligations under the Basic Agreements or Financing Agreements;

except in each of the above circumstances where such circumstance has arisen due to an act, omission or default by the Company, or through the exercise by GOU or any Relevant Authority of its powers under the Laws of Uganda as contemplated by Section 4.3 of the Implementation Agreement.

"Laws of Uganda" - The laws of Uganda, and all orders, rules, regulations and decrees thereunder, judgements and notifications (including any Grid Protocol) made pursuant thereto, as such laws, orders, rules, regulations, decrees, judgements and notifications may be modified, vacated or amended from time to time.

"Leases" - As established in the Implementation Agreement.

"Lender" - The banks and other financial institutions and agencies party to the Financing Agreements, including any security agent or trustee.

"Lenders' Direct Agreement" - Any agreement relating to the Project entered into directly among the Lenders, UEB and GOU, among others.

"Liquidity Account" - The account established pursuant to the Liquidity Facility Agreement.

"Liquidity Facility Agreement" - The agreement, substantially in the form of Annex I to the Implementation Agreement, with such additional changes as may be required by the banking institution to be named therein, as the same may be amended from time to time.

"Loss" - Any and all loss, damage, liability, payment or obligation (excluding any indirect or consequential loss, damage, liability, payment or obligation), and all expenses (including attorneys' reasonable fees).

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"Main Measuring System" - A Hydraulic Measuring Device and Output Meter, and related equipment, owned and operated by the Company.

"Maintenance Programme" - The three-year rolling programme identified in Annex E.

"Major Maintenance Outage" - Those outages identified in Section B. 1 of Annex E.

"Ministry" - The Ministry of Energy and Mineral Development of GOU or its successor responsible for electricity.

"MVA_r" - Megavar

"MVA_rh" - Megavar-hour

"MW" – MegaWatt

"MWh" - MegaWatt-hour.

"Net Electrical Output" - Net electrical energy expressed in kWh delivered at the Output Meters by the Company during testing and Commissioning of a Unit and, after any Unit has been Commissioned, when Dispatched by UEB.

"Nominal Hydraulic Conditions" - The Hydraulic Conditions specified under this title in Annex A.

"Non-Specific Maintenance Outage" - Those outages identified in Section B.3 of Annex E.

"Notice of Default" - The notice given by one Party to the other Party pursuant to Section 4.4(a).

"Notice of Intent to Terminate" - The notice given by one Party to the other Party pursuant to Section 4.4(b).

"Notice of Termination" - The notice given by one Party to the other Party pursuant to Section 4.4(d).

"O&M Agreement" - The agreement to be entered into between the Company and the O&M Contractor for the operation and maintenance of the Complex, as may be amended from time to time.

"O&M Contractor" - AES Operating Contractor and any successor thereto appointed by the Company, and approved by UEB.

"Option" - The option for UEB to require the installation by the Company of a fifth Unit in the Complex (and such further works as detailed in Section 4.1(c) of Annex A) in accordance with Section 2.7(b), the cost of such option being as stated in Section 3.6 of Annex D and being added to Tariff Project Costs pursuant to Section 3.6 of Annex D.

"Other Force Majeure Event" - As defined in Section 13. 1(b).

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"Other Force Majeure Purchase Price" - As established in the Implementation Agreement.

"Output Meters" - The main and check meters at the Boundary used to measure kW and MVA_r and kWh and MVA_rh.

"Party" - Either of the signatories to this Agreement.

"Payment Date" - The date that a payment is made pursuant to the terms hereof.

"Political Force Majeure Event" - As defined in Section 13.1 (a).

"Project" - The development, design, financing, insurance, construction, ownership, operation and maintenance of a hydroelectric power production facility located at Dumbbell Island on the River Nile in Uganda approximately eight kilometres north of the existing Owen Falls hydroelectric facility, and the design, financing, insurance (during construction) and construction of the UEB Line.

"Prudent Utility Practices" - Those standard practices, methods and procedures conforming to safety and legal requirements which are attained by exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced international operator of a hydropower facility engaged in the same type of undertaking under the same or similar circumstances to those pertaining in Uganda.

"Reactive Power" - The wattless component of the product of voltage and current. which the Complex shall provide to or absorb from the Grid System within the Technical Limits and which is measured in MVA_r.

"Reference Banks" - Initially, Barclays Bank of Uganda Ltd., Citibank Uganda Ltd., Standard Chartered Bank (U) Ltd. and Stanbic Bank Uganda Ltd. If one or more of the foregoing cease doing business in Uganda or no longer are significant participants in the Ugandan interbank foreign currency exchange market, the Parties shall select a replacement bank that is then a significant and active participant in the Ugandan interbank foreign currency exchange market.

"Relevant Authority" - The department, authority, instrumentality, agency or any other relevant entity from which a Consent is to be obtained from time to time and any authority, body or other person having jurisdiction under the Laws of Uganda with respect to the Company or the Project.

"Required Commercial Operations Date" - The date that is 56 months (58 months if the Option is exercised) after the earlier of the date of Construction Start or Financial Closing. as the Required Commercial Operations Date may be extended in accordance with the terms of this Agreement.

"Restoration" - As established in the Implementation Agreement.

"Restoration Cost Estimate" - As established in the Implementation Agreement.

"Restoration Report" - As established in Section 13.9.

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"Restoration Schedule" - As established in the Implementation Agreement.

"Route" - As established in the Implementation Agreement.

"SCADA" - A supervisory control and data acquisition system.

"Scheduled Commercial Operations Date" - The date that the Company advises UEB as the expected Commercial Operations Date from time to time pursuant to Section 2.5(b) of this Agreement.

"Security Package" -

(a) The Basic Agreements;

(b) the Financing Agreements, including the Liquidity Facility Agreement; and the documents creating or evidencing the security for the Lenders, including any trust arrangements;

(c) the Shareholder Agreement among the Company and the Investors, and the agreements relating to the issue, subscription, placing or underwriting of the shares and other securities convertible into shares, which are to be issued or committed at Financial Closing; and

(d) the Company's Memorandum and Articles of Association and any instrument constituting or evidencing shares or other securities convertible into shares which are to be issued or committed at Financial Closing.

"Shilling" or "USh" - The currency that is the legal tender of the Republic of Uganda.

"Site" - As established in the Implementation Agreement.

"Specific Maintenance Outage" - Those outages identified in Section B.2 of Annex E.

"Specified Consents" - All consents, approvals, authorisations, notifications, concessions, acknowledgements, licenses, permits or similar items required to be obtained by the Company from any Relevant Authority for the Project, specified in Annex A to the Implementation Agreement.

"Tail Water" - The water immediately on the downstream side of the Complex.

"Technical Dispute" - A dispute that relates to a technical, engineering, operational or accounting matter related to this Agreement, that in any case, is of the type susceptible to resolution by an expert in the relevant field.

"Technical Limits" - The limits and constraints-described in Schedule 2 of Annex A hereof relating to the operation and maintenance of the Complex.

"Term" - The stated term of this Agreement in accordance with Section 4.1.

"UEB" - The Uganda Electricity Board, a statutory corporation established under the Electricity Act. Cap. 135, with its principal office located in Kampala, Uganda.

"UEB Assets" - The electric generating assets and the Grid System, electric distribution

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assets, and any other assets necessary for UEB to fulfil its duties under the Electricity Act. Cap. 135.

"UEB Event of Default" - As established in Section 4.3.

"UEB Line" - As established in the Implementation Agreement.

"Unit" - Any of the hydroelectric turbine generator units forming a part of the Complex.

"Unredeemed Equity" - As established in the Implementation Agreement.

SECTION 1.2 Rules of Interpretation.

In this Agreement, unless the context requires otherwise:

(a) the headings are for convenience only and shall be ignored in construing this Agreement:

(b) the singular includes the plural and vice versa;

(c) references to Articles, Sections, and Annexes are references to Articles. Sections of, and Annexes to, this Agreement;

(d) the terms "include" and "including" mean without limitation;

(e) in carrying out its obligations and duties under this Agreement, each Party shall have an implied obligation of good faith;

(f) for purposes of the Grid Protocol and Annex D. the term "day" shall mean a 24-hour period starting and ending at 00:00 midnight Ugandan time; the term "week" shall mean a seven-day period beginning on Sunday at 00:00 and ending on Sunday at 00:00 midnight Ugandan time; the term "month" shall mean a calendar month; and the term "year" shall mean an agreement year commencing on the first day of the month following the month in which the Commercial Operations Date occurs, and ending on the day preceding each anniversary thereof; and

(g) where provision is made for the giving of notice, certificate, determination, consent or approval by any Person that notice, certificate, determination, consent or approval

shall be in writing, and the words "notified", "certified", "determined", "consents", or "approved" shall be construed accordingly.

ARTICLE II

CONSTRUCTION OF THE PROJECT

SECTION 2.1 Construction of the Project.

(a) The Company shall procure the design, engineering, financing, insurance, construction and completion of the Complex and the design, financing, insurance (during construction) and construction of the UEB Line in a good and workmanlike manner in all material respects in accordance with (i) the Development Plan, (ii) the Laws of Uganda, the Consents and the Ancillary Rights, (iii) sound engineering and construction practices and (iv) Prudent Utility Practices. The Company shall use all reasonable efforts to ensure that all the Units comprising the Complex are Commissioned on or before the Initial Commercial Operations Date and in no event later than the Required Commercial Operations Date. All equipment that is permanently installed as part of the Project shall be new and unused and shall otherwise conform to the requirements therefor set forth in the Development Plan. The Company shall prudently incur, and keep accurate records of, its costs in the design, engineering, financing, construction and completion of the Project.

(b) UEB shall acquire wayleaves, rights-of-way or easements with respect to the Route prior to Financial Closing, as set forth in Section 3.2 of the Implementation Agreement.

SECTION 2.2 Interconnection Facilities.

(a) As between the Company and UEB, the Company shall be responsible at its sole expense for the design, construction, installation, commissioning, insurance, operation and maintenance of all auxiliary and interconnecting equipment on the Company's side of the Boundary in accordance with the terms of this Agreement, and the Company shall own and maintain at its sole expense all of such auxiliary and interconnecting equipment on the Company's side of the Boundary.

(b) The Company shall be responsible at its sole expense for the design, construction, insurance, installation and commissioning of the UEB Line in accordance with the terms of this Agreement on or prior to the Commercial Operations Date. From and after the Commercial Operations Date, UEB shall be responsible for the insurance, operation and maintenance of the UEB Line in accordance with (i) Prudent Utility Practices and (ii) any World Bank environmental guidelines applicable to the UEB Line.

(c) Prior to the execution hereof, UEB shall have provided the Company with such information about the Grid System as is reasonably necessary for the Company to procure the design and construction of the UEB Line.

SECTION 2.3 Telecommunications Circuit.

(a) The Company, at its sole cost and expense, shall provide, as more fully provided in Annex A:

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(i) Telecommunications system for (A) telecommunication and teleprotection facilities at the Control Centre and the Control Room; and (B) telemetering and data interface for the Control Centre;

(ii) An extension of the Control Centre's PBX system in the control room of the Complex to permit voice communications between the Complex and the Control Centre; and

(iii) Equipment in the Complex to transmit and receive facsimiles.

(b) Prior to the execution hereof UEB shall have provided the Company with such information about the Control Centre as is reasonable for the Company to procure the design and installation of the facilities identified in Section 2.3(a).

(c) UEB shall permit the Company reasonable access to the Control Centre to assist the Company in such obligation and, to the extent that during such access any functions being carried out within the Control Centre will be interfered with, the Company shall supply UEB with a notification showing the steps to be taken, the effect of such steps and the likely impact upon the Control Centre. Such notification shall be given, other than in the case of Emergency, not less than one month before the date of intended commencement of access. UEB may only object to such access if it will interfere with system security and shall nominate another date which shall enable the Company to meet its obligations under this Agreement without further expense or delay.

(d) At the Commercial Operations Date, the Company shall convey telecommunications equipment located in the Control Centre to UEB, and UEB shall thereafter maintain such items.

SECTION 2.4 Protective Devices.

(a) The Company shall install protective relays in accordance with Annex A. The Company shall maintain the settings of all relays in the Complex at the levels agreed by the Company and UEB, and the Company shall not change such settings without the prior consent of UEB.

(b) The Company and UEB shall verify the operation of the protection devices in accordance with the testing programme established in Annex B.

(c) Subject to giving the Company reasonable notice, UEB may require the Company to modify or expand the requirements for protective devices. Following approval by UEB of the costs of such modification or expansion, the Company shall perform such modification or expansion. Such work shall be completed within a reasonable time under the circumstances. UEB shall be notified in advance of, and shall have the right to observe, all work on the protective devices.

(d) Following completion of the modification or expansion work, the Company shall provide UEB with an invoice for the costs therefor, together with supporting documentation with respect thereto. UEB shall pay the Company the required amount within 30 days after delivery of the invoice by the Company.

(e) Each Party shall notify the other Party in advance of any changes to either the Complex or the Grid System that may affect the proper co-ordination of protective devices between the two systems. Such changes shall not be made without UEB's approval.

SECTION 2.5 Submittal of Data.

(a) The Company shall submit, or cause to be submitted, to UEB (or GOU, as noted) the following documents on or before the specified dates:

(i) Beginning within 30 days after Financial Closing and ending on the Commercial Operations Date. (A) monthly construction progress reports in such form as may be agreed to by the Parties, (B) such other reports as are submitted to the Company by the Engineer, and (C) reports, when and as the Company becomes aware, of any new condition or event that will have a material and adverse effect on the timely completion of the Project;

(ii) Quarterly, beginning within 90 days after Financial Closing and ending when all costs have been determined or incurred, a statement from the Company showing in reasonable detail the sums properly paid by the Company to the Contractors) pursuant to the EPC Contract, together with the date of payment. The Company shall maintain all records, invoices and other information relating to the costs of construction of the Project, which the Company shall make available to GOU and UEB upon reasonable request therefor:

(iii) Not later than 30 days prior to the then-expected Scheduled Commercial Operations Date. (A) evidence demonstrating that the Company has obtained all Specified Consents then required to be obtained for the ownership, operation and maintenance of, and the supply of power from, the Complex, together with (B) a list identifying the Specified Consents not yet required to be obtained for the operation and maintenance of, and the supply of power from, the Complex, together with a plan reasonably acceptable to UEB for obtaining such Consents and an estimate of the time within which such Consents will be obtained:

(iv) On or before the Commercial Operations Date, a certificate from the Engineer to the effect that, based upon its monitoring and review of construction, the

Complex and the UEB Line have been constructed in all material respects in compliance with the Development Plan and that all permanent equipment installed as part of the Project was new and unused when installed;

(v) As of the Commercial Operations Date, a certificate, dated as of such date, signed by a duly authorised officer of the Company that no default or event has occurred that would, with the giving of notice or passage of time, or both, constitute a Company Event of Default;

(vi) As soon as available, but not later than 60 days following the Commercial Operations Date, two copies of all results of Commissioning Tests performed on the Complex and UEB Line, including tests of major equipment included in the Complex and the UEB Line;

(vii) Not later than 30 days following the Commercial Operations Date, for the major items

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of plant incorporated into the Complex and the UEB Line, one copy, as received by the Company pursuant to the EPC Contract, of all manufacturers' specifications, manufacturers' operation manuals; and

(viii) As soon as available, one signed and sealed copy of such as-built drawings for the Complex and the UEB Line, including the civil and architectural works, as and when provided to the Company, as well as other design and engineering data and information necessary to enable UEB or its designee to operate and maintain the Complex and the UEB Line during any period when such operation and maintenance is permitted.

(b) The Company shall notify UEB promptly from time to time whenever it determines that the then-expected Scheduled Commercial Operations Date is unfeasible or inappropriate and shall establish a new expected Scheduled Commercial Operations Date.

(c) The receipt of the above schedules, data, certificates and reports by UEB shall not be construed as an endorsement by UEB of the design thereof, does not constitute a warranty by UEB of the safety, durability or reliability of the Project, nor otherwise relieve the Company of its obligations or potential liability under the Basic Agreements and Financing Agreements or, except with respect to the obligations of UEB to maintain the confidentiality of documents and information received by it, create any obligation or liability on the part of UEB.

SECTION 2.6 UEB Observation Visits.

UEB shall have the right, on a periodic basis and upon reasonable prior notice to the Company (except that no notice shall be required during an Emergency), to observe the progress of the construction of the Complex, the testing and Commissioning of the Complex and the operation of the Complex; provided, however, that not more than ten Persons shall attend on behalf of UEB at the same time. The Company shall comply with all reasonable

requests of UEB for, and assist in arranging, any such observation visits to the Complex. All persons visiting the Complex on behalf of UEB shall comply with the reasonable instructions and directions of the Company or its Contractors. Such visits to the Complex shall not be construed as an endorsement by UEB of the design, construction or operation of the Complex nor as a warranty by UEB of the safety, durability or reliability of the Complex.

SECTION 2.7 EPC Contract and Option.

(a) The Company shall require that the Contractor under the EPC Contract obtain the EPC Bond. The EPC Bond and the retainage under the EPC Contract shall in aggregate reflect a sum not less than 15% of the amount appearing in the EPC Contract as the contract sum or price.

(b) At any time prior to the end of the 18th month after Financial Closing, UEB may exercise the Option by giving the Company notice that it elects to exercise its rights pursuant to such Option.

SECTION 2.8 UEB Line Warranty.

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On the Commercial Operations Date, the Company shall assign to UEB the benefit of any warranty it has received in relation to the UEB Line. The UEB Line shall, from the Commercial Operations Date, be part of the Grid System, and the Company shall have no liability or responsibility for it; provided, however, that the Company shall ensure that obtains for UEB a warranty customary in the industry.

ARTICLE III

SALE AND PURCHASE OF CONTRACTED CAPACITY; DISPATCH

SECTION 3.1 Provision of Net Electrical Output.

(a) Subject to and in accordance with the terms of this Agreement and the Grid Protocol, from and after the Commercial Operations Date and until the expiration or earlier termination of this Agreement, the Company shall make available to UEB the Available Capacity and the corresponding Net Electrical Output of the Complex, and shall provide to UEB the Ancillary Services.

(b) Subject to and in accordance with the terms of this Agreement, during testing and after Commissioning of the first Unit and after the Commercial Operations Date, the Company shall declare to UEB each day (in accordance with Annex E) the Available Capacity, expressed in kWh, capable of Dispatch by UEB. UEB shall accept all of the Interim Net Electrical Output, as well as any energy produced during testing.

(c) Except as provided in Section 4.6, the Parties agree that the Company shall not, without the prior written consent of UEB, sell or deliver electric energy produced by the Complex to any Person other than UEB and except to the extent that electric energy is required by the Complex for its operation.

SECTION 3.2 Provisions for Dispatch.

Each Party agrees to comply with the Grid Protocol.

SECTION 3.3 Observance of Technical Limits.

Subject to Annex E, nothing contained in this Agreement shall be construed to require the Company to operate the Complex, at any time including during an Emergency, in any manner inconsistent with the Technical Limits, the Agreed Curve or the Laws of Uganda.

SECTION 3.4 Delivery of Energy from UEB to the Complex.

Upon the Company's request, UEB shall use its reasonable efforts to provide, subject to availability and UEB's ability to deliver to the Complex, at the sole cost and expense of the Company, energy for testing and emergencies at the relevant tariff then charged by UEB to its large industrial customers for the provision of such class of energy service.

ARTICLE IV

TERM AND TERMINATION

SECTION 4.1 Term of Agreement.

(a) This Agreement shall commence and be effective upon the effectiveness of the Implementation Agreement, and shall, unless extended or terminated earlier in accordance with the provisions of this Agreement, continue in full force and effect for 30 years from the Commercial Operations Date.

(b) Upon the expiration of the 30-year Term, the Complex shall revert to GOU as provided in the Implementation Agreement.

SECTION 4.2 Company Events of Default.

Each of the following events shall be an event of default by the Company (each, a "Company Event of Default"), which, if not cured within the time permitted (if any), shall give rise to the right on the part of UEB to terminate this Agreement pursuant to Section 4.4; provided, however, that no such event shall become a Company Event of Default if it results substantially from (i) a breach by UEB of this Agreement; (ii) a GOU Event of Default; or (iii) the occurrence of a Force Majeure Event;

(a) the failure of the Company to award the EPC Contract within 60 days after Financial Closing;

(b) the failure of the Company to achieve Construction Start within 120 days after Financial Closing;

(c) the failure of the Company to achieve the Commercial Operations Date by the Required Commercial Operations Date;

(d) after the Construction Start, but prior to the Commercial Operations Date, the Abandonment of construction of the Project by the Company for a period of 45 consecutive days without prior notice to, and prior consent of, UEB;

(e) after the Commercial Operations Date, the Abandonment by the Company of the operation of the Complex pursuant to Section 6.8(c);

(f) except for the assignment to the Lenders contemplated under Section 15.12, (i) the assignment or transfer of the Company's rights or obligations in this Agreement; or (n) the transfer, conveyance, loss or relinquishment to any Person of the Company's right to own and/or operate the Complex or any material part thereof or to occupy the Site to any person without the prior approval of UEB;

(g) the occurrence of any of the following events: (i) the passing of a resolution by the shareholders of the Company for the winding up of the Company except in the case of a solvent restructuring; (ii) the voluntary filing by the Company of a petition of bankruptcy, moratorium or other similar relief; (iii) the appointment of a liquidator in a proceeding for the winding up of the Company after notice thereto and due hearing, which appointment has not been set aside or stayed within 90 days of such appointment; or (iv) the making by a court with jurisdiction over the Company of an order winding up the Company, that is not stayed or reversed by a court of competent authority within 60 days;

(h) (A) the Company's persistent failure to operate, maintain, modify or repair the Complex in accordance with Prudent Utility Practices, such that safety of persons and property, the Complex or UEB's service to its customers is adversely affected, or (B) any material breach by the Company of any material covenant or agreement in this Agreement, in each case that is not remedied within 60 days after notice from UEB identifying the breach in question in reasonable detail, and demanding remedy thereof; provided, however, that for any such default that can be cured only in more than 60 days, the Company may have such additional time to cure that breach as it estimates may be necessary if, prior to the end of the 60-day period, the Company provides satisfactory evidence to UEB that (i) it has commenced and is diligently pursuing a cure and (ii) that more than 60 days will be required in order to effect such cure and provides a good-faith estimate of when the breach will be cured; or

(i) termination by GOU of the Implementation Agreement as a consequence of a Company Event of Default under that Agreement.

SECTION 4.3 UEB Events of Default.

Each of the following events shall be an event of default by UEB (each, a "UEB Event of Default"), which if not cured within the time period permitted (if any), shall give rise to the right of the Company to terminate this Agreement pursuant to Section 4.4; provided, however, that no such event shall become a UEB Event of Default if it results substantially from (i) a breach by the Company of this Agreement or the Implementation Agreement or (ii) the occurrence of a Force Majeure Event:

(a) except as contemplated by Section 3.5 of the Implementation Agreement, the dissolution of UEB or the transfer by operation of law or otherwise, or the assignment of UEB's rights under this Agreement;

(b) any default or defaults by UEB in the making of the Capacity Payment required to be made by it within 45 days of the Due Date therefor, unless such payment is made by GOU pursuant to the Guarantee or otherwise;

(c) any material breach by UEB of this Agreement or the Liquidity Facility Agreement that is not remedied within 60 days after notice from the Company identifying the material breach in question in reasonable detail, and demanding remedy thereof; provided, however, that for material breaches of this Agreement or Liquidity Facility Agreement that

can be cured only in more than 60 days, UEB may have such additional time to cure any material breach under this Agreement or the Liquidity Facility Agreement as it estimates may be necessary to

cure such material breach if, prior to the end of the 60-day period, UEB provides satisfactory evidence to the Company that (i) it has commenced and is diligently pursuing a cure and (ii) that more than 60 days is required in order to effect such cure and provides a good-faith estimate of when the material breach will be cured;

(d) any failure of UEB to have US\$20,000,000 in Dollars on deposit in the Liquidity Account as of the Commercial Operations Date, or the failure thereafter by UEB to replenish the Liquidity Account within the time permitted by Section 2.4 of the Liquidity Facility Agreement;

(e) any failure by UEB to comply within 30 days with the provisions of Section 2.6 of the Liquidity Facility Agreement so that the Liquidity Account is then at least equal to US\$15,000,000 in Dollars; or

(f) the termination by the Company of the Implementation Agreement as a consequence of a GOU Event of Default under that Agreement.

SECTION 4.4 Termination.

(a) Upon the occurrence of a Company Event of Default or UEB Event of Default, the non-defaulting Party may deliver a notice ("Notice of Default") to the other Party, which Notice of Default shall specify in reasonable detail the Event of Default giving rise to the Notice of Default. The Notice of Default shall initiate a consultation period of 90 days, except that no consultation period under this Section 4.4(a) shall be available for an Event of Default under Section 4.2(c), 4.2(i), 4.3(b), 4.3(d), 4.3(e) or 4.3(f). In addition, no consultation period shall be available with respect to any Event of Default adjudicated through the dispute resolution process as provided in Article XIV.

(b) If the Event of Default is not remedied by the end of the consultation period or such longer period as the Parties may agree in writing, the non-defaulting Party may, at its option, initiate termination of this Agreement by delivering a Notice of Intent to Terminate to the other Party.

(c) Following the giving of a Notice of Intent to Terminate, the Parties shall consult for a period of up to 30 days (or such longer period as the Parties mutually may agree except that no further consultation period shall be required with respect to an Event of Default specified in Sections 4.2(c), 4.2(i), 4.3(b), 4.3(d), 4.3(e) or 4.3(f) or with respect to any Event of Default adjudicated through the Dispute Resolution process as provided in Article XIV), as to what steps shall be taken with a view to mitigating the consequences of the relevant event, taking into account all prevailing circumstances. During the period following delivery of the Notice of Intent to Terminate, the Party in default may continue to undertake efforts to cure the default, and if the default is cured in a manner reasonably satisfactory to the other Party at any time prior to the delivery of a Notice of Termination in

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cumulative, and the exercise of, or failure to exercise, one or more of them by a Parry shall not limit or preclude the exercise of, or constitute a waiver of, other remedies by such Party.

(b) Upon the delivery to UEB of a Notice of Default, the Company shall have the right to enter into agreements to sell any portion of the Contracted Capacity and Net Electrical Output of the Complex to any Person to the extent permitted by law until UEB shall have remedied the Event of Default, and UEB shall wheel within Uganda on request at non-discriminatory rates and terms all Net Electrical Output pursuant to this Section. Any revenue derived from such sales after deduction of reasonable administrative costs and the wheeling charges, together with any tax payable in relation to the same, shall be set off against amounts due to the Company from UEB under this Agreement or from GOU under the Implementation Agreement or Guarantee.

SECTION 4.7 Obligations Upon Termination.

(a) In the event that UEB terminates this Agreement pursuant to Section 4.4 as a result of a Company Event of Default, at UEB's option, the Company shall sell the Complex to UEB or its designee for the Company Default Purchase Price in accordance with the procedures set out in Annex G to the Implementation Agreement; provided, however, that GOU shall not have exercised its rights to purchase the Complex pursuant to Section 14.6 of the Implementation Agreement.

(b) In the event the Company terminates this Agreement pursuant to Section 4.4 as a result of a UEB Event of Default, then UEB or its designee shall, at the Company's option, purchase the Complex for the GOU Default Purchase Price in accordance with the procedures set out in Annex G to the Implementation Agreement; provided, however, that GOU shall not have purchased the Complex pursuant to Section 14.6 of the Implementation Agreement.

(c) If following an Other Force Majeure Event, this Agreement is terminated as provided in Section 13.7, then the Company shall, at UEB's option, sell the Complex to UEB or its designee for the Other Force Majeure Purchase Price in accordance with the procedures set out in Annex G to the Implementation Agreement; provided, however, that GOU shall not have exercised its rights to purchase the Complex pursuant to Section 14.6 of the Implementation Agreement.

(d) If following a Political Force Majeure Event, this Agreement is terminated as provided in Section 13.6, then UEB shall, at the Company's option, purchase the Complex for the GOU Default Purchase Price in accordance with the procedures set out in Annex G to the Implementation Agreement; provided, however, that GOU shall not have purchased the Complex pursuant to Section 14.6 of the Implementation Agreement.

(e) UEB and the Company may exercise any option it has under this Article IV to require a sale to, or, as the case may be, a purchase by, UEB or its designee of the Complex by giving a Transfer Notice to the other Party at any time within 60 days after the day on which this Agreement is terminated or (in the case of Sections 4.7(a) and (b) where this

Agreement expires upon the termination of the Implementation Agreement as a result of a Company

Event of Default or a UEB Event of Default under that Agreement) the day on which this Agreement expires. If either Party does not exercise the option it has by issuing a Transfer Notice within that 60-day period, then it shall be conclusively presumed to have waived and renounced its rights to require the other Party to sell or, as the case may be, purchase the Complex pursuant to this Article IV. If either Party shall fail to issue a Transfer Notice within that 60-day period, the Company shall continue to own the Complex and shall be free to sell or transfer it to any third party.

SECTION 4.8 Forbearance Period.

(a) For so long as an Event of Default has occurred and is continuing, the Company shall for a period of nine months after the date of a Notice of Default to UEB, have the right to receive and access directly all revenues arising from sales from the Complex, including all sales of capacity or electricity to Persons outside Uganda.

(b) The Company shall use its best efforts to arrange that the Lenders will, for the nine month period after delivery of the Notice of Default to UEB, forbear from any enforcement of the Security Package. During such period, the Company, the Lenders, GOU and UEB shall discuss the situation and as to possible ways to proceed. At the end of the nine month period, if no agreement is reached, the provisions of Section 4.7 shall apply.

SECTION 4.9 Double Jeopardy.

(a) (i) Where a final, non-appealable award or order has been issued by an expert or arbitrator in a proceeding initiated by GOU and based upon a claim for breach by the Company of any of its obligations under the Implementation Agreement;

(ii) where GOU settles any dispute with the Company related to, or waives in writing any breach by the Company of, any of its obligations under the Implementation Agreement;

(iii) so long as GOU is pursuing a claim against the Company based upon an alleged breach by the Company of its obligations under the Implementation Agreement.

UEB shall be precluded, except concurrently with GOU with respect to clause (iii), from pursuing any claim it would otherwise have against the Company, based on the same facts and acts or omissions by the Company, for breach of substantially the same obligations which the Company owed UEB under this Agreement; provided, however, that the foregoing shall not prevent UEB from separately proceeding to terminate this Agreement pursuant to Section 4.2(j) and 4.4, and to exercise any rights in respect of such termination.

(b) In the event that UEB pursues a claim in violation of section 4.9(a), UEB shall reimburse the company for the reasonable costs and expenses that the Company incurred in defending the claim so pursued by UEB.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.1 Company Representations and Warranties.

The Company hereby represents and warrants to UEB that:

(a) The Company is a company limited by shares, duly organised, validly existing and in good standing under the Laws of Uganda, and has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as proposed to be conducted.

(b) The Company has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by the Company (i) has been duly authorised by all requisite corporate action on the part of the Company, and no other proceedings on the part of the Company or any other Person are necessary for such authorisation, and (ii) will not (A) violate (1) the Laws of Uganda or any applicable order of any Relevant Authority or (2) any provision of the Memorandum and Articles of Association of the Company or (B) violate, he in conflict with. result in a breach of or constitute (with due notice or lapse of time or both) a default under any indenture, agreement for borrowed money, bond, note, instrument or other agreement to which the Company is a party or by which the Company or its property is bound, excluding defaults or violations that would not, individually or in the aggregate, have a material adverse effect on the business, properties, financial condition or results of operation of the Company or on its ability to perform its obligations hereunder. The Company has duly executed and delivered this Agreement.

(c) Assuming it constitutes a legal, valid and binding obligation of UEB, this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights and (ii) to general principles of equity.

(d) To the best of its knowledge after reasonable inquiry, no filing or registration with, no notice to and no permit, authorisation, consent or approval of any Person is required for the execution, delivery or performance of this Agreement by the Company, except for those Specified Consents listed in Annex A to the Implementation Agreement.

(e) The Company is not in default under any agreement or instrument of any nature whatsoever to which it is a party or by which it is bound in any manner that would have a material adverse effect on its ability to perform its obligations hereunder, the validity or enforceability of this Agreement.

(f) There is no action, suit, proceeding or investigation pending or, to the Company's knowledge, threatened, (i) for the dissolution of the Company, or (ii) against the Company which, if adversely determined, would have a material adverse effect on its ability to perform its obligations

hereunder, the validity or enforceability of this Agreement.

SECTION 5.2 UEB Representations and Warranties.

UEB hereby represents and warrants to the Company that:

(a) UEB is a statutory corporation established under the Laws of Uganda, and has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now being conducted and as proposed to be conducted.

(b) UEB has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by UEB (i) has been duly authorised by all requisite corporate action on the part of UEB, and no other proceedings on the part of UEB or any other Person are necessary for such authorisation, and (ii) will not (A) violate the Laws of Uganda or any applicable order of any Relevant Authority or (B) violate, be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any indenture, agreement for borrowed money, bond, note, instrument or other agreement to which UEB is a party or by which UEB or its property is bound, excluding defaults or violations that would not, individually or in the aggregate, have a material adverse effect on the business, properties, financial condition or results of operation of UEB or on its ability to perform its obligations hereunder. UEB has duly executed and delivered this Agreement.

(c) Assuming it constitutes a legal, valid and binding obligation of the Company, this Agreement constitutes a legal, valid and binding obligation of UEB, enforceable against it in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights and (ii) to general principles of equity.

(d) To the best of its knowledge after reasonable inquiry, no filing or registration with, no notice to and no permit, authorisation, consent or approval of any Person is required for UEB to execute, deliver or perform this Agreement, except for (i) the permits, authorisations, consents and approvals that have been obtained and are in full force and effect and (ii) such permits, authorisations, consents and approvals as may be required in the future, which will be applied for in due course and diligently pursued.

(e) Save as otherwise disclosed to the Company in writing prior to the date of this Agreement, UEB is not in default under any agreement or instrument of any nature whatsoever to which it is a party or by which it is bound in any manner that would have a material adverse effect on its ability to perform its obligations hereunder, the validity or enforceability of this Agreement or on the financial condition or operation of UEB.

(f) There is no action, suit, proceeding or investigation pending or, to UEB's knowledge, threatened, (i) for the dissolution of UEB, or (ii) against UEB which, if adversely determined, would have a material adverse effect on its ability to perform its obligations hereunder, the validity or enforceability of this Agreement or on the financial condition or operation of UEB.

ARTICLE VI
CONTROL AND OPERATION OF THE COMPLEX

SECTION 6.1 Operation of Complex.

(a) The Company shall operate and maintain the Complex both in a manner that permits the maximisation of Net Electrical Output and in all material respects in accordance with (i) the Grid Protocol, (ii) the Technical Limits, (iii) the Laws of Uganda and the Consents, (iv) Prudent Utility Practices, and (v) the Agreed Curve; provided, however, that the Company may contract with, and UEB acknowledges the appointment of, the AES Operating Contractor as the first O&M Contractor to operate and maintain the Complex; and provided, further, that the appointment of the O&M Contractor by the Company shall not relieve the Company of any of its obligations or potential liability regarding the insurance, operation or maintenance of the Complex or any liability whatsoever resulting from a breach of any term or condition of this Agreement.

(b) UEB hereby covenants that it will operate and maintain the Grid System in such a manner so as not to have a material adverse effect on the Complex, and in accordance with Prudent Utility Practices, but UEB shall not be liable for any adverse effect on the Complex resulting from its normal operation and maintenance of the Grid System.

SECTION 6.2 Employment of Qualified Personnel.

The Company shall employ only personnel (management, supervisor.' and otherwise), directly or indirectly through its O&M Contractor, who are adequately qualified and trained for the tasks that they are to perform. At least one employee in the Control Room on each shift shall have experience as necessary and appropriate for the operation and maintenance of the Complex and responding to Dispatch instructions.

SECTION 6.3 Operating Procedures.

(a) No later than 60 days prior to the Commissioning of any Unit, the Company shall develop, with the input and comments of UEB, operating procedures for the Complex with respect to co-ordination and notification of anticipated Hydraulic Conditions.

(b) From and after Financial Closing, UEB shall, as soon as practicable, notify the Company of any material change in the volume of water expected to be or actually discharged from the spillway, sluices or power stations at Owen Falls. Upon request of the Company during construction of the Complex, UEB shall endeavour to operate Owen Falls and take reasonable efforts to modify as soon as practical the volume of water discharged from Owen Falls in a manner that will facilitate construction of the Complex, consistent with the Agreed Curve and Prudent Utility Practice.

SECTION 6.4 Co-ordinating Committee Membership and Duties.

(a) Prior to Financial Closing, the Parties shall establish a Co-ordinating Committee composed of six members, the administrative costs of which shall be borne by the Company. Each

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Party shall designate three members to represent it on the Co-ordinating Committee, and either Party may remove or replace any of its Co-ordinating Committee members at any time upon notice to the other Party. The Co-ordinating Committee shall develop procedures for the holding of meetings, the keeping of minutes of meetings and the appointment and operation of sub-committees. The Company shall be responsible for the secretarial function of the Co-ordinating Committee. The chairmanship of the Co-ordinating Committee shall rotate each six months between the Parties and the Parties agree that the first chairman shall be nominated by UEB. Decisions of the Co-ordinating Committee shall require the approval of a majority of members of the Co-ordinating Committee.

(b) The Co-ordinating Committee shall be responsible for co-ordinating communications between the Parties with respect to the interface and co-ordination required between UEB and the Company under this Agreement.

(c) The Parties shall instruct their representatives on the Co-ordinating Committee to act in good faith in dealing with matters considered by the Co-ordinating Committee. The Parties shall consider and use reasonable efforts to incorporate decisions of the Co-ordinating Committee. Actions taken in conformance with the decisions of the Co-ordinating Committee shall be presumed to be in compliance with the terms of this Agreement.

(d) The Co-ordinating Committee shall use reasonable efforts to resolve Disputes, where appropriate, in accordance with the procedures established in Section 14.2.

SECTION 6.5 Maintenance of Operating Records.

(a) Each Party shall keep complete and accurate records and all other data required by each of them for the purposes of proper administration of this Agreement. Among other records and data required hereby or elsewhere in this Agreement, the Company shall maintain an accurate and up-to-date operating log at the Complex with records of:

- (i) Net Electrical Output, Reactive Power production and kV bus voltage at all times;
- (ii) Available Capacity and Dispatch instructions;
- (iii) changes in operating status. Major Maintenance Outages, Specific Maintenance Outages and Non-Specific Maintenance Outages;
- (iv) any unusual conditions found during inspections;
- (v) other matters agreed to by the Co-ordinating Committee.

All such records and data shall be maintained for a minimum of seven years after the creation of such records or data and for any additional length of time required by any Relevant Authority with jurisdiction over either Party; provided, however, that each Party shall not dispose of or destroy any such records after such seven-year period unless the Party desiring to dispose of or destroy any such records gives 30 days prior notice to the other Party, generally describing the records to be destroyed or disposed of, and the Party receiving such notice does not object thereto within 10 days.

(b) Either Party shall have the right, upon 10 days prior notice to the other Party, to obtain at its own cost a copy of the records and data (electronically, as appropriate) of the other Party relating to this Agreement or the operation and Dispatch of the Complex.

SECTION 6.6 Accounts and Reports.

(a) The Company shall make arrangements reasonably satisfactory to UEB with respect to the installation and operation of an accounting and cost control system and for the appointment as auditors of a firm of independent chartered accountants reasonably acceptable to UEB.

(b) The Company shall maintain complete and accurate records in Dollars (and, to the extent required by the Laws of Uganda or by the Board of Directors of the Company, in Shillings) accounting for all transactions relating to the design, construction, insurance, operation and maintenance of the Complex and the design, construction and insurance (during construction) of the UEB Line.

(c) The Company shall deliver to UEB, within nine months following the end of each fiscal year, a copy of its annual corporate tax return/receipt for corporate taxes paid. Such information shall be used for the sole purpose of determining the proper amount of corporate taxes allowable in the Capacity Payment pursuant to Annex D.

(d) The Company shall, upon request of UEB, deliver or cause to be delivered from time to time to UEB certifications of its officers, accountants, engineers, or agents as to the performance of its obligations under this Agreement and as to such other matters as UEB may reasonably request; provided, however, that each certificate from such accountants, engineers or agents shall be requested not more than twice in any 12-month period.

(c) The Company shall provide UEB with copies of any maintenance evaluations or reports it performs for or obtains from any third party including those with a financial security interest in or lien on the Complex. The Company shall use all reasonable efforts to obtain for UEB copies of any evaluations or reports generated at the request of such third parties or performed by an engineer employed by such third party.

SECTION 6.7 Failure to Submit Reports.

Any failure of either Party to timely submit any reports, information or certifications required by this Agreement, including, without limitation, the items required by Section 2.5, shall, in addition to any rights and remedies available to the receiving Party under law, give the receiving Party the right to delay reciprocal action for which such information is provided, or the date or event in connection with which the information is provided, for a period equal to any such delay by the delivering Party.

SECTION 6.8 UEB Operation of the Complex.

(a) Subject to the Lenders' Direct Agreements, if after the Commercial Operations Date, the Company shall have Abandoned the Complex or, following receipt of a Dispatch order from

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UEB, refused to operate the Complex for a period in excess of 72 hours other than as a result of a Force Majeure Event, UEB shall be entitled, but not obligated, to enter the Complex and operate it.

(b) During any period that UEB shall operate the Complex pursuant to Section 6.8(a), UEB shall continue to pay for the benefit of the Company the debt service portion of the Capacity Payment less operating and maintenance expenses and actual damages to the extent such expenses and damages exceed the remaining portion of the Capacity Payment had the Capacity Payment been payable. UEB's right hereunder to reduce payments shall not prevent UEB from pursuing legal remedies provided elsewhere in this Agreement as long as damages are not collected more than once for the same injury.

(c) At such time as the Company certifies to UEB that it is prepared to recommence the operation of the Complex, it shall be entitled to reenter the Complex and recommence operations. If the Company has not provided such a certificate or has otherwise failed to operate the Complex for nine months following its refusal to operate the Complex, UEB may terminate this Agreement and exercise its remedies under this Agreement, including purchase of the Complex pursuant to Section 4.7.

(d) UEB shall be entitled at its cost to have an independent engineer inspect and record the condition of the Complex prior to UEB's entry into and operation of the Complex, which inspection shall be considered evidence of the condition of the Complex at the time of UEB's entry.

(e) Notwithstanding any other provision in this Agreement to the contrary, ULB shall operate the Complex in accordance with the Technical Limits, Prudent Utility Practices and the Laws of Uganda and shall indemnify and hold the Company harmless from any loss or damage to the Complex incurred, suffered or sustained by the Company by reason of UEB's negligence or wilful misconduct in the operation of the Complex during such period, but only to the extent that such loss or damage is not covered by insurance obtained by the Company.

SECTION 6.9 Covenants of the Company.

The Company hereby covenants as follows:

(a) The Company shall maintain its existence as a limited liability company in compliance with the Laws of Uganda.

(b) Without the prior consent of UEB, the Company shall not engage in any other business other than the design, engineering, construction, maintenance, operation, ownership, insuring and financing of the Complex and the design, financing, insuring (during construction) and construction of the UEB Line and any and all activities incidental thereto.

(c) The Company, its employees and its Contractors shall not, in the course of the activities referred to in Section 6.9(b), tamper with the Main Measuring System or the Check Measuring System.

SECTION 6.10 Covenants of UEB.

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UEB hereby covenants as follows:

- (a) Except with respect to the construction of the UEB Line, UEB shall make all arrangements (including financing and construction) for any necessary upgrade to the Grid System so that it is capable of evacuating power from the Complex.
- (b) UEB shall allow the Company access to the Complex switchyard upon reasonable notice.
- (c) UEB shall provide such assistance and support as the Company may reasonably require in identifying and preparing applications for Consents and in interfacing with any Relevant Authority in connection with obtaining Consents.
- (d) UEB agrees to execute the documents comprising the Security Package to which it is a party; provided, however, that UEB shall not be obligated to execute any such document to the extent that it imposes obligations inconsistent with the allocation of risks and responsibilities as provided in the Basic Agreements.
- (e) UEB acknowledges that the Company may assign to, or grant a security interest in favour of, the Lenders, in the Company's rights and interests under or pursuant to:
 - (i) this Agreement;
 - (ii) the Leases;
 - (iii) the moveable property and intellectual property of the Company;
 - (iv) any other agreement or document comprising the security Package;
- (f) UEB agrees to execute and give all acknowledgements of any security or assignments created in accordance with this Section 6.10 as are reasonably requested by the Company to give effect to the foregoing; provided, however, that UEB shall have received copies of documents pertaining to the foregoing (and drafts thereof) reasonably in advance of the time that it is expected to execute the same.

SECTION 6.11 Liquidity Facility Agreement.

- (a) Promptly following the execution of this Agreement, UEB agrees to solicit bids to serve as the Bank party to the Liquidity Facility Agreement from at least three of the following four banks: Barclays Bank of Uganda Ltd., Citibank Uganda Ltd., Standard Chartered Bank (U) Ltd. and Stanbic Bank Uganda Ltd.
- (b) As soon as practicable after the execution of this Agreement, UEB and the Company agree to execute and deliver the Liquidity Facility Agreement, in substantially the form of Annex I to the Implementation Agreement, with such changes therein as may be required by the Bank and agreed by the Parties.

ARTICLE VII
MEASURING SYSTEM

SECTION 7.1 Measuring Systems.

(a) The Company shall, at its expense, procure and install the Main Measuring System and Check Measuring System, which includes all meters and related equipment to measure Hydraulic Conditions, Net Electrical Output and Reactive Power, as provided in Annex C. At the Commercial Operations Date, the Company shall convey one Output Meter and related equipment and one set of Hydraulic Measuring Devices and related equipment to UEB. UEB shall thereafter maintain the Check Measuring System at its own expense and the Company shall maintain the Main Measuring System at its own expense.

(b) The measuring systems shall conform to the descriptions thereof set forth in the Development Plan and Annex C.

ARTICLE VIII

COMPENSATION, PAYMENT AND BILLING

SECTION 8.1 Capacity Payment.

The Capacity Payment shall be determined and adjusted in accordance with Annex D.

(a) From and after the Commercial Operations Date, UEB shall pay to the Company, monthly in arrears, Capacity Payments in accordance with the provisions of Section 8.3.

(b) Prior to the Commercial Operations Date, UEB shall pay to the Company monthly in arrears in accordance with the provisions of Section 8.3 the Energy Purchase Price for each kWh of Interim Net Electrical Output, provided, however, that the sections of the UEB Line necessary to test a Unit and to evacuate Interim Net Electrical Output from all Units theretofore Commissioned have been commissioned. Any amounts so paid will be applied as provided in Annex D.

SECTION 8.2 Delay Damages.

(a) The Company agrees that UEB may be substantially damaged in amounts that may be difficult or impossible to determine in the event that the Company fails to have the Complex Commissioned by the Delay Damages Date. Therefore, the Company and UEB have agreed that the Company shall pay UEB liquidated damages for each day after the Delay Damages Date until the earlier of the Commercial Operations Date or the Required Commercial Operations Date; provided, however, that accrual and payment of delay damages shall be suspended during any intervening Force Majeure Event or UEB or GOU Event of Default. If the Option is not exercised, the amount of delay damages shall be equal to US\$25,000 per day if no Units have been Commissioned by the Delay Damages Date, US\$19,000 per day if only one Unit has been Commissioned by the Delay Damages Date, US\$13,000 per day if only two Units have been Commissioned by the Delay Damages Date and US\$6,000 per day if only three Units have been Commissioned by the Delay Damages Date. If the Option is exercised, the amount of delay damages shall be equal to US\$25,000 per day if no Units have been Commissioned by the Delay Damages Date, US\$20,000 per day if only one Unit has been Commissioned by the Delay Damages Date, US\$15,000 per day if only two Units have been Commissioned by the Delay Damages Date, US\$10,000 per day if only three Units have been Commissioned by the Delay Damages Date and US 5,000 per day if only four Units have been Commissioned by the Delay Damages Date. The parties agree that payment of liquidated damages is in lieu of actual damages, and the collection of the liquidated damages, plus any interest that may be due thereon, is UEB's sole remedy in the event of a failure by the Company to achieve the Commercial Operations Date by the Delay Damages Date. The Company hereby waives, to the extent permitted by applicable law, any

defence as to the validity of any liquidated damages in this Agreement on the ground that such liquidated damages are void as penalties or otherwise.

(b) Payment of liquidated damages shall be made on the last day of each calendar month

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or, if earlier, the Commercial Operations Date. The Dollar amount not paid when due shall bear interest at the Interest Rate plus 2% per annum, compounded monthly. UEB may set off against amounts owed by it any delay damages, plus interest thereon.

SECTION 8.3 Billing and Payment.

(a) On or before the 5th day of each month following the month in which the Commercial Operations Date occurs, the Company shall prepare an invoice showing the Capacity Payment (in Dollars) payable to the Company for the preceding month. Each such invoice shall show information and calculations, in reasonable detail, to permit UEB to confirm the consistency of the invoice with the provisions of Annex D.

(b) Beginning with the first month following the month in which the first Unit has been Commissioned, until an invoice is required to be prepared pursuant to Section 8.1 (a), the Company shall prepare an invoice showing the charges for Interim Net Electrical Output payable to the Company for the preceding month in accordance with Section 8.1(c). Each such invoice shall show information and calculations, in reasonable detail, to permit UEB to confirm the consistency of the invoice with the provisions of Section 8.1(c).

(c) UEB shall, subject to Section 8.4, pay all such invoices on or before the Due Date therefor. If it disputes a portion of the charges on an invoice, it shall nonetheless pay all amounts not in dispute by the applicable Due Date. Payment shall be made in the Uganda Shilling equivalent of the amount of the invoice in Dollars (based on the Average Buy Rate), except that UEB may pay in Dollars at its option.

(d) Any amount not paid when due (unless disputed in good faith) shall be converted for the purpose of this Section 8.3(d) into Dollars (based on the Average Buy Rate) and shall bear interest at a rate equal to the Interest Rate plus 2% per annum, compounded monthly, based on the actual number of days elapsed from the Due Date therefor until payment is made, based on a 365-day year. Payment of such sums shall be made in the Uganda Shilling equivalent of the Dollar amount (based upon the Average Buy Rate for the calendar month preceding the month in which the Payment Date occurs).

(e) In the event that owing to a Change in Law or otherwise banks in Uganda shall be closed for more than three weekdays in succession then UEB shall be obliged to make any payment which would otherwise have been due but for the bank being closed by any means at its disposal, including use of bank accounts outside Uganda. In such event, the term "Due Date" shall mean the 18th day of the month following the month in which the invoice was sent.

SECTION 8.4 Payment Disputes.

(a) At any time prior to 180 days following its receipt of any invoice. UEB may notify the Company that it disputes one or more charges or underlying calculations relating to such invoice. Each such notice shall specify the relevant invoice, the amount disputed and the basis therefor, and shall be accompanied by supporting documentation.

(b) Amounts in dispute shall not be payable until the dispute is resolved, but the amount actually determined to be due shall accrue interest at the Interest Rate, compounded monthly based upon the actual number of days elapsed from the Due Date therefor until payment is made, based upon a 365-day year. Amounts that are paid and subsequently disputed shall not be immediately refundable or subject to offset, but the amount actually determined to be refunded shall accrue interest at the Interest Rate, compounded monthly based upon the actual number of days elapsed from the date 30 days following the date paid until refunded or offset, based upon a 365-day year.

(c) When any dispute regarding payment is resolved, payment of amounts due, together with interest thereon, shall be made or refunded within 30 days thereafter. Either Party may seek resolution of a disputed invoice in accordance with Article XIV hereof.

ARTICLE IX

TESTING AND CAPACITY RATINGS

SECTION 9.1 Testing of the Project Prior to Commercial Operations Date.

(a) The Company will use its best efforts to provide UEB on an on-going basis with relevant information regarding its programme for testing the Complex and UEB Line prior to the Commercial Operations Date. The Company's preliminary programme for testing the Complex and UEB Line is set forth in Annex B hereto. Not less than 30 days prior to the commencement of such test programme, the Company will deliver to UEB in writing the final programme for testing the Complex and UEB Line, as appropriate, including the expected duration of the Company's start-up testing programme and a tentative schedule for conducting all tests required by Annex B. The Company shall advise UEB in writing of any changes in its final schedule for the testing programme not less than seven days prior to the commencement of such tests. Such final schedule may not materially increase or advance the date of UEB's obligations without the prior consent of UEB. If the schedule for any test required by Annex B is adjusted after the Company has provided UEB with the final testing programme schedule, then the Company shall advise UEB not less than 48 hours prior to the commencement of any such test. On each day beginning with the day on which testing commences, the Company shall provide UEB with a schedule of the tests to be conducted on the following day or days (if such test will continue for more than one day).

(b) If UEB is unable to accommodate the schedule for such test or tests as provided by the Company in the final schedule for the programme of tests pursuant to Section 9.1 (a), UEB will give the Company notice within 48 hours of its receipt of the final schedule for testing of its requirements regarding deferral of any Commissioning Tests for the Complex and the Parties will mutually agree on a date for any deferral test or programme of tests.

(c) The Company shall be entitled to attempt additional Commissioning Tests of the Complex from time to time in accordance with Annex B. The Company shall give UEB not less than three days notice of each additional Commissioning Test it desires to attempt.

SECTION 9.2 Deemed Commissioning.

If (a) any Unit has been synchronised (or which the Engineer has certified to be ready to be synchronised) or (b) the UEB Line has been certified by the Engineer to be ready for its Commissioning Test, and in either case the Commissioning Test thereof is delayed because of:

(i) UEB's failure to complete, operate, maintain or upgrade the Grid System (other than the UEB Line) in accordance with Prudent Utility Practices.

(ii) UEB's failure to provide energy for the Commissioning Test or to accept energy produced as a result of the Commissioning Test;

(iii) a requirement by UEB that any part of the Commissioning Test be postponed by more

than 10 days from the scheduled commencement date; or

(iv) the lack of a sufficient flow of water to carry out the Commissioning Test;

except to the extent that the failure is caused or the postponement is required by (A) an Other Force Majeure Event, (B) Emergencies whose aggregate duration does not exceed seven days or (C) any failure of the Company to perform any duty under this Agreement, and such deferral causes the then-anticipated Scheduled Commercial Operations Date to be delayed or deferred (as certified by the Engineer), the Initial Commercial Operations Date shall be extended on a day-for-day basis by the number of days the testing is delayed due to UEB. and the Commercial Operations Date shall be deemed to occur on the first day of the calendar month following the month in which the Engineer has certified that (x) all Units have been or are ready to be synchronised, and (y) the UEB Line is ready for its Commissioning Test. with the consequence that such date shall be the Commercial Operations Date for all purposes of this Agreement.

ARTICLE X

INSURANCE

SECTION 10.1 Maintenance of Insurance Policies.

(a) The Company, at its sole cost and expense, shall obtain and maintain, or cause to be obtained and maintained, the policies of insurance set forth in Annex G in the amounts set forth therein and during the periods mentioned therein; provided, however, that such amounts may be changed from time to time with the prior written consent of UEB; provided, further, that the Company shall not be in breach of its obligations hereunder if and to the extent that any particular insurance (or any required endorsement) is unavailable to it under commercially reasonable terms for reasons other than any negligence or default by, or the condition of, the Company.

(b) Each insurance policy shall be issued by an insurer of sound financial status reasonably acceptable to UEB.

SECTION 10.2 Maintenance of "Occurrence" Form Policies.

The coverage requested in Section 10.1 and any "umbrella" or excess coverage shall be "occurrence" form policies. In the event the Company has "claims made" form coverage, it must obtain prior approval of all "claims-made" policies from UEB.

SECTION 10.3 Policy Endorsements.

The Company shall each cause the insurers to provide the following endorsement items in all comprehensive or commercial general liability and, if applicable, umbrella or excess liability policies relating to the ownership, construction, operation and maintenance of the Complex required by Section 10.1.

(a) UEB, its directors, officers and employees shall be additional insureds under such policies;

(b) The insurance shall be primary with respect to the interests of UEB, its directors, officers, and employees, and any other insurance maintained by them is excess and not contributory with such policies;

(c) A cross liability clause substantially to the effect set forth below shall be made a part of the policy:

"In the event of claims being made by reason of (i) personal and/or bodily injuries suffered by any employee or employees of one insured hereunder for which another insured hereunder is or may be liable, or (ii) damage to property belonging to any

insured hereunder for which another insured is or may be liable, then this policy shall cover such insured against whom a claim is made or may be

made in the same manner as if separate policies have been issued to each insured hereunder, except with respect to the limits of insurance."

(d) The insurer shall waive all rights of subrogation against UEB and its officers, directors and employees.

(e) Notwithstanding any provision of the policy, the policy may not be cancelled, non-renewed or materially changed by the insurer without giving 30 days prior notice to UEB. All other terms and conditions of the policy shall remain unchanged.

SECTION 10.4 Endorsements to Fire and Perils and Machinery Breakdown Policies.

The Company shall cause the insurers to provide the endorsements referred to in Section 10.3(a), (b), (d) and (e) in the fire and perils and machinery breakdown policies covering the Complex as required by Section 10.1.

SECTION 10.5 Certificates of Insurance.

(a) The Company shall cause its Insurers or agents to provide UEB with certificates of insurance evidencing the policies and endorsements required by Section 10.1 and Section 10.3.

(b) If the Company is unable to obtain the insurance coverage required by this Article X, it shall promptly notify UEB.

(c) Failure by the Company to obtain the insurance coverage or certificates of insurance required by this Article X shall not in any way relieve or limit the Company's obligations and liabilities under any provision of this Agreement.

(d) If the Company fails to procure or maintain any insurance required pursuant to this Article X, then UEB shall have the right to procure such insurance and shall be entitled to recover the premiums paid for such insurance as if the same were a debt due and payable against any amounts owed to the non-procuring Party pursuant to the terms of this Agreement.

SECTION 10.6 Insurance Reports.

The Company shall provide UEB with copies of any technical underwriters' reports or other technical reports received by the Company from any insurer; provided, that UEB shall not disclose such reports to any other person except as necessary in connection with administration and enforcement of this Agreement or as may be required by any Relevant

Authority having jurisdiction over UEB, and shall use and internally distribute such reports only as necessary in connection with the administration and enforcement of this Agreement.

ARTICLE XI

LIABILITY AND INDEMNIFICATION

SECTION 11.1 Limitation of Liability.

Except as specifically provided herein, neither Party shall be liable to the other in contract, tort, warranty, strict liability or any other legal theory for any indirect, consequential, incidental, punitive or exemplary damages. Neither Party shall have any liability to the other Party except pursuant to, or for breach of, this Agreement; provided, however, that this provision is not intended to constitute a waiver of any rights of one Party against the other with regard to matters unrelated to this Agreement or any activity not contemplated by the Basic Agreements or Financing Agreements.

SECTION 11.2 Indemnification.

(a) UEB shall indemnify and defend the Company, its officers and directors against, and hold the Company and its officers, directors and employees harmless from, at all times after the date hereof, any and all Losses incurred, suffered, sustained or required to be paid, directly or indirectly, by, or sought to be imposed upon, the Company, its officers, directors and employees for personal injury or death to persons or damage to property arising out of any negligent act or omission or any intentional misconduct by UEB in connection with this Agreement. Notwithstanding the foregoing, indemnification shall not be required to the extent that a Party claiming indemnification (i) receives indemnification pursuant to the terms of any of the Basic Agreements or Financing Agreements or (ii) is reimbursed pursuant to any policy of insurance.

(b) The Company shall indemnify and defend UEB its officers, directors and employees against, and hold UEB, its officers, directors and employees harmless from, at all times after the date hereof, any and all Losses, incurred, suffered, sustained or required to be paid, directly or indirectly, by, or sought to be imposed upon, UEB, its officers, directors and employees for personal injury or death to persons or damage to property arising out of any negligent act or omission or any intentional misconduct by the Company in connection with this Agreement. Notwithstanding the foregoing, indemnification shall not be required to the extent that a Party claiming indemnification (i) receives indemnification pursuant to the terms of any of the Basic Agreements or Financing Agreements or (ii) is reimbursed pursuant to any policy of insurance.

(c) In the event injury or damage results from the joint or concurrent negligent or intentional acts or omissions of both the Company and UEB, the Parties shall be deemed to be equally liable for such injury or damages unless it is established that the Parties' relative degree of fault is other than 50/50, in which event each Party shall be liable in proportion to its relative degree of fault.

(d) The provisions of this Section 11.2 shall survive for a period of five years following the termination of this Agreement with respect to any acts or omissions or claims for indemnification which occurred or arose prior to such termination.

SECTION 11.3 Assertion of Claims to Exceed Minimum Indemnification Amount.

Each Party shall be solely liable, and shall not be entitled to assert any claim for indemnification under this Agreement, for any Loss that would otherwise be the subject of indemnification under this Agreement until all Losses of such Party, in the aggregate, during the then-current calendar year exceed US \$10,000, in which event such Party shall be able to recover for all its Losses for such year. For the purposes of this Section 11.3, a Loss (or claim for indemnification) shall be deemed to arise in the year the event giving rise to such Loss (or claim for indemnification) occurred, or if the event is continuing in more than one year, in the year such event ends.

SECTION 11.4 Indemnification for Fines and Penalties.

Any fines or other penalties incurred by a Party (other than fines or penalties due to the negligence or intentional acts or omissions of another Party) for non-compliance with the Laws of Uganda shall not be reimbursed by the other Party but shall be the sole responsibility of the non-complying Party.

SECTION 11.5 Notice of Proceedings.

Each Party shall promptly notify the other Party of any Loss or proceeding in respect of which such notifying Party is or may be entitled to indemnification pursuant to Section 11.2. Such notice shall be given as soon as reasonably practicable after the relevant Party becomes aware of the Loss or proceeding and that such Loss or proceeding may give rise to an indemnification, but in any event no later than 14 days after the receipt by the Party seeking indemnification of notice of the commencement of any action for which indemnity may be sought. The delay or failure of such indemnified Party to provide the notice required pursuant to this Section 11.5 to the other Party shall not release the other Party from any indemnification obligation which it may have to such indemnified Party except (i) to the extent that such failure or delay materially and adversely affected the indemnifying Party's ability to defend such action or increased the amount of the Loss, and (ii) that the indemnifying Party shall not be liable for any costs or expenses of the indemnified Party in the defence of the claim, suit, action or proceeding during such period of failure or delay.

SECTION 11.6 Defence of Claims.

(a) Upon acknowledging in writing its obligation to indemnify an indemnified Party to the extent required pursuant to this Article XI, the indemnifying Party shall be entitled, at its option (subject to Section 11.6(d)), to assume and control the defence of such claim, action, suit or proceeding at its expense with counsel of its selection, subject to the prior reasonable approval of the indemnified Party.

(b) Unless and until the indemnifying Party acknowledges in writing its obligation to indemnify the indemnified Party to the extent required pursuant to this Article XI. and assumes control of the defence of a claim, suit, action or proceeding in accordance with Section 11.6(a), the indemnified Party shall have the right, but not the obligation, to contest, defend and litigate, with counsel of their own selection, any claim, action, suit or proceeding by any third party alleged or asserted against such Party in respect of, resulting from, related to or arising out of any matter for

which it is entitled to be indemnified hereunder, and the reasonable costs and expenses thereof shall be subject to the indemnification obligations of the indemnifying Party hereunder.

(c) Neither the indemnifying Party nor the indemnified Party shall be entitled to settle or compromise any such claim, action, suit or proceeding without the prior consent of the other; provided, however, that after agreeing in writing to indemnify the indemnified Party, the indemnifying Party may, subject to Section 11.6(d), settle or compromise any claim without the approval of the indemnified Party. Except where such consent is unreasonably withheld, if a Party settles or compromises any claim, action, suit or proceeding in respect of which it would otherwise be entitled to be indemnified by the other Party, without the prior consent of the other Party, the other Party shall be excused from any obligation to indemnify the Party making such settlement or compromise in respect of such settlement or compromise.

(d) Following the acknowledgement of the indemnification and the assumption of the defence by the indemnifying Party pursuant to Section 11.6(a), the indemnified Party shall have the right to employ its own counsel and such counsel may participate in such action, but the fees and expenses of such counsel shall be at the expense of such indemnified Party, when and as incurred, unless: (i) the employment of counsel by such indemnified Party has been authorised in writing by the indemnifying Party; (ii) the indemnified Party shall have reasonably concluded and specifically notified the indemnifying Party that there may be a conflict of interest between the indemnifying Party and the indemnified Party in the conduct of the defence of such action; (iii) the indemnifying Party shall not in fact have employed independent counsel reasonably satisfactory to the indemnified Party to assume the defence of such action and shall have been so notified by the indemnified Party; or (iv) the indemnified Party shall have reasonably concluded and specifically notified the indemnifying Party that there may be specific defences available to it which are different from or additional to those available to the indemnifying Party or that such claim, action, suit or proceeding involves or could have a material adverse effect upon the indemnified Party beyond the scope of this Agreement. If clause (ii), (iii) or (iv) of the preceding sentence shall be applicable, then counsel for the indemnified Party shall have the right to direct the defence of such claim, action, suit or proceeding on behalf of the indemnified Party and the reasonable fees and disbursements of such counsel shall constitute reimbursable legal or other expenses hereunder.

SECTION 11.7 Subrogation.

Upon payment of any indemnification by a Party pursuant to Section 11.2, the indemnifying Party, without any further action, shall be subrogated to any and all claims that the indemnified Party may have relating thereto, and such indemnified Party shall at the request and expense of the indemnifying Party cooperate with the indemnifying Party and give at the request and expense of the indemnifying Party such further assurances as are necessary or advisable to enable the indemnifying Party vigorously to pursue such claims.

ARTICLE XII

TAXES

SECTION 12.1 Taxes Applicable to the Company.

Subject to the terms of the Implementation Agreement, all present and future central, local district administrative, municipal or other lawful taxes, duties, levies, or other impositions applicable to the Company, the Complex, the Project and the Company's other assets shall be paid by the Company in a timely fashion. |

SECTION 12.2 Taxes Applicable to UEB.

All present and future central, local district administrative, municipal or other lawful taxes, duties, levies, or other impositions applicable to UEB arising from or in connection with its rights and obligations under this Agreement shall be paid by UEB in a timely fashion.

SECTION 12.3 Changes in Taxes. [

To the extent permitted under Annex D any Change in Taxes, duties, levies and other impositions applicable to the Company, the Contractors, the Complex, or the Company's other assets shall be recovered pursuant to Annex D.

ARTICLE XIII

FORCE MAJEURE

SECTION 13.1 Definition of Force Majeure.

A "Force Majeure Event" shall mean any event or circumstance or combination of events or circumstances beyond the reasonable control of a Party occurring on or after the date hereof that materially and adversely affects the performance by that Party of its obligations under or pursuant to this Agreement; provided, however, that such material and adverse effect could not have been prevented, overcome or remedied in whole or in part by the affected Party through the exercise of diligence and reasonable care. The Parties agree that reasonable care includes acts or activities to protect the Project from a casualty event, which are reasonable in light of the likelihood of such event, the effect of such event if it should occur, and the likely efficacy, cost and cost-effectiveness of protective measures. Subject to the exclusions in Section 13.2, "Force Majeure Events" shall include the following events and circumstances, but only to the extent that they satisfy the above requirements:

(a) events or circumstances or any combination of events and/or circumstances of the following types that occur inside or directly involve Uganda ("Political Force Majeure Events"):

(i) any act of war (whether declared or undeclared'), invasion, armed conflict or act of foreign enemy, blockade, embargo or revolution:

(ii) radioactive contamination or ionising radiation originating from a source in Uganda or resulting from another Political Force Majeure Event:

(iii) any riot, insurrection, civil commotion, act or campaign of terrorism that is of a political nature, such as, by way of example and not limitation, actions associated with or directed against the Company (or Contractors) as part of a broader pattern of actions against companies or facilities with foreign ownership or management;

(iv) a Lapse of Consent that (A) shall have existed for 26 days or more, (B) together with any and all Lapses of Consent that have occurred in the same calendar year, shall have existed in the aggregate for 45 days or more in such year, or (C) together with any and all Lapses of Consent that have occurred in the same or preceding two calendar years, shall have existed in the aggregate for 60 days or more:

(v) any strike, work-to-rule or go-slow which is not primarily motivated by a desire to influence the actions of the Company so as to preserve or improve conditions of employment, and

(A) is part of an industry wide strike, work-to-rule or go-slow, in response to the coming into force, modification, repeal, or change in the interpretation of application of any Law of Uganda after the date of this Agreement; or

(B) is by the employees of any Relevant Authority in response to the coming into force,

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modification, repeal or change in the interpretation of any Law of Uganda after the date of this Agreement; or

(C) is caused by a Political Force Majeure Event;

(vi) Changes in Law having the effect of preventing or delaying the construction, commissioning or testing of the Complex or the UEB Line or which prohibit (by rendering unlawful) the operation of the Complex; or

(vii) a preservation order or injunction being granted by a Relevant Authority in respect of archaeological or palaeontological remains discovered on or under the Site and which would not have been revealed by a soils investigation of the Site carried out at the date of this Agreement;

(b) events or circumstances or any combination of events and/or circumstances of the following types, except to the extent that they constitute or are caused by Political Force Majeure Event ("Other Force Majeure Events"):

(i) earthquake, flood, storm, cyclone or lightning on a level that exceed the design criteria of the Complex, as specified in Annex A hereto;

(ii) fire, explosion, mudslide or chemical contamination;

(iii) epidemic or plague;

(iv) a Lapse of Consent (other than a Lapse of Consent that constitutes a Political Force Majeure Event);

(v) any strike, work-to-rule or go-slow which is not primarily motivated by a desire to influence the actions of the Company so as to preserve or improve conditions of employment;

(vi) events or circumstances or any combination of events and/or circumstances of the following types that occur outside Uganda and do not directly involve Uganda:

(A) any act of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, "insurrection, civil commotion, or act or terrorism;

(B) radioactive contamination or ionising radiation originating from a source outside Uganda and not falling within Section 13.1(a) (ii);

(C) strikes, works to rule, or go-slows which are not primarily motivated by a desire to influence the action of a single employer so as to preserve or improve conditions of employment; or

(vii) during the first year following the Commercial Operations Date only, a breach of warranty with respect to the UEB Line.

(c) A delay in the performance of any Contractor which results directly from any of the Political Force Majeure Events or Other Force Majeure Events specified above shall itself constitute a Political Force Majeure Event or an Other Force Majeure Event, as the case may be, to the extent

that it satisfies the requirements for a Force Majeure Event specified in the preamble to this Section 13.1.

SECTION 13.2 Exclusions.

Notwithstanding anything in Section 13.1, Force Majeure Events shall not extend to:

- (a) late delivery of machinery or other materials for the Project or a delay in the performance of any Contractor (except where such late delivery or delay is itself attributable to a Force Majeure Event);
- (b) normal wear and tear or random flaws in materials and equipment or breakdowns in equipment;
- (c) the inability at any time or from time to time of the Grid System to accept electricity generated by the Company as contemplated pursuant to this Agreement (except to the extent provided in Section 13.1(b)(vii)); or
- (d) the lack of flow of water to the Complex, except to the extent of a -Hydrological Force Majeure Event as provided in Annex D.

SECTION 13.3 Notification Obligations.

(a) If by reason of a Force Majeure Event a Party is wholly or partially unable to, carry out its obligations under this Agreement, the affected Party shall (i) give the oilier Party notice of the Force Majeure Event(s) as soon as practicable, hut in any event not later than the later of 48 hours after the affected Party becomes aware of the occurrence of the Force Majeure Event(s) or six hours after the resumption of any means of providing notice. and (ii) give the other Party a second notice, describing the Force Majeure Evenus) in reasonable detail and, to the extent it can be reasonably determined at the time of the second notice, providing a preliminary evaluation of the obligations affected, a preliminary estimate of the period of time that the affected Party will be unable to perform the obligations, and other

relevant matters, as soon as practicable, but in any event, not later than seven days after the initial notice of the occurrence of the Force Majeure Event(s) is given by the affected Party. When appropriate or when reasonably requested to do so by the other Party, the affected Party shall provide further notices to the other Party more fully describing the Force Majeure Event(s) and the cause(s) thereof and providing or updating information relating to the efforts of the affe cted Party to avoid and/or to mitigate the effect(s) thereof and estimates, to the extent practicable, of the time that the affected Party reasonably expects it will be unable to carry out any of its affected obligations due to the Force Majeure Event(s).

(b) The affected Party also shall provide notice to the other Party of (i) the cessation of the Force Majeure Event and (ii) the affected Party's ability to recommence performance of its obligations under this Agreement as soon as possible after becoming aware of(i) or (ii) above, but in any event, not later than seven days after becoming so aware.

(c) Failure by the affected Party to give notice of a Force Majeure Event to the other Party within the 48-hour period or six-hour period required by Section 13.3(a) shall not prevent the

affected Party from giving such notice at a later time; provided, however, that in such case the affected Party shall not be excused pursuant to this Article XIII for any failure or delay in complying with its obligations under or pursuant to this Agreement until the notice has been given. If such notice is given within the 48-hour period or six-hour period, the affected Party shall be excused for such failure or delay from the date of commencement of the relevant Force Majeure Event.

SECTION 13.4 Duty to Mitigate.

The affected Party shall use all reasonable efforts to mitigate the effects of a Force Majeure Event, including the payment of reasonable sums of money in light of the likely efficacy of the mitigation measures, and shall continue to perform its obligations under this Agreement insofar as they are not so affected.

SECTION 13.5 Delay Caused by Force Majeure.

Upon the occurrence and during the continuance of a Force Majeure Event and the effects thereof:

(a) Subject to Section 13.3(c), the affected Party shall not be liable for any failure or delay in performing its obligations (other than an obligation to make a payment) under or pursuant to this Agreement to the extent that such failure or delay in performance has been caused or contributed to by one or more Force Majeure Events(s) or its or their effects or by any combination thereof;

(b) The time limits and deadlines for the performance by the affected Party of its obligations under this Agreement which are affected by such Force Majeure Event shall be extended day-for-day for as long as the affected Party is unable to comply, or is delayed in complying, with its obligations hereunder because of the occurrence of a Force Majeure Event, or the effects of that Force Majeure Event;

provided, that no relief, including the extension of performance deadlines and the Term of this Agreement, shall be granted to the affected Party pursuant to this Section 13.5 to the extent that such failure or delay in performance arises as a result of a failure by the affected Party to comply with its obligations under Section 13.4 or would have nevertheless been experienced by the affected Party had the Force Majeure Event not occurred: and

(c) Other than for breaches of this Agreement by the other Party, and subject to the provisions of Sections 11.1 and 4.7, the other Party shall not bear any liability for any loss or expense suffered by the affected Party as a result of a Force Majeure Event or its effects.

SECTION 13.6 Political Force Majeure Events.

The provisions of Section 13.6 and 13.8 to 13.13, inclusive, of the Implementation Agreement shall govern this Agreement with respect to the consequences of a Political Force Majeure Event.

SECTION 13.7 Other Force Majeure Events.

(a) If the occurrence or effects of an Other Force Majeure Event affects the operation of all

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or a portion of the Complex. UEB shall continue, during the continuance of such Other Force Majeure Event or its effects, to make the Capacity Payment, after deducting from the Capacity Payment a sum determined by multiplying the Capacity Payment by the FM Ratio. The FM Ratio shall be a fraction reflecting (i) the ratio of such capacity unavailable due to the Other Force Majeure Event to Contracted Capacity and (ii) the ratio of the number of hours during which the relevant Other Force Majeure Event or the effects thereof existed to the number of hours in such month.

(b) In the event that, as a result of one or more Other Force Majeure Event(s) or us or their effects or by any combination thereof, the construction or operation of the Complex or any part thereof is affected and is not restored or remedied within 30 days following the date that the Company becomes aware of the Other Force Majeure Event(s), then the Company shall prepare and deliver a Restoration Report pursuant to Section 13.9 and the following provisions of this Section 13.7 shall apply

(c) Subject to the Financing Agreements and Sections (d) and (e) below, (lie Company shall proceed with the Restoration in accordance with the Restoration Schedule contained in the Restoration Report. The cost of the Restoration shall be the sole responsibility of the Company and no compensation shall be payable by UEB to the Company in respect of any damage to the Complex as a result of that Other Force Majeure Event.

(d) If UEB does not agree with the Restoration Schedule contained in the Restoration Report, then UEB shall notify the Company within 15 Business Days of the

receipt of the Restoration Report and shall, in such notice, propose, an alternative Restoration Schedule. If the Parties cannot agree upon a revised Restoration Schedule within the 15-Business Day period following the notice, then either Party may submit the matter to an expert pursuant to Section 13.11 to determine the proper Restoration Schedule. Notwithstanding the foregoing, the Company shall, subject to satisfying any of the conditions or requirements of the entity providing the financing for the Restoration (including any insurance company paying a claim to the Company), have the option to proceed with the Restoration or remedying while the issue of the Restoration Schedule is being resolved.

(e) If Restoration or remedying of the construction or operation of the Complex is not technically feasible or the Restoration Cost Estimate is greater than US\$ 75,000,000, then the Company shall have the right to terminate this Agreement, in which case the Company shall not be entitled to any compensation from UEB except where, pursuant to Section 4.7(c), UEB elects that the Company sell the Complex to UEB or its designee. If UEB does not give the Company notice of its election to purchase the Complex within 90 days of the effective date of termination, UEB shall have no further rights or interest in, or obligations to the Complex.

(f) Where the Company is prevented from complying with its obligations under this Agreement as a result of one or more Other Force Majeure Event(s) or its or their effects or by any combination thereof for a continued period of 180 days, then either Party shall have the right to terminate this Agreement.

SECTION 13.8 Restoration Consents.

Notwithstanding anything herein to the contrary, the Company shall not be required to

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proceed with any Restoration unless and until the Company has received all necessary Additional Consents and renewals of existing Consents in connection therewith. If the Company does not receive any of such Additional Consents or renewals of Consents for any reason (other than an act, omission or default of the Company) within six months after the date that the Company becomes obligated to proceed with that Restoration, then either Party shall have the right to terminate this Agreement.

SECTION 13.9 Preparation of Restoration Report.

When required by Section 13.7, the Company shall commence the preparation of an appraisal report (the "Restoration Report") within 30 days after the date it was required to provide a notice under Section 13.3 (and deliver a copy of such Restoration Report to UEB within 60 days after it was required to provide such notice). UEB shall provide to the Company such information as the Company reasonably requires from it to prepare such Restoration Report and only insofar as the Laws of Uganda do not prohibit it from doing so. The Restoration Report shall address, in such detail as is practicable under the circumstances and accompanied by reasonable supporting data, and shall be accompanied by certificates and reports of the Company's financial and technical advisers, as appropriate or as reasonably requested by UEB, in support of such matters in respect of the Force Majeure Event in

question, (i) a description of that Force Majeure Event and the damage to, and/or the other effects or impacts on the Complex, (ii) an estimate in good faith of the time it will take to restore the Complex (as much as it may be possible to do so) to its condition immediately prior to the occurrence of the Force Majeure Event and (iii) a proposed Restoration Schedule.

SECTION 13.10 Discussion of Restoration Report.

Within 15 Business Days of the delivery of a Restoration Report to UEB or such further time as the Parties may agree, the Parties shall meet to discuss the Restoration Report and any action(s) to be taken. In connection with the review by UEB of a Restoration Report, the Company shall provide promptly to UEB such additional financial and related information pertaining to the Restoration Report and the matters described therein as UEB may reasonably request.

SECTION 13.11 Referral to Expert.

The following disputes between UEB and the Company shall be submitted to an expert for resolution in accordance with the provisions of Section 14.3 within the time periods specified: (i) with respect to disputes regarding any matter set forth in a Restoration Report, no later than ten Business Days after expiration of the period for review and consultation provided by Section 13.10; (ii) with respect to disputes arising under Section 13.7, within the applicable period provided for in Section 13.7.

ARTICLE XIV

RESOLUTION OF DISPUTES

SECTION 14.1 Notice of Dispute.

In the event that there arises between the Parties any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity thereof, the Party wishing to declare a dispute shall deliver to the other Party a written notice identifying the disputed issue.

SECTION 14.2 Resolution by Parties.

Within 30 days of delivery of a notice of a dispute, the Parties shall attempt in good faith to settle such dispute by discussions among those representatives of each Party with the appropriate decision-making authority. In the event that such individuals are unable to reach agreement within 30 days, or such longer period as they may agree, then either Party may refer the matter to an expert in accordance with Section 14.3 or, if the dispute is not a Technical Dispute, commence arbitration of the dispute in accordance with Section 14.4.

SECTION 14.3 Technical Disputes.

(a) In the event that the Parties are unable to resolve a Technical Dispute in accordance with Section 14.2, then any Party may refer the Technical Dispute to an expert for consideration of the Technical Dispute and to obtain a recommendation from the expert as to the resolution of the Technical Dispute. The expert shall have demonstrated expertise in the area to which such Technical Dispute relates and shall not be an agent, employee, or contractor or a former agent, employee or contractor of either Party involved in the Technical Dispute. In the event that the Parties cannot agree within 10 days as to whether a dispute falls within the definition of a Technical Dispute, then Section 14.3 shall not be used to resolve this dispute and the Parties shall proceed directly to arbitration under Section 14.4 to resolve the dispute.

(b) The Party initialing submission of the Technical Dispute to the expert shall provide the other Parties with a notice stating that it is submitting the Technical Dispute to an expert and nominating the Person it proposes to be the expert. The other Party shall, within 15 days of receiving such notice, notify the initiating Party whether such Person is acceptable. If any Party receiving such notice fails to respond or notifies the initiating Party that the Person is not acceptable, the Parties shall meet and discuss in good faith for a period of 10 days to agree upon a Person to be the expert. If the Parties are unable to agree, any responding Party shall by the end of such 10-day period nominate a Person to be an expert, whereupon the two nominated experts shall meet and agree upon a third Person who shall be the expert. If the experts fail to agree upon a third expert within 10 days, either Party may request the International Chamber of Commerce Centre for Expertise to suggest the third Person, who shall be the expert.

(c) Consideration of the Technical Dispute by an expert shall be initiated by the Party seeking consideration of the Technical Dispute by the expert submitting within 10 days of the

appointment of the expert to both the expert and the other Party written materials setting forth (i) a description of the Technical Dispute, (ii) a statement of the initiating Party's position, and (iii) copies of records supporting the initiating Party's position. Within 10 days of the date that a Party has submitted the materials described in the preceding sentence, the responding Party may submit to the expert (A) a description of the Technical Dispute, (B) a statement of the responding Party's position, and (C) copies of any records supporting the responding Party's position. In addition to the material provided to the expert by the initiating Party, the expert shall consider any such information submitted by the responding Party within such 10-day period and, in the expert's discretion, any additional information submitted by either Party at a later date. Any materials submitted by a Party to the expert shall be simultaneously submitted by such Party to the other Party.

(d) Each Party shall designate one Person knowledgeable about the issues in dispute who shall be available to the expert to answer questions and provide any additional information requested by the expert. Except for such Person, a Party shall not be required to, but may, provide oral statements or presentations to the expert or make any particular individuals available to the expert.

(e) Except as provided in Section 14.3(h) with respect to the payment of costs, the proceedings shall be without prejudice to either Party and any evidence given or statements made in the course of this process may not be used against a Party in any other proceedings. The process shall not be regarded as an arbitration, and the laws relating to commercial arbitration shall not apply.

(f) When consideration of the Technical Dispute by an expert is initialed, the expert shall be requested to provide a recommendation within 15 days after the 10-day response period provided in Section 14.3(c) above has run. If the expert's recommendation is given within such 15-day period, or if the expert's recommendation is given at a later time and no Party has at such time initiated any other proceeding concerning the Technical Dispute, the Parties shall review and discuss the recommendation with each other in good faith for a period of 10 days following delivery of the recommendation before proceeding with any other actions.

(g) If any Party does not accept the recommendation of the expert with respect to the Technical Dispute, it may initiate arbitration proceedings in accordance with Section 14.4. Similarly, if the expert has not submitted such recommendation within the time period provided in Section 14.3(f), either Party may initiate arbitration proceedings in accordance with Section 14.4.

(h) The costs of engaging an expert and each Party's costs in preparing materials for, and making presentations to, the expert shall be paid by the losing Party or as otherwise provided by the expert.

SECTION 14.4 Arbitration.

(a) Any dispute which is not resolved as provided for in Section 14.3 shall be finally determined under the Arbitration Rules of the United Nations Commission on International Trade Law (the "Arbitration Rules"). Such dispute shall be submitted to arbitration at the request of either Party upon written notice to that effect to the other Party in accordance with the Arbitration Rules. In the event of a conflict between the Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern. Any dispute submitted to arbitration shall be finally settled by an arbitral tribunal (the "Tribunal") consisting of three arbitrators. UEB and the Company shall appoint one arbitrator each to the Tribunal within 30 days of the written notice referred to in the first sentence of this Section 14.4(a) or in accordance with the Arbitration Rules. If either the Company or UEB fails to appoint its arbitrator within such 30 day period, then, upon the written request of the other Party, such arbitrator shall be appointed by the London Court of International Arbitration in accordance with the Arbitration Rules. The two arbitrators appointed pursuant to the immediately preceding sentence shall appoint a third arbitrator to act as chairman of the Tribunal within 30 days of the date of appointment of the second arbitrator. If the two arbitrators fail to appoint a chairman within such 30-day period, then, upon the written request of either the Company or UEB, the chairman shall be appointed in accordance with the Arbitration Rules.

(b) The arbitration shall be conducted in London.

(c) No arbitrator appointed pursuant to this Section 14.4 shall be national of the jurisdiction of any Party to this Agreement or of the Jurisdiction of any shareholder or group of shareholders holding more than 10% of the aggregate equity interest in the Company nor shall any such arbitrator be an employee, agent or contractor or former employee, agent or contractor of any such Person.

(d) The Parties hereby irrevocably waive and agree to exclude any rights of application or appeal to the courts or rights to state a special case of the opinion of the court to the fullest extent permitted by law in connection with any question of law arising in the course of the arbitration or with respect to any award made unless the award is obtained by fraud, misrepresentation or any other manipulation of justice. The Parties hereby, to the fullest extent permitted by law, irrevocably waive any right to challenge or contest the validity or enforceability of this arbitration agreement or any arbitration proceeding or award brought in conformity with this Section 14.4, including any objection based on venues or inconvenient forum.

(e) The language at any arbitration under this Agreement shall be English, and the governing law of any arbitration shall be English law.

(f) Either Party may petition any court having jurisdiction to enter judgement upon the arbitration award. At the request of either Party, the arbitrator shall cause such arbitration award to be filed with the High Court of Uganda. Any monetary award shall

include interest from the date of any breach or other violation of this Agreement to the date on which the award is paid, at a rate determined by the Tribunal.

(g) Any invalidation of any part of, or the entirety, of this Agreement or any contractual

obligation resulting hereunder, shall in no way affect the validity of this Section 14.4, which shall survive any such invalidation. Even if an invalidation is decided, all other pending disputes among the Parties shall remain subject to settlement by arbitration pursuant to the provisions of this Section.

(h) The Tribunal may consolidate an arbitration arising out of or relating to this Agreement with any arbitration arising out of or relating to one or more of the Basic Agreements or Financing Agreements that provides for UNCITRAL arbitration if the subject matter of the disputes arises out of or relates to essentially the same facts or transactions. Such consolidated arbitration shall be determined by the Tribunal appointed for the arbitration proceeding that was commenced first in time. Except as otherwise provided in this subsection (h), the rights of the Parties to proceed with dispute resolution under this Section 14.4 shall be independent of their rights or the rights of related entities to proceed with dispute resolution under any of the other Basic Agreements or Financing Agreements.

(i) The Parties hereby declare that they have the capacity, and have obtained all necessary authorisations and/or approvals, to submit all their future differences and disputes to arbitration pursuant to the provisions of this Section 14.4. The lack of capacity to submit to arbitration on the part of one of the Parties shall in no way affect the validity of the arbitration clause, which shall remain in force and binding on the Parties.

ARTICLE XV
MISCELLANEOUS PROVISIONS

SECTION 15.1 Expenses of the Parties.

All expenses incurred by or on behalf of each Party, including all fees and expenses of agents, representatives, counsel and accountants employed by the Parties in connection with the preparation of this Agreement and the consummation of the transactions contemplated by this Agreement, shall be borne solely by the Party who shall have incurred such expenses, and the other Party shall have no liability in respect thereof, except as otherwise agreed.

SECTION 15.2 Right to Specific Performance: Waivers.

In the event either Party fails to perform its obligations hereunder after the satisfaction of all conditions precedent thereto, the other Party shall have the right to require specific performance of the obligation not performed. Either Party has the right to waive the other Party's compliance with a condition to the waiving Party's obligations hereunder and, if all the conditions precedent to the other Party's obligations hereunder have been satisfied, to require specific performance of this Agreement.

SECTION 15.3 Commercial Acts. Sovereign Immunity.

(a) UEB unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes a private and commercial act. In addition to the foregoing, UEB unconditionally and irrevocably agrees that: (i) should any proceeding (including any arbitration proceeding) be brought against it or its assets in relation to this Agreement or any transaction contemplated by this Agreement, no immunity from such proceedings shall be claimed by or on behalf of itself or with respect to its assets, (ii) it waives any right of immunity that it or any of its assets now has or may acquire in the future in any jurisdiction in connection with any such proceedings; and (iii) it consents generally in respect of the enforcement of any judgement against it in any such proceedings (including any arbitration proceedings) in any jurisdiction to the giving of any relief or the issue of any process in connection with such proceedings (including the making, enforcement or execution against or in respect of any assets whatsoever irrespective of their use or intended use).

(b) The Company unconditionally and irrevocably agrees that in respect of any judgement resulting in its favour from any proceeding (including any arbitration proceeding) taken by it in relation to this Agreement or any transaction contemplated by this Agreement and such judgement shall include a concession or license to operate all or any part of the UEB Assets, it shall not sell, dismantle or otherwise dispose of such UEB Assets (save in the ordinary course of business in accordance with Prudent Utility Practices) but shall otherwise have, if permitted by the terms of the judgement, the ability to operate and maintain such UEB Assets and receive revenues resulting from such operation until any such judgement shall be paid in full.

SECTION 15.4 Further Assurances.

If it shall be necessary and proper after the execution hereof to execute any additional documents or take further action to effectuate the intent of this Agreement, the Parties agree to take such action.

SECTION 15.5 Choice of Law.

This Agreement shall be governed by and construed in accordance with the Laws of Uganda.

SECTION 15.6 Entire Agreement.

This Agreement, together with the other Basic Agreements and the Financing Agreements, is intended by the Parties as the final expression of their agreement, is intended also as a complete and exhaustive statement of their agreement with respect to the subject matter contained herein and supersedes any previous agreements or understandings between the Parties, including the Development Agreement.

SECTION 15.7 Amendments.

This Agreement can be amended only by written agreement among the Parties.

SECTION 15.8 Waiver.

(a) No waiver by either Party of any default by the other Party in the performance of any of the provisions of this Agreement:

(i) shall operate or be construed as a waiver of any other or further default or defaults whether of a like or different character: or

(ii) shall be effective unless in writing duly executed by a duly authorised representative of such Party.

(b) Neither the failure by a Party to insist on any occasion upon the performance of the terms, conditions and provisions of this Agreement nor time or other indulgence granted by one Party to the other shall act as a waiver of such breach nor as an acceptance of any variation, or as the relinquishment of any such right or any other right hereunder.

SECTION 15.9 Confidentiality.

(a) Each Party and its employees, contractors, consultants and agents shall hold in confidence all documents and other forms of information, including electronic communications, marked as confidential by or on behalf of the Party providing the information relating to the design, construction, insurance, operation, maintenance, management and financing of the Project. Each Party undertakes that all information

obtained by it under this Agreement shall only be made available to and used by its employees or staff having a need for such information in order to permit the Party to perform its obligations and

exercise its rights under this Agreement and, except as may be required by law or appropriate regulatory authorities, shall not publish or otherwise disclose the same to third parties. Notwithstanding the foregoing, either Party may disclose such information to its professional advisors and to prospective transferees and assignees and their professional advisors that, in each case, have agreed to be bound by these confidentiality provisions.

(b) The provisions of Section 15.9 shall not apply to (i) any information in the public domain otherwise than by a breach of Section 15.9(a) by the same Party; (ii) information in the possession of the Party before divulgence that was not obtained under an obligation of confidentiality; or (iv) information contained in a document that has been reviewed and cleared for public disclosure by the Party claiming confidentiality in the information.

(c) The provisions of this Section 15.9 shall survive for a period of five years from the termination of this Agreement.

SECTION 15.10 Counterparts.

This Agreement may be executed in two or more counterparts, all of which will be considered one and the same Agreement and each of which will be deemed an original.

SECTION 15.11 Severability.

If any term or provision of this Agreement is held by a court or other authority of competent jurisdiction to be invalid, void, unenforceable or against the public policy, the rest of this Agreement will remain in full force and effect and will in no way be adversely affected; Provided, however, that the severance of such term or provision does not render the performance of a Party's material obligations impracticable or impossible.

SECTION 15.12 Assignment and Security.

The Parties are not permitted to assign their interests in this Agreement; provided, that the Company may charge its interest in favour of the Lenders.

SECTION 15.13 Relationship of the Parties.

This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power, or authority to enter into any agreement or undertaking for, to act on behalf of, to act as or be an agent or representative of, or to otherwise bind, the other Party.

SECTION 15.14 No Third Parties.

Other than as specified in Section 15.12, this Agreement is intended solely for the benefit of the Parties and nothing in this Agreement shall be construed to create any duty to, standard of care with reference to, or any liability to, or confer any right of suit or action on any Person not a Party to this Agreement.

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SECTION 15.15 Language.

The language for the purpose of administering and interpreting this Agreement shall be English.

SECTION 15.16 Consents.

Unless otherwise provided herein, whenever a consent or approval is required by either Party from the other Party, such consent or approval shall not be unreasonably withheld or delayed.

SECTION 15.17 Notices.

(a) All notices or other communications to be given or made hereunder shall be in English and in writing, shall be addressed for the attention of the Persons indicated below and shall be delivered personally or sent by courier or facsimile. The addresses of the Parties and their respective facsimile numbers shall be:

If to UEB:

Uganda Electricity Board
Amber House
Kampala, Uganda
Telephone: +256 (0)41 254 071
Facsimile: +256 (0)41 235 119
Attn: Managing Director

If to the Company:

AES Nile Power Limited
Plot 37 Yusuf Lule Road
Kampala, Uganda
Telephone: +256(0)41 346 983
Facsimile: +256(0)41 346 982
Attn: Managing Director

Except as otherwise expressly provided in this Agreement, all notices shall be deemed to be delivered (i) when delivered by hand or by overnight courier, or (ii) if received during business hours on a Business Day for the receiving Party, when transmitted by facsimile to the receiving Party's facsimile number and, if received after business hours or on a day that is not a Business Day for the receiving Party, on the receiving Party's first Business Day following the date transmitted by facsimile to the receiving Party's facsimile number. Any notice given by facsimile shall be confirmed in writing, delivered personally or sent by courier, but the failure to so confirm shall not void or invalidate the original notice if it is in fact received by the Party to which it is addressed.

(b) Either Party may by notice change the address, addressee and/or facsimile number to which such notices and communications to it are to be delivered or mailed.

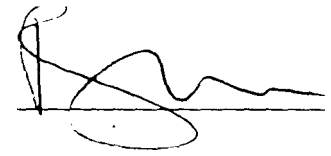
(c) Any notices required or permitted to be given hereunder to GOU shall be delivered as provided in the Implementation Agreement.

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IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first above written.

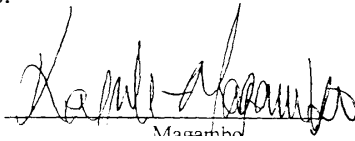
UGANDA ELECTRICITY BOARD

By:



Paul J. Mare
Managing Director

Witness:



J.E.N. Kagule - Magambo
Board Chairman

AES NILE POWER LIMITED

By:



Mark S. Fitzpatrick

ANNEX A

To the

POWER PURCHASE AGREEMENT

DEVELOPMENT PLAN

BUJAGALI HYDROELECTRIC
PROJECT

DEVELOPMENT PLAN

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SCHEDULE 1

MINIMUM FUNCTIONAL SPECIFICATIONS

ARTICLE 1

INTRODUCTION

SECTION 1.1 Definitions.

"Bujagali Switchyard" - The switchyard to be established close to the Complex.

"Environmental Action and Monitoring Plan" - As defined in the EPC Contract.

"Hydraulic Conditions (HC)" - As established in Section 7(a) (iii) of Annex C to this Agreement.

"Hydraulic Adjusted Unit Contracted Capacity (HAUCC)" - As derived from the following calculation:

$$\text{HAUCC} = \text{UCC} \times (1 - 2 \times (1 - (\text{HC}/\text{NHC})))$$

"Hydraulic Adjusted Contracted Capacity (HACC)" - The Hydraulic Adjusted Unit Contracted Capacity multiplied by the number of Units which are not unavailable due to a Force Majeure Event. Scheduled Maintenance Outage. Specific Maintenance Outage. Non Specific Maintenance Outage or a Unit trip or deloading of a Unit caused by the Grid System.

"Nominal Hydraulic Conditions (NHC)" - The arithmetic difference in Head Pond and Tail Water level when the Head Pond is at Full Supply Level (as set forth in Section 3.2) and the Tail Water level is as defined below:

Tail Water level prior to exercise of Option	As measured by the Hydraulic Measuring Device with four Units delivering the Contracted Capacity provided in section 2.0 and with the spillway discharge equal to the calculated flow from one Unit when delivering the Unit Contracted Capacity.
Tail Water level after exercise of the Option	As measured by the Hydraulic Measuring Device with the five Units delivering the Contracted Capacity and no spill or bypass flows discharging into the Tail Water.

"Boundary" - The point on the interconnected system which distinguishes those assets owned by the Company (Complex) from those assets owned by UEB (UEB Line), identifies the responsibility for equipment to be operated by the Company from that to be operated by UEB, and identifies where metering for commercial settlements take place. This point shall

be as shown in Drawing 1 of Schedule 3 and be either the clamps on the down-droppers between the busbars and the disconnectors on the generator unit transformer circuit or the HV terminal of the station auxiliary transformer.

"Unit Contracted Capacity (UCC)" - The capacity of each Unit at Nominal Hydraulic Conditions being 50 MW.

SECTION 1.2 General.

The Complex will be located on and near to the Victoria Nile River approximately 8 km downstream of the existing Owen Falls and Owen Falls Extension hydroelectric power stations.

The Complex and UEB Line will be constructed under an Engineering, Procurement and Construction (EPC) Contract. The Project includes:

- the entire civil engineering works for the Project including the installation of the first four Units, associated plant and the UEB Line and.
- an Option for UEB to require the Company to install the fifth Unit, together with associated plant and required expansion of the UEB Line.

SECTION 1.3 EPC Contract.

All activities necessary to complete the Complex and the UEB Line including designing, engineering, equipment and material supplying, shipping, arranging for import into Uganda, transporting to Site, constructing, procuring construction permits, agreements with third parties, installing, starting up, testing and commissioning as set out in the EPC Contract. The EPC Contractor may propose alternative designs and construction methods to those proposed in Section 4 and Schedule 3 of Annex A, subject to the approval of the Company.

SECTION 1.4 Standards.

The design, equipment, materials, construction, commissioning and testing used to complete the Complex and the UEB Line shall be in compliance with the appropriate British Standards or generally accepted International Standards or IEC Standards current at the date of signing of the EPC Contract unless otherwise agreed by the Company

ARTICLE II

CONTRACTED CAPACITY

Contracted Capacity = 200 MW

Contracted Capacity after exercise and
implementation of the Option = 250 MW

Measurements to be compared against the relevant Contracted Capacity will be taken at the Boundary using the Output Meters at a power factor at the generator terminals of 0.85 lagging and at the Nominal Hydraulic Conditions (the Boundary is defined schematically in Schedule 3. Drawing 1).

ARTICLE III

MINIMUM REQUIREMENTS

SECTION 3.1 General.

The design and construction of the Complex and UEB Line shall be in accordance with current international practice with preference given to proven technology. New materials, products and working methods will be used where appropriate. Provision shall be made in the design to cope with reasonable emergencies, and to provide for ease of maintenance and operation, with a view to the health and safety of the operation and maintenance staff and the visiting public. The design and installation of the equipment will optimise the reliability and availability of the Complex.

SECTION 3.2 Design Criteria.

The detailed requirements for the Complex and the UEB Line will be included in the EPC Contract. The minimum design requirements for the Complex and the UEB Line are given below:

Full Supply Level = 1111.5m

Maximum Reservoir Flood Level = 1113.0m

These levels are based on the following Owen Falls bench marks:

-BM No. HB5
-BM No. MDE1

Hydro-mechanical and electrical installation requirements = See Schedule 3. Drawing 2

Total Spillway Capacity = Capacity to be not less than 4500 m³/s minimum.

The spillway design flood is to be passed with freeboard appropriate to the dam type selected and no failure of any structural element or inundation of the powerhouse.

Construction River Diversion Works to accommodate a maximum flow of 2750 m³/s

Dam, Powerhouse and Spillway Seismic Design Event

Operating Basis Ground acceleration arising from 10% probability of exceedance in 50 years. Event to be survived with possible minor, repairable damage to building finishes.

Maximum Design Maximum credible event (MCE), to be served without failure but with possible substantial, but repairable damage.

Temperature Range

Ambient Air 10 to 32 degrees Celsius

River Water 20 to 32 degrees Celsius

Design wind Speed

Structures Peak wind velocity for structures with return period of 1 in 50 years

UEB Line Return period of 1 in 50 years for wind loading in accordance with recognised international standards.

ARTICLE IV

SCOPE OF THE COMPLEX AND THE UEB LINE

SECTION 4.1 General.

(a) Complex. The Complex will include the following features:

- a permanent access road from the Jinja and Kayunga state highway, to the Complex powerhouse on the west bank:
- a spillway system:
- intake and powerhouse structures to accommodate five Units and associated equipment;
- four Units comprising four water turbines, four generators, four generator unit transformers, power station auxiliary plant and associated transmission equipment up to the Boundary:
- a dam extending across the Victoria Nile at Dumbbell Island:
- a paved two-lane vehicular service way that permits access for service and maintenance over the entirety of the dam works and over the spillway, intake and powerhouse structures and related equipment, that shall be constructed to width and loading standards no less than that required to sustain two-way passage of heavy vehicular traffic from one bank to the other: and
- a Control Room, relay rooms, telecommunications facilities, station services, battery room, standby diesel generator, workshop and storage facilities, office accommodation, operators facilities, and other necessary facilities for the operation and maintenance of the Complex.

(b) UEB Line. The UEB Line to be constructed by the Company on behalf of UEB prior to Commercial Operations Date will be comprised of the following:

- the 220/132 kV Bujagali Switchyard up to the Boundary:
- a new 220/132 kV switchyard at Kawanda to include the necessary bays to accept the 220 kV circuits from the Complex and the 132 kV circuits from the Mutundwe switchyard:
- a double circuit 220 kV transmission line from the Complex to the new switchyard at Kawanda:
- two double circuit 132 kV transmission lines from the Complex to the point of intersection with the existing Owen Falls to Tororo double circuit line and to Owens Falls power station switchyard, as shown on Drawing 13 in Schedule 3 and rearrangement works associated with the existing Owen Falls to Tororo circuits; and
- a double circuit 132 kV transmission line from the switchyard at Kawanda to the Mutundwe switchyard and the switchyard extension at Mutundwe, to accept the new circuits from Kawanda.

(c) Option. - The option exercisable in accordance with Section 2.7 (b) of this Agreement shall include:

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- additional works to the Complex including one Unit, comprising one water turbine, one generator, one generator unit transformer, the balance of the power station auxiliary plant and associated transmission equipment up to the Boundary, and
- additional works to the UEB Line including expansion of the 220 kV section of the Bujagali Switchyard to accommodate the additional Unit up to the Boundary.

SECTION 4.2 Permanent Access Road.

A permanent access road will be constructed from the Jinja and Kayunga state highway, to the Complex powerhouse on the west bank of the River Nile. This permanent access road will be a single two lane carriageway having a carriageway width suitable to accommodate vehicles servicing the Complex.

The west bank access road will have a fully sealed bitumen wearing course. The design of the permanent access road will take account of traffic associated with the construction, operation and maintenance of the Complex. The access road wearing course will not be installed until all major construction activities on the Complex have ceased.

The west bank access road is shown on drawing number 11072-037-0018 in Annex B of the Implementation Agreement.

SECTION 4.3 Temporary Works.

(a) General. Temporary works will include all works necessary to construct the Complex not covered by the scope of the permanent works. All temporary works to be undertaken by the EPC Contractor will be confined within the land acquisition area shown on drawings 11072-037-0018 and 0019 in Annex B of the Implementation Agreement.

(b) River Diversion. It is anticipated that construction of the Complex will be undertaken in two stages:

- stage 1 will comprise construction of the powerhouse, spillways and associated work. The western channel of the river around Dumbbell Island will be isolated with cofferdams constructed at the upstream and downstream ends of this channel during this stage. The flow of the river will be diverted through the eastern channel: and
- stage 2 will comprise construction of the dam and associated work. The eastern channel of the river around Dumbbell Island will be isolated with cofferdams constructed at the upstream and downstream ends of the channel during this stage. The flow of the river will be diverted through ports in the main spillway and powerhouse in the western channel.

(c) Temporary Roads. Temporary roads necessary to maintain access to the various parts of the Site and the Staging Areas, including the permanent works, borrow areas and quarries, crushing and screening plant, concrete batching facilities, offices, workshop and storage facilities will be constructed and maintained by the EPC Contractor for the construction period. The temporary roads will be constructed to such a standard that shall enable construction traffic to utilise

them freely during all seasons of the year.

(d) Temporary Facilities. The EPC Contractor will provide facilities for use during construction including electrical supply, offices, workshops, stores, yards, explosive magazines, concrete batching plant, and crushing plant.

Borrow areas and quarries for fill materials, concrete aggregates, road surfacing aggregates and other miscellaneous requirements shall be established and maintained by the EPC Contractor. Such borrow areas and quarries shall be maintained during their use and reinstated at the end of the construction period in accordance with the Environmental Action and Monitoring Plan.

The EPC Contractor will provide all facilities required on site by the construction staff including cleaning, mess facilities, toilets, water supply, sewerage, sewage treatment systems and first aid stations.

(e) Housing. The majority of construction staff and labour force will be housed in and around Jinja and will travel to the site daily. Any temporary housing provided at the Site or at the Staging Areas will be removed on completion. No permanent housing will be constructed on the Site for the operations and maintenance staff.

SECTION 4.4 Dam and Associated Work.

The dam works for the Complex will comprise a dam of rockfill, earthfill, concrete or composite construction across the Victoria Nile River at Dumbbell Island.

If an embankment dam is adopted it is anticipated to be of rockfill or earthfill construction with a central clay core, filter zones and rip rap slope protection on the upstream face. The dam design will incorporate foundation treatment including grouting, internal drainage measures and instrumentation for monitoring of internal water pressures and settlement. The fill material for the embankment dam will be won from the borrow areas and quarries to be established by the EPC Contractor. These are expected to be located on the right bank of the river.

SECTION 4.5 Spillway System.

The total capacity of the spillway system is set out in Section 3.2. The spillway system will be constructed in reinforced concrete and will incorporate energy dissipation provisions. The effective operation of the spillway system will be confirmed by appropriate hydraulic model tests.

The spillway system shall be able to pass flow of 4500 m³/s with normal freeboard conditions appropriate to the type of dam selected without operator intervention.

SECTION 4.6 Intake, Powerhouse and Equipment.

(a) General. It is anticipated that the intake and powerhouse will be an integral structure. The deck structure above the intake shall be set at a level to provide freeboard against overtopping by wave action under maximum Head Pond conditions. Each turbine waterway shall be equipped with a closure device capable of closure under maximum unbalanced head and turbine runaway

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conditions. Each device shall be independent of the turbine and may be incorporated in the area of either the intake or draft tube gate arrangements. The time for closure under runaway conditions shall be compatible with the design of the turbine and generator.

(b) Intake Gates and Screens. Each intake will be equipped with screens to minimise the ingress of trash, including water hyacinth, into the turbines. A raking mechanism will be provided to clear the screens of accumulated debris. Each intake will be equipped with a gate. A gantry crane will be provided for operation, servicing and maintenance of the intake gates.

(c) Powerhouse and Tailrace Works. The powerhouse will be a fully enclosed weatherproof structure and will include the Units and their associated ancillary equipment.

Draft tube closure devices located on the downstream side of the powerhouse and operated by means of a crane will be provided to isolate the Units for maintenance.

Primary cooling water will be pumped from the Tail Water. Closed circuit cooling water systems will be provided for cooling the generator air and governor oil for each Unit.

Drainage and dewatering arrangements will be provided for the powerhouse. Leakage and seepage of water will be led to pits from where it will be pumped to the tailrace by main and standby submersible pumps operating under float control.

Oil storage tanks, and oil handling and purification facilities will be provided for maintaining the bearing, governor and transformer oil.

A compressed air system will be provided for charging the governor air/oil pressure receivers, for back-up generator braking and for other services.

The powerhouse will be provided with a ventilation system. The Control Room and office accommodation will be air-conditioned.

SECTION 4.7 Generation Plant and Equipment.

(a) Generating Units. The Units will be of vertical shaft arrangement and will comprise a Kaplan turbine with semi-spiral casings and a salient pole generator.

(b) Water Turbines and Mechanical Plant. The specific speed of the water turbines will be conservatively within manufacturers' experience limits for the proposed operation. Freedom from damaging cavitation of the turbine runner will be satisfied by turbine model testing.

The risk of fire or flooding will be minimised by prudent design including the provision of necessary detection and protection systems.

An electronic governor will control the relationship between the guide vane apparatus and the runner blade opening.

Each governor will have an oil pumping set and an oil pressure receiver. Main and standby oil pressure pumps will be provided.

The Units will be provided with associated ancillary equipment and systems including an overhead travelling crane and a workshop.

SECTION 4.8 Electrical Plant.

(a) Complex. Each generator will be connected to a generator unit transformer. The generator unit transformers will have an on-load tap-changing facility. The transformer windings are expected to be connected in delta/star with the low voltage winding being the delta winding. The high voltage winding will be solidly grounded.

The generator unit transformers will be connected to the Buiagali Switchyard by means of 220 kV cables.

(b) UEB Line. The general arrangements, single line diagrams and key characteristics of the primary electrical equipment are shown in the drawings in Schedule 3.

The new switchyards and the extensions to switchyards shall incorporate overhead lattice steel structures, busbars, circuit breakers, disconnect switches, interbus transformers.

current transformers, voltage transformers, line traps, surge arrestors, control and protection equipment insulators, earthing systems, lightning protection system's, outdoor lighting, and fencing.

Overhead lines shall be complete with lattice steel towers, reinforced concrete foundations, power and shield wire conductors, and insulators.

The Bujagali Switchyard will be a 220/132 kV outdoor open terminal switchyard and will be established close to the Complex. A single line diagram of the Bujagali Switchyard is shown in Drawing 3 of Schedule 3. A general arrangement drawing showing the proposed layout of the Bujagali Switchyard is shown in Drawing 4 of Schedule 3. The 220 kV section of the Bujagali Switchyard will have a double busbar single circuit breaker arrangement and include four generator unit transformer bays, two inter-bus transformer bays, two feeder bays. one bus-coupler bay and two bus-section disconnecter bays. The 132 kV section of the Bujagali Switchyard will have a double busbar single circuit breaker arrangement and will include two inter-bus transformer bays, four feeder bays and one bus-coupler bay. The Bujagali Switchyard will include two 220/132 kV inter-bus transformers.

A 220/132 kV outdoor open terminal switchyard will be established at Kawanda. A single line diagram of the switchyard is shown in Drawings of Scheduled. A general arrangement drawing showing the proposed switchyard layout is shown in Drawing 6 of Schedule 3. Both the 220 kV and 132kV sections of the switchyard will have a double busbar single circuit breaker arrangement. The 220 kV section of the switchyard will include two inter-bus transformer bays, two feeder bays and one bus-coupler bay. The 132kV section of the switchyard will include two inter-bus transformer bays, two feeder bays and one bus-coupler bay. The Kawanda switchyard will include two 220/132 kV inter-bus transformers.

A single line diagram of the electrical connection between the Complex and Grid System is

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shown in Drawing 2 of Schedule 3. The switchyard at the Complex will be connected to the Grid System by a 132 kV double circuit overhead line to the existing Owen Falls and Tororo 132kV switchyard. A 220 kV double circuit overhead line from the switchyard at the Complex to the Kawanda switchyard and a 132 kV double circuit overhead line from the Kawanda switchyard to the Mutundwe switchyard will also be provided.

The Route for the overhead lines is shown in Drawings 7 and 8.

Two - 132 kV outdoor open terminal feeder bays will be constructed at the Mutundwe switchyard to accommodate the additional circuits. Single line and general arrangement drawings for the connection of the UEB Line to the Grid System at Mutundwe switchyard are shown in Drawings 9 and 10 of Schedule 3. The additional control and relay equipment for the Mutundwe switchyard will be housed in the existing control and relay rooms at the switchyard.

Two 132 kV double circuit overhead lines will be constructed between the Bujagali Switchyard and the point at which the lines intersect the existing Owen Falls to Tororo double circuit line. Rearrangement works will be undertaken such that the Bujagali Switchyard is directly connected to the Owen Falls and Tororo switchyards. The general arrangement of the existing and modified line arrangements is shown in Drawing 13 of Schedule 3.

The 220 kV section of the switchyard at the Complex will be expanded by the addition of a generator unit transformer bay to facilitate connection of the fifth Unit. The single line diagram of the Bujagali Switchyard and its proposed arrangement is shown in Drawings 3 and 4 of Schedule 3 for the fifth Unit installation.

(c) Control and Protection. The generators at the Complex will be provided with differential, under frequency, stator earth fault, negative phase sequence, loss of excitation, overvoltage, reverse power and back-up short circuit protection facilities.

Protection for all other equipment will be provided as shown in the drawings in Schedule 3.

(d) Metering. Metering will be provided in accordance with Annex C.

(e) Synchronising. Synchronising equipment will be provided as shown in the drawings in Schedule 3. All synchronising of the Complex will be undertaken by the Company.

(f) Supervisory System Control and Telecommunications. A SCADA system will be provided for monitoring and control of the Complex. Facilities will be provided to enable communication of analogue, digital and pulse indication data to the Lugogo Control Centre. The following equipment, compatible with the existing SCADA system at the Lugogo Control Centre, will be provided:

- (i) new Remote Terminal Unit ("RTU") at the switchyard at the complex.
- (ii) new RTU at the Kawanda switchyard.
- (iii) extension of the RTU at the Mutundwe switchyard.

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(iv) extension of the existing Lugogo Control Centre SCADA to enable interface to the UEB Line and Complex.

The additional RTUs and extended Lugogo Control Centre SCADA will enable the monitoring and control of the Complex and the UEB line to provide:

- (i) status indication of circuit breakers, disconnectors and earth switches.
- (ii) indication of transformer tap positions.
- (iii) indication of power, reactive power, current and voltage on all feeders.
- (iv) metering as required by Annex C.
- (v) control of circuit breakers, disconnectors and earth switches over which UEB has operational control.

Any modifications to the existing Lugogo Control Centre SCADA software, including screen and database work, will be undertaken by UEB.

A "hot-line" telephone system will be installed for communication between the Control Room, the switchyard control room at the Complex and the Lugogo Control Centre.

A radio system will be provided for communications around the Complex.

Data and voice communications between the Control Room and the Lugogo Control Centre, the switchyard at the Complex and the Control Centre, and the Kawanda switchyard and Control Centre will be provided by either a power line carrier system or an optical fibre system. Data and voice communications between the Owen Falls switchyard and the Control Centre and between the Mutundwe switchyard and the Control Centre will use existing facilities. Data and voice communications systems will make use of the existing systems where possible with new facilities being provided having an appropriate bandwidth for the transfer of such required information between the Complex, the UEB Line and the Grid System.

(g) Auxiliary Power System. A station auxiliary switchboard for the Complex and the associated 220/132 kV switchyard will be provided. This will be derived from tertiary windings on the interbus transformer(s) at the switchyard at the Complex. A diesel generator will be provided for black start capability and for emergency power supplies.

Each generator will also be equipped with its own unit auxiliary transformer directly connected to the lineside busbars of the Unit. The unit auxiliary transformers will each be connected to their own unit auxiliary switchboard which will be connected to the station auxiliary supply switchboard for initial start-up.

A station auxiliary switchboard for the 220/132 kV Kawanda switchyard will be provided. This will be supplied by a station auxiliary transformer deriving its supplies from the local Grid System or from the tertiary windings on the interbus transformers.

The extensions to the Mutundwe switchyard will derive their auxiliary supplies from those existing in the respective existing control and protection rooms.

Article V

HEALTH AND SAFETY

The EPC Contractor shall submit to the Company for approval and will be required to operate health and safety programme.

Article VI

ENVIRONMENTAL MANAGEMENT

The EPC Contractor will be required to implement the Environmental Action and Monitoring Plan during the construction period in compliance with the Laws of Uganda and World Bank Guidelines.

SCHEDULE:2

TECHNICAL LIMITS

The Complex cannot operate outside of the following Technical Limits:

1.1	Maximum Head Pond level.	m	1113
1.2	Minimum Head Pond level.	m	1109.5
1.3	Minimum continuous capacity	MW	15
1.4	Minimum time for a Unit to achieve Unit Contracted Capacity from the moment the Unit is synchronized	s	60
1.5	At 220 kV Grid System voltage and 50 Hz system frequency, the Unit power factor range at the generator terminals with the Unit operating at Unit Contracted Capacity		0.85 lagging to 0.95 leading
1.6	220 kV Grid System high voltage range for continuous Complex operation	kV	220 ± 10%
	132 kV Grid System high voltage range for continuous Complex operation	kV	132 ± 10%
1.7	Grid System frequency range for continuous Complex operation	Hz	48 to 51
1.8	Dispatch notice required for a Unit to be synchronised following shutdown	mins	60
1.9	Maximum average loading rate	%/sec	1.6
1.10	Maximum average deloading rate	%/sec	1.6

SCHEDULE 3

DRAWINGS

DRAWING 1	Electrical Boundaries.
DRAWING 2	Single Line Diagram of Electrical Connection Between the Complex & Grid System.
DRAWING 3	Bujagali 220 / 132 kV Switchyard Single Line Diagram.
DRAWING 4	Bujagali 220 / 132 kV Switchyard General Arrangement.
DRAWING 5	Kawanda 220 / 132 kV Switchyard Single Line Diagram.
DRAWING 6	Kawanda 220 / 132 kV Switchyard General Arrangement.
DRAWING 7	Indicative Layout of 220/132 kV Line Route. Sheet 1 of 2.
DRAWING 8	Indicative Layout of 220/132 kV Line Route. Sheet 2 of 2.
DRAWING 9	Mutundwe 132kV Switchyard. Single Line Diagram showing new extensions Kawanda 1 & 2 Feeder Bays.
DRAWING 10	General Arrangement showing new Ext. to Kawanda 1 & 2 Feeder Bays.
DRAWING 11	Owen Falls 132kV Switchyard Existing and New Transmission Line Entries.

ANNEX B
TO POWER PURCHASE AGREEMENT
COMMISSIONING TESTS

ARTICLE I

TESTING PROCEDURES AND PROGRAMME

The testing programme (in accordance with Prudent Utility Practices) and the schedule for tests will be developed by the Company and approved by UEB in accordance with Section 9.1 of the Agreement.

The testing programme will include:

- An indication of the date, time and duration of the tests
- Detailed procedure for the tests
- The success or failure criteria for the tests
- The system for documenting the results of the tests

Prior to and during the period of the tests, UEB shall supply all information reasonably requested by the Company to facilitate the development of procedures for the tests. If requested by the Company on reasonable notice or at UEB's option, representatives of UEB shall be present during the tests at UEB's expense.

ARTICLE II

PRELIMINARY TEST PROGRAMME

SECTION 2.1 UEB Fine Tests.

These tests will include the following:

- Check and measure the resistance of the primary current carrying conductors and joints to confirm the correctness of installation;
- Confirm the integrity of insulation, connections and phasing;
- Check and measure resistivity of the earthing grid and earthing system;
- Confirm equipment characteristics and ratings;
- Check settings and operation of protective relays and similar devices;
- Check the operation of the control systems; and

- Check the operation of the SCADA and communication installation.

SECTION 2.2 Complex Tests.

(a) Excitation System Operation

The excitation system of each Unit will be demonstrated to have the dynamic performance indicated in Drawing 2 of Schedule 3 to Annex A.

Each Unit will be demonstrated to be capable of fulfilling the loading and deloading rates specified in the Technical Limits.

(b) Reactive Capacity

Each Unit will be demonstrated to be capable of operating at rated voltage and frequency and within the power factor range indicated in the Technical Limits.

(c) Load Rejection Tests

Load rejection tests up to full load will be performed on each Unit separately.

(d) Minimum Continuous Capacity

Tests will demonstrate the capability of each Unit to be operated at the minimum continuous capacity as stated in the Technical Limits.

(e) Capacity Test

Subject to Article IV hereof, the following capabilities will be demonstrated:

- (i) That each Unit meets the Unit Contracted Capacity
- (ii) That the Complex meets the Complex Contracted Capacity.

ARTICLE III

COMPLETION OF UNIT AND UEB LINE COMMISSIONING

A Unit will be deemed to be Commissioned when the tests outlined in Section 2.2(a) to 2.2(d) have been completed successfully.

The UEB Line will be deemed to be Commissioned when the tests outlined in Section 2.1 have been completed successfully.

ARTICLE IV

DETERMINATION OF COMPLEX RATED CAPACITY

(a) Provided each Unit has been Commissioned in accordance with Article 3 above and the Complex has otherwise been Commissioned in all other respects the Company may declare by notice to UEB that the Complex has been Commissioned, whether or not the Complex is capable of

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achieving the Complex Contracted Capacity.

(b) In the event that the Complex fails to reach the Complex Contracted Capacity on completion of the Commissioning Tests, then the result of this Commissioning Test shall be declared to be the Complex Rated Capacity and used in the calculation of the Capacity Payment adjustment in accordance with Section 6.10 of Annex D to this Agreement.

(c) Any dispute as to the Complex Rated Capacity shall be referred to an expert for resolution in accordance with the provisions of Section 14.3 of this Agreement.

ANNEX C TO POWER PURCHASE AGREEMENT

MEASURING SYSTEMS

1. Hydraulic Measuring Devices.

The Hydraulic Measuring Devices shall consist of the following:

- (a) An electronic gauge located in a stilling well in the Head Pond to measure the level of water in the Head Pond to within an accuracy of ± 40 millimetres; and
- (b) An electronic gauge located in a stilling well in the Tail Water to measure the level of water in the Tail Water to within an accuracy of ± 40 millimetres.

2. Visual Measuring Devices. A visual gauge will be located in a stilling well in each of the Head Pond and Tail Water.

3. SCADA.

The Main Measuring System and the Check Measuring System shall be connected to the Control Centre SCADA and to the Control Room SCADA.

4. Output Meters.

Each Output Meter shall record kW and kW'h. and MVAR and MVARh to an accuracy of $\pm 0.5\%$.

5. Testing.

(a) Initial Testing. The Hydraulic Measuring Devices and the Output Meters shall be tested for accuracy following manufacture at an accredited testing facility. The current and voltage transformers will be tested for ratio and phase angle errors following manufacture at an accredited testing facility. Test certificates issued by the testing facility will be issued independently to both Parties. Either Party may attend the testing at its own expense. The Company shall initially test the Hydraulic Measuring Devices and Output Meters for accuracy in accordance with Section 7(b) and (c) by the later of 15 days after they are installed or the date set for initial testing of the first Unit.

(b) Subsequent Testing. Each Party shall thereafter test the Hydraulic Measuring Devices and Output Meters for accuracy at least once every ten years.

(c) Repair, Replacement or Recalibration. When any component of either the Main Measuring System or Check Measuring System is found to be outside acceptable limits or is not functioning properly, the Party that owns such meter shall forthwith repair, recalibrate or replace such component at its expense. Upon the completion of any

examination, maintenance, repair or recalibration of, or replacement of any component of the measuring system, the applicable component shall be tested at an accredited testing facility

(d) Notice. Each Party shall give the other Party at least seven days advance notice of any testing.

The Party receiving notice shall have the right to have a representative present during any such testing, as well as during any inspection of the Main Measuring System and Check Measuring System or any adjustment thereof.

6. Sealing

The Output Meters and containers of the Hydraulic Measuring Devices shall be jointly sealed. Except in an Emergency, each Party shall give the other Party at least 24 hours advance notice of the breaking of any seals. Each notice shall specify the time at which a meter seal shall be broken, and the other Party shall have the right to have a Person present when such seal is broken.

7. Reading.

(a) Within Accuracy Tolerances. If the Main Measuring System and Check Measuring System readings at the specified intervals are within the acceptable tolerances for accuracy set forth herein, the following provisions shall apply:

(i) The Hydraulic Measuring Devices and the Output Meters shall be capable of being sampled at least once every six seconds;

(ii) The Output Capacity (as defined in Annex D) for each hour shall be calculated by aggregating the average kW readings taken at each Output Meter of the Main Measuring System. The average kW reading for each Output Meter shall be determined by aggregating the kW readings for that Output Meter at six-second intervals over that hour and dividing by 600.

(iii) The Hydraulic Conditions for each hour shall be calculated by summing the differences between the readings of the Hydraulic Measuring Devices of the Main Measuring System at six-second intervals over that hour and dividing by 600.

(b) Output Meters. If the readings of the Output Meters vary from each other by more than 0.5%, each Party shall perform additional testing of the Output Meter owned by it.

(i) In such event, the readings of the Output Meter not found to be inaccurate by more than 0.5% shall be used to calculate the correct amount.

(ii) If both Output Meters are found to be inaccurate by more than 0.5% or are otherwise functioning improperly, the Company and UEB shall prepare an estimated calculation on the basis of all available information.

(c) Water Level Gauges. If the Hydraulic Measuring Device readings of the Main Measuring System and the Check Measuring System vary by more than 40 millimetres each Party shall perform additional testing of the Hydraulic Measuring Devices owned by it.

(i) In such event, the readings of the gauge in the Head Pond and Tail Waters found not to be inaccurate by more than 40 millimetres shall be used to calculate the correct Hydraulic Conditions.

(ii) If both gauges in the Head Pond and Tail Water, are found to be inaccurate by more than 40 millimetres or are otherwise functioning improperly, the Company and UEB shall prepare an

estimated calculation on the basis of all available information, including the reading of the visual gauges.

(d) Inaccuracy. In the event that the Parties are obligated to prepare an estimated calculation because of the malfunction or inaccuracy beyond agreed-upon tolerances of a meter, the malfunction or inaccuracy shall be deemed to have begun on the date which is midway between the date the meter was found to be malfunctioning or inaccurate and the date of the last meter reading accepted by the Parties as accurate if the period of malfunction or inaccuracy cannot be adequately determined. In no event, however, shall any such adjustment be made for any period prior to the date on which such meter was last tested and found to be accurate within the permitted tolerances and not otherwise functioning improperly.

ANNEX D

To

POWER PURCHASE AGREEMENT

BUJAGALI HYDROELECTRIC PROJECT

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TARIFF AND TARIFF ADJUSTMENTS

ARTICLE I

INTRODUCTION

SECTION 1.1

This Annex D shall be read in conjunction with, and is subject to, the provisions of Article VIII of this Agreement, of which this Annex D is a part. References to Sections are references to Sections of this Annex D unless otherwise indicated. References to Tables and Schedules are to the Tables and Schedules included in this Annex D.

Capitalised terms not defined in Article II or Article VI shall have the respective meanings given them in Article I of this Agreement.

Article II sets forth definitions specifically applicable to this Annex D.

Article III sets forth the determination of Tariff Project Costs.

Article IV establishes the spending profile for Non-EPC Costs and character of Tariff Project Costs.

Article V establishes the mathematical formulae used to determine the amount to be charged for each component of the Capacity Payment.

Article VI establishes the Bonus/Penalty adjustments to the Capacity Payment.

Article VII establishes the miscellaneous charges and credits to the Capacity Payment.

The Tables attached in Schedule 1 set out various numerical data.

The monthly invoice delivered by the Company to UEB pursuant to Section 8.3(a) of this Agreement shall be substantially in the form set out in Schedule 2 unless otherwise agreed to by the Parties.

Calculation of the components of the Capacity Payment shall be made in US Dollars unless otherwise specified.

ARTICLE II

DEFINITIONS

"Actual Project Costs" - Gross Contracted Project Costs. IDC, Financing Fees and the Debt Service Reserve, plus any additional costs incurred by the Company (whether as a result of a Force Majeure Event or otherwise) to develop, construct, insure, finance, test and complete the Project.

"AEUDC" - Allowance for equity used during construction, which shall be determined in accordance with Section 4.3(b).

"Aggregate Equity" - An amount equal to the sum of Equity and AEUDC determined in accordance with Section 4.3(c).

"Assumed Discharge" - Commencing in January 1999, a Mean Monthly Discharge of 1600m³/s, declining monthly on a linear basis to 660m³/s to January 2018, and remaining at 660m³/s for the remainder of the Term.

"Assumed Leverage" - The actual debt to equity ratio of the Company on Financial Closing, plus 70% of the positive difference, if any, between a debt to equity ratio of 75 to 25 and the actual debt to equity ratio. For example, if the actual debt to equity ratio is 80-20, the Assumed Leverage will equal 76.5 to 23.5. Under no circumstances shall the Assumed Leverage be less than a debt to equity ratio of 75 to 25.

"Average Discharge" - In any month, the Mean Monthly Discharge for such month and the preceding five months, divided by six.

"Base Discharge" - Commencing in December 1999, a Mean Monthly Discharge of 700m³/s, declining monthly on a linear basis to 450m³/s for November 2015, and remaining at 450m³/s for the remainder of the Term.

"Construction Period" - The period between the earlier of (i) the date of Construction Start or Financial Closing and (ii) the earlier of the Commercial Operations Date or the Initial Commercial Operations Date.

"Contracted EPC Costs" - The total sum payable pursuant to the EPC Contract.

"Contracted PVEPC Costs" - The amount determined in accordance with Section 3.1(b)(ii).

"Cost Savings" - An amount equal to the sum of (a) 80% of the first US\$ 10,000,000 of the positive difference between Gross Estimated EPC Costs and Gross Contracted EPC Costs; and (b) 50% of any additional positive difference between Gross Estimated EPC Costs and Gross Contracted EPC Costs. For purposes of determining Cost Savings, Gross Contracted EPC Costs shall be determined as of the Commercial Operations Date using the actual spending profile.

"CPI" - The U.S. Consumer Price Index, or any replacement therefor.

"Debt" - The amount determined in accordance with Section 4.2(a), but not any replacement debt therefor or debt attributable to any refinancing.

"Debt Service Coverage Ratio" - As established in the Financing Agreements.

"Debt Service Reserve" - The amount to be determined and fixed at Commercial Operations Date which is equivalent to the sum of (i) the aggregate amount payable by the Company pursuant to the Financing Agreements in respect of repayment of principal on debt provided in the Financing Agreements (after completion of any grace period provided for therein) and interest thereon (at such rates provided for in the Financing Agreements) over a six-month period and (ii) a sum equivalent to a proportion of the Financing Fees (such sum to be deemed to be spent on Financial Closing and, for

the period between Financial Closing and Commercial Operations Date attracting the Interest Rate), such proportion being that to which the sum determined pursuant to (i) bears to the total principal amount of debt under the Financing Agreements.

"Deemed Commercial Operations Date" - The first day of the first month following the month in which the Commercial Operations Date occurs.

"Equity" - The amount determined in accordance with Section 4.3(a).

"Equity Yield" - 18.0% per annum.

"Estimated EPC Costs" - The amount determined in accordance with Section 3.1(a).

"Estimated Project Costs" - The sum of Estimated EPC Costs. Non-EPC Costs. IDC. Financing Fees and the Debt Service Reserve.

"Financing Fees" - The fees payable by the Company to the Lenders pursuant to the Financing Agreements, including any fees for financing with respect to the Option Price and any contingencies.

"Gross Contracted EPC Costs" - The amount determined in accordance with Section 3.1(b)(ii).

"Gross Contracted Project Costs" - The sum of Gross Contracted EPC Costs and Non-EPC Costs.

"Gross Estimated EPC Costs" - The amount determined in accordance with Section 3.1(a)(iii).

"Gross Estimated Project Costs" - The sum of Gross Estimated EPC Costs and Non-EPC Costs.

"Hydrological Force Majeure Event" - Any month in which the Average Discharge is less than the Base Discharge, as provided in Section 5.6.

"IDC" - Interest During Construction, which shall be determined in accordance with Section 4.2(c)(ii).

"Interim Energy Payment" - The amount determined in accordance with Section 3.7.

"Maximum Capacity Payment" - The annual amount set forth in Table 4 to Schedule 1 hereto.

"Mean Monthly Discharge" - The average of the volumes of the water determined to flow out of Lake Victoria in any month using the Agreed Curve and the readings taken at the staff gauge at Jinja during that month on a daily basis and expressed in cubic meters per second (m³/s).

"Non-EPC Costs" - Those Project costs established by negotiation between the Parties, and set forth in Table 1 to Schedule 1 hereto.

"Option Price" - The amount set forth in Section 3.6.

"Pass-Through Costs" - The costs funded by the Company (i) to enable GOU to acquire the Site, the Inundated Land and the Staging Areas, and UEB to acquire the necessary way-leaves, rights-of-way or easements with respect to the Route, (ii) in payment of the fees and expenses for GOU consultancy services, (iii) in preparing an environmental impact assessment with respect to the construction of the UEB Line; (iv) in payment of any fees imposed by the National Environmental Management Authority; (v) customs duties, inspection fees and similar taxes imposed during the Construction Period; and (vi) in payment of any levy, royalty, fee or other form of payment imposed on the Company pursuant to the Electricity Act, including payments in accordance with Section 23(c), 65(2)(c) and 76(7) of the Electricity Act.

"Tariff Project Costs" - The amount determined in accordance with Sections 3.4 through 3.9.

ARTICLE III

DETERMINATION OF TARIFF PROJECT COSTS

SECTION 3.1 Estimated EPC Costs and Contracted EPC Costs.

(a) Estimated EPC Costs.

(i) The Panics have agreed that Estimated EPC Costs are US\$330,000,000 in year-end 1998 Dollars, as the same may be adjusted from time to time pursuant to mutual agreement.

(ii) The spending profile of Estimated EPC Costs over the 44-month Construction Period is assumed to be 24% in the middle of month 5, 32% in the middle of month 16, 30% in the middle of month 27 and 14% in the middle of month 38, and each such amount shall be adjusted for inflation by multiplying it by the

deemed annual inflation rate of 0.72% from year-end 1998 to the date when it is deemed to be spent.

(iii) The four results determined pursuant to Section 3.1(a)(ii) shall be summed to equal Gross Estimated EPC Costs.

(b) Contracted EPC Costs and PVEPC Costs.

(i) Contracted PVEPC Costs shall be determined by - discounting the projected payment profile of Contracted EPC Costs from the month they are contracted to be made back to the month of Financial Closing by 13% per annum, and summing the results.

(ii) Contracted PVEPC Costs shall be adjusted to their future value by using the Interest Rate and assuming the spending profile set forth in Section 3.1(a)(ii), and summing the results to equal Gross Contracted EPC Costs.

SECTION 3.2 Gross Contracted Project Costs.

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(a) If Gross Contracted Project Costs exceed Gross Estimated Project Costs by more than 5%, and the Company elects not to proceed with the Project, the provision of Section 2.3 of the Implementation Agreement shall apply.

(b) If Gross Contracted Project Costs exceed Gross Estimated Project Costs, and the Company elects to proceed with the Project, the Company shall fund the entire amount of such additional cost, subject to Section 3.3 with respect to increased costs resulting from Political Force Majeure Events. GOU Events of Default or UEB Events of Default.

SECTION 3.3 Actual Project Costs.

If the Company elects to proceed with the Project, it shall procure the funding of Actual Project Costs necessary to complete the Project, provided, however, that the Company shall not be obligated to fund additional costs incurred as a result of a Political Force Majeure Event. GOU Event of Default or UEB Event of Default to the extent that such costs exceed US\$5 million in the aggregate. The Company shall endeavour to obtain financing for any cost overruns on the best terms reasonably available under the circumstances.

SECTION 3.4 Tariff Project Costs.

Except as provided in Sections 3.5 through 3.9:

(a) If Gross Contracted Project Costs exceed Gross Estimated Project Costs, the amount includable in Tariff Project Costs shall equal the sum of (i) Gross Estimated Project Costs plus 1/2 of the difference between Gross Contracted Project Costs and Gross Estimated Project Costs, but not more than 102.5% of Gross Estimated Project Costs, and Pass-Through Costs, IDC, Financing Fees and the Debt Service Reserve.

(b) If Gross Contracted Project Costs are equal to Gross Estimated Project Costs, the amount includable in Tariff Project Costs shall equal the sum of (i) Gross Estimated Project Costs, and (ii) Pass-Through Costs, IDC, Financing Fees and the Debt Service Reserve.

(c) If Gross Contracted Project Costs are less than Gross Estimated Project Costs, the amount includable in Tariff Project Costs shall equal the sum of (i) Gross Contracted Project Costs plus the Cost Savings, and (ii) Pass-Through Costs, IDC, Financing Fees and the Debt Service Reserve.

SECTION 3.5 Political Force Majeure Costs and Delay Costs.

(a) If Actual Project Costs (other than Non-EPC Costs) exceed Contracted Project Costs (other than Non-EPC Costs) as a result of a Political Force Majeure Event. GOU Event of Default. UEB Event of Default, Change in Law or Change in Tax or delay pursuant to Section 2.4 of the Implementation Agreement occurring prior to the Commercial Operations Date, the amount of such excess costs attributable to such Political Force Majeure Event. GOU Event of Default. UEB Event of Default. Change in Law. Change in Tax or delay that are funded by the Company shall be added to Tariff Project Costs (determined pursuant to Section 3.4) on the basis of the Assumed Leverage, and shall be deemed to be part of Tariff Project Costs for all purposes of this Agreement. In addition,

in the event that a Political Force Majeure Event. GOU Event of Default. UEB Event of Default. Change in Law. Change in Tax causes a delay in the Commercial Operations Date, the amount of the Non-EPC Costs shall be increased by \$492.396 for each month of delay (with a pro rata adjustment for a portion of any month).

(b) If additional costs of a capital nature are incurred by the Company as a result of a Political Force Majeure Event. GOU Event of Default. UEB Event of Default. Change in Law or Change in Tax occurring after the Commercial Operations Date, the amount of such additional costs shall be added to Tariff Project Costs on the basis of the Assumed Leverage, and the Capacity Payment thereafter adjusted in accordance with the principles established in Section 5.

(c) If additional expenses are incurred by the Company (other than those set forth in Section 3.5(b)) as a consequence of a Force Majeure Event. GOU Event of Default. UEB Event of Default. Change in Law or Change in Tax occurring after the Commercial Operations Date, such expenses shall be recoverable by an adjustment to the O&M component of the Capacity Payment.

SECTION 3.6 The Option.

The Tariff Project Costs set forth in Section 3.4 relate to the Project before exercise of the Option. As provided in this Agreement, UEB may exercise its option at any time prior to the end of the 18th month after Financial Closing to have the Company procure the installation of a fifth Unit (and related work as provided in Annex A to this Agreement). The cost of the Option shall be US\$24,500,000. and the Company shall finance the cost thereof on

the basis of the Assumed Leverage, and the Capacity Payment thereafter adjusted in accordance with the principles established in Section 5. In addition, (i) the Maximum Capacity Payment for each year shall be increased by the same amount as the annual increase in the Capacity Payments resulting from such adjustment to Tariff Project Costs; and (ii) the 44-month Construction Period shall be 46 months, and all references to such 44-month Construction Period shall be deemed a reference to a 46-month Construction Period.

SECTION 3.7 Energy Payments Prior to the Commercial Operations Date.

(a) All payments made by UEB on account of Interim Net Electrical Output ("Interim Energy Payment") in accordance with Section 8.3(b) of this Agreement shall be applied by the Company to fund and reduce Actual Project Costs that constitute Tariff Project Costs.

(b) The Company shall, on the Commercial Operations Date, deposit in the Liquidity Account the equivalent of the Interim Energy Payment in Dollars, up to a maximum of US\$20,000,000. In the event that the Interim Energy Payment is less than US\$20,000,000. UEB shall on the Commercial Operations Date fund the balancing amount such that the Liquidity Account has a credit balance of no less than US\$20,000,000 pursuant to the Liquidity Account Agreement.

(c) In the event that the Interim Energy Payment is more than US\$20,000,000 the Company shall, at its discretion, on the Commercial Operations Date pay to the counterparty under the EPC Contract a sum equivalent to no more than US\$.0175 per kWh for each kWh produced in excess of 417,000 MWhrs: provided, however, that the counterparty under the EPC Contract shall

not be entitled to receive more than US\$3,000,000 pursuant to this provision.

(d) Any balance remaining of the Interim Energy Payment after deduction of the sums determined pursuant to Sections 3.7(b) and (c) above shall be applied by the Company to fund and reduce Tariff Project Costs. The Parties have assumed for purposes of the Maximum Capacity Payment that the Interim Energy Payment available (after payment of the sums determined pursuant to Sections 3.7(b) and 3.7(c)) will be at least the equivalent of US\$16,000,000. In the event that the net Interim Energy Payment is less than US\$16,000,000, such difference in Dollars shall be deemed to be added to Tariff Project Costs on the basis of the Assumed Leverage, and the Maximum Capacity Payment for each year increased by the same amount as the annual increase in the Capacity Payments resulting from such adjustment to Tariff Project Costs.

SECTION 3.8 Maximum Capacity Payment and Debt Terms.

The Maximum Capacity Payment has been determined upon, among other things, certain assumptions about the term and amortisation of the Debt. If (i) the term of the Debt can be extended or the amortisation deferred or (ii) the Parties and the World Bank agree on the utilisation of the partial risk guarantee programme to lower the average cost of debt, the Parties shall discuss and agree an addendum to this Agreement reflecting a reduction in the

Maximum Capacity Payment, with a corresponding adjustment, including interest on the deterred principal, in subsequent years of the Term. In the event that the partial risk guarantee programme is utilised pursuant to (ii) above, the Maximum Capacity Payment shall be reduced by an amount which corresponds to the saving on the cost of Debt which shall be determined by (a) calculating the Capacity Payment assuming the average cost of debt under the Financing Agreements excluding debt covered pursuant to the partial risk guarantee (such covered debt for these purposes shall be deemed to be on the basis of the weighted average life and average interest rate applying to all other debt) and (b) calculating the Capacity Payment assuming the average cost of debt under the Financing Agreements including actual debt covered pursuant to the partial risk guarantee facility. The difference between the Capacity Payment under (a) and (b) shall be the saving which shall be reflected in the calculation of Debt pursuant to this Annex D and a proportionate reduction to the Maximum Capacity Payment for each year.

SECTION 3.9 Savings from the Deferred Contribution of Equity.

The Parties have agreed to use their best endeavours to defer the Company's contribution of Equity as late as possible during the Construction Period, to the extent permitted by the Lenders. Any savings resulting therefrom shall be split equally between the Parties. In such event, the Parties shall calculate the amount of AEUDC and IDC that would have accrued had Tariff Project Costs been funded pro rata at the Assumed Leverage and the amount of AELDC and IDC that actually accrued. The amount of savings shall be the difference between the sum of AEUDC and IDC using the Assumed Leverage and the sum of AELDC and IDC actually accrued. The amount of savings allocated to the Company shall be added to the calculation of Tariff Project Costs at the Commercial Operations Date as Debt and Equity on the basis of the Assumed Leverage.

ARTICLE IV

APPLICATION OF TARIFF PROJECT COSTS TO THE CAPACITY PAYMENT

SECTION 4.1 Schedule of Tariff Project Costs.

(a) The Non-EPC Costs set forth in Table 1 to Schedule 1 shall be deemed spent on the last day of each month during the assumed 44-month Construction Period, as provided in Table 1; *provided, however*, that all Non-EPC Costs shall be deemed spent no later than the Commercial Operations Date.

(b) Costs other than Non-EPC Costs shall be included in Tariff Project Costs on an as-funded basis, except that Cost Savings shall be deemed to be funded entirely with Equity and shall be deemed contributed rateably over the Construction Period such that the amount of Equity in such event shall be determined in accordance with the following:

$$\$_{ED} = \$_{EQ} \times \left(1 + \frac{\text{Cost Savings}}{\text{Equity}}\right)$$

Where $\$_{ED}$ is each Dollar of Equity deemed contributed, including Cost Savings, to fund those costs other than Non-EPC Costs and the component of IDC attributable to Non-EPC Costs. $\$_{EQ}$ is each Dollar of Equity deemed contributed, excluding Cost Savings, to fund those costs other than Non-EPC Costs and the component of IDC attributable to Non-EPC Costs and Equity is the total Equity deemed contributed to fund those costs other than Non-EPC Costs and the component of IDC attributable to Non-EPC Costs without regard to this provision.

SECTION 4.2 Debt.

(a) The principal amount of the Debt included in the Tariff Project Costs shall be on the basis of the Assumed Leverage applied to Tariff Project Costs, regardless of the actual amount of indebtedness, except as provided in Section 4.1(b). Except as provided in Section 3.5, if Actual Project Costs are different than Estimated Project Costs, the principal amount of each financing tranche of Debt pursuant to the Financing Agreements for Tariff Project Cost purposes will be proportionately adjusted, except that a priority will be given to any partial-risk guarantee financing, and no reduction will be applied to any Rule 144A financing. The Maximum Capacity Payment assumes that the Debt will have a weighted average life of 12 years. If the Debt has a longer weighted average life, the Capacity Payment shall be calculated using the assumed term of the Debt and the actual term, keeping all other assumptions the same. The difference between the original Capacity Payment and the adjusted Capacity Payment shall be subtracted from the Maximum Capacity Payment for each year.

(b) Each tranche of Debt shall bear interest on the unpaid principal balance at the annual interest rate provided in the applicable Financing Agreement.

(c) IDC.

(i) During the Construction Period, the Company shall fund all interest payments on each tranche of Debt.

(ii) For purposes of calculating Tariff Project Costs. IDC shall equal the amount of interest on the Debt as and when it is drawn until the earlier of the Initial Commercial Operations Date or the Commercial Operations Date,

SECTION 4.3 Equity.

(a) The amount of Equity included in Tariff Project Costs shall be on the basis of the Assumed Leverage applied to Tariff Project Costs, regardless of the actual amount of capital invested as equity, except as provided in Section 4.1(b).

(b) AEUDC.

(i) AEUDC will accrue on the Equity from the day the Equity is contributed until -the earlier of the Initial Commercial Operations Date or the Commercial Operations Date.

(ii) AEUDC on Equity used to fund costs other than Non-EPC Costs during the Construction Period will be calculated as follows:

$$AEUDC = \sum_{n=1}^N (Draw_n \times (1 + Day_{Rate})^k) \times (1 + Month_{Rate})^{i-1} - Draw_n$$

where N is equal to the total number of Equity draws. Day_{Rate} is equal to .0511%. $Month_{Rate}$ is equal to 1.566%, the amount of money contributed as Equity is Draw, and the amount is contributed k days before the end of month i , of the Construction Period, which is j months long.

(iii) AEUDC on Equity used to fund Non-EPC Costs will be calculated based on the agreed spending profile contained in Table 1 of Schedule 1 hereto. AEUDC will be calculated as follows:

$$AEUDC = \sum_{n=1}^N \{ [(Draw_{PreFCn} \times (1 + Month_{Rate})^x) - (Draw_{PreFCn \times DAY})] \times ((1 + Month_{Rate})^y) - EAL \times Draw_{PreFCn} \} + \sum_{n=1}^N [(Draw_{PostFCn} \times (1 + Month_{Rate})^z) - Draw_{PostFCn}]$$

where N is equal to the total number of Equity draws (pre- or post-Financial Closing). $Month_{Rate}$ is equal to 1.566%. $Draw_{PreFCn}$ is the amount of a draw prior to Financial Closing and $Draw_{PostFCn}$ is the amount of a draw after Financial Closing and prior to the end of the Construction Period, x is equal to the number of months between the contribution as per Table 1 of Schedule 1, and the first day of the month in which Financial Closing occurs, y is the number of month between Financial Closing and the end of the Construction Period, z is the number of months between contributions pursuant to Table 1 of Schedule 1 occurring post-Financial Closing and the end of the Construction Period. DAL is the percentage of Debt represented by the Assumed Leverage, and EAL is the percentage of Equity represented by the Assumed Leverage.

(c) The Aggregate Equity included in Tariff Project Costs shall equal the sum of the amounts determined pursuant to Sections 4.3(a) and 4.3(b).

ARTICLE V

CALCULATION OF THE MONTHLY CAPACITY PAYMENT

SECTION 5.1 Components of the Capacity Payment.

(a) The Capacity Payment for each month shall be the lesser of (i) the amount determined pursuant to this Section 5 or (ii) if UEB elects to defer any part of the Capacity Payment pursuant to Section 5.5.1(b), 1/12 of the Maximum Capacity Payment set forth for the applicable year in Table 4 to Schedule 1 hereto, plus any adjustments resulting from Sections 3.5, 3.6, 3.7, 6, 7 or subsection (b) of each of Sections 5.5(a) through 5.5(d), and minus any adjustments resulting from Section 3.8 or 3.9.

(b) Subject to this Section 5.1 and Section 13.7 of this Agreement, the Capacity Payment shall be the sum of the following components:

- (i) Repayment of Debt;
- (ii) Interest on the Debt;
- (iii) Repayment of Aggregate Equity;
- (iv) Return on Aggregate Equity;
- (v) Corporate Income Taxes; and
- (vi) O&M Expenses;

less

- (x) the release of funds from the Debt Service Reserve; and
- (y) earnings on the Debt Service Reserve (unless such earnings are retained in the Debt Service Reserve) and other Project funds during the Construction Period.

The amount of each of these components shall be calculated in accordance with the formulae set out in this Section 5. Each component of the Capacity Payment shall appear as a line item on the invoice delivered to UEB the form of which invoice is set forth as Schedule 2. The values used to calculate the components of the Capacity Payment shall be based on the Debt and Equity established in the determination of the Tariff Project Costs pursuant to Sections 3 and 4, the Laws of Uganda relating to corporate income taxes in effect from time to time and the O&M Expenses established in Section 5.8.

SECTION 5.2 Repayment of Debt and Interest on the Debt.

The Debt component of the Capacity Payment in any month shall equal the amount required to pay principal of, and interest on, the Debt pursuant to the Financing Agreements during the year in which such month occurs, divided by 12.

SECTION 5.3 Repayment of Aggregate Equity.

(a) Subject to Section 5.5, the Repayment of Aggregate Equity component of the Capacity Payment in any year shall be determined by dividing Aggregate Equity by 30, as set forth below:

$$EqRep_n = EqAgg \div 30$$

where $EqRep_n$ is the amount required to be paid in any year, n, on account of Aggregate Equity and $EqAgg$ is the amount of Aggregate Equity determined in accordance with Section 4.

(b) The Repayment of Aggregate Equity component of the Capacity Payment in any month shall equal $EqRep_n$ for the year in which such month occurs, divided by 12.

SECTION 5.4 Return on Equity.

(a) The Return on Aggregate Equity component of the Capacity Payment shall be the monthly charge determined as provided in this Section 5.4.

(b) Aggregate Equity shall be entitled to the Equity Yield, after payment of applicable withholding taxes. The Return on Aggregate Equity for a year shall be determined as follows:

$$EqRet_n = [(EqAgg - (EqRep_n \times (N - .5))) \times .18 + Y^i + X^l] \times (1 + \frac{TaxRate_{with}}{(1 - TaxRate_{with})}) - DefRet_n$$

where $EqRet_n$ is the aggregate amount required to be paid in any year on account of the Return on Equity, N is year 1 through 30, as applicable, $EqRep_n$, and $EqAgg$ are as defined in Section 5.3. $DefRet_n$ is the total deferral taken in year n in accordance with Section 5.5. and X^l and Y^i are calculated as provided in Section 5.5, and $TaxRate_{with}$ is the withholding tax rate then applicable. The foregoing shall be adjusted if all equity owners are not subject to withholding taxes.

(c) Notwithstanding the foregoing, if the capital structure of the Company is not modified prior to the Commercial Operations Date, the Parties expect that the amount of AEUDC (as determined pursuant to Sections 4.3(b)(ii) and 4.3(b)(iii) and the amount of Cost

Savings shall attract withholding taxes, so that there shall be added to the formula set forth in Section 5.4(b) an amount determined in accordance with the following formula:

$$R = [(AEUDC + CostSavings) \div 30] \times \frac{TaxRate_{with}}{(1 - TaxRate_{with})}$$

where R is equal to the increased return, and $TaxRate_{with}$ is the withholding tax rate then applicable.

(d) The component of the monthly Capacity Payment related to the Return on Equity for any year shall be determined by dividing the sum of the annual $EqRet_n$ and R for such year by 12.

SECTION 5.5 Deferral.

(a) Deferral Entitlement.

(i) If, during any of the first twelve years following the Deemed Commercial Operations Date, the Capacity Payment calculated pursuant to Article V (before adjustment resulting from Sections 3.5, 3.6, 3.7, 3.8, 5.5, or Article VI or VII) is greater than the applicable Maximum Capacity Payment (before adjustment). UEB may elect to defer all or any portion of the difference between the Capacity Payment determined pursuant to Article V (before adjustment) and the Maximum Capacity Payment (before adjustment). UEB shall give notice of its election to defer and the amount thereof, if less than all, for any year at least 30 days prior to the commencement of such year.

(ii) In addition to any deferral as provided in Section 5.5(a)(i), UEB may, at its option and in its sole discretion, give a notice to the Company at least 30 days prior to each anniversary of the Deemed Commercial Operations Date in any of the first seven years following the Deemed Commercial Operations Date, to defer all or any part of the Capacity Payments payable in the following year, subject to: (i) the amount of such deferral being divided equally between each monthly Capacity Payment in such year; and (ii) the proposed deferral in any month shall not result in the Debt Service Coverage Ratio being reduced below 1.4.

(b) Deferral Return.

(i) Amounts deferred in any year pursuant to Section 5.5(a)(i) shall be entitled to a return of 13.0% per annum, compounded annually.

(ii) Amounts deferred in any year pursuant to Section 5.5(a)(ii) shall be entitled to a return equal to the Equity Yield plus 0.6% per annum, compounded annually; provided, however, that if the amount of the Company's indebtedness under the Financing Agreements as of the Commercial Operations Date (including any amounts to be funded after such date) is in excess of 105% of the amount of indebtedness that would be incurred by the Company if Gross Estimated Project Costs equaled Gross Contracted Project Costs (other than as a result of adjustments pursuant to Section 3.5), the additional return of 0.6% per annum shall be adjusted by multiplying it by the percentage obtained by dividing 105% by the percentage equal to the ratio between the actual Company indebtedness incurred under the Financing Agreements to that which it would have incurred if Gross Estimated Project Costs had equaled Gross Contracted Project Costs.

(c) Deferral Capitalisation.

(i) The amount deferred pursuant to Section 5.5(a)(i) shall be capitalised and shall be entitled to the return set forth in Section 5.5(b)(i), as provided in the following formula:

$$Y_n = [DefRet_n \times (1 - TaxRate_{with})] \times 1.13^{[12.5-n]}$$

where $DefRet_n$ is the amount deferred pursuant to Section 5.5(a)(i), Y_n is the capitalised amount of

deferral on the twelfth anniversary of the Deemed Commercial Operations Date, and n is any of the first twelve years following the Deemed Commercial Operations Date.

(ii) The amount deferred pursuant to Section 5.5(a)(ii) shall be capitalised and shall be entitled to the Equity Yield as adjusted pursuant to Section 5.5(b)(ii), as provided in the following formula:

$$X_n = [DefRet_n \times (1 - TaxRate_{With})] \times 1.186^{[7.5-n]}$$

where $DefRet_n$ is the amount deferred pursuant to Section 5.5(a)(ii), X_n is the capitalised amount of deferral on the seventh anniversary of the Deemed Commercial Operations Date, n is any of the first seven years following the Deemed Commercial Operations Date, and 1.186 is adjusted, if required, pursuant to Section 5.5(b)(ii).

(d) Deferral Recovery.

(i) Beginning with the twelfth anniversary of the Deemed Commercial Operations Date and continuing each year throughout the remaining 18 years of the Term, the Return on Equity component of the monthly Capacity Payment shall be increased in accordance with the following formula:

$$Y^l = \sum_{n=1}^{12} Y_n \times \left[\frac{1}{\left[\frac{1 - \frac{1}{1.13^{18}}}{0.13} \right]} \right]$$

where Y^l is the annual recovery of capitalised deferred amounts and n is any of the first twelve years following the Deemed Commercial Operations Date. Notwithstanding the foregoing, in no event shall the Capacity Payment for any of the years 13 through 30 (before all adjustments other than those resulting from this Section 5.5(d)(i)) exceed the Maximum Capacity Payment for such year.

(ii) Beginning with the seventh anniversary of the Deemed Commercial Operations Date and continuing each year throughout the remaining 23 years of the Term, the Return on Equity component of the monthly Capacity Payment shall be increased in accordance with the following formula:

$$X^l = \sum_{n=1}^7 X_n x \left[\frac{1}{1 - \frac{1}{1.186^{23}}} \right] \frac{1}{0.186}$$

where X^l is the annual recovery of deferred return with respect to the capitalised amount of deferral, n is any of the first seven years following the Deemed Commercial Operations Date, and 1.186 and 0.186 are adjusted, if required, pursuant to Section 5.5(b)(ii).

SECTION 5.6 Hydrological Force Majeure Event.

(a) If the Average Discharge is less than the Base Discharge in any month UEB may declare a Hydrological Force Majeure Event for such month by giving notice 10 the Company within 14 days following the end of such month.

(b) If a Hydrological Force Majeure Event is declared for any month during which Debt is outstanding, the Capacity Payment for such month shall be reduced to an amount equal to the sum of the following components of the Capacity Payment for such month: Repayment of Debt, Interest on the Debt. Corporate Income Taxes and O&M Expenses. If a Hydrological Force Majeure Event is declared for any other month, the Capacity Payment shall be reduced by an amount equal to the product of the Repayment of Aggregate Equity and Return on Aggregate Equity components of the Capacity Payment for such month multiplied by a fraction, the numerator of which is the difference between the Base Discharge and the Mean Monthly Discharge for such Month, and the denominator of which is the Base Discharge for such month.

(c) The amount of any reduction of the Capacity Payment for any month pursuant to Section 5.6(b), together with interest therein at 1.5% per month, compounded monthly, shall be added to the Capacity Payment in two equal installments for the first two succeeding months, if any, in which the Average Discharge is at least equal to the Assumed Discharge and no previous months' reduction is being recovered.

SECTION 5.7 Corporate Income Taxes.

(a) The Company shall endeavour to manage its affairs so as to reduce the impact of Corporate Income Taxes on the Capacity Payment. Taxes shall be payable in Shillings.

(b) The Company's Taxable Income for each year, TI, shall be determined in accordance with applicable Ugandan law.

(c)

(i) The Corporate Income Tax component of the Capacity Payment for any year shall be determined in accordance with the following:

$$TC = \frac{ETP}{1 - TaxRate}$$

where *TC* equals the Corporate Income Tax component of the Capacity Payment. *ETP* equals the estimate of the Company's Ugandan income tax obligation for such year (excluding the gross-up component relating to such estimate), and Tax Rate is the tax rate applicable to the Company's *TI*.

(ii) The Corporate Income Tax component of the Capacity Payment in any month shall be one-twelfth of the annual Tax Obligation determined pursuant to Section 6.5(c)(i), as adjusted pursuant to Section 5.7(d).

(d) Promptly following the determination of the amount of Income taxes payable by the Company for a year, the Company shall determine its adjusted Tax Obligation. *TO*, as follows:

$$TO = \frac{TP}{1 - TaxRate}$$

where *TP* equals the taxes payable, and Tax Rate is the tax rate applicable to the Company's *TI*.

(i) If *TO* is greater than *TC* for the applicable period and is less than US\$100,000, the difference shall be added to the succeeding month's Capacity Payment. If *TO* is greater than *TC* for the applicable period and is greater than US\$100,000, the difference shall be added ratably over the succeeding six monthly Capacity Payments, together in each month with interest at the Interest Rate on the portion of such difference not yet added to the monthly Capacity Payment.

(ii) If *TO* is less than *TC* for the applicable period and is less than US\$100,000, the difference shall be credited against the succeeding month's Capacity Payment. If *TO* is less than *TC* for the applicable period and is greater than US\$100,000, the Company may elect either to credit the entire difference against the succeeding month's Capacity Payment or to credit the difference ratably over the succeeding six monthly Capacity Payments, together in each month with interest at the Interest Rate on the portion of such difference not yet deducted from the monthly Capacity Payment.

SECTION 5.8 Operation and Maintenance (O&M) Expenses.

(a) The O&M component of the monthly Capacity Payment is one-twelfth of the sum of (a) (i) US\$5,582,000 (for the first four years of the Term) and (ii) US\$4,582,000 (for each of the succeeding years of the Term), in either case, as adjusted for inflation as provided in this Section 5.8; and (b) lender administration fees. If five Units are installed at the Project, the foregoing numbers in (a)(i) and (ii) shall be US\$5,832,000 (for the first four years) and US\$4,832,000 thereafter. The O&M component of the monthly Capacity Payment shall also be adjusted as provided in Section 3.5(c).

(b) The annual O&M expense allowances in Section 5.8(a)(i) are set forth in January 1998 Dollars. The amount set forth in Section 5.8.1(a)(i) will be adjusted annually on the Commercial Operations Date and on each of the first three anniversaries of the Deemed Commercial Operations Date to determine the O&M component of the monthly Capacity Payment for the succeeding year. The amount set forth in Section 5.8(a)(ii) will be adjusted annually on the fourth and succeeding anniversaries of the Deemed Commercial Operations Date to determine the O&M component of the monthly Capacity Payment for the succeeding year. The adjustment shall be based on the rate of inflation or deflation, as measured by the *CPI*.

(c) The adjustment for any year shall equal the amounts referred to in Section 5.8(a), multiplied by a fraction, the numerator of which is the *CPI* most recently published prior to the Commercial Operations Date or any anniversary of the Deemed Commercial Operations Date, as applicable (CPI_R) and the denominator of which is the *CPI* (CPI_L) for December 1997.

SECTION 5.9 Debt Service Reserve and Other Accounts.

(a) The monthly Capacity Payment shall be reduced in accordance with this Section 5.9.

(b) Payments to the Company from the Debt Service Reserve on account of any reductions in the required principal amount thereof shall be applied in the month received to reduce the Capacity Payment for such month.

(c) Earnings on amounts in the Debt Service Reserve that are paid to the Company (and not retained in the Debt Service Reserve) shall be applied in the month received to reduce the Capacity Payment for such month.

(d) Earnings on any other account established with respect to the Project, such as an escrow account to pay retainage under the EPC Contract, will likewise be applied in the month received to reduce the Capacity Payment for such month.

SECTION 5.10 Partial Month Capacity Payment.

If the Commercial Operations Date occurs other than on the first day of a month, the Capacity Payment for that portion of the month extending from the Commercial Operations Date shall be determined by calculating the pro rata portion (based upon the number of days in such month) of the Capacity Payment or Maximum Capacity Payment that would be applicable for the entire month, except that no adjustment shall be made for Bonus or Availability Penalty.

SECTION 5.11 Interim Capacity Payment.

(a) For the first three months following the Deemed Commercial Operations Date (as defined in this Agreement) or, if earlier, until the actual funding profile of Tariff Project Costs can be determined, the Capacity Payment shall be calculated based upon the actual funding profile of Tariff Project Costs through a date three months prior to the Scheduled Commercial Operations Date and the projected funding profile through the Scheduled Commercial Operations Date. At least three months prior to the then-anticipated Scheduled Commercial Operations Date, the Company

shall prepare an historical funding profile and projected funding profile, together with supporting documentation, and deliver it to UEB, and the Parties shall meet to agree upon the proper interim Capacity Payment.

(b) At such time as the actual funding profile of Tariff Project Costs has been finally determined, the Capacity Payment shall be adjusted to reflect such actual funding profile. The aggregate difference between the actual Capacity Payment and interim Capacity Payment shall be added to or credited against the Capacity Payment otherwise calculated for months 4 through 9 in equal rateable installments.

ARTICLE VI

BONUS/PENALTY

SECTION 6.1 Definitions.

The following definitions shall apply for purposes of Section 6 of this Annex:

"Additional Utilised Capacity" - Where in any hour (a) the Company declares Available Capacity of greater than the Contracted Capacity, (b) the Dispatch Capacity is greater than the Contracted Capacity and (c) the Output Capacity is equal to or greater than the Hydraulic Adjusted Contracted Capacity, the difference between the Output Capacity and the Hydraulic Adjusted Contracted Capacity for that hour, expressed in kW.

"Capacity Failure" - Where in any hour the Output Capacity is less than the lesser of Dispatch Capacity and Hydraulic Adjusted Contracted Capacity (or less than the Hydraulic Adjusted Contracted Capacity in the case of a declaration at greater than Contracted Capacity), the difference between the lesser of Dispatch Capacity and Hydraulic Adjusted Contracted Capacity (or the Hydraulic Adjusted Contracted Capacity in the case of a declaration at greater than Contracted Capacity) and the Output Capacity for that hour, expressed in kW.

"Capacity Threshold" - Until the fourth anniversary of the Deemed Commercial Operations Date, 91%; thereafter, 93%.

"Contracted Availability" - Until the fourth anniversary of the Deemed Commercial Operations Date. 95%; thereafter, 97%.

"Declaration Failure" - Where in any hour the Company declares Available Capacity of less than Contracted Capacity, the difference between the Hydraulic Adjusted Contracted Capacity and the Available Capacity for that hour, expressed in MW.

"Dispatch Capacity" - The capacity amount of a Dispatch in kW for a given hour at the Nominal Hydraulic Conditions, which must be less than or equal to the Available Capacity for that hour, and subject to the requirements of Annex E, Section A3.

"Output Capacity" - The capacity measured at the Output Meters in kW.

SECTION 6.2 Capacity.

(a) Capacity shall be measured at the Output Meters in kW.

(b) For each hour the Hydraulic Adjusted Contracted Capacity shall be determined by applying the Hydraulic Conditions to the Contracted Capacity, as it shall have been adjusted to reflect capacity not available due to a Force Majeure Event. Scheduled Maintenance Outage. Specific Maintenance Outage, Non-Specific Maintenance Outage.

GOU Event of Default or UEB Event of Default: provided, however, that the Hydraulic. Adjusted Contracted Capacity shall never exceed the Contracted Capacity.

SECTION 6.3 Hourly Capacity.

(a) For each hour, the Hourly Capacity shall be determined as follows:

(i) Except as provided below, the Hourly Capacity for any hour shall be deemed to be the Hydraulic Adjusted Contracted Capacity for that hour.

(ii) Except where Subsection (c) applies, if the Company shall declare Available Capacity at less than Contracted Capacity for an hour, the Hourly Capacity for that hour shall be determined by multiplying the Declaration Failure by the Hourly Weighting and subtracting the product from the Hydraulic Adjusted Contracted Capacity for that hour.

(iii) If the Output Capacity is less than the lesser of Hydraulic Adjusted Contract Capacity and Dispatch Capacity for an hour, the Hourly Capacity for that hour shall be determined by multiplying the Capacity Failure by the Hourly Weighting and subtracting the product from the lesser of Hydraulic Adjusted Contract Capacity and Dispatch Capacity for that hour.

(iv) If for any hour (i) the Company declares Available Capacity at greater than the Contracted Capacity, (ii) the Dispatch Capacity is greater than the Contracted Capacity and (iii) the Output Capacity is equal to or greater than the Hydraulic Adjusted Contracted Capacity, the Hourly Capacity shall be determined by multiplying the Additional Utilised Capacity by the Hourly Weighting and adding the product to the Contracted Capacity for that hour.

(v) If for any hour (i) the Company declares Available Capacity at greater than the Contracted Capacity, (ii) the Dispatch Capacity is greater than the Contracted Capacity and (iii) the Output Capacity is less than the Hydraulic Adjusted Contracted Capacity, the Hourly Capacity shall be determined by multiplying the Capacity Failure by the Hourly Weighting and subtracting the product from the Hydraulic Adjusted Contracted Capacity for that hour.

(b) Attached hereto as Table 2 to Schedule 1 is a table that illustrates the foregoing. The subsections of Section 6.3(a) are illustrated by the hours in the Table set forth by the applicable Subsection below:

<u>Subsection</u>	<u>Hours</u>
(i)	8-17
(ii)	1
(iii)	2,3,7
(iv)	18
(v)	19

SECTION 6.4 Daily Availability.

Daily Availability shall be calculated as follows:

$$\text{DailyAvailability} = \frac{\sum_{i=1}^{i=24} HC_i}{\sum_{i=1}^{i=24} HACC_i} \times 100\%$$

Where:

HC_i = the Hourly Capacity for hour i
 $HACC_i$ = the Hydraulic Adjusted Contracted Capacity for hour i

SECTION 6.5 Monthly Availability.

Monthly Availability shall be calculated as follows:

$$\text{MonthlyAvailability} = \frac{\sum_{i=1}^{i=n} DA_i}{n}$$

Where:

DA_i = Daily Availability for Day j
 n = number of days in that month

SECTION 6.6 Rolling Average Availability.

Rolling Average Availability in any month shall be determined by summing such month's Monthly Availability and the Monthly Availability of the preceding two calendar months, and dividing such sum by three, except that for the first month following the Deemed Commercial Operations Date, the Rolling Average Availability will be the Monthly Availability for that month, and for the second month following the Deemed Commercial Operations Date, the Rolling Average Availability will be the Monthly Availability for that month and the previous calendar month, divided by two.

SECTION 6.7 Bonus.

If the Rolling Average Availability for any month is greater than the Contracted Availability for such month, the Capacity Payment for such month shall be increased by an amount equal to US\$9,000 per full 0.10% of such excess until the fourth anniversary of the Commercial Operations Date, and US\$6,000 per full 0.10% of such excess thereafter.

SECTION 6.8 Availability Penalty.

If the Rolling Average Availability for any month is less than the Contracted Availability for such month and the provisions of the Capacity Penalty do not apply, then the Capacity Payment for such month shall be reduced by an amount equal to US\$9,000 per full 0.10% of such shortfall until the fourth anniversary of the Commercial Operations Date, and US\$6,000 per full 0.10% of such shortfall thereafter.

SECTION 6.9 Capacity Penalty.

If the Rolling Average Availability is less than the Capacity Threshold, the Capacity Payment for such month shall be reduced by multiplying the Capacity Payment otherwise payable (including adjustments pursuant to Section 3.5. but excluding the corporate income and other tax component thereof and before any adjustments pursuant to Articles VI or VII) by a percentage equal to one minus a fraction, the numerator of which is the difference between the Capacity Threshold and the Rolling Average Availability for such month and the denominator of which is the Capacity Threshold.

SECTION 6.10 Capacity Payment Adjustment.

If and for so long as the Complex Rated Capacity is less than the Contracted Capacity, the Capacity Payment for each month shall be reduced by multiplying the Capacity Payment otherwise payable (including adjustments pursuant to Section 3.5. but excluding the corporate income and other tax component thereof and before any adjustments pursuant to Articles VI or VII) by a percentage equal to one minus a fraction, the numerator of which is the Complex Rated Capacity and the denominator of which is the Contracted Capacity (determined without regard to the Complex Rated Capacity).

SECTION 6.11 Hourly Weighting.

For the first three years following the Deemed Commercial Operations Date, each hour of the day shall be weighted in accordance with Table 3 to Schedule 1. Prior to the third anniversary of the Deemed Commercial Operations Date and prior to each successive three-year anniversary of the Deemed Commercial Operations Date, UEB may propose a change in the weighting of hours if, in UEB's opinion, future daily load curves will be different from previous daily load curves; provided, however, that no hour may be weighted more than two, the aggregate total weighted hours may not exceed 24 and at least six consecutive hours shall be weighted 1.0 or less. Unless such proposal is contrary to Prudent Utility Practice, the revised weighting shall apply unless changed by UEB with respect to a subsequent three-year period.

ARTICLE VII

MISCELLANEOUS CHARGES AND CREDITS

SECTION 7.1 Miscellaneous Charges.

Hard to soft conversion by Prayas Energy Group

In addition to Capacity Payments (or any payments by UEB pursuant to Section 8.3(b) of this Agreement), the Company shall be entitled to submit an invoice to UEB and receive payment for Miscellaneous Charges. Miscellaneous Charges shall include the following:

- (a) Reasonable costs approved by UEB and incurred by the Company after the Commercial Operations Date for modification or expansion of the protective devices pursuant to Section 2.4 of this Agreement.
- (b) Interest accrued on late payments, as provided in Section 8.3 of this Agreement.
- (c) Amounts payable by UEB to the Company following resolution of a dispute pursuant to Section 8.4 or Annex C of this Agreement.
- (d) Any discount taken pursuant to Section 7.2 that was later proven to be improper because the full amount of the invoice was not paid by the Due Date therefore.
- (e) Additional charges owed to the Company by UEB, other than the Capacity Payment or adjustments thereto, as the Parties may agree from time to time during the Term.

SECTION 7.2 Discount for Early Payment.

Pursuant to Section 8.3 of this Agreement, UEB shall be entitled to a discount equal to 0.15% of that portion of an invoice paid within 10 days after the date the invoice was delivered, provided that the entire invoiced amount was paid by the Due Date therefore. Such amount shall be credited against the amount due on the invoice with respect to which it was earned.

SECTION 7.3 Discount for Payment in Dollars.

Pursuant to Section 8.3 of this Agreement, UEB shall be entitled to a discount equal to 0.25% of that portion of an invoice paid in Dollars. Such amount shall be credited against the amount due on the invoice with respect to which it was earned.

SECTION 7.4 Other Credits.

In addition to the foregoing discounts, UEB shall be entitled to a credit for:

- (a) Amounts payable by the Company to UEB following resolution of a dispute pursuant to Section 8.4 or Annex C of this Agreement.
- (b) Reduced taxes incurred by the Company in connection with the Project as a consequence of a Change in tax occurring after the date of execution of this Agreement.
- (c) Additional credits available to UEB from the Company as the Parties may agree from time to time during the Term.

Table 1 To Schedule 1

NON-EPC COSTS ^{1,2}

Year	Month	Constr Month	Amount	Year	Month	Constr Month	Amount
1997	Dec.		\$2,285,556	2001	Jan	10	\$356,757
1998	Jan.		1029706		Feb	11	356757
	Feb.		470622		Mar	12	356757
	Mar.		471022		Apr	13	1230926
	Apr		460202		May	14	344176
	May		473248		Jun	15	344176
	Jun		473648		Jul	16	362206
	Jul		493534		Aug	17	362206
	Aug		503534		Sep	18	362206
	Sep		503534		Oct	19	362206
	Oct		503534		Nov	20	362206
	Nov		490487		Dec	21	362206
	Dec		490487	2002	Jan.	22	388815
1999	Jan.		518265		Feb	23	388815
	Feb.		518265		Mar	24	1275565
	Mar.		518265		Apr	25	299170
	Apr		518265		May	26	299170
	May		518265		Jun	27	299170
	Jun		470515		Jul	28	254432
	Jul		492396		Aug	29	254432
	Aug		492396		Sep	30	232435
	Sep		492396		Oct	31	232435
	Oct		492396		Nov	32	232435
	Nov		492396		Dec	33	232435
	Dec		492396	2003	Jan.	34	276429
2000	Jan.		492396		Feb	35	276429
	Feb.		492396		Mar	36	1163179
	Mar.		492396		Apr	37	236619
	Apr	1	492396		May	38	236619
	May	2	285826		Jun	39	254432
	Jun	3	176756		Jul	40	341642
	Jul	4	177084		Aug	41	341642
	Aug	5	177084		Sep	42	341642
	Sep	6	177084		Oct	43	321940
	Oct	7	349583		Nov	44	321940
	Nov	8	349583				\$40834377 ³
	Dec	9	349583		Dec. ⁴	45	321940
				2004	Jan. ⁴	46	321940

¹ This Table assumes that the Power Purchase Agreement was executed in June 1999. As a consequence, the months of July through December, inclusive, shall be deemed to have Non-EPC Costs of \$492.396 for each month, and the succeeding months (from December 1999) shall be slid six months into the future such that month 1 would be October 2000 rather than April 2000. The amount of the Maximum Capacity Payment shall likewise be adjusted. The amount of the adjustment shall be equal to the difference between the Capacity Payment calculated based on the principles and formulae in Article V, and adding Non-EPC Costs for six months as described in this footnote 1, and the Capacity Payment calculated based on the principles and formulae in Article V. but without the Non-EPC Costs contemplated by this footnote 1.

² If Financial Closing occurs after 31 July 2000, each of the columnar amounts during the Construction Period (Months 1 through 44 or 46, as appropriate) and the amounts set forth in Footnotes 2 and 3 shall be adjusted for inflation. In such event, each such amount shall be multiplied by a fraction, the numerator of which is the CPI published for the month in which Financial Closing occurs, and the denominator of which is the CPI published for September 1999. but in no event shall the increase in CPI be more than 3.0% per annum.

³ In addition, an amount equal to \$8,450.276 shall be deemed paid during the month in which Financial Closing occurs.

⁴ If the Option set forth in Section 3.6 is exercised, the Construction Period shall equal 46 months, and the amount of Non-EPC Costs (before any adjustment for inflation) for each of month 45 and 46 shall be \$321,940.

BONUS/PENALTY TABLE

Table 2 To Schedule 1

Bujagali Project Assumed Contract Capacity at Design Conditions-MW
Calculation of Daily Availability

200

Delivered Cannot exceed Dispatch

Column#	Hour of the day	Hourly Weightin Factor	Contracted Capacity MW	Capacity out on Maintenance outage or Force Majeure MW	Declared Capacity MW	Max Gen Declared And Dispatch	Capacity Declaration Shortfall	Hydraulic adjusted Contracted Capacity MW	Hydraulic adjusted Capacity Declaration Shortfall MW	Dispatche Capacity MW	Delivered Capacity MW	Capacity Shortfall (surplus)	Weighted Capacity Shortfall (Surplus)	Hourly Capacity MW
1		0.65	200		198	No	2	199	1	150	150	1	0.65	198.4
2		0.65	200		198	No	2	200	2	190	180	10	6.5	183.5
3		0.65	200		200	No	0	199	0	195	185	10	6.5	188.5
4		0.65	200		200	No	0	199	0	150	150	0	0	199
5		1	200		200	No	0	200	0	150	150	0	0	200
6		1	200		200	No	0	200	0	170	170	0	0	200
7		1.25	200		200	No	0	200	0	200	170	30	37.5	162.5
8		1.25	200		200	No	0	200	0	200	200	0	0	200
9		1.25	200		200	No	0	198	0	200	198	0	0	198
10		1	200		200	No	0	195	0	170	170	0	0	195
11		1	200		200	No	0	195	0	170	170	0	0	195
12		1	200		200	No	0	195	0	170	170	0	0	195
13		1	200		200	No	0	200	0	170	170	0	0	200
14		1	200		200	No	0	200	0	170	170	0	0	200
15		1	200		200	No	0	200	0	175	175	0	0	200
16		1	200		200	No	0	200	0	175	175	0	0	200
17		1	200		200	No	0	200	0	175	175	0	0	200
18		1.5	200		215	Yes	0	200	0	215	214	-14	-21	221
19		1.5	200		215	No	0	200	0	200	190	10	15	185
20		1.5	200		200	No	0	200	0	200	190	10	15	185
21		1	200	50	150	No	0	150	0	150	150	0	0	150
22		0.85	200	50	150	No	0	150	0	150	150	0	0	150
23		0.65	200	50	150	No	0	150	0	150	150	0	0	150
24		0.65	200	50	150	No	0	150	0	150	150	0	0	150
Total		24						4580						4505.85

Capacity On Scheduled Outage-MWh 0
 Capacity Or Specific Maintenance Outage- MWh 200
 Capacity On Non-Specific Maintenance Outage- MWh 0
 Capacity On FM Outage - MWh 0

Daily Availability= **98.38%**

Hard to soft conversion by Prayas Energy Group

Table 3 to Schedule 1

Hourly Weighting

Time	Hour	Weighting
0:00-1:00	1	0.65
1:00-2:00	2	0.65
2:00-3:00	3	0.65
3:00-4:00	4	0.65
4:00-5:00	5	0.65
5:00-6:00	6	1.00
6:00-7:00	7	1.25
7:00-8:00	8	1.25
8:00-9:00	9	1.25
9:00-10:00	10	1.00
10:00-11:00	11	1.00
11:00-12:00	12	1.00
12:00-13:00	13	1.00
13:00-14:00	14	1.00
14:00-15:00	15	1.00
15:00-16:00	16	1.00
16:00-17:00	17	1.00
17:00-18:00	18	1.50
18:00-19:00	19	1.50
19:00-20:00	20	1.50
20:00-21:00	21	1.25
21:00-22:00	22	0.95
22:00-23:00	23	0.65
23:00-24:00	24	0.65

Table 4 to Schedule 1

MAXIMUM CAPACITY PAYMENT

Year	Max. Capacity Payment	Year	Max. Capacity Payment
1	\$97,000,000	16	\$ 38,000,000
2	97,000,000	17	36,000,000
3	97,000,000	18	35,000,000
4	101,000,000	19	34,000,000
5	111,000,000	20	32,000,000
6	111,000,000	21	35,000,000
7	111,000,000	22	33,000,000
8	111,000,000	23	32,000,000
9	111,000,000	24	30,000,000
10	111,000,000	25	28,000,000
11	111,000,000	26	27,000,000
12	77,000,000	27	25,000,000
13	43,000,000	28	23,000,000
14	42,000,000	29	22,000,000
15	40,000,000	30	20,000,000

Tax Assumptions

Schedule of Prevailing Taxes and incentives in Uganda applicable to AES Nile Power Ltd

Tax/Tax Base	Max Rate	Legislation
1. Withholding Taxes¹		
(a) On dividends paid by the company on Ordinary Share Capital ²	15%	Income Tax Act 1997. Sections 84 and 119 also 3 rd Schedule Parts IV and V
(b) On interest payments and fees payable to Foreign Lenders on loans used by the company for industrial investment capital projects and expansion projects ³	0%	Income Tax Act 1997. Section 26(1)
(c) On redemption of any redeemable Share Capital (except as provided in Section 5.4(c)) and on payment of principal on Debt ²	0%	Income Tax Act 1997
(d) On payments received under the implementation Agreement and the Power Purchase Agreement from the GOU and UEB ⁴	4%	Income Tax Act 1997. Section 120, also 3 rd Schedule Part VIII
(e) On payments to non-resident construction Contractors and their sub-contractors for the provision of design, supply of plant and machinery and construction services, where such services, are only incidental to the supply of goods ²	0%	Income Tax Act 1997. Section 86(4)(b)
2. Income Taxes⁵		
(a) On taxable income attributable to payments received under the Implementation Agreement and the Power Purchase Agreement from the GOU and UEB ²	30%	Income Tax Act 1997, 3 rd Schedule Part II
(b) On the interest income contributing to	30%	Income Tax Act 1997, 3 rd

taxable profits, earned from deposits held in foreign Currency accounts outside of Uganda ²		Schedule Part II
3. Import Duties		
(a) On the value of goods imported by the Company and its contractors prior to the Final Commercial Operations Date under the Implementation Agreement limited to : * Plant & Machinery only ⁶	0%	The Finance Act 1998. Section 16, Chapters 84-85
(b) On the value of goods imported by the Company and its contractors prior to the final Commercial Operations Date under the Implementation Agreement other than Plant & Machinery ⁶	As Shown in Schedule 2	As defined by Schedule 2. The finance Act 1998
4. Stamp Duty⁶		
(a) On the registration of immovable property or vehicles	1%	The stamps Act Chapter 172
(b) On the registration of security documentation	0.5%	Schedule 6 to Stamps Act. As amended by the Finance Schedule 1992 (Seventh Schedule, item 17)
(c) On increases in authorized share capital	1%	
5. Excise Duty		
(a) On motor Spirits ⁶	580Ush/Litre	The Finance Act 1998. Chapter 27
(b) On gas oil (automotive, light, amber, for high speed engines) ⁶	370Ush/Litre	The Finance Act 1998. Chapter 27
(c) On diesel oil (industrial, heavy, black, for low speed marine and stationary engines) ⁶	0% (exempt)	The Finance Act 1998. Chapter 27
6. Tax Depreciation		
(a) Allowance of tax depreciation on the deemed written down value of Plant & Machinery, assuming depreciation allowances at no less than normal (or	50% Initial & 20%, 30%, 35%	Income Tax Act, Section 29 Income Tax Act 1997. Section 28 & 6 th Schedule, Part I

ordinary) tax depreciation rates and indefinite carry forward of tax losses created by such tax depreciation ⁷	or 40% reducing balance, depending on asset type	
(b) Allowance of tax depreciation on the cost of industrial buildings, assuming depreciation allowances at no less than normal (or ordinary) tax depreciation rates and indefinite carry forward of tax losses created by such tax depreciation ⁷	5% straight line	Income Tax Act 1997. Section 30 & 6 th Schedule, Part III
(c) Allowance of tax depreciation on start-up costs, assuming depreciation allowances at no less than normal (or ordinary) tax depreciation rates and indefinite carry forward of tax losses created by such tax depreciation ⁸	25% Straight line	Income Tax Act 1997 Section 31
(d) Allowance of indefinite carry forward of tax losses ²	N/A	Income Tax Act 1997 Section 39
7. Value Added Tax⁹		
(a) VAT on goods and services purchased in Uganda during construction	17%	VAT statute 1996
(b) VAT on PPA and IA payments	17%	VAT statute 1996

1. Except for Listed Institutions as per Income Tax Act 1997, 1st Schedule, which are exempt (see Section 22, Income Tax Act 1997)
2. Annex D assumes the rates stated for purposes of calculating the Capacity Payment. If payments are not required or the rates are changed, the Capacity Payment shall be adjusted by applying the applicable principles and formulae set forth in Article V.
3. Annex D assumes that all Lenders will be exempt, and that no tax will be imposed on interest payments. If that is incorrect, the Capacity Payment shall be adjusted by applying the applicable principles and formulae set forth in Article V.
4. Annex D assumes an exemption shall be granted. If such an exemption is not granted, the Capacity Payment and the Maximum Capacity Payment shall be adjusted for the time value of money at the rate of 13% per annum. Any amounts withheld are a credit against income taxes payable.
5. Except for Listed Institutions as per Income Tax Act 1997, 1st Schedule which are exempt (see Sections 119(2) & 121(3). Income Tax Act 1997).

6. These taxes are passed-through in calculating the Capacity Payment, but there is no adjustment of the Maximum Capacity Payment except as a consequence of an adjustment of the rates.
7. Annex D assumes that 48% of the EPC Contract value shall be classified as Plant & Machinery, and that 52% of the EPC Contract value shall be classified as Industrial Buildings. If that is incorrect, the Capacity Payment shall be adjusted by applying the applicable principles and formulae set forth in Article V.
8. Annex D assumes (i) that IDC and financing fees are capitalised during the Construction Period, (ii) that the costs of the UEB line and (iii) that Pass-Through Costs other than costs to acquire land and wayleaves or rights-of-way are includible in the Company's basis for tax depreciation. If any of these assumptions is incorrect, then the Capacity Payment shall be adjusted by applying the applicable principles and formulae set forth in Article V.
9. Annex D assumes that VAT will not be paid in connection with the purchase of goods during construction or that it will be recovered in accordance with applicable legislation. For these purposes it is further assumed that the Company shall have investor trader status to allow it to recover VAT paid in the Construction Period. VAT on payments made under the Implementation Agreement and Power Purchase Agreement are in addition to the Capacity Payment and Maximum Capacity Payment.

If the Capacity Payment is required to be adjusted pursuant to the provisions of paragraphs 2, 3, 6 (as a consequence of an adjustment of the rates), 7, 8 or 9, the Maximum Capacity Payment shall likewise be adjusted. The amount of the adjustment shall be equal to the difference between the Capacity Payment calculated based upon the principles and formulae in Article V and the tax assumptions in Table 5, and the Capacity Payment calculated based upon the principles and formulae in Article V and the actual Tax rates or applicable facts, keeping all other assumptions the same, including any further costs borne by the company in financing the cost of any delayed recovery of VAT.

FORM OF INVOICE

Uganda Electricity Board
Amber House
Kampala, Uganda

Invoice No. _____

Invoice Date: _____ for the month of _____

Due Date: _____ -

BASIC CAPACITY PAYMENT US\$ _____
(Part A or B)

ADJUSTMENTS

PLUS:

Additional Post COD Costs (Part C) US\$ _____

Bonus (Part D) US\$ _____

Miscellaneous Charges (Part E) US\$ _____

Subtotal US\$ _____

LESS:

Penalty (Part D) (US\$ _____)

Miscellaneous Credits (Part F) (US\$ _____)

Subtotal US\$ _____

TOTAL US\$ _____

V.A.T US\$ _____

GRAND US\$ TOTAL US\$ _____

PLUS:

Corporate Income Tax Component Ush _____

V.A.T Ush _____

GRAND Ush TOTAL Ush _____

<u>Capacity Payment Components</u>	Amount (US\$)
1. Repayment of Debt and Interest	US\$_____
2. Repayment of Aggregate Equity	US\$_____
3. Return on Aggregate Equity	
(a) Deferred Entitlement	
(x) Maximum Capacity	
Payment Deferral	US\$_____
(y) Discretionary Deferral	
(i) Entitlement	US\$_____
(ii) Amount	US\$_____
(b) Deferral Recovery	
(x) Maximum Capacity	
Payment Recovery	US\$_____
(y) Discretion Recovery	US\$_____
4. O & M Expenses	US\$_____
Subtotal	US\$=====
5. Credit for DSRA Earnings	US\$_____
TOTAL	US\$=====
B. <u>Maximum Capacity Payment</u>	US\$=====
C. <u>Additional Post-COD Costs</u>	
6. Capital Costs (per 3.5 (b))	US\$_____
7. Expenses (per 3.5 (c))	US\$_____

D. Bonus/Penalty

8. Complex Rated Capacity Adjustment

$$\left(\frac{\text{RatedCapacity}}{\text{ContractedCapacity}}\right) \times \text{CapacityPayment} \quad \text{US\$} \underline{\hspace{2cm}}$$

10. Bonus/Penalty

Monthly Availability _____ %

Previous Month Monthly Availability _____ %

Second Previous Month Monthly Availability _____ %

Rolling Average Availability _____ %

(a) Bonus if RAA > _____ % *

US\$ 6,000 ** X _____

US\$ _____ ***

(b) Penalty if RAA < _____ %

US\$6,000 ** X _____

US\$ _____ ***

* 95% until fourth anniversary of the deemed Commercial Operations Date: thereafter 97%

** US\$9,000 until the fourth anniversary of the Deemed Commercial Operations Date

*** Each 10 full bases points by which RAA exceeds

10. Capacity Penalty

$$\left(\frac{\text{CapacityThreshold} - \text{RAA}}{\text{CapacityThreshold}}\right) \times \text{CapacityPayment}$$

US\$ _____

E. Miscellaneous Charges

11. Protective Devices US\$ _____

12. Late Interest Payable US\$ _____

13. Disputes Resolved US\$ _____

14. Unearned Discounts US\$ _____

15. Other Charges US\$ _____

TOTAL US\$ =====

F. Miscellaneous Credits

16. Discount for prompt payment of Ush _____ US\$ _____

17. Discounts for payment of US\$ _____ US\$ _____

18. Disputes Resolved US\$ _____

19. Change in Tax US\$ _____

20 Other Credits US\$ _____

TOTAL US\$ _____

G. Corporate Income Taxes

Payment shall be made in Dollars or Shillings by the due date. If the payment is made in Shillings the applicable exchange rate shall be the Average Buy Rate on the Payment Date. As quoted by at least two of four Reference Banks, whose daily published rates are attached.

ANNEX E TO POWER PURCHASE AGREEMENT

CONTROL AND OPERATION OF THE COMPLEX

A. DECLARATION AND DISPATCH

1. Declarations of Capacity.

(a) Prior to the Commercial Operations Date, the Company shall provide to UEB the following declarations of capacity:

(i) On the day that the first Unit is available for testing: (A) Available Capacity for the following day: (B) estimated capacity available for the remainder of that week: and (C) estimated capacity available for the following week-

(ii) On or before Thursday of each week, estimated capacity available for the following week; and

(iii) At or before 12:00 noon on each day after the day that the first (nil is available for testing. Available Capacity for the following day.

(b) After one or more Units have begun their testing programmes, the Company shall provide to UEB the declarations of Available Capacity as provided above with respect to the Units that have begun their testing programmes, and shall separately advise UEB of the testing schedule with respect to any Unit to be commissioned.

(c) For periods following the Commercial Operations Date, the Company shall provide to UEB the following declarations of capacity:

(i) On the day prior to the Commercial Operations Date: (A) Available Capacity available for the following day: (B) estimated capacity available for the remainder of that week: and (C) estimated capacity available for the following week.

(ii) On or before Thursday of each week, estimated capacity available for the following week: and

(iii) At or before 12:00 noon on the Commercial Operations Date and at or before 12:00 noon on each day after the Commercial Operations Date, the Available Capacity for the following day.

(d) The Company shall notify UEB without delay if there are changes to the Complex capacity.

2. Non-Declaration.

(a) In the absence of a declaration of estimated capacity available under Section 1(a)(ii) or 1(b)(ii), the Company's declaration of estimated capacity available for the previous week shall be deemed to be the Company's declaration of estimated capacity available for the following week.

(b) In the absence of a declaration of capacity available under Section 1(a)(iii) or 1(b)(iii),

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the Company's last declaration of capacity available shall be deemed to be the Company's declaration of capacity available for the following day.

3. Dispatch.

(a) UEB may issue instructions to the Company at the Control Room for the Dispatch of the Complex to the extent that the Company has declared Available Capacity for the time at which the instruction is to be implemented. A Dispatch instruction (i) shall not require the Complex to exceed the Technical Limits or the declared Available Capacity, (ii) shall relate to the Complex and not to any specific Unit, and (iii) shall be consistent with the status of the Grid System for the time at which the instruction is to be implemented, including any consequent effects of departure from nominal frequency.

(b) Except in the case of Emergency. UEB shall Dispatch the Complex by submitting hourly instructions to the Company to apply for the hour beginning after submission of the instruction by UEB. In addition to the capacity to be supplied by the Complex, the instructions may include:

(i) a request for Reactive Power to be supplied to or absorbed from the Grid System;

(ii) information relating to any implications for future Dispatch requirements and the security of the Grid System, including arrangements for change to meet post fault security requirements;

(iii) advice relating to abnormal conditions, including, for example, high and low voltage or unusual departures from nominal frequency;

(iv) a request for a change to the tap positions on a generator Unit step-up transformer;

(v) a request for other Ancillary Services; and

(vi) notice and changes in notice to synchronise and desynchronise a Unit or Units of the Complex.

(c) The Company shall respond to Dispatch procedures properly issued.

(d) Subject to the Technical Limits, the Company shall operate and maintain the Complex in such a manner so as not to have an adverse effect on UEB's voltage level or voltage waveform as notified to the Company.

4. Communications.

(a) The Company's declarations of estimated capacity available and Available Capacity pursuant to Section 1 and the Dispatch pursuant to Section 3 shall be communicated to the other Party by electronic interface; provided, that, if such interface is not available, then such declaration or Dispatch shall be communicated to the other Party by either telephone or hard paper telecopy (fax), in both cases confirmed by electronic interface or, if such interface is not available, then confirmed by hard paper telecopy (fax).

(b) Each Party hereby authorises the other Party to tape record all telephone voice communications relating to Available Capacity or Dispatch of the Complex received from the other Party and, where recording equipment of a Party has failed, the other Party shall supply, at the request of the other Party, a copy or transcript of any such recording.

B. MAINTENANCE

1. Development of Major Maintenance Programme.

(a) At least 18 months prior to the then Scheduled Commercial Operations Date, (the Company shall advise UEB of the manufacturers' recommended maintenance programmes with respect to the Units.

(b) At least one year prior to the then Scheduled Commercial Operations Date and each anniversary thereof, UEB shall submit to the Company a proposed programme for maintenance of the Grid System, to apply on a three-year rolling basis (fixed for the first year, with provision for annual adjustments for the following two years).

(c) Within three months after receipt of UEB's proposed maintenance programme, the Company shall submit to UEB the Company's programme for Major Maintenance Outages for the Complex, to apply on a three-year rolling basis.

(d) Within two months after receipt of the Company's three-year programme, UEB may require the rescheduling of a planned Major Maintenance Outage scheduled for the second or third years of such programme by giving notice thereof to the Company, and shall indicate its preferred alternate dates (which shall be of equal duration as those initially proposed). In such event, the Company shall advise UEB whether it has executed contracts for the maintenance, and what the estimated cost of rescheduling would be. Within 15 days thereafter, UEB shall advise the Company whether it will require that the Major Maintenance Outage be rescheduled, in which event it shall pay the costs associated with such rescheduling. The Company shall undertake Major Maintenance Outages only as agreed between the Parties.

(e) Notwithstanding the foregoing, the Company shall advise UEB of the alternative dates

would be inconsistent with Prudent Utility Practices, in which event it shall impose a revised schedule that would be consistent with Prudent Utility Practices.

(f) Major Maintenance Outages shall be permitted to enable the Company to perform those major maintenance requirements with respect to any Unit in accordance with the manufacturers' recommendations. Major Maintenance Outages with respect to any Unit shall not exceed 60 days during any seven-year period.

2. Specific Maintenance Outages.

(a) The Company shall notify UEB of the Company's intent to undertake a specific Maintenance Outage and the duration of that outage not less than six months before the Company intends to undertake that outage.

(b) Within two weeks after receipt of the Company's notification of the intent to carry out a Specific Maintenance Outage, UEB may require a rescheduling of the specific maintenance outage by giving notice thereof, and shall indicate its preferred alternate dates which shall be of equal duration as those initially proposed).

(c) Notwithstanding the foregoing, the Company shall advise UEB if the alternative dates would be inconsistent with Prudent Utility Practice, in which event it shall propose a revised schedule that would be consistent with Prudent Utility Practice.

(d) Specific Maintenance Outages shall be permitted to enable the Company to perform annual maintenance requirements with respect to any Unit in accordance with the manufacturers' recommendations. Specific Maintenance Outages with respect to any Unit shall not exceed 15 days per year.

3. Non-Specific Maintenance Outages.

In addition to the permitted periods for Major Maintenance Outages and Specific Maintenance Outages, the Company may undertake Non-Specific Maintenance Outages during non-peak periods of UEB's operations (any hour with an Hourly Weighting of one or less) upon not less than six hours notice; provided, that such Outages shall not exceed seven days per year for each Unit on a cumulative basis. The Company shall notify UEB of the Company's intent to undertake a Non-Specific Maintenance Outage and the duration of that outage not less than six hours before the Company intends to undertake that outage. If UEB accepts the proposed outage, then the Company shall submit a revised declaration of Available Capacity. If UEB objects to the proposed outage, the Company shall submit a revised proposal; provided, that UEB shall withdraw its objection if rescheduling of the Non-specific Maintenance Outage would not be consistent with Prudent Utility Practices.

4. Forced Outages.

If the Company undertakes an outage of all or any portion of the Complex without providing at least six hours notice or if any outage exceeds the maximum allowable outage shall be a Forced Outage.

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5. Notice of Changes in Operating Status.

The Company shall notify UEB as soon as practical of any changes to the company's expected return to operation after an outage.

ANNEX F TO POWER PURCHASE AGREEMENT

SETTLEMENT

1. Daily Report.

(a) Prior to the Commissioning of the first Unit the Parties shall agree on a software package to be developed by UEB and the Company for the settlement and payment system.

(b) Measuring device readings and operational data will be validated in accordance with the procedures set out in Annex C.

(c) After the Commissioning of the first Unit, the Company shall submit to UEB a report (the "Daily Report") within three days following the end of each day. The Daily Report will contain such information as agreed between the Parties prior to the Commissioning of the first Unit. UEB shall review the Daily Report and shall notify the Company as soon as practicable and in any event within five days after the issue of the report if it disagrees with the Daily Report. If the Parties are unable to agree on whether the information contained in a Daily Report is complete and correct within ten days after the Daily Report was issued the matter shall be referred to an expert in accordance with article XIV of the Agreement.

2. Monthly Report.

(a) Not less than five days after the end of each month or on termination of the Agreement if not a month-end, the Company shall issue a monthly report (the "Monthly Report") for that month which will contain a summary of information for each Daily Report and details of disputes resolved during the month.

(b) Once the matter in dispute has been agreed or otherwise determined the sum payable by UEB to the Company or vice versa shall be included in the Monthly Report for the month in which the matter is resolved. Such an amount will include interest at the Interest Rate for the period commencing on the Due Date and ending on the date of payment for which the monies were incorrectly withheld or overpaid.

(c) Within five days following the end of each calendar month the Company shall issue an invoice for the previous month in accordance with Annex D.

ANNEX G TO THE POWER PURCHASE AGREEMENT

INSURANCE

I. INSURANCES DURING THE CONSTRUCTION PERIOD

1.1 Marine Cargo Insurance

- Cover:** All materials, equipment, machinery, spares and other items for incorporation in the Complex or the UEB Line, and excluding Contractors' plant, against all risks of physical loss or damage while in transit by sea or air from country of origin anywhere in the world to the Site or the Route in Uganda, or vice versa, from the time of the insured items leaving warehouse or factory for shipment to the Site or the Route. Cover to provide Institute Cargo Articles (A), (Cargo), (Air) Institute War Articles (Air) (Cargo), (Sendings By Post), Institutes Strikes Articles (Cargo, Air Cargo) or equivalent.
- Sum Insured:** US\$ a limit in excess of the highest conveyance million or an amount equal to cost, insurance, freight plus 10% of the replacement cost of any shipment.
- Deductible:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Insured:** The Company, the Contractors and subcontractors & Lenders.

1.2 Delay In Start-up (following Marine Cargo) Insurance

- Cover:** Delay in starting-up cover in respect of nominated fixed costs incurred and/or additional expenses and/or costs incurred as a result of loss and/or damage resulting in delay in the date any Unit is Commissioned as a direct result of physical loss or damage to the materials, equipment, machinery and other items in transit by sea or air to the Site or the Route, to the extent covered under the marine cargo insurance referred in Section 1.1 above.
- Sum Insured:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Indemnity Period:** 12 months.
- Deductible:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Insured:** The Company and the Lenders

1.3 Contractors' All Risks Insurance

- Cover:** The works relating to the Complex and the UEB Line executed and in the course of execution, materials, temporary works while at the Site or the Route, including operational testing and maintenance periods, against all risks of physical loss or damage other than war and kindred risks, nuclear risks, unexplained shortage, cost of replacing or repairing items which are defective in workmanship, material or design (but cover would include items damaged as a consequence); excluding vehicles (other than (i) vehicles designed primarily to operate as tools of trade (which term shall be deemed to include any plant primarily designed to operate on or about the Site or the Route), and (ii) other vehicles brought onto Site for use only on such Site), vessels (including Hovercraft vessels or craft other than boats not exceeding eight metres in length), cash, and aircraft. Cover should provide the equivalent terms, conditions and perils/causes of loss provided under an "Erection All Risks" insurance policy.
- Sum Insured:** The total contract price of the EPC Contract.
- Deductibles:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Period of Cover:** From the start of construction to the Commercial Operations Date.
- Insured:** The Company, the Contractors and the Lenders.

1.4 Delay In Start-up Insurance (following the insurance referred to in Section 1.3)

- Cover:** Delay in starting-up cover in respect of nominated fixed costs incurred and/or additional expenses and/or costs incurred as a result of loss and/or damage resulting in delay in the date and/or Init is Commissioned as a direct result of physical loss of or damage to the works during construction or testing to the extent that such loss or damage is covered under the Contractors' all risks policy referred to in Section 1.3.
- Sum Insured:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Indemnity Period:** 18 months.
- Insured:** The Company and the Lenders.
- Deductible:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Period of Cover:** From the start of construction to the Commercial Operations Date

1.5 Public Liability Insurance

- Cover:** Against legal liability to third parties for bodily injury or damage to property arising out of the design, procurement, construction, testing and commissioning of the Project required to achieve the Commercial Operations Date pursuant to this Agreement in Uganda or related activities elsewhere in the world.
- Sum Insured:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Deductible:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Insured:** The Company, the Contractors, GOU and UEB.
- Period of Cover:** From the start of construction until the Commercial Operations Date.

1.6 Miscellaneous

Other insurance as is customary, desirable or necessary to comply with the Laws of Uganda or other Ugandan requirements, such as workmen compensation insurance in relation to all workmen employed in the construction of the Project and motor insurance on any vehicle.

II. INSURANCES DURING THE OPERATION PERIOD

2.1 Marine Cargo Insurance

- Cover:** All materials, equipment, machinery, spares and other items for operation and maintenance of Complex, and excluding Contractors' plant, against all risks of physical loss or damage while in transit by sea or air from country of origin anywhere in the world to the Site in Uganda, or vice versa, from the time of the insured items leaving warehouse or factory for shipment to the Site. Cover to provide Institute Cargo Articles (A), (Cargo), (Air) Institute War Articles (Air) (Cargo), (Sendings By Post), Institutes Strikes Articles (Cargo. Air Cargo) or equivalent.
- Sum insured:** US\$ a limit in excess of the highest conveyance million or an amount equal to cost, insurance, freight plus 10% of the replacement cost of any shipment.
- Deductible:** To be determined as may be required from time to time.
- Insured:** The Company, the Contractors and subcontractors & Lenders.

2.2 All Risks Insurance - Assets

- Cover:** All building contents, machinery, stock, fixtures, fittings and all other personal property forming part of each Unit and the Complex against "All Risk" of physical loss or damage, including (but not limited to) those resulting from fire, lightning, explosion, spontaneous combustion, storm, wind, tempest, flood, hurricane, water damage, sprinkler leakage, riot, strike malicious damage, aircraft, impact, earthquake, collapse and/or loss of contents of tanks and bursting and overflowing of tanks, apparatus or pipes or debris removal and mechanical and electrical breakdown.
- Sum Insured:** Full replacement cost of each Unit and the Complex including the powerhouse, but excluding the dam.
- Deductible:** To be determined prior to Financial Closing in accordance with the Financing Agreements.
- Insured:** The Company, the O&M Contractor and the Lenders

2.3 Consequential Loss Following All Risks Insurance

- Cover:** Loss of revenue due to reduction in the Capacity Payment as a direct consequence of loss of or damage to the Complex and caused by a peril insured under Section 2.1 plus increased costs of work necessarily incurred to minimise any damages payable which would otherwise be insured.

Sum Insured: An amount equal to the estimated Capacity Payment that would be payable during the period of loss.

Indemnity Period: 18 months.

Deductible: To be determined prior to Financial Closing in accordance with the Financing Agreements.

Insured: The Company, the O&M Contractor and the Lenders.

2.4 Public Liability Insurance Cover:

Cover: Legal liability of the insured for damage to property of third parties or injury to third parties arising out the ownership, operation and maintenance of the Complex.

Sum Insured: To be determined prior to Financial Closing in accordance with the Financing Agreements.

Deductible: To be determined prior to Financial Closing in accordance with the Financing Agreements.+

Insured: The Company, the O&M Contractor. GOL. UEB and the Lenders.

2.5 Miscellaneous

Other insurance as are customary, desirable or necessary to comply with the Laws of Uganda or other local requirements, such as workmen compensation insurance in relation to all workmen employed at the Complex or in connection with its operation or maintenance, and motor insurance on any vehicle.

2.6 Indexation of Limits

The sums insured applicable to the insurance specified in this Section 2 shall be adjusted at the Commercial Operations Date (to take account of the levels of the relevant variable referred to below at the Commercial Operations Date), and at the end of every two (2) year period after that during the term of this Agreement (to take account of increases in the relevant variables referred to below since the most recent adjustment) as follows:

(i) under the "All Risks - Fixed Assets Insurance" in Section 2.1 above the sums insured shall be adjusted based on the full replacement value or, as the case may be reinstatement value, at the time of the adjustment with provision for escalation likely to reflect expected increases of such values over the following two (2) years as determined by agreement between the Parties or, failing such agreement by an expert appointed and in accordance with Sections 14.3 of this Agreement.

(ii) under the "Consequential Loss Following All Risks Insurance" in Section 2.2 above", sums insured shall be adjusted, by agreement between the Parties or, failing such agreement, by an expert appointed and in accordance with Section 14.3 of this Agreement, and

(iii)the "Deductibles": will need to be reviewed periodically and, subject to commercial restraints not exceed the amounts stated above, adjusted for any inflation.