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Protocol to the Agreement regarding the Mangdechhu hydroelectric project between the Government of the Republic of India and the Royal Government of Bhutan in respect of financing of the part of the Associated Transmission System of the Mangdechhu hydroelectric project and other Government of India-assisted hydroelectric projects in Bhutan

The Government of the Republic of India and the Royal Government of Bhutan:

Bearing in mind the friendly relations and the mutual trust existing between the two Governments and their peoples;

Recalling the Agreement between the Government of the Republic of India and the Royal Government of Bhutan regarding the Mangdechhu Hydroelectric Project signed on 30 April 2010;

Recalling the Agreement between the Government of the Republic of India and the Royal Government of Bhutan concerning co-operation in the field of hydroelectric power signed on 28 July 2006 and the Protocol to the Agreement signed on 16 March 2009;

Recalling also the Agreement between the Government of the Republic of India and the Royal Government of Bhutan concerning development of Joint Venture Hydro-power Projects through the Public Sector Undertakings of the Two Governments signed on 22 April 2014;

And taking note of the desire of the two Governments to develop additional hydro-power potential for their mutual benefit and their willingness to co-operate in the construction and operation of hydroelectric projects (HEPs) in Bhutan to attain this objective;

Have, with respect to the Associated Transmission System of the 720 MW Mangdechhu Hydroelectric Project and other Government of India assisted HEPs in Bhutan (hereinafter referred to as the Project), agreed as follows:

Article 1

The National Transmission Grid Master Plan (NTGMP) of Bhutan, prepared in consultation with the Central Electricity Authority (CEA), Government of India, in 2012, envisages a national transmission grid through an Associated Transmission System for the hydroelectric projects in Bhutan to meet its load growth and to smoothly evacuate surplus power to India.

2. The physical infrastructure in respect of the Project, within the scope of this Protocol, to be shared by the Mangdechhu hydroelectric project and other GoI HEPs in Bhutan including the Punatsangchhu-II HEP, proposed JV projects Chamkharchhu HEP, Kholongchhu HEP and the Royal Government of Bhutan-owned Nikachhu HEP, for the evacuation of surplus power to India includes two (02) nos. D/C 400kV Transmission Line from Mangdechhu Project Pothead Yard to Jigmeling Substation via Goling, 400kV GIS Substation at Jigmeling, 1xD/C 400kV Quad Moose line from Jigmeling Substation to India-Bhutan Border and 1xD/C 132kV line from Mangdechhu Project Pothead Yard to Yurmoo. The Project is being implemented by the Bhutan Power Corporation, the transmission utility of the Royal Government of Bhutan.

Article 2

The Project shall be owned solely by the Royal Government of Bhutan. The maintenance of the Project shall be the responsibility of the Royal Government of Bhutan.

Article 3

The estimated cost of the Project arrived at on the basis of the total awarded cost is Rs/Nu 942.451 Crore. The CEA developed the framework for apportionment of the cost of the Associated Transmission System and Transmission Lines in August 2014, in consultation with the Royal Government of Bhutan. In accordance with this framework and in lieu of the combined contribution of the Kholongchhu HEP and Chamkharchhu HEP to the Project (Rs/Nu

111.603 and Rs/Nu 162.135 Cr respectively), the Government of the Republic of India agrees to provide funds for the financing of the part of the Project amounting to INR 273.738 Cr . For this purpose, the Government of the Republic of India will make available to the Royal Government of Bhutan in Indian Rupees:

a) A sum of Rs/Nu 82.1214 Crore equivalent to 30% of the estimated total cost of Rs/Nu 273.738 Crore as Grant; and,

b) A sum of INR/Nu. 191.6166 Cr, equivalent to 70% of the estimated total cost of INR/Nu. 273.738 Cr, as Loan. The Loan shall be repayable in Indian Rupees along with interest in equated semi-annual installments, commencing from five years after the end of five years' moratorium period starting from the mean date of commercial operation of the Mangdechhu HEP, and shall be fully repaid within the repayment tenure of the Mangdechhu HEP Loan i.e. fifteen (15) years. The Loan shall carry an interest of ten percent per annum including for the moratorium period.

2. The Government of Republic of India agrees to provide additional funds, as mutually determined, for the completion of the project, in the same proportion and on the same terms and conditions.

Article 4

The Royal Government of Bhutan agrees that the funds provided by the Government of the Republic of India shall be used solely for the purpose of the Project. The release of funds will be on the basis of the recommendations of the Mangdechhu Hydroelectric Project and as per mutually agreed modalities between the two Governments based on the progress of the work.

Article 5

The Royal Government of Bhutan agrees that the Project has obtained all the necessary approvals and complies with all the necessary local, state and national laws including on land acquisition, environment, forestry, wildlife etc.

Article 6

Any difference regarding the interpretation of any provision of this Protocol shall be resolved by mutual consultations between the two Governments.

Article 7

The Protocol shall enter into force upon signature and shall remain in effect until the Loan is fully repaid by the Royal Government of Bhutan, as per the terms specified herein.

In witness whereof, we, the undersigned being duly authorized by our respective Governments, have signed the Agreement.

Signed in Thimphu on the Eighth Day of January, Twenty Hundred and Nineteen, in two originals in the English language.

For the Government of the Republic of India	**For the Royal Government of Bhutan**
(Jaideep Sarkar)	**(Yeshi Wangdi)**
Ambassador of India	**Secretary**
Embassy of India, Thimphu	**Ministry of Economic Affairs**