

**Maharashtra State Electricity Distribution Company Ltd
(MSEDCL)**



Draft Request for Proposal
for

Appointment of Village Distribution Franchisee

for

XXXX Village
Taluka: XXXX, District: XXXXX

Bid Specification No. xx
(Draft for discussion purpose only)

Issued by

<Issuing Authority>

July 2006

Maharashtra State Electricity Distribution Company Ltd.

Bid specification for Appointment of Village Distribution Franchisee for XXX Village

This bid document containing **Request for Proposal** “RFP” along with Exhibits/ Annexure as per index is issued to -

M/s./ Mr/Ms. _____

Notes/ Disclaimer:

1. This document is not transferable.
2. Though adequate care has been taken while preparing and issuing the RFP, the Bidder should satisfy himself that documents are complete in all respects.
3. Intimation of discrepancy(s), if any shall be given to this office immediately. If no intimation is received by this office, from any Bidder within ten days from the date of issue of this document, it shall be considered that the issued documents is complete in all respects and have been received by the Bidders.
4. Neither MSEDCL, nor its employees, consultants, advisors accept any liability or responsibility for the accuracy or completeness of, nor make any representation or warranty, express, or implied, with respect to the information contained in the RFP, or on which the RFP is based, or any other information or representations supplied or made in connection with the Selection Process.
5. The RFP is not intended to provide the basis of any investment decision and each prospective Bidder must make its own independent assessment in respect of the Project. No person has been authorised by MSEDCL to give any information or to make any representation not contained in the RFP.
6. Nothing in the RFP should be relied on, as a promise or representation as to the future.
7. MSEDCL or its authorised officers reserve the right, without prior notice, to change the procedure for the identification of the Selected Bidder or terminate discussions and the delivery of information at any time before the signing of any agreement for the Project without assigning reasons thereof.
8. Neither MSEDCL nor its employees or consultants will have any liability to any prospective Bidder or any other person under law, equity or contract, or otherwise for any alleged loss, expense or damage which may arise from or be incurred or suffered in connection with anything contained in the RFP, any matter deemed to form part of the RFP, the award of the Project, the project information and any other

information supplied by or on behalf of MSEDCL or their employees, any consultants or otherwise arising in any way from the selection process for the Project.

9. MSEDCL reserves the right to change, modify, add to or alter the Selection Process including inclusion of additional evaluation criteria.
10. MSEDCL reserves the right to change, modify or alter any or all the provisions of this document. Such a change would be intimated to all parties procuring this document.
11. MSEDCL reserves the right to reject any or all of the Bids submitted in response to the RFP at any stage without assigning any reasons whatsoever.

Confidentiality:

The parties agree that this RFP document is not confidential.

Issued By:

<Name of Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.

Place:

Date:

Table of Content

1.	Definitions and Abbreviations.....	5
1.1	Definitions.....	5
1.2	Abbreviations.....	10
2.	Introduction.....	11
2.1	The Electricity Act 2003.....	11
2.2	Relevant provision of the Electricity Act.....	11
2.3	Brief description about the Franchisee Area.....	12
2.4	Objective of the Project	12
3.	Project Description	14
3.1	Salient Features of the Project	14
3.2	Brief Roles and Responsibilities of Rural Distribution Franchisee	14
3.3	Support given by MSEDCL.....	15
3.4	Term of Franchisee:	16
3.5	Rural Distribution Franchisee Agreement “VDFA”	16
4.	Selection Process.....	17
4.1	Bidding Process	17
5.	Evaluation.....	19
5.1	Responsiveness	19
5.2	Technical Proposal.....	19
5.3	Financial Proposal.....	21
6.	Instructions to Bidders	23
6.1	Submission of Technical Proposal.....	23
6.2	Submission of Financial Proposal.....	23
6.3	Fees and Deposits	25
6.4	Time Table and Milestones.....	26
6.5	Opening of Technical Proposal.....	26
6.6	Opening of Financial Proposal.....	27
6.7	Validity of terms of bids	27
6.8	Language of the Bid.....	27
6.9	Signature of Bid	27
6.10	Sealing of Bids.....	28
6.11	Other Instructions.....	28
6.12	Pre-bid Conference	30
6.13	Enquiries:	31
7.	Formats for Submission of Bids	32
8.	Exhibit 1: Covering Letter for Technical Proposal.....	33
9.	Exhibit 2: Letter of Commitment	35
10.	Exhibit 3: Letter of Acceptance	37
11.	Exhibit 4: Description of the Bidding Company / Bidding Consortium.....	39
12.	Exhibit 5: Information Requirement for Technical Proposal	40
13.	Exhibit 6: Covering Letter for Financial Proposal.....	43
14.	Exhibit 7: Format for Financial Proposal.....	45
15.	Annexure 1 : Schematic of Franchisee Area	46
16.	Annexure 2: Principles of Rural Distribution Franchisee Agreement.....	47
17.	Annexure 3 : Capital Investment Plan	61
18.	Annexure 4 : Financial Proposal Evaluation Illustration.....	61

1. Definitions and Abbreviations

1.1 Definitions

For the purpose of this Request of Proposal document, and all Exhibits and Annexures attached hereto, the following terms, phrases and their derivations shall have the meanings given below unless the context clearly mandates a different interpretation. Where the context so indicates, the present tense shall imply the future tense, words in plural include the singular, and words in the singular include the plural. The word 'shall' is always mandatory and not merely directory. The definitions are acceptable regardless of whether the term is written in capital letters.

Affiliate

Shall mean in relation to any party, a person that controls, is controlled by or is under the common control with such party. As used in this definition the term "control" means, with respect to a person that is a corporation, the ownership, directly or indirectly, of more than 50% of the voting securities of such person, and, with respect to a person that is not a corporation, the power to direct the management or policies of such person, whether by operation of law, contract, or otherwise;

Base Year

Shall mean the Financial Year 2005-06.

Base Year Collection Efficiency

Shall mean the Collection Efficiency for the Base Year of a subdivision in which Franchise Area is located

Bid

Shall mean the Technical Proposal and Financial Proposal submitted in response to this RFP issued by MSEDCL

Bidder

Shall mean the Bidding Entity.

Bidding Entity

Shall mean a person, group of persons, any corporate entity, a consortium of individuals, or corporate entities.

Collection Efficiency

Shall mean the ratio of revenue actually realized from consumers (exclusive of subsidy) and energy billed to consumers in percentage terms and shall be calculated as below:

Collection Efficiency= (Revenue realized from consumers / Energy Billed to consumers)*100

Consumer

Means any person who is supplied electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to public under the Electricity Act'2003 or any other law for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a licensee, the Government or such other person, as the case may be;

Distribution System

Means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers;

Distribution

Means the supply and conveyance of electricity by means of Distribution System.

Distribution Assets

Shall mean all the assets employed by Distribution Licensee in the Franchisee Area for distribution of electricity

Distribution Licensee

Shall mean the Maharashtra State Electricity Distribution Company Limited “MSEDCL” and shall also include its successors and permitted assigns.

Distribution Losses

Shall mean the difference between energy supplied at the Input Points and Energy Billed to consumers in percentage terms and shall be computed as below:

Distribution Losses= (Energy Intake at Input Points- Energy Billed to consumers)/ Energy Intake at Input Points*100

For the purpose computation of Distribution Losses, energy shall be metered at the LT side of DTC in Franchisee Area.

Effective Date

Shall mean the date on which the VDFA is signed by both the Parties and is in full force and effect.

Expiry Date

Shall mean the third anniversary of the Effective Date

Financial Proposal

Shall mean the proposal of the Bidder setting out Fixed Charge and Incentive as set out in Clause 5.3 of this document

Fixed Charge

Shall mean the amount payable to VDF on monthly basis towards metering, billing, collection and minor O&M related activities carried out by VDF in Franchisee Area as quoted by the Bidder under Clause 5.3 of this document

Franchise Area

Shall mean the area as mentioned in Section 2 of the RFP in respect of which Village Distribution Franchisee shall act as an agent of MSEDCL

Incentive

Shall mean the amount payable to VDF on monthly basis towards improvement in Collection Efficiency by VDF in Franchisee Area as set out in Clause 5.3 of this document.

Input Point

Shall mean xx DTC in xx village, <Name of taluka & district> in the State of Maharashtra

Law

Means, in relation to this RFP, all laws and electricity laws in force in India and would include any Statute, Ordinance, Regulation, Notice, Circular, Code, Rule or Direction, or any interpretation of any of them by a Governmental instrumentality and also includes all applicable Rules, regulations, Orders, Directions, Notifications by a Governmental instrumentality pursuant to or under any of them and shall include all Rules, regulations, Decisions, Directions and Orders of MERC.

Lead Partner

Shall mean a Member Person of the Bidding Consortium, who is in charge of developing the Project and has an equity stake not less than 25% in the Bidding Consortium

Parties

Shall mean a reference to selected Bidder and MSEDCL collectively and "Party" shall mean an individual reference to either one of them

Person

Shall include any person, any company or body corporate or association or body of individuals, whether incorporated or not.

Project

Shall mean the metering, billing, collection and minor O&M related activities in the Franchise Area as a Village Distribution Franchisee of MSEDCL in accordance with the requirements set forth in this RFP

Promoters

Shall mean only those Persons holding not less than 50% of the voting securities in the Bidding Entity, either directly or indirectly. In the event of an indirect holding in Bidding Entity through a chain of entities, the percentage of holding would be considered on proportionate terms

Any bank or financial institution would not be a Promoter.

Request for Proposal “RFP”/ Document

Shall mean this document, issued to the Bidders seeking Technical and Financial Proposals.

Successful Bidder

Shall mean the Bidder as defined under clause 4.1.12 of this document.

Technical Proposal

Shall mean the proposal of the Bidder setting out details as set forth in Clause 5.2 of this document.

Village Distribution Franchisee

Shall mean Successful Bidder appointed by MSEDCL to perform the stipulated obligations in the Franchisee Area

Village Distribution Franchisee Agreement “VDFA”

Shall mean the agreement to be entered into by the Successful Bidder and MSEDCL

The words used in this document shall carry the same meaning as defined herein. Any word, phrase not defined here shall carry the meaning as is usually connoted in trade parlance or as is defined under the prevalent electricity laws.

1.2 Abbreviations

Crone	:	Number equivalent to 10 million or 100 lakhs
D/B	:	Distribution Box
EHV	:	Extra High Voltage
EMD	:	Earnest Money Deposit
Eol	:	Expression of Interest
FA	:	Franchise Area
FY	:	Financial Year
HP	:	Horse Power
HT	:	High Tension
IST	:	Indian Standard Time
IT	:	Information Technology
KM	:	Kilometer
kV	:	Kilo Volt
LoI	:	Letter of Intent
LT	:	Low Tension
MCB	:	Miniature Circuit Breaker
MERC	:	Maharashtra Electricity Regulatory Commission
MIS	:	Management Information System
MOU	:	Memorandum of Understanding
MSEB	:	Maharashtra State Electricity Board
MSEDCL	:	Maharashtra State Electricity Distribution Company Ltd.
MUs	:	Million Units
O & M	:	Operation & Maintenance
PD	:	Permanently Disconnected
RGVY	:	Rajiv Gandhi Gram Vidyutikaran Yojana
RFP	:	Request for Proposal
Rs.	:	Indian Rupees
SCC	:	Service Connection Charge
SD	:	Security Deposit
SLC	:	Service Line Charge
T&D	:	Transmission & Distribution
T/F	:	Transformer
VDF	:	Village Distribution Franchisee
VDFA	:	Village Distribution Franchisee Agreement

2. Introduction

2.1 The Electricity Act 2003

2.1.1 Pursuant to Section 14 of the Electricity Act 2003 (hereinafter referred to as the “Electricity Act”) the Government of Maharashtra by a Notification dated 4th June 2005, (Ref no. Reform 1005/CR 9061/NRG-5) formulated a Transfer Scheme where under the Maharashtra State Electricity Board (MSEB) was trifurcated into separate generation, transmission, distribution companies. As per the Transfer Scheme, the Maharashtra State Electricity Distribution Company Limited (MSEDCL) was designated as the Distribution Licensee.

2.1.2 **MSEDCL**, in an endeavor to improve collection efficiencies and quality of services provided to its rural consumers seeks to bring in Franchisees in villages for distribution of electricity, as intended under Rajiv Gandhi Gram Vidyutikaran Yojana (RGGVY).

2.2 Relevant provision of the Electricity Act

2.2.1 The Electricity Act has opened new avenues for bringing in private participation in the distribution sector.

2.2.2 The proviso to Section 14 of the Electricity Act states that:

“...in a case where a distribution licensee proposes to undertake distribution of electricity for a specified area within his area of supply through another person, that person shall not be required to obtain any separate licence from the concerned State Commission and such distribution licensee shall be responsible for distribution of electricity in his area of supply”

2.2.3 Accordingly, a person who undertakes the distribution of electricity for a specified area on behalf of the Distribution Licensee will not be required to obtain any separate license from the concerned State Commission.

2.3 Brief description of the Franchisee Area

2.3.1 The Franchisee Area shall be the village: XXXX as identified by MSEDCL.

2.3.2 The brief description of existing distribution network as on 31st March 2006 in Franchisee Area is given in the table below¹:

LT Overhead Line (CKM)	xx
No. of Poles (LT)	xx
LT Underground Cable (KM)	xx
11 kV/ 433 V DTC	xx

2.3.3 The schematic diagram of the distribution network of the Franchisee Area is attached as Annexure 1.

2.3.4 As on 31st March 2006, the number of paying consumers in the Franchisee Area is xx. The consumer mix is given in the graph below:

2.3.5 Data related to Collection Efficiency of subdivision in which Franchisee Area is located for last three financial years is given in the table below:

Year	Collection Efficiency (%)
2003-04	
2004-05	
2005-06	

2.3.6 Projected annual revenue of FA for FY 2006-07 is Rs. Xx lakhs:

2.4 Objective of the Project

2.4.1 MSEDCL's objectives of appointing a Village Distribution Franchisee in the Franchisee Area are:

- To minimise commercial losses and increase collection efficiency
- To bring improvements in Metering, Billing and Revenue Collection

¹ This format is indicative in nature. Issuing authority may add or delete certain information depending upon its availability.

- To enhance customer satisfaction level by improving quality of service
- To improve the information flow

2.4.2 The selection of interested parties shall be through a transparent and competitive bidding process.

3. Project Description

3.1 Salient Features of the Project

- 3.1.1 The project encompasses activities relating to distribution of power, as mentioned in the clause 3.2, to the existing/ future consumers in the Franchise Area and all related activities subject to the terms and conditions as stipulated from time to time by MSEDCL and MERC.

3.2 Brief Roles and Responsibilities of Village Distribution Franchisee

- 3.2.1 Undertaking reading of meters, reporting the same to MSEDCL, prompt collection of the consumer bills generated by MSEDCL, and their distribution to consumers;
- 3.2.2 Payment collection in the Franchise Area and remitting such payments to MSEDCL as per schedule.
- 3.2.3 Undertaking minor operation and maintenance related activities in the Franchise Area such as replacement of LT Fuses, LT Line Inspection and Patrolling
- 3.2.4 Delivering prompt information about the faults not covered in Clause 3.2.3 to MSEDCL
- 3.2.5 Making payments to MSEDCL as per the terms and conditions of the clause on Payment and Collection in the annexed Principles of the Village Distribution Franchisee Agreement;
- 3.2.6 Collection of arrears as an agent of MSEDCL, and remittance of the same as per the terms and conditions of the VDFA;
- 3.2.7 Redressal of Commercial and Billing Complaints in conjunction with MSEDCL;
- 3.2.8 Facilitating the allotment of new connections

- 3.2.9 Initiating necessary action, to prevent the theft of power, theft of electric lines and material etc and interference with meters and extinguishing public lamps;
- 3.2.10 Increasing the performance parameters² of FA on year on basis in terms of increase in Collection Efficiency by xx % during the term of VDFA. The Base Year Collection Efficiency shall be considered as base for this purpose;

3.3 Responsibilities of MSEDCL

- 3.3.1 MSEDCL shall supply the power to the Franchise Area as per its aggregated power supply and load shedding schedule planned periodically, based on directives issued by MERC on load shedding and availability of transmission capacity;
- 3.3.2 MSEDCL shall carry out routine O&M activities viz. HT inspection and patrolling etc. and other repair of faults not included in the scope of work of the VDF upon information by VDF;
- 3.3.3 MSEDCL shall maintain adequate inventory of operating spares to enable speedy repair of faults;
- 3.3.4 MSEDCL shall carry out New Capital Expenditure in the Franchise Area ;
- 3.3.5 MSEDCL shall upgrade, renovate and maintain the existing distribution network as per Prudent Utility Practices and the standards as may be prescribed by MERC;
- 3.3.6 MSEDCL shall upon furnishing of meter reading by VDF promptly generate Consumer Bills and hand over the same to VDF;

² To be finalized in consultation with MSEDCL officials

3.3.7 MSEDCL shall give new connection;

3.3.8 Initiate necessary action, in accordance with the agreed procedure for theft, disconnection of commercial losses.

3.3.9 All other duties as may be notified form time to time by MERC to the Distribution Licensee.

3.4 Term of Franchise:

The term of the Village Distribution Franchisee shall be for a period of three years from the Effective Date. At the end of the term, MSEDCL and the VDF shall have the option of extending the term by mutual consent.

3.5 Village Distribution Franchisee Agreement “VDFA”

MSEDCL shall enter into an agreement with the VDF. This agreement shall govern all transactions under such arrangement between the Successful Bidder and MSEDCL. Principles of VDFA have been annexed herewith and marked as Annexure 2. However, MSEDCL reserves the right to make any changes to the Annexure 2 before the Parties sign the VDFA.

4. Selection Process

4.1 Bidding Process

The bidding process would mainly consist of the following stages.

4.1.1 Expression of Interest (Eol)

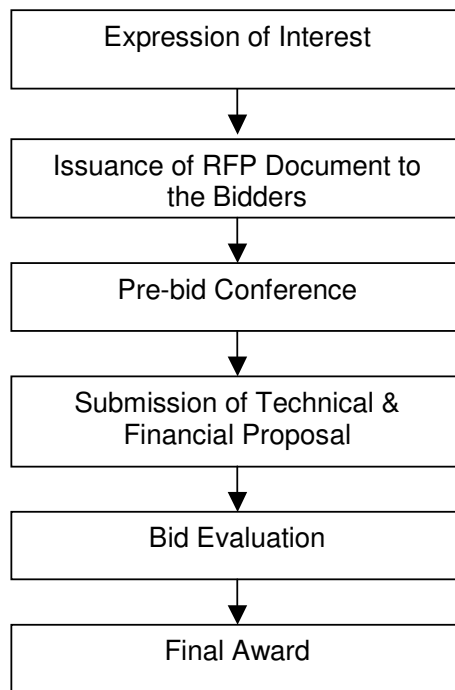
4.1.2 Issuance of RFP document

4.1.3 Pre-bid conference

4.1.4 Submission of the Technical and Financial Proposal

4.1.5 Bid Evaluation & Award of Contract

A diagrammatic representation of the bidding process is as shown below;



4.1.6 MSEDCL shall call for 'Expression of Interest' from the all interested parties.

4.1.7 MSEDCL shall issue the RFP document to the Eol parties. The purpose of this RFP is to provide Bidders with information regarding the proposed franchisee arrangement in order to assist them in formulation of their Bids.

- 4.1.8 A Pre-Bid Conference shall be held by MSEDCL on the date as indicated in the Time Table as per clause 6.4. The purpose of which shall be to address the concerns of the Bidders with respect to RFP.
- 4.1.9 The Bidders shall submit a Technical and a Financial Proposal in response to the RFP document on the date as indicated in the Time Table mentioned in clause 6.4.
- 4.1.10 As a part of the selection process, Technical Proposal submitted by interested Bidders in response to RFP, shall be evaluated based on the methodology and evaluation criteria as detailed in the RFP. The Bidders are required to submit their Technical Proposal in the formats placed as Exhibit 1 to 5 of this document.
- 4.1.11 Financial Proposal of Technically qualified Bidders shall be evaluated based on the methodology and evaluation criteria as detailed in this bid document. The information required to be provided by the Bidders submitting their Financial Proposal is placed as Exhibit 6 and 7 of this document.
- 4.1.12 The final award of the Project shall be made by MSEDCL to the Bidder ("Successful Bidder") short-listed after evaluation of the Financial Proposal.
- 4.1.13 In the event of two or more Bidders found equal after evaluation of Financial Proposal, MSEDCL reserves the right to select and declare any of such Bidders as the selected Bidder or take any such measure as may be deemed fit in its sole discretion including annulment of the bidding process.
- 4.1.14 The Successful Bidder shall be issued the Letter of Intent (LoI) by MSEDCL.

5. Evaluation

5.1 Responsiveness

The bids submitted by Bidders shall be initially examined to establish “Responsiveness”. A Bid may be deemed “Non-Responsive” if it does not satisfy any of the following conditions:

- 5.1.1 It is not received by the due date and time specified in the RFP. MSEDCL does not take any responsibility for postal/ other delays in receiving the required documents by the due date and time.
- 5.1.2 It does not include sufficient information for it to be evaluated and/ or it does not comply strictly with the formats specified.
- 5.1.3 It is not signed and/ or sealed in the manner and to the extent indicated in this RFP.
- 5.1.4 It is not accompanied by the required processing fee.
- 5.1.5 It is not accompanied by a valid Earnest Money Deposit.
- 5.1.6 The bidder is seeking deviations on the principles of VDFA.

5.2 Technical Proposal

- 5.2.1 The objective of Technical Proposal evaluation is to select Bidders with:
 - The experience and track record to undertake distribution of electricity and related activities in the Franchise Area
 - The financial capability to undertake minor O&M and other required expenditure to perform its obligation under VDFA
- 5.2.2 The Technical Proposal should clearly specify the Lead Partner in case of the Bidder being a consortium. The Lead Partner shall necessarily have the maximum equity participation in the Project; and this equity contribution shall necessarily be more than 25%.

5.2.3 Technical Proposal would be evaluated based on following weightages assigned to Experience & Financial capabilities of the Bidders

S.No.	Parameter	Weightage
1.	Experience and Track Record	40%
2.	Financial capability	60%

5.2.4 Experience and Track Record (40%)

The Bidder shall be evaluated as follows:

Proposal of key Personnel

The Bidders shall have a valid electrical contractor license. The Bidder shall provide documentary evidence of the same in the form of a copy of the said license. If the bidder is an individual entrepreneur he shall be at least diploma/ ITI holder (electrical branch). In case of organizations, the organization should have (or should have the ability to source) services of at least one diploma/ ITI holder (electrical branch). The Bidders should submit documentary proof in this respect.

5.2.5 Financial Capability Criteria (60%)

This parameter evaluates the capability of the Bidder to manage finances required to run the operation and to perform its obligation & commitment under VDFA. In this regard, the Bidder shall be evaluated as follows:

a) Net worth

Net worth in the last financial year (FY 2005-06) should be at least equal to 25% of projected annual revenue collection in FA for 2006-07. In this regard, the Bidder shall attach documentary proof in the form of a letter from bank certifying its net worth.

5.2.6 The methodology of evaluation in respect of the above mentioned parameters, the detailed Weightage in respect of each component are given below:

Financial capability (100 marks, Weightage 60%)

Experience and Track Record (100 marks, Weightage 40%)

5.2.7 MSEDCL reserves the right to decide the minimum cut-off as a benchmark to evaluate the Bids. On each of the above-mentioned parameters, the best Bidder will get full marks against respective parameters and the subsequent Bidders marks will be indexed to the best Bidder's marks. The Bids achieving a minimum cut-off in both the parameters mentioned above shall be qualified for evaluation of Financial Proposal.

5.2.8 For evaluation of Bids submitted by Bidding Entity under the financial capability criteria, either the strength of the Bidding Entity and/or the consolidated strength of any one of its constituents may be considered.

5.2.9 For evaluation of Bids submitted by Bidding Entity under the experience and track record criteria, the same of either the Bidding Entity or that of the Promoters and/or Affiliates of the Bidding Entity may be considered.

5.2.10 For evaluation of Bids submitted by a Bidding Entity under the Experience and Track Record criterion, only the experience and track record of the Member Persons, proposing to hold not less than 10% equity in the Entity, or the Experience and Track Record of the Promoters and/or Affiliates, of such a Member Person shall be considered.

5.3 Financial Proposal

5.3.1 The Bidders are required to bid for two parameters namely Fixed Charges towards Revenue Collection and other activities in Franchise Area and Incentive for improvement in Collection Efficiency for the entire term of

VDFFA. The bidders are required to submit a detailed Financial Proposal as per the Exhibit 6 and 7.

- 5.3.2 VDF shall be entitled to receive Incentive only if VDF achieves the performance targets as mentioned under clause 3.2.10 of this document.
- 5.3.3 The evaluation of Financial Proposals submitted by the Bidders shall be carried out by as per following
- 5.3.3.1 The annual component of Incentive will be computed based on the Incentive quoted by the Bidder and the performance targets in terms of minimum improvement in Collection Efficiency as mentioned under clause 3.2.10 of this document. If the net present value (computed at discount rate of 6.25%) of Fixed Charges quoted by the Bidder is greater than the $2/3^{\text{rd}}$ of the net present value of annual Incentive so computed, then MSEDCL will reserve the right to reject the bid.
- 5.3.3.2 Based on the Fixed Charges quoted by the Bidder and Incentive amount computed under 5.3.3.1, the total annual payments to the Bidders will be computed during the period of VDFFA. The net present value of such annual payments will be computed at the discount rate of 6.25%. The Bidder will be ranked on the basis of the net present values of annual payments (in the ascending order) so computed.
- 5.3.3.3 The financial evaluation process is illustrated with an example under Annexure 3 of this document.
- 5.3.4 The Bidders ,short-listed after evaluation of Technical Proposal and qualifying criteria as mentioned under 5.3.3.1, scoring lowest rank as computed under 5.3.3.2 will be designated as the Successful Bidder.
- 5.3.5 Any conditional Financial Proposal may be liable for rejection at the discretion of MSEDCL.

6. Instructions to Bidders

The Bidders shall submit the Technical and Financial Proposals in separate sealed envelopes.

6.1 Submission of Technical Proposal

- 6.1.1 The Technical Proposal, one original and two copies, organized in a manner as specified in Exhibit 1 to 5, should be delivered in a sealed envelope or a box, with the following inscription:

“Technical Proposal for Village Distribution Franchisee for xx Village”

Name of the Bidder: _____

To

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.

<Address 1>

<Address 2>

<Address 3>

- 6.1.2 The original of the Technical Proposal shall be clearly marked “ORIGINAL” and copy of the Technical Proposal shall be clearly marked “Copy”. In the event of any discrepancy between the original and the copy, the original shall prevail.

6.2 Submission of Financial Proposal

- 6.2.1 The Financial Proposal, one original and two copies, organized in a manner as specified in Exhibit 6 and 7 should be delivered in a sealed envelope or a box, with the following inscription:

“Financial Proposal for Appointment of Village Distribution Franchisee for xx Village”

Name of the Bidder: _____

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.

<Address 1>

<Address 2>

<Address 3>

- 6.2.2 The original of the Financial Proposal shall be clearly marked “ORIGINAL” and copy of the Financial Proposal shall be clearly marked “Copy”. In the event of any discrepancy between the original and the copy, the original shall prevail.
- 6.2.3 The Bidder has the option of sending his Bids i.e. Technical Proposal and Financial Proposal, by registered post or submitting the Proposal in person so as to reach the designated address by the time and date stipulated by MSEDCL. However, MSEDCL shall not be responsible for any delay in receipt of the Proposal. Any Proposal received by MSEDCL after the deadline for submission of the Proposal stipulated by MSEDCL, shall not be opened. The authorized signatory of the Bidder should initial each page of the Proposal. The last date of submission of Bids shall be xx upto 1300 Hrs.

6.3 Fees and Deposits**Bid Processing Fee**

- 6.3.1 The Bidder shall pay MSEDCL a non-refundable amount of Rs 1000 [Rupees one thousand], towards processing fee, by way of Demand Draft/ Pay Order, drawn on a scheduled bank, in favour of the Maharashtra State Electricity Distribution Company Limited, payable at *<place>*.
- 6.3.2 The processing fee shall be placed in a separate envelope clearly marked as Processing Fee on it, along with the Technical Proposal.
- 6.3.3 Bids, which are not accompanied by the above processing fee, shall be rejected by MSEDCL as non-responsive.
- 6.3.4 The Bidder shall be responsible for all the costs associated with the preparation of the proposal and participation in discussions and negotiations. MSEDCL shall not be responsible in any way for such costs, regardless of the conduct or outcome of this process.

Earnest Money Deposit (EMD)

- 6.3.5 Each Bidder shall submit an Earnest Money Deposit (EMD) of an amount Rs. 10,000/- [Rupees Ten thousand only] in the form of a Demand Draft drawn on a Nationalised Public Sector Bank in favour of the Maharashtra State Electricity Distribution Company Limited, payable at *<place>*.
- 6.3.6 EMD shall be placed in a separate envelope clearly marked as EMD on it, along with the Technical Proposal.
- 6.3.7 Bids, which are not accompanied by the above EMD, shall be rejected by MSEDCL as non-responsive.
- 6.3.8 For unsuccessful Bidders, the EMD shall be refunded within 30 days of issuance of Lol to the selected Bidder
- 6.3.9 For successful Bidder, EMD shall be released on the payment of the security deposit.

6.3.10 The following shall cause the forfeiture of EMD

- 6.3.10.1 If the Bidder modifies/ withdraws it's Proposal except as per the provisions specified in the RFP;
- 6.3.10.2 If the Bidder withdraws it's proposal before the expiry of the validity period of the Proposal;
- 6.3.10.3 If the Successful Bidder fails to provide the performance guarantee and execute the VDFA within the stipulated time or any extension thereof provided by MSEDCL;
- 6.3.10.4 If the Successful Bidder fails to sign the VDFA within 60 days of issuance of Lol by MSEDCL;
- 6.3.10.5 If any information or document furnished by the Bidder turns out to be misleading or untrue in any material respect.

6.4 Time Table and Milestones

Milestone	Date
Commencement of Sale of bid document	T ₀ (between 1100 Hrs to 1500 Hrs))
Last date for sale of the bid document	T ₀ + 15 days upto 1500 Hrs
Pre-Bid Conference	T ₀ + 25 days at 1100 Hrs
Last date of submission of bids	T ₀ + 40 days upto 1300 Hrs
Opening of Technical Proposal	T ₀ + 40 days at 1500 Hrs
Completion of Bid Evaluation	T ₀ + 50 days
Issue of Letter of Intent (Lol)	T ₀ + 60 days

6.5 Opening of Technical Proposal

- 6.5.1 The Technical Proposal shall be opened on xx, at xx at the address to be intimated at the time of pre-bid conference, in the presence of one representative from each Bidder. The details regarding the Technical Proposal, as provided in the Exhibit 4 would be read out.

6.6 Opening of Financial Proposal

6.6.1 The Financial Proposal shall be opened in the presence of one representative from each of the technically qualified Bidders. Date, Time and Place for the same shall be notified by MSEDCL in due course of time. The details regarding the Financial Proposal, as provided in the Exhibit 7 would be read out.

6.6.2 Information relating to the examination, clarification, evaluation and recommendation for the short listed Bidders shall not be disclosed to any person, not officially concerned with the process. MSEDCL would treat all information submitted as part of the proposal in confidence and will ensure that all who have access to such material treat it in confidence. MSEDCL would not divulge any such information unless ordered to do so by any Government authority that has the power under law to require its disclosure.

6.7 Validity of terms of bids

Each Proposal shall indicate that it is a firm and irrevocable offer, and shall remain valid and open for a period of not less than six months from the last date for submission of the Bids. Non-adherence to this requirement will be a ground for declaring the Proposal as non-responsive. In exceptional circumstances, MSEDCL may solicit the Bidder's consent for extension of the period of validity. A Bidder accepting MSEDCL's request for extending the period of validity shall not be permitted to modify its Proposal.

6.8 Language of the Bid

The bid and all associated documents shall be in English

6.9 Signature of Bid

The person authorised to act on behalf of the Bidder shall sign the completed Bid and all related documentation at each page.

6.10 Sealing of Bids

- 6.10.1 The Technical/ Financial Proposal form shall be delivered in a sealed envelope or package clearly marked as “confidential Technical/ Financial Proposal”.
- 6.10.2 The Financial and Technical Proposals shall be enclosed in two separate envelopes.
- 6.10.3 If the envelopes and /or the packages are not sealed MSEDCL shall not be responsible for the Bid’s misplacement, premature opening or confidentiality.

6.11 Other Instructions

The following may please be noted:

- 6.11.1 The Bids, that are incomplete in any respect and/or are not consistent with the requirements as specified in this RFP; and/or do not contain the Covering Letter, Letter of Commitment, and Letters of Acceptance as per the specified formats; would be considered non-responsive and would be liable for rejection.
- 6.11.2 Strict adherence to formats, wherever specified, is required. Non-adherence to formats may be a ground for declaring the Proposal non-responsive.
- 6.11.3 All communication and information should be provided in writing and in the English language only.
- 6.11.4 All the communication and information provided should be legible, and wherever the information is given in figures, the same should also be mentioned in words.
- 6.11.5 No change in, or supplementary information to a Proposal shall be accepted after its submission. However, MSEDCL reserves the right to seek additional information from the Bidders, if found necessary, during

the course of evaluation of the Proposal. Non-submission, incomplete submission or delayed submission of such additional information or clarifications sought by MSEDCL, may be a ground for rejecting the Proposal.

- 6.11.6 The Bids shall be evaluated as per the criteria as specified in this RFP. However, within the broad framework of the evaluation parameters as stated in this RFP, MSEDCL reserves the right to make modifications to the stated Evaluation Criteria, which would be uniformly applied to all the Bidders.
- 6.11.7 For a Bidding Consortium, the Proposal submitted by the Consortium should contain signed letters submitted by each of the Member Entities, stating that the entire Proposal has been examined and each key element of the proposal is agreed to, as specified in Exhibit 4.
- 6.11.8 For a Bidding Consortium, no change in the membership of the consortium, in responsibilities, or in equity commitments of any Member Entity shall be allowed after submission of the bids.
- 6.11.9 For a final short listed Consortium, if a change in membership pattern or responsibilities is desired, it must be communicated to MSEDCL in writing for its approval. MSEDCL reserves the right to reject such a request for change in the Consortium structure, which, in their opinion, adversely affects the consortium strength.

However, the Lead Partner shall not be allowed to change its equity contribution in the Bidding Entity if it results in its equity holding becoming

- Less than or equal to 25%; or
- Less than the equity holding of any other Member Entity.

- A Person cannot propose to be member of more than one Consortium for submission of the Bids for the Project.

- 6.11.10 The Bidder should designate one person (“Contact Person” and “Authorised Signatory”) to represent the Bidder in his dealings with

MSEDCL. This designated person should be authorized to perform all tasks including, but not limited to providing information, responding to enquiries, entering into contractual commitments on behalf of the Bidder, etc.

6.11.11 If any claim made or information provided by the Bidder in the Proposal or any information provided by the Bidder in response to any subsequent query of MSEDCL, is found to be incorrect or is a material misrepresentation of facts, then the Proposal may be liable for rejection.

6.11.12 The Bidder shall be responsible for all the costs associated with the preparation of the proposal. MSEDCL shall not be responsible in any way for such costs, regardless of the conduct or outcome of this process.

6.11.13 MSEDCL reserves the right to reject any or all the Proposals without assigning any reasons whatsoever.

6.12 Pre-bid Conference

6.12.1 The official representative of the Bidders may attend the pre-bid conference on xx at xx Hrs, which will take place at the following address:

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.

<Address 1>

<Address 2>

<Address 3>

Fax³: Email⁴:

6.12.2 The purpose of the meeting will be to clarify any issues regarding the bid process.

6.12.3 The Bidder is requested to submit questions in writing by post/ email/ fax to reach MSEDCL at the address indicated at least one week before the pre-bid meeting.

³ To be obtained from MSEDCL

⁴ To be obtained from MSEDCL

6.12.4 Record notes of the meeting including the text of the questions raised and responses given will be transmitted to all the purchasers of the RFP. The clarifications that could not be furnished during pre-bid conference will be separately communicated to all the purchasers of the RFP.

6.12.5 Non-attendance at the pre-bid meeting will not be a cause for rejection of a Bidder.

6.13 Enquiries:

Clarifications, if any, can be sought from:

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.

<Address 1>

<Address 2>

<Address 3>

Phone : xx, xx (P) Fax : xx

7. Formats for Submission of Bids

(a). Technical Proposal

The Technical Proposal to be submitted by the Bidders shall be organized in the manner specified below:

- 1 Section 1 :
 - a) Covering Letter as per the format specified in Exhibit 1
 - .
 - b) Demand draft for processing fee
 - c) Demand draft for EMD
- 2 Section 2 :
 - a) Description of the Bidding Entity as per the format specified in Exhibit 4
 - .
- 3 Section 3 :
 - a) Letters of Acceptance, as per the format specified in Exhibit 3, from all the Member Companies
 - .
 - b) Letter of Commitment as per the format specified in Exhibit 2
- 4 Section 4:
 - a) Information Requirements as per the formats specified in Exhibit 5
 - .
 - b) Bank's certificate for Net Worth.

(b). Financial Proposal

The Financial Proposal to be submitted by the Bidders shall be organized in the manner specified below:

- 1 Section 1 : Covering Letter as per the format specified in Exhibit 6
- 2 Section 2 : Financial Proposal as per the format specified in Exhibit 7

8. Exhibit 1: Covering Letter for Technical Proposal

(The covering letter is to be submitted by the Bidding Company or the Lead Partner of a Bidding Consortium along with the Technical Proposal. This should be on the company's letterhead.)

Date :

Place :

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.,

<Address 1>

<Address 2>

<Address 3>

Dear Sir,

Sub: Village Distribution Franchisee for xx Village

Please find enclosed one (1) original + two (2) copies of our Technical Proposal in respect of the Village Distribution Franchisee for xx Village, <District Name>, Maharashtra ("Project"), in response to the Request for Proposal ("RFP") document issued by the Maharashtra State Electricity Distribution Company Limited , ("MSEDCL") on _____ 2006.

We hereby confirm the following:

1. The Proposal is being submitted by _____ (name of the Bidding Entity) who is the Bidding Entity/ the Lead Partner of the Bidding Consortium comprising _____ (mention the names of persons who are the Member), in accordance with the conditions stipulated in the RFP.
2. We have examined in detail and have understood and agree to abide by all the terms and conditions stipulated in the RFP issued by MSEDCL and in any subsequent communication sent by MSEDCL. Our Technical Proposal is consistent with all the requirements of submission as stated in the RFP or in any of the subsequent communications from MSEDCL.

3. We desire / do not desire to get credited for the financial strength of our Promoter(s), and/or experience & track record of our Promoter(s) and/or Affiliate(s). Our Technical Proposal includes (only if desired to be credited for Promoter(s)/ Affiliate(s)' strength the Letter(s) of Commitment in the format specified in RFP, from _____(mention name of the entities that are Promoter(s) /Affiliate(s), who is/are the Promoter(s) /Affiliate(s) as per the conditions stipulated in the RFP, of _____(mention name(s) of the Bidding Entity / respective Member Entities).
4. Our Technical Proposal includes Letters of Acceptance, consistent with the format as specified in the RFP, from all the Member Persons. (Required only in case of a Bidding Consortium)
5. The information submitted in our Technical Proposal is complete, is strictly as per the requirements as stipulated in the RFP, and is correct to the best of our knowledge and understanding. We would be solely responsible for any errors or omissions in our Technical Proposal.
6. We as the Bidding Entity/ Lead Partner, designate Mr./Ms. _____ (mention name, designation, contact address, phone no., fax no. etc) as our representative who is authorized to perform all tasks including, but not limited to providing information, responding to enquiries, entering into contractual commitments on behalf of the Bidder, etc. in respect of the Project.

For and on behalf of :
Signature :
(Authorised Signatory) :
Name of the Person :
Designation :

9. Exhibit 2: Letter of Commitment

(The letter of Commitment to be submitted, along with the Technical Proposal, shall be from the Promoter(s) and/or Affiliate(s), if any, the strengths of which are desired to be considered for the purpose of evaluation of the Technical Proposal)

Date :

Place :

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.,

<Address 1>

<Address 2>

<Address 3>

Dear Sir,

Sub: Village Distribution Franchisee for xx Village

This has reference to the Technical Proposal being submitted by _____ (name of the Bidding Entity), in respect of Village Distribution Franchisee for xx Village, <District Name>, Maharashtra ("Project"), in response to the Request for Proposal ("RFP") document issued by the Maharashtra State Electricity Distribution Company Limited ("MSEDCL"), on _____ 2006.

We hereby confirm the following:

1. We _____ (name of Promoter), have examined in detail and have understood and satisfied ourselves regarding the contents mainly in respect of the following:
 - The Request for Proposal document issued by MSEDCL;
 - All subsequent communications between MSEDCL and the Bidder, represented by _____ (name of the Lead Partner in case of a Bidding Consortium);

- The Technical Proposal being submitted by _____ (name of the Lead Partner in case of a Bidding Consortium).
2. We undertake to support _____(name of the Bidding Entity, for which the Letter of Commitment is being furnished) as detailed in the Technical Proposal being submitted by _____(name of the Bidding Company or of the Lead Partner in case of a Bidding Consortium).
 3. We therefore request MSEDCL to consider our strengths, our experience, and our track record as specified in the Proposal pursuant to the conditions specified in the RFP, for the purposes of evaluation of the Technical Proposal.

For and on behalf of :

Signature :

(Authorised Signatory) :

Name of the Person :

Designation :

10. Exhibit 3: Letter of Acceptance

(The letters of Acceptance are to be submitted by the Member Entities of the Bidding Consortium).

Date :

Place :

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.,

<Address 1>

<Address 2>

<Address 3>

Dear Sir,

Sub: Village Distribution Franchisee for xx Village

This has reference to the Technical Proposal being submitted by _____ (mention the Lead Partner of the Bidding Consortium), as Lead Partner of the Bidding Consortium comprising _____ (mention name(s) of the Member Persons) in respect of the Rural Distribution Franchisee for xx 11kV Feeder, <District Name>, Maharashtra, India ("Project"), in response to the Request for Proposal ("RFP") issued by the Maharashtra State Electricity Distribution Company Limited ("MSEDCL") on _____, 2006.

We hereby confirm the following:

1. We _____ (name of the Member Person furnishing the Letter of Acceptance), have examined in detail and have understood and satisfied ourselves regarding the contents mainly in respect of the following :
 - The RFP document issued by MSEDCL;
 - All subsequent communications between MSEDCL and the Bidder, represented by _____ (Mention name of the Lead Partner); and

-
- The Technical Proposal being submitted by _____ (name of the Lead Partner)
2. We authorise _____ (name of the Lead Partner), as the Lead Partner and authorise the same to perform all tasks including, but not limited to providing information, responding to enquiries, entering into contractual commitments on behalf of the consortium etc, in respect of this Project.
 3. We therefore request MSEDCL to consider our strengths, our experience, and our track record as specified in the Technical Proposal pursuant to the conditions specified in the RFP for the purposes of evaluation of the Proposal.

For and on behalf of _____ :

Signature _____ :

(Authorised Signatory)

Name of the Person _____ :

Designation _____ :

11. Exhibit 4: Description of the Bidding Entity / Bidding Consortium

Name of the Bidding Entity/ Bidding Consortium	
Name of the Lead Partner	

Sr.	Name of the Member Person	Proposed % Equity Participation	Role Envisaged

12. Exhibit 5: Information Requirement for Technical Proposal

- a) This section specifies information to be provided in respect of all the relevant Member Person(s) as stated by the Bidder; and only such entities would be considered for evaluation.
- b) Bidders shall attach the bank's certificate for net worth which would be evaluated under Financial Capability and Experience and Track record in accordance with the information submitted by the Bidder.

FINANCIAL CAPABILITY

Under this head, either the consolidated financial strength of the Bidding Entity / Lead Partner or the consolidated financial strength of any one of the Promoter(s) of the Bidding Entity / Lead Partner would be considered. In the following table, the Member Person that is to be considered for evaluation of Financial Capability should be mentioned clearly.

Name of the Member Person to be considered for Evaluation of Financial Capability	Tick only one of the following
Bidding Entity / Lead Partner	
Promoter of the Bidding Entity / Lead Partner	

If the Bidding Entity / Lead Partner require that the consolidated strength of the Promoter be considered, then details regarding such a Promoter should be furnished in the following table. In the absence of any information regarding the Promoter, the financial strength of the Bidding Entity / Lead Partner only would be evaluated.

S. No.	Name of the Promoter	Relationship with the Bidding Entity / Lead Partner

Evaluation of Financial Net Worth

Under this head, the financial net worth as on March 31, 2006 of the Bidding Entity or the consolidated financial strength of any one of the Promoter(s) of the Bidding Entity would be considered. In case of consortium, the financial strength of the Lead

Partner would be considered. In the following table, the Member Person that is to be considered for evaluation of Financial Capability should be mentioned clearly.

Particulars of the Member Person	Name of the Member Person to be considered for Evaluation of Financial Capability	Tangible Financial net worth as on March 31, 2006 (Rs. Crores)#
Bidding Entity /Lead Partner		
Promoter of the Bidding Entity		

#To be supported with documentary evidence in the form of bank's certificate

EXPERIENCE AND TRACK RECORD

In this section the Bidding Person /Bidding Consortium should clearly mention the corporate entities that should be considered for evaluation under various parameters. The experience and track record of only those Member Companies or their Promoters and / or Affiliates, proposing to hold not less than 10% equity in the consortium, would be considered for evaluation.

Name of the corporate entities whose experience would be evaluated	

Proposal of Key Personnel

The Bidders shall have a valid electrical contractor license. The Bidder shall provide documentary evidence of the same in the form of a copy of the said license. If the bidder is an individual entrepreneur he shall be at least diploma/ ITI holder (electrical branch). In case of organizations, the organization should have (or should have the ability to source) services of at least one diploma/ ITI holder (electrical branch). The Bidders should submit documentary proof in this respect.

Particulars of the company	Equity stake in the Consortium (%)	Number of individuals on a full time basis with engineering diploma as on March 31, 2006	Electrical Contractor License No. & Expiry Date#
Names of the corporate entities whose experience would be evaluated			

The Bidder shall attach documentary proof in the form of a copy of the licence.

13. Exhibit 6: Covering Letter for Financial Proposal

(This covering letter for Financial Proposal is to be submitted by the Bidding Company or the Lead Partner of a Bidding Consortium along with the Financial Proposal.)

Date :

Place :

<Issuing Authority>

Maharashtra State Electricity Distribution Company Ltd.,

<Address 1>

<Address 2>

<Address 3>

Dear Sir,

Sub : Village Distribution Franchisee for xx Village

Please find enclosed one (1) original + two (2) copies of our Financial Proposal in respect of the Village Distribution Franchisee for xx village, <District Name>, Maharashtra ("Project"), in response to the Request for Proposal ("RFP") document issued by the Maharashtra State Electricity Distribution Company Limited , ("MSEDCL") on _____ 2006.

We hereby confirm the following:

1. The Proposal is being submitted by _____ (name of the Bidding Company) who is the Bidding Company/ the Lead Partner of the Bidding Consortium comprising _____ (mention the names of corporate entities who are the Member Companies), in accordance with the conditions stipulated in the RFP.

2. We have examined in detail and have understood, and abide by; all the terms and conditions stipulated in the RFP document issued by MSEDCL and in any subsequent communication sent by MSEDCL.
3. Our Financial Proposal is consistent with all the requirements of submission as stated in the RFP or in any of the subsequent communications from MSEDCL.
4. We would be solely responsible for any errors or omissions in our Financial Proposal.

For and on behalf of :

Signature :

(Authorised Signatory) :

Name of the Person :

Designation :

14. Exhibit 7: Format for Financial Proposal

Year	1	2	3
Annual Fixed Charge (Rs)			
Annual Incentive for every % increase in Collection Efficiency over Base Year			
Collection Efficiency (Rs)			

For and on behalf of :

Signature :

(Authorised Signatory) :

Name of the Person :

Designation :

15. Annexure 1 : Schematic of Franchisee Area

16. Annexure 2: Principles of Rural Distribution Franchisee Agreement

The following terms and conditions are only indicative of the broad principles of the VDFA under which the Village Distribution Franchisee shall be appointed and which may form the basis of the VDFA required to be entered into by Successful Bidder with MSEDCL. MSEDCL, however, reserves the right to amend any of the terms thereof at the time of drafting the VDFA.

Definitions of key terms: Capitalised terms used in this document shall carry the same meaning as set out in the Request for Proposal and shall be incorporated herein and such other terms as may be necessary for the VDFA shall be included.

1. Legal Structure of VDF

The VDF shall be a person, group of persons, any corporate entity, a consortium of individuals, or corporate entities.

2. Legal Status of the VDF

The VDF shall act as an agent of the Maharashtra State Electricity Distribution Company Limited (MSEDCL) and in no case shall be treated as a Licensee under Section 14 of the Electricity Act 2003.

3. Term of the VDFA

- 3.1. VDF would be appointed for an initial period of three years from the date of execution of the VDFA. (Franchise Period) in the first instance.
- 3.2. At the end of the term, MSEDCL and the VDF shall have the option of extending the term of this Agreement by mutual consent.
- 3.3. Either Party to this Agreement shall be entitled to terminate this Agreement any time before the expiration of the Franchise Period on the occurrence of an Event of Default as set out herein.

4. Performance Guarantee

- 4.1. Prior to Effective Date of this Agreement, the VDF is required to the satisfaction of MSEDCL submit a Performance Guarantee in the form of a

irrevocable letter of credit (L/C) from any nationalized bank for an amount equivalent to two month's of projected collection from the Franchisee Area

- 4.2. This Performance Guarantee shall remain valid until the expiry of this VDFA
- 4.3. At the beginning of each quarter, within one week, the amount of irrevocable L/C shall be upgraded, based on the collection from the Franchisee Area in the previous quarter. However, under no circumstances shall the guarantee amount be revised downwards.
- 4.4. MSEDCL may recover the outstanding payment after payment due date by invoking the L/C.
- 4.5. VDF shall, within one week of invocation of L/C, restore the same to original level.

5. Exclusivity

VDF will be the exclusive agent of the MSEDCL in the Franchisee Area. VDF cannot assign its rights and obligations under VDFA to its affiliate or any third party.

6. Franchisee Area

The Franchisee Area shall be <Name of the village> village network as detailed in Annexure-1 of the RFP.

7. Supply of Energy

- 7.1. MSEDCL shall supply the power at Input Points as per its aggregated power supply and load shedding schedule planned periodically, based on directives issued by MERC on load shedding and availability of transmission capacity.

8. Distribution Assets

- 8.1. MSEDCL shall be the sole owner of existing Distribution Assets and assets procured, created by MSEDCL during the term in Franchisee Area.
- 8.2. In case of theft of Distribution Assets, VDF shall be held responsible and the value of such assets shall be recovered from VDF at the prevailing market rates.

- 8.3. MSEDCL shall give VDF “Right to Use” of such assets as specified in previous clause to perform its obligation under this agreement as mentioned in VDF scope of work.
- 8.4. VDF shall use and maintain such assets at its own cost to keep them in good working condition as per Prudent Utility Practice.
- 8.5. VDF shall not dispose off or alienate or in any way encumber such assets without prior written approval by MSEDCL.
- 8.6. If any asset is scrapped, the same shall be given to MSEDCL by VDF and shall be credited to major store of MSEDCL at <Location of the major store>
- 8.7. MSEDCL will prepare an asset register before handing over the area of supply to the VDF for operations. It is the responsibility of VDF to verify the same before taking over the Franchisee Area for operation.
- 8.8. MSEDCL reserves the right to conduct the physical verification of the distribution assets at any time during the term.
- 8.9. On termination/ expiry of the VDFA, VDF shall hand over physical possession/ custody of such Distribution Assets belonging to MSEDCL in the same condition, subject to normal wear and tear.

9. Capital Investment

- 9.1. MSEDCL shall carry out required capital expenditure in FA.
- 9.2. VDF shall be responsible for incurring capital expenditure in order to provide new connections in the Franchisee Area. Such expenditure shall be funded from the Service Connection Charges collected from the consumers.
- 9.3. Upon termination of this agreement. VDF shall hand over all the assets of Franchisee Area, as specified in the asset register to MSEDCL.

10. Arrears

- 10.1. Arrears have been classified in two categories.
 - 10.1.1. Arrears from connected live consumers and
 - 10.1.2. Arrears from permanently disconnected “PD” consumers.
- 10.2. The connected live consumers are those, which are currently connected to the distribution network of the Franchisee Area. Whereas permanently

disconnected consumers are no longer connected with the distribution network.

- 10.3. MSEDCL shall transfer the right to collect the arrears, if any, to VDF on the Effective Date.
- 10.4. VDF shall be liable to collect the arrears, if any, from current live consumers accrued in last three month prior to Effective Date. These arrears shall be collected by VDF within six months of Effective Date. If the current live consumer becomes PD consumer after Effective Date, then the payment obligation of VDF pertaining to arrears of the said consumer shall be reduced to that extent.
- 10.5. Any delay in payment to MSEDCL towards collection of such arrears after due dates shall attract a penal interest on such outstanding @ 18% per annum.
- 10.6. VDF shall make best endeavour to collect the arrears, if any, from current live consumers accrued before three months prior to Effective Date. MSEDCL shall offer an incentive to VDF towards collection of such arrears @ 10% of total amount collected.
- 10.7. Arrears on account of connected live consumers, which are currently under any dispute or in the process of litigation on Effective Date, shall not to be transferred to VDF for recovery. The responsibility to recover such arrear shall rest with MSEDCL.
- 10.8. VDF shall make best endeavour to collect the arrears, if any, accrued prior to Effective Date from PD consumers. MSEDCL shall offer an incentive to VDF towards collection of such arrears @ 20% of total amount collected.
- 10.9. Upon recovery of the arrears, VDF shall, within 7 days, provide the detail of collection and make the payment to MSEDCL as per clause 14 of principles of VDFA.
- 10.10. Upon termination, VDF shall not transfer to MSEDCL any arrears accrued during the term except the arrears accrued in last one month from the termination date of VDFA.

11. Scope of Work

- 11.1. VDF shall undertake all liabilities and obligations of the Distribution Licensee in the Franchisee Area as an agent of MSEDCL, in compliance

with the Act, Regulations and directives of MERC and MSEDCL issued from time to time. The broad scope of work would be as follows:

- 11.1.1. Undertake all liabilities and obligations of a Distribution Licensee, in the Franchisee Area as stipulated in Electricity Act, 2003 and corresponding regulation as if it were to apply to the licensee
- 11.1.2. Comply with all the directives issued from time to time by MERC and MSEDCL.
- 11.1.3. VDF shall increase the performance parameters⁵ of FA on year on year basis in terms of increase in Collection Efficiency by xx % during the term of VDFA. The Base Year Collection Efficiency shall be considered as base for this purpose.
- 11.1.4. Undertaking reading of meters, reporting the same to MSEDCL, prompt collection of the consumer bills generated by MSEDCL, and their distribution to consumers.
- 11.1.5. Undertaking minor operation and maintenance related activities in the Franchise Area such as replacement of LT Fuses, LT Line Inspection and Patrolling

12. Duties and Responsibilities of VDF

The broad duties and responsibilities would include, but not limited to, the following activities:

- 12.1. Meter reading and billing to the consumers as per the applicable retail tariffs;
- 12.2. Collections from the consumers as per the billing
- 12.3. Collection of arrears on behalf of MSEDCL
- 12.4. Make payments to MSEDCL as per the terms and conditions of VDFA.
- 12.5. Replacing defective meters with new meters.
- 12.6. Redressal of commercial and billing complaints
- 12.7. Maintain consumer database and billing records

⁵ To be finalized in consultation with MSEDCL officials

- 12.8. Initiate necessary action, in accordance with the agreed procedure for anti theft, disconnection and control of commercial losses.
- 12.9. Discharge all duties and responsibilities on behalf of MSEDCL as per the terms and conditions of the licence given by MERC.
- 12.10. Undertake any other activity as may be notified from time to time by MERC to distribution licensee

13. Duties and Responsibilities of MSEDCL

The broad duties and responsibilities would include, but not limited to, the following activities:

- 13.1. MSEDCL shall ensure the supply of power to VDF of acceptable quality standards as per clause 7.
- 13.2. MSEDCL shall undertake the major O&M work which shall involve;
 - 13.2.1. Issuance /Supply of new transformers and meters against faulty transformers and meters and replacement of the same
 - 13.2.2. Repair & major overhaul of faulty transformers and meters
 - 13.2.3. Issuance of new transformers/ DTC to meet increased demand
 - 13.2.4. Supply of Electric Poles and H.T Cable
- 13.3. MSEDCL, at all point of time during the term of VDFA, shall maintain adequate inventory of transformers and meters so as to meet VDF's requisition for replacement of the faulty transformers and meters within reasonable time.
- 13.4. MSEDCL shall communicate to VDF any shortfall or inability to supply, the scheduled power requirements of the VDF
- 13.5. MSEDCL shall carry out meter reading jointly with VDF on a monthly basis at Input Point of the Franchisee Area.
- 13.6. MSEDCL shall carry out capital expenditures.
- 13.7. MSEDCL shall generate bills and will facilitate VDF in application of information technology in MIS reporting.

14. Payment and Collection

- 14.1. VDF shall deposit cash collected from Franchisee Area to MSEDCL on daily basis.
- 14.2. VDF shall make the payment to MSEDCL in the following manner.
 - 14.2.1. VDF shall make the first payment on 8th day from the Effective Date corresponding to the collection from Franchisee Area during the first seven days from Effective Date.
 - 14.2.2. Thereafter, VDF shall make the payments on daily basis.
- 14.3. Total amount collected for a particular day shall be transferred to MSEDCL's account on the next day before 11.00 hrs.
- 14.4. VDF shall be responsible for payment towards collection of arrears and make the payment immediately after collection along with its regular payment as per clause 14.1
- 14.5. MSEDCL shall issue the credit note to VDF towards the incentive on collection of arrears after receipt of such amount from VDF, which can be adjusted by VDF against its payments obligation as per clause 14.1
- 14.6. Any delay in payment to MSEDCL against collection and arrears collected after adjusting credit obtained for incentive on arrears, if any, as per the terms of VDFA shall attract a penal interest at the rate of 18% per annum computed quarterly compounded.
- 14.7. In case of a shortfall or default in payment by VDF against the payment obligation as per earlier clause, MSEDCL may recover the same amount by invocation of L/C given by the VDF as performance guarantee.
- 14.8. All the taxes and duties, which have been recovered by VDF from consumers in the Franchisee Area, shall form the part of its payment obligation. VDF shall maintain a record of total amount collected from consumers against energy billed, arrears and taxes & duties levied as applicable and intimate the same to MSEDCL along with payment.
- 14.9. VDF shall be responsible for payment of all taxes, duties, and statutory /local levies arising as a result of commercial transaction under this contract, such as, service tax, sales tax etc. MSEDCL shall not be responsible for any tax related liability.

15. Compensation to VDF

- 15.1. MSEDCL shall pay VDF monthly compensation in the form of Fixed Charges and Incentives towards revenue collection activities carried out by VDF in Franchisee Area as mentioned under clause 15.2.
- 15.2. The amount of monthly compensation to VDF shall be computed as per following formula:

Monthly compensation to VDF = Fixed Charges as quoted by the Bidder/12
+ Incentive as per following formula

$$\text{Incentive} = X/12^6 * 100 * \left\{ \begin{array}{l} \text{Collection Efficiency of FA for particular month} \\ - \\ \text{Base Year Collection Efficiency} \end{array} \right\}$$

- 15.3. The monthly payments to VDF will be adjusted to reflect under/over performance of VDF in terms of management of Distribution Losses of FA at 10% and Collection Efficiency improvement targets as mentioned under 3.2.10. The monthly payments to VDF shall be adjusted by multiplying ratio calculated as per following formula:

$$\text{Adjustment Ratio for Monthly FC payments} = \frac{100\% - \text{Distribution Loss of FA for particular month (\%)}}{90\%}$$

$$\text{Adjustment Ratio for Monthly Incentive payments} = \frac{\text{Collection Efficiency of FA for particular month}}{\text{Collection Efficiency as per performance targets}}$$

⁶ Annual Incentive quoted by the Bidder

16. Reporting and right to use

- 16.1. VDF would be required to submit to the MSEDCL information in the formats as specified by MSEDCL and in line with the reporting requirements prescribed by MERC from time to time.
- 16.2. VDF will allow for quarterly audit of assets and inventories within the Area of Supply or at any time desired by the MSEDCL for inspections.
- 16.3. VDF will also allow audits of the systems operated within the scope of the Franchisee Area viz. billing system and database etc.
- 16.4. VDF will also undertake deployment of any standard systems and policies that are mandated by the MERC etc
- 16.5. All correspondence, records, reports, presentations and other forms of information developed by the VDF under this Agreement, whether electronic or physical, shall become the property of MSEDCL. MSEDCL reserves, without limitation, the right to use procedures, forms and productivity enhancement methods developed under this Agreement elsewhere.

17. Service Connection Charges and Service Line Charges:

VDF shall collect the service connection charges (SCC) and service line charges (SLC) from the consumers for giving new connections and shall transfer it to MSEDCL.

18. Security Deposit (SD)

- 18.1. VDF shall collect the security deposit from the consumers for giving new connections, which shall be immediately transferred to MSEDCL.

19. Indemnification

- 19.1. MSEDCL shall not be responsible for any acts of omissions/commission of VDF with regard to the MSEDCL electricity services.
- 19.2. In such event VDF shall have no claim for compensation, incentive or any other claim against MSEDCL.
- 19.3. In case any claim against MSEDCL is made by any third party for any act of commission or omission by VDF, VDF shall indemnify and hold

MSEDCL harmless and compensate all the losses so caused to MSEDCL. MSEDCL shall also be entitled to defend any action with third parties at the cost and expenses of Franchisee.

- 19.4. In the event described above, VDF agrees and undertakes to keep MSEDCL indemnified at all times against all monetary obligations or losses or implications arising out of such action of Franchisee in the nature of costs, expenses or damages. MSEDCL shall have no liability in respect of loss of profit, loss of income, loss of agreement or any other losses or damages suffered or arising out of or in connection with existence of any defects whether latent or apparent in electricity network and the obligation of VDF to provide support services shall remain unaffected thereby.

20. Penalty

- 20.1. VDF shall be responsible for complying with MERC's "Electricity Supply Code and Other Conditions of Supply". Any penalty imposed by MERC on non-compliance shall be borne by VDF.
- 20.2. VDF shall be responsible for complying with MERC's Standards of Performance. Any penalty imposed by MERC on failure in compliance of the same shall be borne by VDF.
- 20.3. VDF shall be abided by the decisions of consumer forums and shall be liable to pay penalties, if any, imposed by consumer forums for non-performance or wilful negligence by VDF in the Franchisee Area during the term of VDFA.

21. VDF Event of Default

- 21.1. Failure or refusal by VDF to perform its obligations under the VDFA
- 21.2. Failure on account of VDF to make payments as per clause 14.1 of principles of VDFA.
- 21.3. Failure to submit periodic performance report (Collection report, Energy audit report) to MSEDCL after a stabilisation period of four weeks from Effective Date i.e. reporting inconsistencies in energy/ revenue accounting, if observed during periodic/ unscheduled inspection.
- 21.4. Failure to comply with Standards of Performance laid down by MERC and the same is in default for more than six months

- 21.5. Failure to comply with MERC's "Electricity Supply Code and Other Conditions of Supply" and the same is in default for more than six month.
- 21.6. VDF is in material breach of any of its obligations outlined in the VDFA.
- 21.7. Failure to maintain a performance guarantee as per the clause 4 of principles of VDFA.
- 21.8. The VDF has engaged in corrupt practice or/and fraudulent practice in competing for executing the contract.
- 21.9. Any representation or warranty made by the VDF is found to be false and misleading.
- 21.10. A resolution for winding up has been passed by the majority shareholders of the VDF.
- 21.11. An act of Insolvency occurs with respect to the VDF or the VDF is adjudged bankrupt;
- 21.12. A default has occurred under any of the financing documents of VDF/ its majority shareholders and any of the lenders has recalled its financial assistance and demanded payment of the amounts outstanding under the financing documents or any of them as applicable.
- 21.13. The VDF has unlawfully repudiated this Agreement or has otherwise expressed an intention not to be bound by this agreement. Failure by VDF to achieve the performance improvements targets as mentioned under 11.1.6 of principles of VDFA.

22. MSEDCL Event of Default

- 22.1. MSEDCL is in material breach of any of its obligations under the proposed agreement.

23. Force Majeure

- 23.1. Without limiting the general limitations of liability in any way arising under this Agreement neither party is responsible for failure or delay in performance of services or obligations hereby undertaken due to occurrence of any event of Force Majeure including acts of God, acts of any Government body (de jure or de facto) or regulatory body or public enemy, war, riots, embargoes, or strikes or other concerned acts of

workmen whether of parties or others, casualties or accidents, shortage of power, labour or materials or any other causes, circumstances, or contingencies, whether of a similar or dissimilar nature to the foregoing, beyond the parties control, which cannot be reasonably forecast or prevented, thereby, hindering the performance by the parties of any of their obligations hereunder.

24. Termination

- 24.1. A preliminary notice of termination may be served by MSEDCL to the VDF, elaborating the event of default by VDF or prolonged event of Force Majeure leading to the termination of VDFA.
- 24.2. A preliminary notice of termination may be served by VDF to the MSEDCL, elaborating the event of default by MSEDCL leading to the termination of VDFA.
- 24.3. Upon receipt of preliminary termination notice the VDFA shall be deemed to be suspended for 30 days. In case of event of default, defaulting Party shall mitigate the consequence of such default within the suspension period. If the default is not cured within the suspension period, the VDFA may be terminated after serving the final termination notice to the defaulting Party.
- 24.4. Both the parties shall continue to perform their respective obligations until the serving of final termination notice.

25. Termination Payment

Termination due to VDF's Event of Default

- 25.1. Without prejudice to the other rights of MSEDCL in case of termination, VDF shall pay all the dues payable to MSEDCL on the date of termination. All the other dues shall be given by VDF only after the settlement of MSEDCL accounts.
- 25.2. MSEDCL has right to make good any shortfall from the performance guarantee.
- 25.3. MSEDCL unconditionally reserves the right to claim from VDF any costs, expenses or loss that it may have incurred by reason of breach of failure

on the part of VDF to observe and perform any of the terms and conditions of the agreement

- 25.4. On termination of this Agreement however occasioned, the VDF shall forth with deliver to MSEDCL all papers including the forms used, partially used and unused receipts books, all promotional materials and documents which may have come into its position or custody under the terms of this Agreement or otherwise.

Termination due to MSEDCL's Event of Default

- 25.5. Without prejudice to the other rights of VDF in case of termination, MSEDCL shall pay all the dues payable to VDF on the date of termination.

26. Step in Rights

MSEDCL shall have Step in Rights under following

1. Under any of the events of defaults by VDF
2. Non-payment of cash as mentioned under clause 14 of Principles of VDFA for consecutive period of four days, except for the initial stabilisation period as mentioned under 14.2.1 of principles of VDFA.
3. Underperformance with respect to performance improvement targets as mentioned under 11.1.6 of principles of VDFA for consecutive period of two quarters, except for the initial stabilisation period as mentioned under 14.2.1 of principles of VDFA.

27. Governing Law

This Agreement will be executed and delivered in India and its interpretations, validity and performance shall be construed and enforced in accordance with the laws of India.

28. Miscellaneous

- 28.1. MSEDCL shall refrain from unreasonably interfering with the VDF in exercising of its rights or the performance of or compliance with its obligations under this Agreement.

- 28.2. MSEDCL shall make all reasonable efforts to ensure that its staff not assigned to the Franchisee Area does not impede the Franchisee from exercising its rights or performing its obligations under this Agreement.
- 28.3. The Parties shall establish formal communication means for purposes of exercising their respective rights and performing or complying with their respective obligations under this Agreement. Each Parties shall designate an Agreement Representative who is empowered to act on behalf of the respective Parties, to liaise for purposes of and carry out Agreement Management pertaining to the management of all matters related to the compliance with the requirements of this Agreement.
- 28.4. The VDF may consider the use of innovative operating systems and technical solutions for loss reduction, theft prevention, credit control, etc. If such a system is being implemented then the VDF will submit such plans, processes and procedures to MSEDCL. MSEDCL can intervene to modify new procedures only when the new procedures lead to violation of certain regulatory or licensee conditions.
- 28.5. The clauses mentioned in this agreement are severable. If any clause of this agreement is rendered invalid or illegal by statutory authority or government, the other clauses shall remain valid for both the parties
- 28.6. In the event the franchisee undergoes merger/ acquisition/ amalgamation, it will duly seek approval from MSEDCL for assignment of this agreement to the new entity. This would facilitate better coordination with the new entity.
- 28.7. The necessary approvals/consents under this agreement shall not be withheld or delayed unreasonably by any of the party.
- 28.8. Both the parties have to represent and warranty that they are duly authorized to enter into this agreement and to perform all the obligations under this agreement.
- 28.9. The language of communication between two parties shall be English only.
- 28.10. In case of accident, the penalty arising out of Electrical Inspector's report shall be borne by the party vindicated for gross negligence as mentioned in the said report.
- 28.11. In order to ensure the smooth transition of FA from MSEDCL to VDF, handholding process of 2 months is proposed.

17. Annexure 3 : Financial Proposal Evaluation Illustration

Fixed Charge Quotes of the Bidders (Rs lakhs)					
	1	2	3		
Bidder 1	0.1	0.1	0.1		
Bidder 2	0.15	0.15	0.15		
Bidder 3	2	2	2		
Incentive quotes of the Bidders (Rs/% increase in Collection Efficiency)					
Bidder 1	8,000.00	8,000.00	8,000.00		
Bidder 2	9,000.00	9,000.00	9,000.00		
Bidder 3	10,000.00	10,000.00	10,000.00		
Bidder 1					
Year----->	Units	0	1	2	3
Energy Input	MU	2	2.00	2.00	2.00
Energy Billed	MU	1.25	1.31	1.37	1.43
Revenue Collected from Consumers	Rs lakhs	26.25	29.48	32.88	36.47
Input Rate	Rs/ kWh		147.38	164.40	182.33
Revenue Billed	Rs lakhs	37.50	39.30	41.10	42.90
Average Billing Rate	Rs/ kWh	3.00	3.00	3.00	3.00
T&D Losses	%	37.5%	34.5%	31.5%	28.5%
Collection Efficiency	%	70.0%	75.0%	80.0%	85.0%
Incentive	Rs lakhs		0.40	0.40	0.40
Normative FC	67%		0.27	0.27	0.27
NPV of Normative FC	6.25%		0.71		
NPV of Actual FC			0.27		
Is Actual FC< Normative FC			Yes		
Total Payout (FC+IC)	Rs lakhs		0.50	0.50	0.50
NPV of Total Payout		6.25%	1.33		
Bidder 2					
Year----->	Units	0	1	2	3
Energy Input	MU	2	2.00	2.00	2.00
Energy Billed	MU	1.25	1.31	1.37	1.43
Revenue Collected from Consumers	Rs Cr	26.25	29.48	32.88	36.47
Input Rate	Rs/ kWh		14.74	164.40	182.33
Revenue Billed	Rs Cr	37.50	39.30	41.10	42.90
Average Billing Rate	Rs/ kWh	3.00	3.00	3.00	3.00
T&D Losses	%	37.5%	34.5%	31.5%	28.5%
Collection Efficiency	%	70.0%	75.0%	80.0%	85.0%
Incentive	Rs lakhs		0.45	0.45	0.45
Normative FC	67%		0.30	0.30	0.30
NPV of Normative FC	6.25%		0.80		
NPV of Actual FC			0.40		
Is Actual FC< Normative FC			Yes		
Total Payout (FC+IC)	Rs lakhs		0.60	0.60	0.60
NPV of Total Payout		6.25%	1.60		
Bidder 3					
Year----->	Units	0	1	2	3
Energy Input	MU	2	2.00	2.00	2.00
Energy Billed	MU	1.25	1.31	1.37	1.43
Revenue Collected from Consumers	Rs Cr	26.25	29.48	32.88	36.47
Input Rate	Rs/ kWh		147.38	164.40	182.33
Revenue Billed	Rs Cr	37.50	39.30	41.10	42.90
Average Billing Rate	Rs/ kWh	3.00	3.00	3.00	3.00
T&D Losses	%	37.5%	34.5%	31.5%	28.5%
Collection Efficiency	%	70.0%	75.0%	80.0%	85.0%
Incentive	Rs lakhs		0.50	0.50	0.50
Normative FC	67%		0.33	0.33	0.33
NPV of Normative FC	6.25%		0.89		
NPV of Actual FC			1.14		
Is Actual FC< Normative FC			No		
Total Payout (FC+IC)	Rs lakhs		2.50	2.50	2.50
NPV of Total Payout		6.25%	6.65		
Ranking					
Bidder	Is Actual FC< Normative FC	NPV of Total Payout	Ranks	Status	
Bidder 1	Yes	1.33	1	Successful Bidder	
Bidder 2	Yes	1.60	2	Rejected	
Bidder 3	No	6.65	3	Rejected	