

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5TH Floor Metro Plaza, Bittan Market, Bhopal - 462016



Request for Proposal (RFP) for providing Consultancy support in framing Guidelines for Capital Expenditure by Licensees”

REQUEST FOR PROPOSAL (RFP)

1. INTRODUCTION:

As per Section 61 of the Electricity Act, 2003, the Commission has the power to specify the terms and conditions for the determination of tariff and in doing so it is required to be guided by number of factors which include economical use of the resources, good performance and optimum investments. The Commission had specified “Guidelines for Capital expenditure by licensees in Madhya Pradesh” under the provisions of Regulation 10.3 of MPERC (The Conditions of Distribution License for Distribution Licensee (including Deemed Licensee) 2004 and 10.3 of MPERC (The Conditions of Transmission License for Transmission Licensee (Including Deemed Licensee)), 2004 respectively. The existing Capex Guidelines were issued in the year, 2005 based on the situation of the power sector at that point of time. Power sector has come a long way since then. While transmission projects are being taken up in TBCB (Tarif Based Competitive Bidding) mode, Distribution projects have new modes of execution such as OPEX/TOTEX. Under these new modes, it is more important that the financial benefits accrued by the projects are able to service revenue streams committed to bidders/developers. At the same time Licensees are required to meet new set of statutory and mandatory provisions laid down by way of Rules and Regulations of Central Government/BEE/CEA/CERC and MPERC. Licensees are bound to take up capital works to fulfill mandatory requirements. Hence, the Commission has decided to frame new Guidelines for Capital Expenditure which will address the issues as per the current and dynamic scenario of power sector. Accordingly, RFP is issued to seek proposal from eligible and competent consultants.

2. SCOPE OF WORK

The broad scope of proposed assignment is as under:

- i. Review of existing Guidelines for Capital Expenditure, which is annexed at A-1.
- ii. Review and analysis of Capex Approval Guidelines/Regulations/Framework followed in other States.
- iii. Analysis of issues/ scope for improvement in existing Capital Investment Guidelines including but not limited to the followings: -
 - a. Scope for in-principle approval and final approval and time frame thereof under MYT framework.
 - b. Evaluation Framework and criteria– technical, financial, and legal;
 - c. Approach for Capex / investment analysis, National and International Best Practices, (Literature survey of related Capex Orders / Capex analysis /approval process);
 - d. Formats for seeking information /data of project/schemes;

- e. Details to be submitted as part of DPR/Proposal:- inter-alia, project/scheme details, prioritisation, assessment of Least-cost option, cost-benefit analysis, payback period, IRR, Details of measurable benefits /outcome milestones and monitoring mechanism within the licensee company to evaluate benefits actually accrued against projected benefits, details of statutory requirement, Management/Board approval for Schemes, details of competitive procurement process followed, contingency/overheads, etc;
 - f. Treatment of Schemes partly/fully funded by Subsidy/Grant/Consumer Contribution;
 - g. Treatment of Time/Cost Overrun;
 - h. Situations where post-facto approval can be sought;
 - i. Periodic compliances to be submitted after approval and before asset is put to use.
- iv. Preparation of Draft Guidelines
 - v. Analysis of the comments and suggestions received on the Draft Guidelines.
 - vi. Finalization of Draft guidelines.

The proposed assignment should be completed within four months from the date of award of contract as per following time line: -

Sr. No	Activity	Time line
1	Activity 1 <ul style="list-style-type: none"> • Review of existing Guidelines • Review and analysis of Capex Approval Guidelines/Regulations/framework work followed in other States. 	30 days from the date of Letter of Award
2	Activity 2 <ul style="list-style-type: none"> • Analysis of issues/ scope for improvement in existing Capital Investment Guidelines 	30 days from the date of completion of activity 1 (Sr. no. 1)
3	Activity 3 <ul style="list-style-type: none"> • Preparation of Draft Guidelines 	30 days from the date of completion of activity 2 (Sr. no. 2)
4	Activity 4 <ul style="list-style-type: none"> • Analysis of the comments and suggestions received on the Draft Guidelines. • Finalization of Draft guidelines. 	30 days from the date of completion of activity 3 (Sr. no. 3)

3. **BID SCHEDULE:**

a) The Commission has specified following schedule for various activities: -

<u>ACTIVITY</u>	<u>COMPLETION DATE/TIME</u>
1. Issue of Bid document	- 8 June 2024
2. Receipt of bid proposals	- 15:00 Hours of 1 st July 2024
3. Opening of technical portion of bids	- 16:00 Hours of 01 st July 2024

b) The Commission reserves the right to extend any of the aforementioned scheduled date, if deemed necessary.

c) The Commission at its discretion may cancel the above process at any point of time before award of the Contract without assigning any reason to it.

4. **ELIGIBILITY CRITERIA:**

- i. The Bidder should be a registered firm / legal entity.
- ii. The Bidding firm should be in existence for not less than 3 years and should have proven experience in the field of Power Sector in providing consultancy services to various SERCs / Power Utilities across States in accordance with the provisions of the Electricity Act, 2003, Tariff policy, and the other relevant regulations of the State Commission(s).
- iii. The Bidding Firm should have adequate technical, financial capability and human resource to undertake task as per the terms of reference provided in this RFP considering various steps to be undertaken from the inception to the completion of the task within the time frame specified by the Commission.

5. **Bidding procedures:**

- 4.1 The consultants are requested to submit separate technical and price (financial) bids for **“providing Consultancy support for framing Guidelines for Capital expenditures by licensees”** in superscribed and separate sealed envelopes. The consultants are also requested that the price (financial) bid should mention the total amount (including of all applicable taxes) in desired format.

4.2 Both the envelopes shall be placed in an outer envelope and sealed. The bids shall be typed or written with indelible ink.

- i. Any signing of bids by authorised representative of the consultants should be supported by a written power of attorney from Board of Directors/ Partners / proprietors as the case may be.
- ii. The person signing the bids must initial any correction / overwriting.
- iii. All the pages of Bid document should be in numbered, signed and stamped by the authorised representative of the consultants
- iv. The technical bid has to be accompanied with non-refundable processing fee of Rs. 2000.00 (Rupees Two Thousand only) in the form of Demand Draft drawn on a Scheduled Commercial Bank at Bhopal payable to the 'M.P. Electricity Regulatory Commission, Bhopal.
- v. The bids must be accompanied with the earnest money deposit of Rs. 10,000.00 (Rupees Ten Thousand only) in the form of Demand Draft drawn on Scheduled Commercial Bank at Bhopal payable to the 'M.P. Electricity Regulatory Commission, Bhopal'. This amount is refundable after the award of contract.
- vi. Bids not accompanied by processing fee and / or earnest money deposit as indicated above will not be considered and summarily rejected.

6. AMENDMENT IN DOCUMENT:

4.3 At any time prior to the deadline for submission of the bid (proposals) or extended date, if deemed necessary, the Commission reserves the right to add / modify / delete any portion of this document by issue of an amendment, which shall be intimated accordingly. The amendment shall be binding on all the bidders.

4.4 In such eventualities, the Commission may allow additional time for modification of the Bids to the Bidders.

4.5 Interested consultants may submit their offer to carry out the task as detailed in scope of work in this document so as to reach the Commission's office by 15:00 hours on **1st July 2024** in separate sealed covers for techno-financial bids, placed in an outer sealed envelope, on the following address:

**Secretary,
M.P. Electricity Regulatory Commission,
5th Floor, Metro Plaza, Bittan Market,
Bhopal – 462 016 (M.P).**

4.6 Bids received after the aforesaid specified date/time shall not be entertained. However, the Commission shall have the option of retaining / returning all bid documents received including those received after the scheduled time as indicated above. The Commission shall not be responsible for any delay / loss / non-receipt of the documents due to error in the in transit i.e. by post, courier or any other means.

7. PREPARATION OF BIDS BY THE BIDDER

4.7 The Bidder should study the Scope of Work thoroughly and accordingly is required to furnish the details as per evaluation criteria indicated in this document.

4.8 The Bidder must submit curriculum vitae (CV) of manpower to be deployed for the assignment duly signed by the proposed key professional staff or an authorized competent person of the Bidder. Key information should include years with the firm, professional qualification and degree of responsibility held in various assignments during the past five years only. Any change or replacement of Resource person (s) either at the time of commencement of work or during the study period, from the list of resource person (s) approved at time of award of work, prior approval of the Commission is required.

4.9 The Formats enclosed with this document must be duly filled and submitted along with the Bid.

8. OPENING OF BIDS

4.10 The Commission shall appoint a Committee of at least two officers for opening of bids. One of the two members has to necessarily be the Secretary of the Commission.

4.11 The Bids received up to the specified time and date, shall be opened by the Committee on the due date and time in presence of the Bidders who wish to participate.

9. PROCESS FOR AWARDED SPECIFIC TASKS TO CONSULTANTS

4.12 The selection of the Consultants for awarding the task/ assignments shall be based on the composite scores for the task /assignments and it would comprise technical weighted @75% and Financial weighted@25%. Bidding process among empanelled consultants shall be based on Quality & cost-based selection (QCBC) while selecting final Consultancy firm for the ask /assignments wherein firms will be allotted marks based on the following:

i. Technical (75 marks):

- Expertise of Resources proposed for the specific task /assignment (Qualification & Experience) –15 Marks
- Assignment of similar nature undertaken by the proposed resource – 20 Marks
- PPT: understanding and proposed methodology /work plan – 40 Marks

ii. Minimum 50 marks are mandatory to qualify technical scrutiny. Only Technically qualified bidders shall be considered for next process.

iii. Financial (25 marks)

- Lowest total cost of the work (total task/assignment) amongst technically qualified bidders will get 25 marks.
- All other technically qualified bidders will get proportionate marks with reference to their total cost vis-à-vis lowest cost.

iv. Firms getting highest composite score (Technical + Financial) will be selected as successful bidder

4.13 The Commission reserves the right to reject any bid without assigning the reason. The bidder shall be required to disclose conflict of interest if any in the bid clearly. The Commission shall be at liberty to reject the bid or terminate the contract at any stage without any liability, if such conflict of interest for any Task/Assignment comes to its knowledge. The decision of the Commission on whether or not conflict of interest is involved, shall be final and binding.

10. DEVIATIONS:

4.14 The Bidder must ensure that Technical Offers submitted for tasks /assignments under this bid should satisfy all the Terms and Conditions specified in the RFP Bid document. In case of any deviations from the RFP bid document, the Bidder shall specifically bring out the same in writing along with cogent reasons for such deviation. The Commission reserves the right to reject any such proposals involving deviations, without assigning any reason.

II. AWARD OF CONTRACT

4.15 The successful Bidder shall be required to furnish a “Performance Bank Guarantee” equal to 10% of the price of contract towards faithful performance of the contract, through a D.D. drawn on a Scheduled Commercial Bank at Bhopal in favour of ‘M.P. Electricity Regulatory Commission, Bhopal’ within the time limit fixed by the Commission, which shall be refunded without any interest, after successful completion of the assignment to the satisfaction of the Commission. Security in any other form shall not be accepted.

4.16 In case of failure of the Consultant to comply with the above requirement within the prescribed time limit, the Commission shall be free to counter offer the next lowest eligible party for awarding the contract and forfeit the earnest money deposit of the defaulting bidder.

4.17 The Bidder is required to nominate a Project Director for assignment who shall interact with the Commission, or the Officer designated by the Commission on regular basis during the consultancy period.

4.18 The Consultant shall be at liberty to work in hybrid mode (virtual /physical mode) as per need of assignment. The Consultant, however, shall ensure that he will be available for any discussions, presentation as directed by the Commission on short notice. In case dedicated person fails to respond to the calls from officers of the Commission for virtual meeting/discussion, notice of default shall be issued by the Secretary of the Commission. After 3 instances of such default, the Commission may proceed for termination of contract as per provisions under “Termination of Agreement” Clause of this RFP.

4.19 The Consultant should ensure that at least one resource person proposed for this assignment should not be involved in more than one ongoing assignment of the Commission simultaneously.

4.20 The Commission shall provide requisite office space to the consultants, but the arrangements for their residential accommodation shall be made by the Consultants.

12. PAYMENT

4.21 Payment to the consultant after award of assignment would be made subject to submission of bills along with deliverables as specified in work order. The work shall have to be completed as per agreed timelines between the Commission and the Consultant.

Payment milestone are as under -

Payment Milestones:

4.22 The schedule of payment to the bidder is as under:

1. 10% of the contract value of the assignment after completion of Activity 1 as per scope of work.
2. 20% of the contract value of the assignment after completion of Activity 2 as per scope of work.
3. 30% of the contract value of the assignment after submission of Draft Guidelines as per activity 3 of scope of work
4. 40% of the contract value of the assignment after submission of final guidelines as per scope of work and accepted by the Commission as per activity 4 of scope of work.

13. TAXES AND DUTIES

4.23 The Consultant shall pay the taxes, duties, fees, levies and other impositions levied under the existing, amended or enacted laws during life of this contract. The payment to the Consultant shall be made by the Commission after the deduction of tax at source in accordance with law for the time being in force, the amount of which is deemed to have been included in the total Contract Price.

14. DESCRIPTION OF THE SERVICES

4.24 The Consultant shall perform the Services and complete the assignment/task as per the schedule of work issued by the Commission through the work order.

15. TERMINATION OF AGREEMENT

4.25 The Commission may terminate the contract if:

- i. Dedicated resource person does not respond to the officers of the Commission for virtual/ physical meeting/discussion, as the case may be.
- ii. The Consultant is not timely performing the assigned works.

- iii. Quality of the assigned works is not to the satisfaction of the Commission.
- iv. The Consultant repeatedly fails to achieve the milestones and meet the timelines as decided by the Commission.
- v. The Consultant commits any material or persistent breach of its obligations under the contract (which, in the case of a breach capable of remedy, shall not have been remedied within 15 days of intimation), or Team members of the Consultant are found lacking in honesty and integrity;
- vi. The Consultant becomes insolvent.

4.26 The Commission reserves the right to terminate the contract, by giving fifteen days' notice to the Consultant. Termination shall be effective after 15 days of written notice having been served on the Consultant either through email or through Registered post/ Speed Post/Courier. In such event, the performance guarantee shall stand forfeited. The termination will be without prejudice to either party's rights accrued before termination.

16. LIQUIDATED DAMAGES:

4.27 For delay: If the Consultant fails to complete the allotted work within the prescribed time period as per scope of work of this RFP, the Commission may levy liquidated damages at the rate of 10 % of the cost of contract value.

4.28 For errors/ mistakes: If the Consultant commits any errors/ mistakes in the allotted work, the Commission may levy liquidated damages at the rate of 10 % of the cost of contract value.

4.29 "Cumulative penalty, or indemnity claim or liability under the engagement, if any, on consultant shall not be more than the total project cost under the engagement."

17. MISCELLANEOUS

4.30 If the Consultant fails to execute the work under contract agreement within stipulated time schedule as per scope of work and in the manner indicated in the methodology and work plan, the Commission may consider getting the work done through alternate resources at the risk and cost of the defaulting consultant.

- 4.31 The Commission is neither under any obligation to select any Bidder nor to give any reason for selecting any Bidder. The Commission is also under no obligation to proceed with the work or any part thereof.
- 4.32 The Commission reserves the right to award the total assignment or to delete any part of the assignment without assigning any reason. Payments shall be made subject to deliverables. The Commission also reserves the right to reject any or all the bids without assigning any reason.
- 4.33 Failure to provide all information or concealing any information / material facts required in the process to award the contract shall be at Bidder's own risk and may result in to rejection of the proposal / bid / contract.
- 4.34 Any dispute in the matter shall be subject to jurisdiction of Civil Court of Bhopal, Madhya Pradesh.
- 4.35 Bidder should clearly indicate that he is not presently blacklisted by any of the Govt. organisation/Commission.
- 4.36 The bidder shall necessarily enclose a **check list** referring to page no. of requisite enclosures, formats and other compliances stated in this document.

FORMAT 1:

A brief description of assignments of similar nature carried out in the last 5 years.

Date: _

FROM:

TO: The Secretary
MPERC, Bhopal

A. Relevant Assignments carried out in the last 5 years

(The following information should be given in respect of each assignment separately.)

1. Title of assignment
2. Objective of assignment
3. Narrative description of the assignment.
4. Name of the client
5. Address
6. Commencement and completion of the assignment
7. Number of man months as well as the duration period for completion of assignment
8. Outcome of the assignment.
9. Contract value of the assignment
10. Any other relevant information.

Yours faithfully,

Signature _____ Full Name _

Designation _____ Address _

FORMAT 2 :**List of the resource persons proposed for Assignment****1. Project Personnel**

Sr. No.	Name	Positions held in the Bidding Firm/ assignment	Qualification from Graduation onwards	Total years of experience since competition of graduation	Relevant experience in last 5 years	Number of years in bidding firm
1						
2						
3						
4						
5						

FORMAT 3 :

**Qualifications, Experience and Competence of the resource persons
assigned for the Assignment**

**Format of Curriculum Vitae (CV) for Consultant proposed for the
Assignment (separate sheet for each Consultant)**

Name:

Name of Firm:

Profession:

Age & Date of Birth:

No. of Years with Firm:

Membership of Professional Societies:

Detailed Tasks Assigned:

Key Qualifications:

(Give an outline of staff members' experience and training most pertinent to the tasks on assignment. Describe degree of responsibility held by each staff member on relevant previous assignment and give dates and locations. Use up to half a page)

Education:

(Summarize College/University and other specialized education of each staff member, giving names of schools, dates attended and degrees obtained).

Employment Record

(Starting with present position, list in reverse order every employment held. List all positions held by the staff members since graduation, giving dates, name of employing organization, title of positions held and location of assignments. For experience in the last ten years, also give types of activities performed and Client references, where appropriate. Use up to three - quarter of a page).

Experience in Utility Business: Position held, Nature of work, Highlights/ Achievements.

Certification:

I, the undersigned, certify that, to the best of my knowledge this bio-data correctly describes myself, my qualifications and my experience.

Signature of Staff Member

Date:

It is certified that the concerned person is a full time employee of the Firm. Signature of authorised Official from the Firm (with name and designation)

FORMAT 4

Financial Proposal

Name and address of the bidder:

Scope of the Assignment	Total Amount in figures (with all applicable Taxes) (in Rs)
Consultancy support in framing Guidelines for Capital Expenditure by Licensees	
<i>Total amount in words in Rs. :</i>	

.....

(Signatures of the Authorized
Signatory) Date:

Name & designation:

Address

GUIDELINES FOR CAPITAL EXPENDITURE BY licensees in Madhya PRADESH

Background

1.1 Under Regulation 10.3 of MPERC (The Conditions of Distribution License for Distribution Licensee (including Deemed Licensee)), 2004 and under Regulation 10.3 of MPERC (The Conditions of Transmission License for Transmission Licensee (Including Deemed Licensee)), 2004; the Commission has the authority to specify guidelines for capital expenditure by the licensee. It is provided in the Regulation 10.3 of the Conditions of Transmission as well as Distribution Licenses that

The Licensee shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving investments as per the procedure which the Commission may specify from time to time and demonstrate to satisfaction of the Commission that:

- There is need for the investment in the Transmission or Distribution System (as the case may be), which the Licensee proposes to under take, and
- The licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new Transmission or Distribution System (as the case may be) to meet such needs.

1.2 While Capital Investment is required to be made by Licensees for various purposes like the creation of new infrastructure to meet load growth, meet statutory requirements, strengthen the existing system and increase its efficiency, replace old/obsolete assets, any such capital investment increases the capital base and consequently the reasonable return thus affecting the tariff to consumers. It is, therefore, necessary to ensure that such capital investment schemes being proposed are necessary and justified, and do not impose unnecessary burden on consumers by way of tariff.

1.3 During the Tariff Determination processes undertaken so far, various objectors raised the issue of the prudence of the capital investment being made by Licensees. Therefore, for evaluation of capital expenses included in the annual revenue requirement of the licensees, the Commission has specified these Guidelines.

Approval Process

1.4 The licensee shall file a comprehensive five years Capital Investment Plan by 31st July every year. This plan should contain the details of all the projects as specified in this regulation to be executed in the defined five year block. This plan shall be a rolling plan demonstrating the achievements of the previous year plan vis-a-vis the approved plan. The licensee shall have to file a petition seeking approval from the Commission for all investments of above Rupees Five crores (or any other minimum threshold investment, as may be specified by the Commission from time to time) for Transmission licensee and above Rupees One and half crores (or any other minimum threshold investment, as may be specified by the Commission from time to time) for the Distribution licensee included in the Capital Investment Plan. In addition, the licensee shall file the petition for the approval of the Commission for any investment as defined above and which is not included in the Capital Investment Plan separately, if any.

1.5 The Commission shall hold the public hearing on the petition on Capital Investment Plan and related issues such as past achievements and cost overruns in any, cost estimation,

technical feasibility, financial benefits and its analyses etc.

1.6 Along with the petition for approval of investment, the following documents need to be filed:

- (a) Brief outline of the project, its salient features (including whether this is a new/ augmentation/ renovation and modernisation project) such as scope and objectives of this investment, technical reports, design criteria, project financing avenues, contractor/supplier quotations, etc.,
- (b) Details and cost estimates of components amenable to physical verification along with the provision of price escalation, if any.
- (c) Detailed justification of the investment in light of existing operating conditions such as the equipment is operating close to or above their rated capacity, to facilitate the back up system in conditions of exigency or during maintenance, to cater the normal load growth, the equipment has outlived its life, introduction of new and advance technology, etc.

1.7 The licensee shall satisfy the Commission that it has examined the economic, technical, financial and environmental aspects of all available reasonable options to meet the energy requirements of the consumers in its area of supply. This should be supported by a comprehensive cost benefit analysis.

(a) Least Cost analysis

- (i) The study shall bring out various alternatives considered and show that the proposed Scheme is the least cost option of achieving the objectives. Detailed description of the alternatives and the analysis done to evaluate them has to be submitted to the commission.
- (ii) If the assessment suggests that the company has overestimated the amount needed for investments, the Commission shall be entitled to direct reduction of the amount in the ARR calculations.

(b) Benefits

The short term and long term benefits from such investment including the financial gains expected

- (i) Physical Benefits: The proposal shall bring out quantified physical benefits such as Reduction in transmission / distribution losses, Reduction in the load on existing system, Improvement in voltages, Reliability of supply, and any other benefits.
- (ii) Financial Benefits: The proposal shall bring out the financial benefits; if possible work wise, by way of anticipated revenue in terms of additional energy sold, reduction in losses or reduction in costs. The financial benefits must be supported by detailed calculations and wherever possible, discounted cash flows over the life of the investment are to be shown to demonstrate the pay back period of the investment (Annexure 2). The assumptions taken in these calculations should also be clearly mentioned.
- (iii) The licensee shall also propose the methodology of measurement of the benefits accruing out of the investment.

1.8 The licensee shall also give all the financial details related to the project. This should include details regarding total project cost, the phasing of expenditure year wise and means of finances. Also details regarding the Funding Agency and the loan terms and conditions such as interest rate, repayment schedule, moratorium period, exchange rate etc. need to be provided along with a report on the various financial alternatives concerned.

1.9 Each proposal shall be accompanied by appropriate sanctions of the competent authority and statutory and safety clearances from concerned departments/ministries, wherever such sanctions or clearances are required. The Commission may grant the conditional approval if only the forest clearance is to be obtained but the work shall not commence until the clearance is received.

1.10 The proposal should also include the planned commissioning schedule for the works

covered under the Scheme. The schedule shall comprise of a Gantt Chart indicating commissioning schedule for the Scheme including its components.

1.11 It should also contain the upstream and downstream arrangements if any and their status for utilisation of the benefits from the proposed Scheme. The details of the downstream and upstream arrangements, their status and the programme for their completion shall be furnished. The downstream for 132kV transmission work shall be the outgoing 33kV arrangements at 132 kV substations and upstream shall be 220 kV, 400kV substation or transmission line or generating station.

1.12 The licensee shall invite and finalise tenders for procurement of equipment, material and/or services relating to such investment and renovation and modernisation in accordance with a transparent tendering procedure.

1.13 All physical and financial constraints that might be experienced in the execution of the scheme need to be highlighted. Also, likely uncertainties or risks the licensee expects and the plan adopted by the licensee to mitigate these risks and uncertainties shall be furnished to the commission.

1.14 The licensee should indicate to the Commission if it has any information constraint. If Licensee is not in a position to provide the above details for Schemes relating to Distribution System Expansion and Distribution System Improvement, it should indicate to the Commission the costing of one indicative work and indicate the budgetary provision for the entire Scheme.

1.15 The Commission's approval shall be only in principle on the financing package and the change in terms and conditions as approved by the Commission shall be allowed only when the licensee justifies the financing costs in the licensee's revenue requirement in future years against Commission's in principle approval of capital expenditure program.

1.16 For future projections the Commission shall consider the actual capitalisation cost of the work instead of the cost as estimated at the time of formulation of project proposal. The Licensee, on completion of the project, shall provide the details of completion cost, details of capitalisation and details of debt and equity as on project completion date.

Annual Investment Plan

1.17 By 31st July every year, the Licensee shall submit an Annual Investment Plan for the ensuing year in the format as enclosed in Annexure 1. This shall be consistent with the five years Capital Investment Plan. This shall be an abstract of the investments planned during the next financial year that will have impact on the tariffs being determined by the Commission. The Commission shall hold the hearing on annual investment plan with the Tariff Application of the licensee. This Annual Investment Plan shall consist of a listing by priority of

(a) Schemes under any of the following kind of jobs, approved by the Commission,

- Statutory / safety requirement
- Replacement of equipment
- System strengthening
- Voltage improvement
- Loss reduction
- Consumer service
- Reliability of supply

(b) Schemes submitted to the Commission for approval and

(c) Schemes not requiring approval of the Commission planned for execution in the ensuing financial year.

The Commission shall accord in principle approval and the Licensee shall make investment in the said financial year in accordance with investment plan approved by the Commission. For each project included in the Annual Investment Plan the documents as per para 1.6 need to be filed.

1.18 However, in addition to the approved capital investment plan, the licensee can seek

provision for additional capital expenditure anytime during the tariff year to meet contingencies. The Commission will examine and if satisfied shall accord in principle approval on the corresponding costs for inclusion in revenue requirement in the next period.

1.19 The Licensee shall submit to the Commission, along with the ARR detailed notes on the status of implementation of the Schemes vis-a-vis the provision that was approved in the previous Annual Investment Plan.

Guidelines specific to Transmission Licensee

1.20 All proposed investments must be in accordance with the guidelines as laid down in the Planning Code of the Grid Code.

1.21 MPPTCL would develop a perspective transmission plan for next 10 years for State Transmission System. These perspective transmission plans would be updated every year to take care of the revisions in load projections and generation capacity additions.

1.22 MPPTCL shall carry out annual planning process corresponding to a 5 year forward term for identification of major works and capital expenditure required for the State Transmission System which shall be consistent with the National Power plan formulated by Central Government, any long term plan developed by CEA and the 5 year plan prepared by Central Transmission Utility.

1.23 MPPTCL shall also carry out load flow studies, considering the new projects along with the works programmed for completion during the year.

1.24 The expected Transmission loss reduction, congestion in network and improvement in voltage condition at each of the buses should be worked out. The study should highlight the following:

- (a) Justification for taking up new works.
- (b) Areas of poor voltage/system reliability where immediate action for strengthening the system is required.
- (c) Proposals to mitigate the condition in item (b)
- (d) Any other remarks on the grid system inadequacy and proposals for strengthening the same.

Guidelines specific to Distribution Licensee

1.25 All proposed investments must be in accordance with the guidelines as laid down in the Distribution Planning Code of the Madhya Pradesh Electricity Distribution Code.

1.26 The Licensee shall submit a 5-year Investment Plan with details of investment schemes to be undertaken during the period for the approval of the Commission. The investments stated in the Annual Investment Plan will be in accordance with this 5-year plan. However, where circumstances cause a modification of the investment plans, such circumstances as well as their effect to the investment plans must be stated.

Consequences of not obtaining in principle approval

1.27 Failure to obtain the in principle approval of the Commission, the Commission may disallow the recovery of such expenditure / cost in the tariff order or pass such other orders, as the Commission may consider appropriate.

1.28 Based on the information provided by the Licensee as per the process as specified in the previous paragraphs, the Commission may, if it comes to the conclusion that the licensee had not followed the provisions of the guidelines or has been guilty of negligence or wilful default in implementing a Scheme which are not consistent with the objectives sought to be achieved by such investments, disallow recovery of such cost in the tariff order or pass such other orders, as the Commission may consider appropriate.

Miscellaneous

1.29 The waivers granted for implementing Schemes below Rupees Five crores for Transmission Licensee and Rs. One and Half Crore for Distribution Licensee, relaxes only the requirement for prior Commission approval for the investment. The Commission still retains the authority to assess the efficiency with which the Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence.

1.30 If it comes to the Commission's notice that the quality of supply to consumers in a particular area is below the standards set by the Commission due to lack of investments in the Transmission System or Distribution System in that area, the Commission may *suo motu* direct the Licensee to make investment in Schemes that would result in improvement of the quality of supply. Provided however that while issuing such direction the Commission would take into consideration the Licensee's resource position.

1.31 The Schemes as referred to in Clause 1.17 that are already sanctioned or under implementation as on the date of these guidelines are not required to be submitted to the Commission for its approval. However, the licensee shall provide information regarding the implementation of these Schemes to the Commission from time to time and at least once in every six months i.e. in July and January.

1.32 The Commission retains the power to add, vary, alter, amend, change, modify or otherwise substitute the above guidelines or any part thereof in such manner and at any time the Commission may consider appropriate. The Licensee shall not claim any vested right in the facility given by these guidelines, if the Commission decide to add, modify, alter, change etc the guidelines or any part thereof.

1.33 Without prejudice to the above the Commission may at any time direct the Licensee to comply with such further or other conditions as the Commission may consider appropriate for undertaking investments consistent with the objects of the Madhya Pradesh Vidyut Sudhar Adhiniyam, 2000, Electricity Act 2003 and the terms and conditions contained in the Conditions of licence specified by the Commission.

1.34 Any violation of these conditions shall be a breach of the obligations assumed by the licensee under Transmission Licence and/or the Distribution Licence and may be subjected to the same proceedings as if the terms of the licence conditions have been violated or not complied by the Licensee.