

FORUM OF REGULATORS (FOR)

**Sectt: Central Electricity Regulatory Commission (CERC)
3rd & 4th Floor, Chanderlok Building, 36, Janpath,
New Delhi – 110 001, Tel : 23753920/ Fax : 23753923**

'FOR' invites separate sealed quotations from reputed Consultancy firms by 19.8.2014 upto 1500 Hrs. for (i) "Engagement of Consultant to conduct a study on Road Map for Reduction in Cross Subsidy" (Quotation No.: 1/23/2014-Study(RCS)/FOR/CERC) & (ii) "Engagement of Consultant to conduct a study on Performance of Distribution Utilities" (Quotation No.: 1/22/2014-Study(PDU)/FOR/CERC). Detailed Terms of Reference (ToR) are available on the website of "FOR" i.e. <http://www.forumofregulators.gov.in/>.

Secretary (FOR)

Engagement of Consultant by Forum of Regulators to Conduct a Study on “Road Map for Reduction in Cross Subsidy”

Terms of Reference (ToR)

1.0 Context/Background:

- 1.1 The Forum of Regulators (FOR) has been constituted by the Government of India in terms of Section 166 (2) of the Electricity Act, 2003. The Forum consists of Chairperson of the Central Commission and the Chairpersons of the State Commissions. Chairperson of the Central Commission is the Chairperson of the Forum of Regulators and secretarial assistance to the Forum is provided by the Central Commission. The Forum is responsible for harmonization, coordination and ensuring uniformity of approach amongst the Electricity Regulatory Commissions across the country, in order to achieve greater regulatory certainty in the electricity sector.
- 1.2 FOR has discussed the issue relating to tariff rationalization in distribution sector. Historically, across most of the utilities industrial and commercial consumers have been paying a higher tariff, whereas domestic and agricultural consumers pay less than their cost of supply. It is this difference between the applicable average Tariff of a consumer category and the Cost of Supply to that consumer category that is generally labeled as ‘Cross Subsidy’.
- 1.3 The Electricity Act, 2003 has enabled under section 62(3), provision of cross-subsidy based on load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required. However, the Act has at the same time, required the Regulatory Commissions to progressively reduce

cross subsidy in tariff so as to ensure that the tariffs reflect the cost of supply. The Regulatory Commissions are expected to draw a road map for reduction of cross subsidy.

- 1.4 In fact, reduction of cross subsidy or tariff rationalization has been the main driver of tariff reforms and it is for this reason that the independent Regulatory Commissions were envisaged through Electricity Regulatory Commissions Act, 1998. However, it is understood that high level of cross subsidies still exists in tariffs for consumers.
- 1.5 In order to suitably address this issue and in the light of the provisions contained in the Electricity Act, 2003, National Electricity Policy and National Tariff Policy, FOR has decided that a study be carried out on Road Map for Reduction in Cross Subsidy, while analyzing the progress made by these utilities in this regard across various states and identifying the best practices adopted by various SERCs for reducing the cross subsidy.
- 1.6 For this purpose, it is proposed to engage a corporate consultant.

2.0 Objective :

To devise principles for determination of cross subsidy and suggest a roadmap for reduction of cross subsidy as per the requirement of the Electricity Act 2003, the National Electricity Policy and Tariff Policy.

3.0 Scope of the work assigned to the Consultant:

- 3.1 The Consultant is required to carry out detailed analysis of the existing cross subsidy in tariffs, which would include the following but not limited to.
 - i. Identification of principles of tariff design, subsidy & cross subsidy as specified under the Electricity Act, 2003, Electricity

& Tariff Policies and various regulations notified by appropriate Electricity Regulatory Commission(s).

- ii. Comprehensive analysis of nature and principles and determinants of tariff & cross subsidy as adopted by various SERCs in tariff design vis-à-vis the principles of tariff design, subsidy & cross subsidy as specified under the Electricity Act, 2003, Electricity & Tariff Policies and various regulations notified by the appropriate Electricity Regulatory Commission(s).
- iii. Identifying the measures adopted by SERCs, if any, for reduction of cross subsidy.
- iv. Identification of gaps, if any, in the measures adopted so far towards reduction of cross subsidy.
- v. Identification and analysis of different methods of determination of cross subsidy.
- vi. Suggesting a model for determination of cross subsidy and road map for reduction of cross subsidy.
- vii. Recommendations & Way forward

3.2 The consultant is required to conduct the aforesaid study in respect of distribution utilities of at least ten states (to be identified by FOR) through available data at various agencies, planned surveys, questionnaires, field observations, analysis of feedback from the distribution utilities, etc.

4.0 Deliverables and duration of the Assignment:

4.1 The assignment shall be completed within a period of 3 months from the date of award of assignment.

- 4.2 The Consultant will be required to submit the inception report followed with presentation at the end of 15 days. First & second reviews of progress of the study will be carried out at the end of 45 days and 60 days from the date of award of assignment. The first draft report is required to be submitted at the end of 75 days from the date of award of assignment;
- 4.3 Submit the revised draft after discussion with FOR secretariat followed by a presentation before Forum of Regulators, at the end of 80 days.
- 4.4 Submit the draft final report at the end of 3 months from the date of award of assignment.

5.0 Payment Schedule:

- 5.1 10% Advance of the total fee of the study at the time of signing agreement/acceptance of the offer, subject to production of Bank guarantee for equal amount to be valid till the amount is to be absorbed in the amount payable to the Consultant.
- 5.2 15% on submission of the inception report;
- 5.3 30% on submission of draft report;
- 5.4 30% on submission of the final report after incorporating suggestions/comments of the Forum; and
- 5.5 balance 15% on successful completion and acceptance of the final report by the 'FOR'.

6. Qualification Criteria:

- 6.1 The Consultant should be conversant with the working and role of State Electricity Regulatory Commissions and should have completed or assisted them with at least 2 assignments on various tariff analysis and study of tariff design and structure. The Consultant should have sufficient exposure in the area of analyzing the impact of subsidy and cross subsidy in tariff structure.

7.0 Application and Evaluation Criteria:

- 7.1 The format of application is at **Annexure-I** and **Annexure-II**.
- 7.2 The Consultant is required to submit **four (4)** copies of bids for Technical offer (each of which will be treated as original) and **one copy** of Financial offer, duly sealed in separate envelopes.
- 7.3 Technical component will carry 70% weightage and Finance component 30% weightage.
- 7.4 The bids of the eligible bidders as per Clause 6 will be scrutinized by Consultancy Evaluation Committee (CEC) and shortlisted bidders will be called for interaction with the CEC and their technical performance will be evaluated based on the following criteria:

Technical Parameters	Score
The Consultants relevant experience for the assignment	30
Understanding of the issues and approach to be followed	30
The qualifications and experience of the key staff proposed	40
Total Technical Score	100

- 7.5 The minimum qualifying marks in the Technical Evaluation is 70% of the total score for technical component.
- 7.6 Only those bidders, who qualify technically as per Clause 7.5, would be considered for Financial Evaluation.
- 7.7 Weight for Financial Evaluation Proposal with the lowest quoted price will be given a financial score of 100 and other proposals given financial scores that are inversely proportional to their prices.
- 7.8 The total score will be obtained by weighting the Technical and Financial scores.
- 7.9 Only successful bidder would be communicated the award of consultancy assignment.
- 7.10 The right to reject any or all bids at any time without assigning any reason rests with the FOR Secretariat.
- 7.11 The consultant shall abide with the contract as per **Annexure-III**.

DETAILED PROPOSAL FOR STUDY

(TECHNICAL)

Four (4) copies of the proposal along with project summary to be submitted to Secretary, CERC/FOR.

I. GENERAL INFORMATION:

01. Title of the Proposed Study:
02. Name and address of the Organization/:
03. Name & Designation of the Key Person:
04. Contact address of the Key Person:
(e-mail/fax/telephone)
05. Net-worth/Turnover of the Organization/:

II. TECHNICAL SPECIFICATIONS:

06. i. Department(s) of the organization/Institution(s) where the study will be carried out
- ii. Other department(s), if any, which will collaborate in this study
07. Brief review of the state-of-art in the field (National and International)
08. Detailed Approach & Methodology for undertaking the assignment
09. Facilities available for the proposed work in the applicant's organization/institution
10. Previous experience of the proposer in this or related field
11. Biographical sketch of the Study Team
- (i) Name
- (ii) Designation
- (iii) Date of Birth
- (iv) Education and Experience
- (a) Academic Qualifications

Degree	University	Field(s)	Year

(b) Experience

Institution	Topic of work done	Period

(v) Field of major interest

(vi) Additional information (if any)

12. Capacity to impart training/transfer of knowledge

DETAILED PROPOSAL FOR STUDY

(FINANCIAL)

I. GENERAL INFORMATION:

01. Title of the Proposed Study:
02. Name and address of the Organization/Institution:
03. Name & Designation of the Key Person:
04. Contact address of the Key Person:
(e-mail/fax/telephone)
05. Net-worth/Turnover of the Organization/ Institution :
06. Certificate of authorization in case of Institutes/other organizations (Format enclosed at **Appendix-‘A’**).

II. Fee Proposed:

07. Amount of Fee proposed for:

Components	Basis	Amount (in Rs.)
(I) Consultant Charges		
(II) Misc./Others (if any)		
<i>Total</i>		

(RUPEES _____)

Signature of the Principal Investigator /
Head of the Study Team

CERTIFICATE

The undersigned agree to abide by the conditions of the grants and certify that available facilities for proposed work shall be extended to the investigator/study team.

Signature of Executive Authority
Investigator/of the Organisation

Signature of the Principal
Head of the Study Team

Name and Designation

Name and Designation

Date

Date

Signature of Co-investigator
Name and Designation
Date

Official stamp of
Organization/Institution

On 50Rs Stamp Please

AGREEMENT

This agreement made on this day of [here give the date of the agreement] at New Delhi BETWEEN [here give the Name and address of the consultant or Professional Expert] hereinafter referred to as “the consultant/professional expert” of one part and the **Forum of Regulators, C/o. Secretariat: Central Electricity Regulatory Commission, 3rd and 4th Floor Chandernagore Building, 36 Janpath, New Delhi -110001** (herein after called "the FOR") of the other part.

WHEREAS

- (A) the FOR, on being satisfied that there is a need to appoint a [**Corporate consultant or Professional Expert**] for study on “**Road Map for Reduction in Cross Subsidy**” invited quotations vide notice [here give the No and date of the notice]
- (B) the [consultant/Professional Expert] responded to the above notice and submitted his quotations vide his letter [here give the No and date of the quotation of the consultant]
- (C) the FOR, on scrutiny of the responses received in response to its above mentioned notice dated [here give the date of the notice inviting quotations] including the one received from the [consultant/professional Expert] has decided to engage the consultant/professional expert for the above said assignment.
- (D) the consultant/professional expert has agreed, to take up the above said assignment

NOW THIS AGREEMENT WITNESSETH AS UNDER:

That the Parties to this Agreement have agreed to terms and conditions mentioned below:

1. Definitions:

- (i) “Confidential information” mean any and all information communicated to the consultant by the FOR duly marked so.
- (ii) “Person” shall include any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person;
- (iii) “Secretary” means the Secretary of the FOR.

2. **Nature of work:** The consultant/professional expert shall be engaged as [Corporate consultant or Professional Expert] for the study on “Road Map for Reduction in Cross Subsidy” in accordance with the Terms of Reference (**Annexure-I**) attached hereto and which shall be deemed to be a part of this agreement for all intents and purposes.

3. **Commencement and duration of assignment:** The above assignment shall commence with effect from [the date of this agreement] and shall be valid for a period of 4 months which may be extended with the mutual consent of the parties without any financial commitment.

4. Obligations of the consultant:

- (i) The consultant shall adhere to the time-frame specified in the Terms of Reference and submit the deliverables to the Secretary.
- (ii) The consultant shall make the presentations before the FOR as required by the Secretary.
- (iii) The consultant shall ensure that the interim and final findings of the study and the contents of his interim and final reports to the FOR are not disclosed to any person unless expressly authorized by FOR.

5. Entitlements of the Consultant:

- (i) The consultant/professional expert shall be entitled to Rs. [Here give the amount payable and the schedule of payment and any other provision such as TDS, etc.]
- (ii) The consultant/professional expert shall be paid as per clause 5 of Terms of Reference (**Annexure-I**).
- (iii) The consultant/professional expert shall not be entitled to any other remuneration or reimbursement or perquisites or facilities.

6. Restrictive terms:

- (i) The consultant further affirms and confirms that the current assignment is not and shall not be, in conflict with any of its present obligations to any party with whom he/she/it has association.
- (ii) The consultant further affirms and confirms that he/she/it shall hold all

Confidential Information in confidence and with the same degree of care he/she/it uses to keep his/her/it own similar information confidential, but in no event shall it use less than a reasonable degree of care; and shall not, without the prior written consent of FOR, disclose such information to any person for any reason at any time;

- (iii) The FOR shall be entitled to, without prejudice to any other right for civil or criminal proceedings, receive from the consultant/ professional expert a compensation for the damages for violation by him/her/it of any of the terms of the agreement which shall be limited to the total fee of the assignment.

7. **Termination of contract:**

At the option of the FOR:

- (i) Without any notice: The assignment may be terminated by the FOR, any time, with immediate effect, under any of the following circumstances:
 - (a) It has come to notice that the consultant/professional expert has been convicted for an offence involving moral turpitude or unethical professional practices.
- (ii) With one month notice: The assignment may be terminated by the FOR, under any of the following circumstance, by giving one month's notice and after providing an opportunity to the consultant/professional expert to offer explanation:
 - (a) It has come to the notice of the FOR that the consultant/professional has resorted to fraud or suppression of material information or submission of false information or unethical means to secure the assignment.
 - (b) It has come to the notice of the Forum that there is a material change in the circumstances of the Consultant based on which the assignment was awarded to the consultant/professional expert.
 - (c) The consultant/professional expert has failed, without any valid justification, to adhere to the time-frame specified by the FOR in the assignment.
 - (d) The consultant has violated any of the provisions of the agreement.

At the option of either parties

- (iii) Both the parties namely, the FOR and the Consultant/professional expert have the option to terminate the assignment by giving a notice of one month or the equivalent remuneration in lieu thereof.

8. **Effect of termination:** On pre-mature termination of the assignment, the FOR shall pay the consultant/professional expert, the remuneration for the work performed by him/her/it till the date of termination of the Contract.

Provided that in case of any dispute as to what is the entitled remuneration for the work the matter shall be referred to arbitration under the provisions of this agreement.

9. **Notice** Any notice between the parties shall be in writing and posted to the other party to the last known address.

10. **Arbitration:**

(i) Any difference, dispute, claims which may arise between the parties hereto as to the construction or true intent and meaning of any of the terms and conditions herein contained or as to any payment to be made in pursuance hereof or as to any other matter arising out or as to any other matter arising out of or connected with or incidental to these presents or as to the rights, duties and obligations of any of the parties, such difference, dispute or claim shall be mutually settled amicably by arbitration through a sole arbitrator appointed by the FOR.

(ii) The arbitration shall be conducted in accordance with the Arbitration and Conciliation Act, 1996 or any statutory amendments thereof. The venue of such arbitration will be Delhi/New Delhi.

(iii) Arbitration shall be subject to English language.

11. **JURISDICTION:** In respect of any legal proceedings arising as a result of or relating to or incidental to this agreement, the courts in Delhi/New Delhi alone shall **have exclusive jurisdiction**

IN WITNESS WHEREOF, the Parties above named have executed this Agreement of the day, month and year mentioned hereinabove.

Signed by, [the consultant/Professional party or on behalf of] in the presence of

Signed by, on behalf of the FOR in the presence of