



FORUM OF REGULATORS (FOR)

TERMS OF REFERENCE

Study on Analysis of Tariff Orders & Other Orders of State Electricity Regulatory Commissions (SERCs)

1.0 Introduction:

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.

One of the important functions of the 'FOR' is *the analysis of the tariff orders and other orders of Central Commission and State Commissions and compilation of data arising out of the said orders, highlighting, especially the efficiency improvements of the utilities.*

The Forum has decided to commission a study on analysis of Tariff Orders and other related Orders of SERCs.



2.0 Objective :

The objective of the study is analysis of Tariff Orders & Other related Orders of State Electricity Regulatory Commissions (SERCs) with focus on:

- Tariff Rationalization;
- MYT – Base Line Data;
- Wheeling Charges & Transmission Charges : Separation and Rationalization;
- Subsidy Payment and its Treatment in Tariff;
- Power Purchase Cost.

3.0 Scope of Work:

3.1 The Consultant has to compile and analyze Tariff Orders (Generation, Transmission & Distribution) and other orders (related to the focused areas mentioned below) of all SERCs in last 5 years, i.e., 2004-05 to 2008-09.

3.2 The Consultant should focus on analysis of the following aspects.

3.2.1 Regulatory approach for revenue requirement including parameters such as:

- Sales mix/demand estimation (consumer category-wise);
- Process of procurement of power/fuel;
- Assessment of technical and commercial loss (for transmission and distribution system);
- Investment/Capex approval criteria – basis and linkage with loss reduction, system upgradation and reliability;
- Debt –Equity ratio;
- Depreciation;



- Rate of return - Compilation and analysis of the approach (RoE or RoCE) followed by different SERCs in fixation of tariff;
- Interest on loan;
- Norms on working capital requirement;
- Cost of foreign exchange risk;
- Operation and maintenance;
- Bad debts;
- Renovation and modernization (R&M) (not periodic overhauls);
- Power purchase cost including quality and operational criteria for recovery of fixed cost, variable cost and incentive.

3.2.2 Tariff Rationalization:

- Rationalization of generation & transmission tariff;
- Trend of consumer category-wise tariffs;
- Status of notification of roadmap for reduction of cross-subsidies by SERCs;
- Status of cross subsidy reduction and compliance of the tariff policy requirement that tariffs should be within ± 20 % of the average cost of supply in States;
- Revenue gap – year-wise gap between approved Aggregate Revenue Requirement (ARR) and actual revenue realization;
- Gap between Cost of Supply and Tariff;
- Year-wise Profit/losses etc.

3.2.3 MYT – Base Line Data:

- Multi Year Tariff framework, its implementation;
- Comparison of uncontrollable and controllable factors defined by different SERCs;



- Base line data considered for MYT Control Period;
- Regulatory effectiveness with respect to (i) resultant efficiency gain (ii) sharing mechanism and (iii) target and achievement of loss reduction trajectory.

3.2.4 Wheeling Charges & Transmission Charges:

- Status of notification of separate transmission and wheeling charges;
- Analysis of charges being levied in kind at different voltage levels;
- Trend of rationalization of these charges;
- Status of Open Access charges and cross-subsidy surcharge, other than transmission and wheeling charges, and trend of rationalization of such charges;
- Whether the transmission charges for Discoms & other Open Access consumers are same, if not, difference of such charges.

3.2.5 Subsidy Payment and its treatment in tariff:

- Approach and format of communicating the requirement of subsidy by SERCs;
- Status of advance payment of subsidy by State Governments;
- Whether SERCs are notifying the tariff without subsidy, which is to be payable by a consumer in the event subsidy is not paid by the State Government;
- Status of consumer category wise/overall subsidy;
- Year-wise subsidy booked and received by different utilities.



3.2.6 Power Purchase Cost:

- Compilation and analysis of power purchase cost by State Utilities on different parameters such as peak, off peak, fuel source, short-term, long-term etc;
- Year-wise quantum of power drawn under UI & treatment of the cost in ARR.

3.2.7 Status of Regulations issued by SERCs under Section 181 of the Electricity Act, 2003.

3.2.8 Regulatory process including public participation and timeliness of Tariff Orders.

3.3 Status of implementation of Time of Day (ToD) metering and tariff.

3.4 To identify major areas of deficiency or gap in regulation of tariff.

4.0 Deliverables and Duration of Assignment:

4.1 The study shall be completed within a period of 6 months from the date of award of consultancy.

4.2 The Consultant will be required to:

4.2.1 Submit fortnightly status report of progress of the assignment from the date of signing of agreement, to FOR Secretariat;

4.2.2 Submit Inception Report followed by presentation at the end of 15 days from the date of award of assignment;

4.2.3 Interact with the FOR Secretariat during the assignment and submit the Draft Report at the end of 4 months from the date of award of assignment with the compiled data;

4.2.4 Organize a Workshop in consultation with FOR Secretariat and incorporate the suggestions/modifications from the Workshop in the Final Report;



- 4.2.5 Final Report at the end of the 6 months from the date of award of assignment;
- 4.2.6 Any other instruction by FOR Secretariat within the scope of the assignment.

5.0 Qualification Criteria:

5.1 The Consultant should have completed at least three assignments in the last five years of assisting State Electricity Regulatory Commission's (SERC's) in two different States in analysis of tariff petition filed by SEB/ Distribution Utility and determination of tariff.

OR

- 5.2 The Consultant should have completed at least three assignments in last five years of assisting SEB/ Distribution Utility in two different States in filing of tariff petition by and determination of tariff.
- 5.3 Total no. of assignment may include assignment as per para 5.1 and para 5.2.

6.0 Application and Evaluation Criteria:

- 6.1 The format of application is at **Annexure-I** and **Annexure-II**.
- 6.2 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.
- 6.3 Technical component will carry 70% weightage and Financial component 30% weightage.
- 6.4 The bids of the eligible bidders as per Clause 5 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	Weights
The Consultants relevant experience for the assignment	0.3
Understanding of the issues and approach to be followed	0.3
The qualifications and experience of the key staff proposed	0.4

- 6.5 The minimum qualifying marks in the Technical Evaluation is 50% of the total score for technical component.
- 6.6 Only those bidders, who qualify technically as per Clause 6.5, would be considered for Financial Evaluation.
- 6.7 Weight for Financial parameters: Proposal with the lowest cost will be given a financial score of 100 and other proposals given financial scores that are inversely proportional to their prices.
- 6.8 The total score will be obtained by weighting the Technical and Financial scores.
- 6.9 Only successful bidder would be communicated the award of consultancy assignment.
- 6.10 The right to reject any or all bids rests with the FOR Secretariat without assigning any reason.
- 6.11 The 'FOR' and the Consultant both would have option to terminate the contract by giving a notice of three months or the equivalent remuneration in lieu thereof. In such cases, the Consultant shall be paid fees after taking into consideration the part of work completed prior to such foreclosure, termination or cancellation of the engagement as may be decided by the 'FOR', and the decision of the 'FOR' shall be conclusive and binding. The fees so fixed and paid shall be deemed to be final payment in such cases.
- 6.12 The consultant shall abide with the contract as per **Annexure-III**.



/ ANNEXURE – I /

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/
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 :



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



/ ANNEXURE – II /

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)		
Total		

(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



/ ANNEXURE – III /

AGREEMENT

ARTICLES OF AGREEMENT made on this day of _____ BETWEEN M/s. _____ of one part and the Forum of Regulators (herein after called "the FOR") of the other part.

WHEREAS the FOR has engaged the party of the first part to conduct a Study on **“Analysis of Tariff Orders & Other Orders of State Electricity Regulatory Commissions (SERCs)”** and the party of the first part has agreed, to conduct the said study and submit the report to the FOR, on the terms and conditions hereinafter contained.

NOW THESE PRESENTS WITNESS and the parties hereto respectively agree as follows:

1. The party of the first part shall complete the assignment as contained in **Annexure-I (TOR)** within a period of 6 (Six) months commencing from, **2009**.
2. The party of the first part shall be paid as under:
 - a) 30% advance of the total fee of the study at the time of signing agreement/acceptance of the offer;
 - b) 30% on submission of the draft report;
 - c) 30% on submission of the final report; and
 - d) balance 10% on successful completion and acceptance of the final report by the FOR.

The total fee for the study has been fixed at Rs..... (exclusive of taxes, if any).

3. The schedule of payment shall be as under:

As per clause 2 above.
4. The party of the first part shall not disclose to any unauthorized person any information and data that may be supplied to him by the FOR or by any other organization, under the direction of the FOR. All such documents shall be the property of the FOR or any information that may have come to their knowledge directly or indirectly by virtue of the assignment.



5. The party of the first part undertakes that this assignment shall not be in conflict with their prior or current obligation to other clients nor shall it place them a position of not being able to carry out the assignments objectively and impartially.
6. In case of any default on the part of the party of the first part in completion of the study within the time schedule agreed to between the parties as herein above, the party of the second part shall be at liberty to get the study completed from any other agency at the risk and cost of the party of first part.
7. In case of any differences or disputes between the parties arising out of this Agreement, it shall be referred for arbitration as per the provisions of Arbitration and Conciliation Act, 1996, as amended from time to time. The venue of the arbitration shall be Delhi.
8. The 'FOR' and the Consultant would both have option to terminate the contract by giving a notice of three months or the equivalent remuneration in lieu thereof. In such cases party of the first part shall be paid fees after taking into consideration the part of work completed prior to such foreclosure, termination or cancellation of the engagement as may be decided by the 'FOR', and the decision of the 'FOR' shall be conclusive and binding. The fees so fixed and paid shall be deemed to be final payment in such cases.
9. In respect of any matter for which no provision has been made in this Agreement, the provisions contained in the general instructions of the Government on the subject of engagement for study shall apply.

In witness whereof the party of the first part and _____ to the FOR on behalf of the FOR have hereto put their hand the day and the year first above written.

Signed by, the party of the first part in the presence of

Signed by, the said to the 'FOR' for and on behalf of the FOR in the presence of