

Build, Operate and Maintain the Water Supply and Sewerage System of Shimla City, Himachal Pradesh (India) on Public Private Partnership (PPP) mode

Clarifications to the Queries Raised By the Prospective Bidders during the Pre-Bid Meeting Held on 06-10-2012

Addendum-3 to the RFP document

S No.	Clause from the RFP	Queries	Clarification
1	1. ARTICLE 33 : ASSIGNMENT AND CHARGES	<p>Assignments of rights under the Concession Agreement shall be given in favor of the lenders to ensure the bankability of the project.</p> <p>In this regard, please refer the model concession agreement of GOI issued for NHAI projects.</p> <p>The Concession Agreement should permit charges to be created on the project assets created by the Concessionaire in favour of the lenders</p>	<p>Reply to the query already addressed as per Article 33 Clause 33.2 & 33.3</p>
	2. SCHEDULE – 0 ESCROW AGREEMENT	<p>Since the lenders are a party to the Escrow agreement, the ESCROW agreement shall be finalized in Consultation with lenders prior to signing. This is the normal practice followed in BOOT / PPP project.</p>	<p>Reply to the query already addressed as per Schedule 0 Clause 2.1.1</p>
	3. ARTICLE 24 : ESCROW ACCOUNT	<p>In our understanding , there will be two escrow accounts as follows</p> <p>Escrow account 1 – In this Escrow account the revenues to the Concessionaire will be deposited and a water fall mechanism will be followed for payment obligations.</p> <p>Escrow account 2 – In this escrow account, the collections from the end consumers by the Concessionaire on behalf of SMC will be deposited, from which payments to the Concessionaire will be made by SMC.</p> <p>On both the escrow accounts lien will be Marked in favour of lenders.</p> <p>Please confirm the above.</p>	<p>The condition shall remain same as per Schedule 0 Article 24</p>

	4.Art 22.1 Service Fee	<p>As per the Concession Agreement, the revenues to the Concessionaire are linked to the volume of billing and collection from end consumers. While the Concessionaire will endeavor to bill and collect from the end consumers on behalf of SMC, the collection efficiency shall depend on the effectiveness of the governance framework beyond the control of the Concessionaire.</p> <p>Hence to ensure bankability of the project and to avail low cost funds which will result in an optimized bid to SMC, the Service Fee payable by SMC to the Concessionaire shall be on a minimum Take or Pay basis for a fixed quantity of 40 MLD and revenues for off take beyond such level shall be linked to billing and collection efficiency.</p>	<p>Service shall be calculated as per Article 22.1 i.e. against water billed and collected by the concessionaire.</p>
	5. ARTICLE 21 : GRANT	<p>It is assumed that the Grant of Rs. 122.86 crores will be paid as per the project milestone payment schedule mentioned in the Concession Agreement. Any delay in availability of the grant will affect Implementation of the project. In the event of delay/non availability of the Grant, please specify the methodology of Compensation to the Concessionaire.</p>	<p>The grant disbursement shall be made as per Article 21.2.2</p>
	6. General Service tax	<p>As per Service Tax notification 25 of 2012 dated 20-06-2012, Service Tax is exempted for the services provided to the local body with respect to water supply and sewerage project and the same has been assumed while computation of the Volumetric rate. It is also assumed that this exemption will prevail during the Concession Period. Any change in the service tax rules in the future will be billed to SMC at actuals.</p>	<p>The query is addressed as per Article 27.10 i.e. procedure for dispute resolution.</p>

	<p>7. ARTICLE 3 : Services of SMC's employees assigned to this project during the concession period</p>	<p>As per this article the existing SMC's employees will be deployed for this project during the concession period as an option to the Concessionaire. It is also understood that there is resistance from the employees for implementing the project under PPP format. A clarification from SMC is sought on the current status as well as its commitment to the project as considerable resources are continuously being deployed by the bidders towards the bid process.</p>	<p>The services of SMC/IPH employees during operation period will be subject to the options offered by these employees to serve in the project operation. In that case, it will be mandatory for the concessionaire to bear all the cost and expenses of the employees as assigned by the authority.</p>
	<p>8. General Single bid</p>	<p>It is understood that the previous bid process has been cancelled due to the reason of single bid received. Accordingly the retender process has been initiated by SMC. Please clarify SMC's position if a single bid is received under the retendered process also.</p>	<p>The matter will be decided as per the CVC guidelines subject to the approval of the Govt.</p>
	<p>9. General Bid document uploaded in the web-site</p>	<p>Please confirm if there are any changes to the bid documents uploaded for retender with the previous upload.</p>	<p>The RFP will be read in totality with Addendum -I & 2 already uploaded and subsequent addendum 3.</p>

	<p>10. General Ultimate system capacity and project area boundary limit to be built up during the concession period</p>	<p>It is understood that the ultimate capacity built up for the water supply system under this project scope of work during the Concession Period is limited to an extent of 71 MLD at water source point and 60 MLD at consumer end by considering 15% loss in the system. Accordingly the ultimate capacity for sewerage system will be to an extent of 48 MLD (ie 80 % of 60 MLD water demand), Please confirm. Also confirm the project area boundary limit under the concessionaire scope of work. If any new development formed isolated from the present house hold areas within the SMC boundary, may require additional water/waste water infrastructure, same will be considered as change of scope with suitable payment mechanism.</p>	<p>The facts given in the query are admitted.</p>
	<p>11. General Population and water demand</p>	<p>The water demand during the Concession Period is calculated based on the population projection given in the DPR. Any material changes in the population projection will affect the viability of the project. In this event, necessary clauses for compensation need to be considered.</p>	<p>The service area of the project is already defined in Schedule -A of DCA</p>
	<p>12. General Performance bench marks</p>	<p>Necessary clause provisions to be considered for the finalization of performance bench marks as per practical ground condition of project area with respect to NRW, 24X7, sewage disposal etc., during the concession period.</p>	<p>The performance bench marks shall be as per Schedule -J followed by Addendum-I & 2.</p>

	13. General Water By law	As per the Concession Agreement, the revenues to the Concessionaire are linked to the volume of billing and collection from end consumers. While the Concessionaire will endeavor to bill and collect from the end consumers on behalf of SMC, the collection efficiency will improve only with the support and intervention of SMC. In this regard, SMC should introduce volumetric billing in a phased manner during the construction period and enact stringent bye laws for connection, disconnection, legalization and regularization of connections along with necessary public awareness program. Stringent bye laws, as an obligation of SMC will ensure fulfillment of the performance obligations by the Concessionaire and also for payment/revenues. Please confirm.	The existing bye laws shall be applicable during the concession period.
	14. General Bid Due Date	We require at least 3 weeks time from the date of receipt of replies to pre-bid queries by SMC for submitting the bid.	The bid due date is extended to 05-12-2012.
	15. General Change of scope	If any change of scope is necessitated due to environmental or statutory approvals, SMC is obliged to issue a change of scope order. Please confirm.	The query shall be addressed as per Article -27.
	16. General Commercial operation date	In case, part of the project cannot be completed due to events beyond the control of the concessionaire, there has to be a provision for declaring partial COD. Please confirm.	The query shall be addressed as per Article -27.
	17. General Concession period	It is understood that the total concession period is 23 years including 3 years construction, during construction period, the o&m of existing system will be done by SMC. Please confirm.	The total concession period is 23 years including 3 years construction period. During construction period, the O&M shall be done by SMC and IPH as present practice.

2.	1. 4.2 & 4.3 of DCA (Pg. 19)	<p>Damages for delay by Authority In case of non-fulfillment or delay in fulfillment of all or any of the conditions precedent, Authority shall pay Concessionaire damages @ 0.1% of the Construction Performance Security for each day's delay subject to maximum of 20% of Construction Performance Security;</p> <p>Damages for delay by Operator Operator shall pay Authority damages @ 0.2% of the Construction Performance Security for each day's delay subject to maximum of 20% of Construction Performance Security. Please accept and confirm similar penalties at both the ends.</p>	Penalty clauses shall remain as per clause 4.2.2 & 4.2.3 of DCA.
	2. Clause 4.1.3(g) of DCA (Pg. 18)	<p>Conditions Precedent for benefit of Authority: delivered to the Authority 3 (three) true copies of the Financial Package and the Financial Model, duly attested by a Director of the Concessionaire, along with 3 (three) soft copies of the Financial Model in MS Excel version or any substitute thereof, which is acceptable to the Senior Lenders.... This condition may please be relaxed. Instead, the copy of loan agreement with the banker / lenders may be allowed to be submitted.</p>	Condition precedent shall remain as per Article-4.
	3. Article 22 of DCA (Pg. 55)	<p>Minimum Volume Payment Minimum volume payment is has not been specified/guaranteed. Minimum (guaranteed) volume for billing may please be fixed</p>	Service fee shall be paid as per Article -22 of DCA.
	4. Clause 9.2 of DCA (Pg. 29)	<p>Cap on liabilities Because of the requirement of replenishment of Performance Security, there is no cap on aggregate liabilities on the Operator. Please clarify.</p>	Capping clause can not be incorporated in the DCA.
	5. Note No. 2 of Sch-F to Addendum (Pg. F-2)	<p>The Authority shall retain 20% of the Grant (due during each project milestone) which in turn shall be released after 2 years of completion of construction period..... Withholding 20% of the Grant amount for such a long period would adversely effect the cashflow of the bidder. May please be amended suitably.</p>	This is a general norms & practice followed to execute the works.

	6. Clause 1.2.2 of RFP (Pg. 12)	<p>Bid Security It is mentioned in the RFP that the bid security is Rs. 2 crore. Whereas in the reply to pre-bid queries, it is mentioned Rs. 2.50 crores. Please confirm whether it is Rs. 2 crore or Rs. 2.50 crore</p>	The bid security is Rs. 2.5 Crore.
	7. Article 22 of DCA (Pg. 55)	Service Fee Please confirm whether Service Fees will be collected monthly or bi-monthly.	The query is addressed as per Article 22.1 of DCA Page 55.
	8. Clause 2.2.2 Page No 16 of 83	We request you to change qualifications from "the financial closure of Water / Waste Management Project" to "any BOT / PPP project".	Cannot be considered.
	9. The registered sewerage connections with MC Shimla are about 13000.	Please provide the payment structure for new sewerage connections	As per MC Bye Laws.
	10. Staff quarters	The existing staff quarters at the pumping stations and Sewerage Treatment Plants (STPs) shall be given for the use of Concessionaire w.r.t its staff, only for the Concession Period. However, the Concessionaire shall be required to pay monthly rent as admissible from time to time. What will be the monthly rent.	As per Govt. notification prevailing at time to time.
	11. Clause 16.1.2 (h), Page 43, Volume -II, DCA	<p>In point no 186 Article 2 of Addendum 1 to the RFP documents, you have clearly mentioned that the construction of new water supply scheme is not in the scope of the project.</p> <p>We understand that rain water harvesting and new water treatment facility is not in the scope of the bid. Please clarify.</p>	To be decided by the concessionaire for optimum use of existing system.
	12.	Request you to extend the Bid Due Date by further 60 days.	Bid due date is extended to 05-12-2012

3.	<p>1. Concessionaire agreement Clause 19.3 page 50</p>	<p>It is specified that authority shall appoint independent engineer and concessionaire shall bear 50% cost of Independent Engineer appointed by authority.</p> <p>a. The maximum amount or formula to arrive at the value, which shall be paid to the Independent Engineer, is not defined. Please clarify.</p> <p>b. Please provide the qualifying requirements for appointing the independent Engineer.</p> <p>c. If the authority desires to get anything beyond specified in the TOR for appointment of Independent Engineer, cost should be borne by the authority.</p>	<p>The independent Engineer shall be appointed after mutual consensus as per TOR. The rate during execution period and for O&M period shall be settled.</p>
	<p>2. 4.2.3</p>	<p>the Concessionaire shall pay to the Government Damages in an amount calculated at the rate of 0.2% (zero point two per cent) of the Construction Performance Security for each day's delay until the fulfillment of such Conditions Precedent, subject to a maximum of 20% (twenty per cent) of the Construction Performance Security.</p> <p>We request you to consider calculation of the damages @ 0.1% (zero point one percent)</p> <p>We request you to consider calculating damages for each week as against each day</p> <p>We request you to consider maximum 10% as delay damage.</p>	<p>It will be as per RFP.</p>

	<p>3. 21.2.5</p>	<p>In the event of occurrence of a Concessionaire Default, disbursement of Grant shall be suspended till such Concessionaire Default has been cured by the Concessionaire.</p> <p>The main formula for service fee is based on the volume of water billed and collected by the concessionaire. Since authority to terminate / disconnect a service connection remains with SMC w.r.t default consumer, we request Shimla Municipal Corporation to pay for the same in the 4th month to concessionaire if the consumer fails to pay for his/her bill for 3 months</p>	<p>The issue shall be resolved as per MC Bye Laws.</p>
	<p>4. General</p>	<p>Manual for Water Tariff and Bylaws followed by SMC. We request you to provide us with a copy of the Manual, Bylaws, Rules and Regulations followed by SMC for Water Tariff.</p>	<p>Already uploaded MC website.</p>
	<p>5. Article 16 (d) – Sewerage Connection</p>	<p>Operation and Maintenance, Upon intimation by the Authority, providing water or/ and sewerage connection to a property within the period of 7 (seven) days from the receipt of such intimation. Request to amend, “upon intimation by the Authority, providing water or / and sewerage connection to a property within the period of 15 (Fifteen) days from the receipt of such intimation.</p>	<p>It shall be as per RFP.</p>

6. RfP - 2.2.2, A - i

Experience in development (on PPP/ cash basis) of at least one total water supply project of minimum 50 MLD capacity in the last 10 (ten) years, from the Bid Due Date. The total project cost shall be a minimum of Rs 100 Crore (Rupees One Hundred Crore). **We request you to kindly consider - For arriving at updated value, turnover of any financial year shall be multiplied by the enhancement factor corresponding to that year. These enhancement factors shall be as herein below.**

This can not be considered.

Financial Year	Enhancement factor
2012 (Year of inviting tender) 2012-2013	1.0
2011-2012	1.1
2010-2011	1.21
2009-2010	1.33
2008-2009	1.46
2007-2008	1.61

7. Appendix - B

Water Rates for Domestic Water Connection :
We request you to amend the same as:

This can not be considered.

For Domestic Water Connections:

1. Within M. C. Limit	Rate:
a. Upto 30,000 Ltrs	Rs. 8.25 Per '000 Ltrs
b. Above 30,000 to 45,000 Ltrs	Rs. 11.80 per '000 Ltrs
c. Above 45,000 to 75,000 Ltrs	Rs. 14.80 per '000 Ltrs
d. Above 75,000 to 1,50,000 Ltrs	Rs. 17.73 per '000 Ltrs
e. Above 1,50,000 Ltrs	Rs. 23.50 per '000 Ltrs
2. Outside M. C. Limit	
a. Upto 30,000 Ltrs	Rs. 29.49 Per '000 Ltrs
b. Above 30,000 to 45,000 Ltrs	Rs. 35.41 per '000 Ltrs
c. Above 45,000 to 75,000 Ltrs	Rs. 38.37 per '000 Ltrs
d. Above 75,000 to 1,50,000 Ltrs	Rs. 47.19 per '000 Ltrs
e. Above 1,50,000 Ltrs	Rs. 58.97 per '000 Ltrs

		<p style="text-align: center;"><i>For Commercial Water Connections</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">3.Within & Outside M. C. Limit</td> <td style="width: 50%;">Rate:</td> </tr> <tr> <td>f. Upto 30,000 Ltrs</td> <td>Rs. 35.41 Per '000 Ltrs</td> </tr> <tr> <td>g. Above 30,000 to 45,000 Ltrs</td> <td>Rs. 47.19 per '000 Ltrs</td> </tr> <tr> <td>h. Above 45,000 to 75,000 Ltrs</td> <td>Rs. 56.05 per '000 Ltrs</td> </tr> <tr> <td>i. Above 75,000 to 1,50,000 Ltrs</td> <td>Rs. 64.90 per '000 Ltrs</td> </tr> <tr> <td>j. Above 1,50,000 Ltrs</td> <td>Rs. 82.60 per '000 Ltrs</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>4.For Construction Purpose</td> <td>At the rate of Rs. 82.60 per '000 Ltrs</td> </tr> </table>	3.Within & Outside M. C. Limit	Rate:	f. Upto 30,000 Ltrs	Rs. 35.41 Per '000 Ltrs	g. Above 30,000 to 45,000 Ltrs	Rs. 47.19 per '000 Ltrs	h. Above 45,000 to 75,000 Ltrs	Rs. 56.05 per '000 Ltrs	i. Above 75,000 to 1,50,000 Ltrs	Rs. 64.90 per '000 Ltrs	j. Above 1,50,000 Ltrs	Rs. 82.60 per '000 Ltrs			4.For Construction Purpose	At the rate of Rs. 82.60 per '000 Ltrs	
3.Within & Outside M. C. Limit	Rate:																		
f. Upto 30,000 Ltrs	Rs. 35.41 Per '000 Ltrs																		
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j. Above 1,50,000 Ltrs	Rs. 82.60 per '000 Ltrs																		
4.For Construction Purpose	At the rate of Rs. 82.60 per '000 Ltrs																		
	<p>8. Addendum-1 to the RFP document, Point No 1</p>	<p>Sewerage We understand that the mandatory work given in RFP for Sewerage stands deleted.</p> <p>Please confirm</p>	<p>The performance bench marks are the mandatory. The water supply and sewerage DPRs uploaded to provide basic guidelines only. The concessionaire will have to submit detail project report to achieve the milestones.</p>																

	<p>9. General</p>	<p>Quantity of pipe, etc There are lot of mismatch in figures of length & sizes of the pipes in DPR of Water Supply Dist. System summary & Abstract of cost. Please confirm which of figures of length & sizes of the pipes are to be considered.</p>	<p>The performance bench marks are the mandatory. The water supply and sewerage DPRs uploaded to provide basic guidelines only. The concessionaire will have to submit detail project report to achieve the milestones.</p>
	<p>10. Schedule - J, O&M REQUIREMENTS, Annexure II, Point no 7</p>	<p>Quality of Water We understand by stating 100 % quality of water is to be maintaining existing quality of water & not the quality of water at source. Please confirm.</p>	<p>The quality of treated water shall be as per CPHEEO standard.</p>
	<p>11. Clause 4.2.2 and 4.2.3 in the DCA</p>	<p>Penalty As per the clause the penalty for concessionaire is higher @ 0.2% per day of Performance Security as compared to that of the Authority @ 0.1% per day for not meeting the CPs. Please confirm</p>	<p>It is confirmed.</p>
	<p>12. Clause 22.4 of the DCA</p>	<p>Service Fee In the formula for calculation of "Service Fee" in the Clause 22.4 of the DCA, how will Vbco (Volume of water billed and collected per month in the base year); Eo (Energy charges paid on account of energy consumed per month during the base year) will be calculated if these are the values during conditions precedent period, i.e., before Appointed date Please Confirm</p>	<p>V_{BCO} and E₀ shall be the volume of water billed and collected and energy charges paid after the construction period of 3 years.</p>

	13. Clause 22.4 of the DCA	Service Fee In the formula for calculation of “Service Fee” in the Clause 22.4 of the DCA, the time description of validity for To is not mentioned Please confirm	In the service formula, T0 is the weighted average tariff per unit after the construction period of 3 years.
	14. Schedule I to the DCA	In the Schedule I to the DCA for Provisional Certificate, Para 1 talks about the “Project Highway” which is a typing error Please confirm	The word Project High way is replaced by water supply & sewerage project.
	15. Annexure II of Schedule J to the DCA	Total Number of wards In the Annexure II of Schedule J to the DCA, the targeted performance column refers to total of 25 wards in SMC which are to be covered however the milestones below it just limit to 12 wards. Please confirm	The service level bench marks to be achieved for 25 wards as per Schedule-J.
	16. General	Instrumentation Please provide System Architecture of SCADA.	It is to be detailed by the concessionaire in the project report to be submitted to the authority.
	17. General	Current Date of submission of tender is October 20, 2012 We request you to please extend the date of submission of bids by atleast 30 days from the receipt of response to pre-bid queries of various bidders. Further, due to the intervening festival holidays, we request you to please extend the bid submission as requested above.	Bid due date is extended to 05-12-2012.

4.	1. 2.2.2 (a) (v)	Experience in achieving the financial closure for water supply/ waste water projects with a project cost of atleast Rs 100 Crore. Kindly remove this clause as Pre qualification. We request you to put this clause as condition precedent which can be fulfilled by the concessionaire within two months after signing the concession agreement.	Condition shall remain as pre-qualification as per RFP.
	2.	We request you to kindly extend submission date after 26th of December 2012	Bid due date is extended to 05-12-2012.
5.	1.	We request you to kindly extend submission date for 45 days.	Bid due date is extended to 05-12-2012.
	2.	Request that relaxation be provided in the clause that international companies may be allowed to bid on its own as a single bidder or allowed to be lead bidder with equity over 50%	Not considered.
6.	1. Service Fee	When would the service fee start to the concessionaire (right after the takeover or after the COD)	Payment of service fee to the concessionaire shall start after completion of 3 years of construction period i.e. when the firm start O&M of the project.

	<p>2. Deputation of SMC employees</p>	<p>Whether there is a provision for deputation of SMC employees to concessionaire (depute employees from water and sewer division of SMC)</p>	<p>The services of SMC/IPH employees during operation period will be subject to the options offered by these employees to serve in the project operation. In that case, it will be mandatory for the concessionaire to bear all the cost and expenses of the employees as assigned by the authority.</p>
	<p>3. Water Availability</p>	<p>What is the Minimum Water Guaranteed to the concessionaire. How would the losses of Concessionaire be covered in case of water shortage.</p>	<p>The service fee shall be as per volume of water billed and collected.</p>
	<p>4. Power Availability</p>	<p>Power is provided free to the concessionaire for the entire O&M-kindly confirm.</p>	<p>It is confirmed.</p>
	<p>5. Source of Fund</p>	<p>What is the source of funds for the Water Payments to the Concessionaire.</p>	<p>The funds for water payment will be from the revenue of water billed and collected and sewerage cess. Any short fall during initial years shall be supplemented by the state govt.</p>

	6. Operator Grant	We would like to ask for fixed annual operating grant to reduce risks of the concessionaire.	It shall be only as per volume of water billed and collected.
7.	1.	Requested to change the RFP	Not considered.
8.	1.	Requested to extend the bid due date by 6 weeks.	Bid due date is extended to 05-12-2012.

Note:- For bidding RFP, Addendum 1,2&3 may be followed in totality.

This is for information to all prospective bidders.

**Commissioner,
M.C. Shimla**