Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
1	Qualification Requirement	EOI	Qualification Criteria should not be too restrictive.	The bidding criterion should not be too restrictive otherwise there will be hardly 2 – 3 parties who will be able to participate, thereby, restricting the benefits of competition that can accrue to the state of Odisha. Additionally, in 2002 when Delhi reforms took place, Tata Power had just 1,000 Consumers, as it was licensed to supply only at 33KV & above.	The Commission will take into consideration all suggestions being put forward by the prospective bidders while firming up the Qualification Requirements (QR) during the RFP stage.
2	Qualifying Requirement	EOI	In order to only allow experienced, serious and long term players participate in the bidding process, it would be prudent to include requirements related to the experience of handling such a large number of customers.	Applicant should have experience of operating as a distribution licensee with an average of minimum 1 million customers in the last three years of operation. New Licensee will have a power purchase obligation to GRIDCO to the tune of around 2800 Cr. annually and will have to meet the monthly commitment for the power purchased. Accordingly, the new licensee should have sufficient financial strength to meet their obligations. We therefore suggest that the Net Worth and Average Net Cash Accruals of the firm should be at least INR 1,200 Cr. and INR 500 Cr. respectively.	The Commission will take into consideration all suggestions being put forward by the prospective bidders while firming up the Qualification Requirements (QR) during the RFP stage.
3	Qualifying Requirement	EOI	ENEL is a newcomer in the Indian energy market and would like to be able to evaluate also a local partnership to enhance productive and viable synergies. Considering the EOI timing (due date: 2nd of June 2016), would be possible to associate with a local partner at a later stage, and before the RFQ/RFP if we should confirm our interest to the CESU disinvestment process as a standalone Applicant?		Clause 4 (c) of the EOI dated 29 April 2016 only restricts change in the composition of the Consortium during the EOI process.

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<tr><th>Sl.</th><th>Issue</th><th>Source Document</th><th>Bidders Concerns</th><th>Bidder's Suggestion</th><th>OERC Response</th></tr>
<tr><td>4</td><td>QCBS Evaluation</td><td>EOI</td><td colspan="2">Based on the past learning of privatization program in Orissa, it would be more prudent to evaluate the prospective bidders based on technical and financial weightage.
The technical and financial criteria proposed for evaluation would carry weightage in the ratio of 70:30 (technical: financial). The party having more experience and expertise shall be proportionally assigned more score.
The technical criteria for evaluation could include factors related to experience, expertise and performance of the firm etc. Accordingly we propose the following parameters to measure the technical expertise of the bidders.
<table>
<tr><td>Numbers of consumers served by the bidder directly or through their subsidiary with a majority stake.</td><td>1 million to 2 Million
More than 2 million</td><td>10 Marks
20 Marks</td></tr>
<tr><td>Cumulative Loss reduction achieved by the bidder in any three consecutive years.</td><td>Between 10% to 15 %
More than 15%</td><td>10 Marks
20 Marks</td></tr>
<tr><td>Experience of the firm operating as a distribution licensee.</td><td>Upto 10 years
More than 10 years</td><td>10 Marks
20 Marks</td></tr>
<tr><td>Firms having carried out extensive CAPEX investments in the last 5 years.</td><td>Less than 500 Cr.
Between 500 Cr. to 1000Cr.
More than 1000 Cr.</td><td>5 Marks
10 Marks
20 Marks</td></tr>
<tr><td>Net worth of the Licensee</td><td>Between 1200 Cr. to 1400 Cr.
More than 1400 Cr.</td><td>5 Marks
10 Marks</td></tr>
<tr><td>Average Net Cash Accruals</td><td>Between 500 Cr. to 600 Cr.
More than 600 Cr.</td><td>5 Marks
10 Marks</td></tr>
</table></td><td>Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.</td></tr>
<tr><td>5</td><td>Technical Eligibility</td><td>EOI</td><td></td><td>It is our request that at least 10 years of experience as Distribution Licensee should be considered for Evaluation, so that only experienced Bidders participate.</td><td>Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.</td></tr>
<tr><td>6</td><td>Technical Eligibility:
"Lead member of the applicant consortium"</td><td>EOI</td><td>"Lead Member of the Applicant Consortium" or "Lead Member" shall mean a Company and who commits to invest at least twenty six percent (26%) equity stake in the prospective</td><td>Since the primary purpose of the privatization exercise is to ensure that a technically qualified entity participates to develop the distribution system further and to ensure high degree of efficiency, the Lead member should be required to fulfil the Technical</td><td>Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.</td></tr>
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Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
			Licensee, meets the Technical qualification requirement and is so designated by other Member(s) in the Applicant Consortium;	Qualifications. The 51% equity stake requirement is a restrictive covenant, which does not add adequate value to the process. It may at most be required that the Lead member should hold at least 26% equity stake in the consortium.	
7	Technical Eligibility	EOI	In the case of a Consortium, the Technical Eligibility parameters of only the Lead Members of the Consortium shall be counted towards meeting the eligibility criteria.	The Technical Requirement should be met by the Lead member only.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
8	Technical Eligibility	EOI	The existing eligibility criteria is restrictive	Applicants should have experience of operating as a distribution licensee either singly or jointly with other Members of the Consortium, in case the Applicant is a Consortium. OR Applicants should have experience of operating as a distribution franchisee continuously for last three financial years immediately preceding the year in which the bidding is done.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
9	Technical Eligibility	EOI	Technical qualification criteria in the EOI is untenable, as it restricts Generating companies and Transmission licensees from applying against EOI.	As there is no condition under E act 2003 which requires a generator to have experience in distribution prior to its becoming eligible for grant of distribution license.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
			• Section 20 of E act 2003 states "sell of utility primarily on the basis of the highest and best price offered for the utility". Hereby it is clear that no criterion of past experience in distribution has been prescribed under section 20 of the Act. Any execution action introducing a restrictive criterion of past experience in distribution would be ex-facie against the provision of section 20. • OERC (conduct of business) regulations 2004 requires applicant to have past three years' experience in related business which includes experience in power generation, transmission ,distribution & /0r trading. Thus a bidder though qualified for grant of distribution licensee would be precluded from purchase utility of an existing distribution licensee. • Grant of second distribution license over same area, requirements prescribed by	In fact the generating companies are pre-qualified to enter into distribution segment. We request you to suitably modify the technical criteria as mentioned in Part A.2-3 of EOI to include JSW energy limited who is pre-qualified for participation in selection process.	

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
			central government under section 14 relate only to capital adequacy, creditworthiness & code of conduct. The act has not prescribed any requirement of past experience in distribution. • E Act 2003, in its preamble has stated the promotion of competition in every aspect of electricity industry is all pervasive and applicable through the provisions of the Act, including the sale of utility under section 20. • Statutory powers under section 3, the central government has notified the national electricity powers policy under clause 5.8.1."The act creates conducive environment for investments in all segments of industry, both for public-sector and private sector by removing barrier to entry in different segments. Statement of objects & reasons of E act 2003,"Distribution licensees would be free to undertake		

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			generation and generating companies would be free to take up distribution licenses.		
10	Technical Eligibility	EOI	We believe that the qualification requirements for the applicants, both technical and economical, proposed in the EOI documentation do not fully meet the benchmark which is normally requested to ensure a proper and efficient management of assets concerned in the CESU disinvestment process. ENEL based on its long international experience on in privatization processes, suggests to improve the qualification KPIs as in the following: - applicant should have experience of operating as a distribution licensee with a minimum 1.5 million customers in the last three years of operation; - applicant should have the Net Worth and Average Net Cash Accruals at least INR 2500 Cr. And INR 1000 Cr. Respectively. - Would it be possible to improve the applicant KPIs to guarantee that only qualified Companies should attend to the RFQ?		Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
11	Financial Eligibility: Net worth	EOI	Net worth of not less than INR 850 Crores (or equivalent US$ at an exchange rate on 31st March 2015 as per the provisions laid out in Clause A.2 (1) (g)).	The proposed balance sheet has total asset value of Rs. 1732 Cr. It is proposed that the entity bidding for the licensee should have a combined net worth of half of the proposed balance sheet, viz. Rs. 850 Cr.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
12	Financial Eligibility: Net Cash Accruals	EOI	The Average Net Cash Accruals of the Applicant should be INR 36 Crores per year as per the Audited Annual Accounts for the FY 2012-13, FY 2013-14 and FY 2014-15.So the financial position of an entity can be better gauged by the following parameter:	The average Fixed Asset addition over the last three years has been Rs. 180 Cr. It is proposed that considering a Debt: Equity of 80:20 structure for capex additions, an average cash accrual needed to be demonstrated should be Rs. 36 Cr.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.

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			"Positive Profit After Tax for the last 5 financial years as per the Audited Annual Statements of the Company".		
13	Financial Eligibility	EOI	The above criterion would apply to the Consortium as a whole Further, in the case of a Consortium, the Net worth of only those Members of the Consortium shall be counted towards meeting the eligibility criteria who propose to hold at least twenty percent (20%) equity in the prospective Licensee in case of a Consortium	Since the focus of the privatization exercise is to ensure that a technically qualified entity is identified for managing the distribution area, it would be better to ensure that the Lead Member is Technically Qualified. The consortium members together demonstrate the financial capability in infusing funds and developing the area under the guidance of the Lead Member, therefore the financial requirements can be met by all the members of the consortium together.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
14	Financial Eligibility	EOI	The existing eligibility criteria is restrictive	The average net cash accruals of the applicant should be positive as per the annual audited accounts of FY 2013, FY 2014 and FY 2015.	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.
15	Bidding Criteria		There should be only one single evaluation criterion and that should be "AT&C loss reduction curve". It may be appreciated that this criterion encompasses all the commercial efficiencies and all other operational efficiencies can be brought through	A combination of more than one factor as evaluation criterion then the parties will try to work on different permutations and combinations to maximise their commercial benefits, thus, jeopardising the direction of reforms to some extent	Bidder's suggestion will be taken into consideration and evaluated while firming up the qualification requirements during the RFP stage.

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			"Performance Standard Regulations" and a combination of these two factors can deliver all the benefits of quality, reliable and affordable power to all Consumers.		
16	Bidding Criteria		The aggregate revenue requirement (ARR) for the new Licensees would be based on current normative loss levels of 23.77% as specified in the MYT from the beginning of the Contract, irrespective of significant impact in tariff due to actual loss levels beyond 40%. The ARR requirements based on normative AT&C losses would have negative impact on the cash flow of the new licensee from the very first year of operation.	**Option I:** Bidding on the basis of AT&C loss reduction trajectory for the first ten years with actual loss as base figure (Delhi model) - The bidders will bid on the basis of a trajectory of commercial and technical loss improvements for the first ten years of operation starting from the actual AT&C loss figures. This would allow bidder to demonstrate what loss levels would be achievable while providing OERC with a transparent measure to assess success of the privatization. Bidder will propose a loss reduction trajectory for the first 10 years and can be used as the base figures to calculate the ARR requirements and achieve financial viability. **Option II:** Bidding on the basis of constant normative AT&C loss (23.77%) for first five years and a loss reduction trajectory for the next five years. OERC may specify the normative loss figure of 23.77 % as the base figure for the first five years of operation and bidders to bid on the	Bidder's suggestion will be taken into consideration and evaluated while firming up the transaction framework during the RFP stage.

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				basis of a trajectory of commercial and technical loss improvements for the next five years. OERC can set out the minimum loss target trajectory path for the later five years and bidders to bid with these minimum values as the base figures. These models would be quite different from the standard bidding approach of requiring that companies bid a price for an equity interest.	
17	Bidding Criteria		ENEL understood that the aggregate revenue requirements (ARR) for the new licensees would take under consideration 23.77% (MYT document – Multiple Year Tariff) as AT&C losses, while the declared value from CESU is above 40%. ENEL has a lot of experience in the optimization of losses in the past 20 years in different countries worldwide, and considers necessary to clarify the following points: - the criteria and methodology to carry out the AT&C losses calculation might be optimized in order to guarantee reliable data (i.e.: MV feeder metering, border point metering, auxiliaries services metering, etc.) to all the parties involved. ENEL could provide a great support on this regard; - the loss reduction trajectory to be applied need to be agreed between parties in advance. Possible hypothesis should be to start from the real value and optimize performance in the next 10 years towards the regulatory target, or to start from targeted value of 23.77% keeping it fixed for at least 5 years and then following the regulatory target - the 'revenue sharing model' for the losses reduction would be different based on the loss reduction criteria identified. Based on the ENEL experience the best scenario is to have a 50:50 sharing model (licensee/ customers) starting by the real scenario. This incentivize the licensee to		The Commission will consider all inputs provided by the Bidders to arrive at the best bidding criteria and framework under the given scenario.

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			work continuously toward the performance improvement, giving the customers and other stakeholders proper satisfaction Which would be the implementation criteria that OERC intends to adopt in the management of the above topic?		
18	Time period for carrying out due diligence	EOI	Time period required for submission of bid should be at least four months from the date of issue of RFP bid document.	CESU is a fairly large size utility having a base of 2 million consumers and assets spread over app. 30,000 sq kms. Therefore, the due diligence is going to be a time consuming process and we envisage a time period of 3 – 4 months for carrying out the DD itself. After that, we have to analyse the results, prepare the bid and finalise the nos. etc. Therefore, the time period required for submission of bid should be at least 4 months from the date of issue of RFP bid document.	Since the process is in continuation with the Expression of Interest, appropriate time will be allowed for the bid submission.
19	Time period for Due Diligence		Given the size of the area and the transaction value, the Bidders should be provided with considerable time for carrying out field level DD	At least 5-6 months to be given prior to bid submission as time for carrying out Due Diligence.	Since the process is in continuation with the Expression of Interest, appropriate time will be allowed for the bid submission.
20	Time period for Due Diligence: Third Party Audit & Timelines for Completion of Technical		It is understood that the record keeping at CESU for billing, metering, finance and assets is very poor. It is suggested to undertake a third party audit for certification of the baseline parameters which shall be acceptable to both the investor and GOO. Private investors would also have to carry out	It is proposed to provide at least 3 months' time for completing technical due diligence.	Since the process is in continuation with the Expression of Interest, appropriate time will be allowed for the bid submission.

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	Due Diligence		detailed information study for their "due diligence" review as they are wary of taking risks associated with data uncertainty.		
21	Baseline AT&C Losses		Bidder requires the Commission to clarify the exact stand on this issue of AT&C losses being recognised while determination of tariff vis-à-vis actual AT&C Losses.	While the estimated losses is stated to be approximately 37.5%, actual losses may be higher and the actual numbers may come out only after due diligence, the risk of which may be borne by the prospective bidders. While the bidder is ready to take the risk of the actual versus the stated losses but the major issue is regulatory approved AT&C losses of 23%. If the tariff is determined based on 23% and actual is 37.5%, then the successful bidder stands to lose ~ Rs. 700 Crores per annum from first day itself and this will be declared due to his inefficiency and therefore, the bidder will not have any window under the current Regulatory regime to recover this loss at any point of time.	As clarified earlier during the investors meeting held on 12 May 2016 in Bhubaneswar, the benchmark AT&C losses will be used to set tariffs, as has been followed in the past.
22	Transaction Model: Bidding Criteria		BSP to be the bidding criteria	The variable factor in the entire process could be the cost of power from GRIDCO, which can be varied as per the revenue requirement and the tariff that can be absorbed by the Consumers. Gap, if any, during the first few years can be covered through higher bulk supply price in the later years.	The Commission will consider all inputs provided by the Bidders to arrive at the best bidding criteria and framework under the given scenario.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
23	Transaction Model	EOI	Please throw some light whether the Bidding will be based on quoting Valuation of Input Price. We understand that the changes in Organogram, Capex planning and such other business decisions shall be the responsibility of the Investor.		The Commission will consider all inputs provided by the Bidders to arrive at the best bidding criteria and framework under the given scenario. Yes, the new Licensee will be responsible for all operational issues, including organisation structuring, capex planning, etc.
24	Transaction Model: Bidding Criteria	PIM	The focus on the 'value' of the equity can be perceived as trying to maximize the amount of money received for the equity that is being sold. While this may increase the government's revenues at the time of privatization, it runs the risk of reducing the financial viability of the new enterprises because whatever the companies bid for equity will eventually have to be recovered from their customers in the form of higher tariffs – especially when the other parameters are uncertain or dependent on other agencies such as the regulator.	Bidding for losses combined with a specified payment for equity is a reasonable approach. Asset can also be leased to the new investor, while new investor will earn ROE only on new investment made in the DISCOM.	The Commission will consider all inputs provided by the Bidders to arrive at the best bidding criteria and framework under the given scenario. The current sale is being mandated under Sec 20 of the Act which provides for a sale of the utility (including the assets). Hence, the option of lease will not be feasible under the present scenario.

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25	Transaction Model: Revenue Sharing in case of overachieving Loss Reduction targets			In order to incentivise over achieving the targets of loss reduction, it is necessary to mandate a sharing mechanism for revenues if the new licensee beat the annual loss values specified in the trajectories accepted by OERC. When a reduction in losses would bring about an increase in revenue, we propose that 50% of the additional revenue could be kept by the new operator and balance 50% with the consumers under option-I. Under option II, is proposed that 100% of the additional revenue could be kept by the new operator. While additional Revenues generated due to over-achievement of Loss Reduction Targets would be shared between the Consumers (through Tariffs) and Distribution Licensee, entire loss of Revenues due to under-achievement of Loss Reduction Targets would be to the account of the Distribution Licensee.	Bidder's suggestion will be taken into consideration and evaluated while firming up the transaction framework during the RFP stage.
26	Transitional Support from the Government		Investor's needs certainty for the transitional support from the government.	By setting the loss improvement trajectory for the ten years, there would be some certainty as to how the most important cost element of retail tariffs would be treated. This would require the commission to set the prices that the Discom pay for power purchases from the GRIDCO as a derived	As on date there is no commitment for transitional support from Government of Odisha. The present sale is with respect to the provisions of the Electricity Act, 2003. Therefore, bidder's suggestion will be taken into consideration and evaluated

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				number based on an annual calculation of the estimated shortfall in the Discoms' annual revenue requirements. We suggest that the government should be willing to set a clear subsidy system in place to support a transition path to full commercial activity by subsidize the bulk supply costs till the new licensee becomes self-sustainable. We suggest that the direct transition support to GRIDCO would avoid Tariff Shocks to Consumers (which would occur in case retail tariffs were to be ascertained based on full cost recovery), and to ensure full recovery of costs and assured RoE to the new Licensee.	while firming up the transaction framework during the RFP stage.
27	Capex support from GoO		The loss improvement trajectory hypothesis for the next ten years would be considered as one of the most important cost element of retail tariffs. This would require the Commission to set the prices that the licensee pay for power purchases from the GRIDCO as a derived number based on an annual calculation of the estimated shortfall in the licensee' annual revenue requirements. ENEL suggests that during the 'transition period' (10 years), GOO agree to set-up a subsidy that would avoid Tariff Shocks to Consumers (which would occur in case retail tariffs were to be ascertained based on full cost recovery), and to ensure full recovery of costs and assured RoE to the new Licensee.		At present there is no subsidy from Government of Odisha for the consumers. Tariff will be determined as per the prevailing OERC regulations and MYT framework. Therefore, any subsidy from Government can be considered at that point of time. Bidder's suggestion will be taken into consideration and evaluated while firming up the transaction framework during the RFP stage.
28	Equity state of GoO in the new Discom			An equity stake pick up by GOO anywhere from 26% to 49% as per their decision would be a welcome step from the perspective of	The Bidder's suggestion is welcome. It will be considered during the RFP / Bid process.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
				successful implementation of distribution reforms and improved governance of board.	
29	Equity state of GoO in the new Discom	EOI	In case the Transaction is envisaged with a 26%/49% buy back by GRIDCO, it is understood that the Board constitution shall be based on the percentage stake held by each party. Please share your views on the same.		The Bidder's suggestion is welcome. It will be considered during the RFP / Bid process.
30	Equity state of GoO in the new Discom	EOI		The success of disinvestment would be a major challenge in case GOO is not brought on-board. Any equity participation from the GOO would have to be considered on back to back basis under Sec 17 of Electricity Act. We request OERC to pursue with the government to hold 49% equity stake in the new licensee.	The Bidder's suggestion is welcome. It will be considered during the RFP / Bid process.
31	Equity state of GoO in the new Discom	EOI	Based on the discussion that took place with OERC Chairman during the Investor's meeting, the envisaging of an equity participation from GOO to the CESU acquisition is greatly welcomed by ENEL. The stake that would be considered appropriate (26% or 49%), based on the decision that will be taken from GOO, would be fine to ENEL and the above approach is kindly expected. Please confirm the decision on the participation, and the related stake. Nevertheless it is unclear how and when the new Company (i.e.: Restructuring of CESU) should be determined based on the present shareholding scenario, that include different investors. ENEL requires to receive information as soon as possible on the above.		The Bidder's suggestion is welcome. It will be considered during the RFP / Bid process.

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32	People Issues / Employee related: Clarity on treatment of excess employee cost		The investor will introduce a fair number of new employees in the system	A clarity on treatment of this extra expense in the ARR, through regulations will help the bidders in estimating the risk associated with the process	The selected investor's overall annual recruitment plan can be discussed as part of the first MYT framework for the new licensee.
33	People Issues / Employee related: Treatment of Existing Employees			Since the new Licensee would have to bring in new employees required for change management and process transformation, we propose that the Base Opex in the MYT should be revised based on the actual opex expenditure in the first 3 years of Operation with adjustment of the new employees. Subsequent opex trajectory should be fixed based on incremental asset value / incremental energy sale/ increase in GFA or combination of all.	The selected investor's overall annual recruitment plan can be discussed as part of the first MYT framework for the new licensee.
34	People Issues / Employee related: Treatment of Existing Employees	PIM	As per provisions of section 21 (a) of Electricity Act 2003, all the past liabilities such as debt, mortgage and similar obligations shall not be transferred to the prospective investor.	We propose that the new Licensee would only be liable to make monthly contributions to the pension trust and all other retrial benefits should be handled by the Government.	The new Licensee will be liable to make contributions to all the terminal liabilities due to the employees under their current service conditions. However, the new Licensee shall be free to frame new service conditions for employees recruited in the new company.

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35	People Issues / Employee related: Human Resource Policies	PIM	Please state if the Investor shall be allowed to restructure the Organogram as may be required to drive efficiencies. Please mention whether the Investor can reframe the employees' service conditions/ rules, if needed?		The new licensee would have the flexibility to design its own organisation structure. Existing employees of CESU being vested in the new Licensee would continue to be governed by their existing service conditions. The new licensee would be free to frame new service conditions for employees (if any) to be directly recruited by the new licensee. However, the new licensee can offer new service conditions / framework for the exiting employees to exercise an option to move to such new service conditions.
36	Past Receivables/ Arrears: Recovery of arrears (from existing Trade Receivables)			The receivables from Consumers can be categorised into different buckets and the successful bidder can be incentivised at different percentage points towards its efforts to recover this amount. This amount should be passed on to GRIDCO, subject to actual realisation only	The framework for treatment of past arrears and its collection / incentivisation shall be elaborated as part of the RFP process.
37	Past Receivables/ Arrears: Receivables	PIM		The new Licensee would be required to infuse efforts for recovery of the past dues from the customers. In order to compensate for the extensive efforts for recovery, we	The exact sharing of past arrears / incentives to the new licensee for collection would be finalised during the RFP stage.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
				propose that the same be shared in ratio of 70:30 (GRIDCO: New Licensee) between the government and the new licensee.	
38	Past Receivables/ Arrears: Recovery of arrears (from existing Trade Receivables)	EOI	Please state who shall be responsible to collect Outstanding arrears? What will be the accounting treatment of the amount so collected?		The past arrears will be retained along with the past liabilities, in the holding company. The new Investor would be given the responsibility to collect it, subject to the payment of incentives, details of which will be made available as a part of the RFP, in the subsequent stage.
39	License Duration		Based on the verification done by ENEL, the CESU license in place should expire on the April 2029. Nevertheless during the Investor's meeting it was discussed about the possibility to reset the duration for the new licensee (25 years from the acquisition). Could you please confirm whether, at the time of the award, the Company can be operated on the basis of such new license, or on the basis of the current one?		The new company which will be vested with the CESU will be a new licensee and will have an initial license period of 25 years, in line with the provisions of existing law.
40	Data Room			The documents can be shared through Virtual Data room (VDR) due to the ease of operation and the trail checking that it can provide at any point of time in the future. Some documents, which cannot be placed in VDR can anyway be placed in Physical data room.	The Commission will consider the Bidders' request for a Virtual Data Room.
41	Data Room			We would request that there should also be a Virtual Data Room to remotely access the documents to make the process easier for all the concerned Bidders.	The Commission will consider the Bidders' request for a Virtual Data Room.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
42	Data Room		The Data Room is always considered by Investors a basic reference for the management of the acquisition procedure. As of now there is no clear scenario about the Data Room. ENEL based on its experience should consider that the following are the main conditions to guarantee the effective and fair acquisition process: - Data Room build as 'Virtual', so that all the parties should have remote access timely and with continuous update of all the information, without any issues due to the delivery of hardware documents with their upgrading time after time; - Data Room should be made available the soonest in order to support the preventive analysis from the Applicant that might decide to participate, or not, to the RFQ/RFP stage based on the analysis of the available information. - Would it be possible to implement the Data room as per the above conditions? If not, please state clearly which would be the conditions under which the data room will be managed to safeguard the acquisition procedure.		The Commission will consider the Bidders' request for a Virtual Data Room.
43	Existing Distribution Franchisees		Duly executed Distribution Franchisee Agreements are required for inspection/ study and understand the obligations of the private investor. It is understood that these will be available from 16th May 2016 as hard copies in physical data room.		Yes. DFAs executed with the franchisees would be available to investors as part of the Data Room.
44	Existing Distribution Franchisees: DFAs	PIM	Reasons as to why AT&C loss increases, RPU value decreases & Billing efficiency decreases in FY 2014-15 of NED & CED divisions may be provided. What had been the		Detailed information from CESU on the performance of the DFs would be provided to interested Bidders as part of the Data Room to be set up.

Sl.	Issue	Source Document	Bidders Concerns	Bidder's Suggestion	OERC Response
			action taken by the Discom for non-performance in terms of loss reduction? This is essential to understand prevalent ground reality.		Interested Bidders are requested to carry out their detailed due diligence in regard to the cause of losses and inefficiencies as part of their field level due diligence.
45	Existing Distribution Franchisees: DFAs	PIM	The licensee would carry out a review of the performance of these distribution franchises with regards to collection, performance standards, capex investments etc. and would decide the future action plan accordingly.	Keeping in view of above we propose that the agreements should not be extended by CESU and could be taken up by the new licensee if it considers necessary on its part.	The Distribution Franchisee Agreement (DFA) is a legally binding commercial contract and the provisions of the DFA in this regard will prevail. Bidders are requested to study the provisions of the existing contract in this regard.
46	Existing Distribution Franchisees: DFAs	PIM	The Distribution Franchisee Agreements settled in the CESU franchise areas that will be part of the global CESU valuation process. Who is accountable for the performance numbers that have been provided in the documentation (DFs vs. CESU)? Nevertheless, based on the information provided, in case of a hypothetical case in which the new licensee would decide to terminate the above contracts this is not allowed due to the 'notice period for termination' vs. the 'contracts termination due date'. How is the negative performances of the DFs taken into account in the CESU valuation model? As a consequence of what has been state above, during the bid process it is kindly requested that no extension will be granted under to the above DFs' contracts. Could be please confirm your position?		The Distribution Franchisee Agreement (DFA) is a legally binding commercial contract and the provisions of the DFA in this regard will prevail. Bidders are requested to study the provisions of the existing contract in this regard.
47	Existing Distribution Franchisees:	PIM	It appears that the DFs have spent only 10.6% of the targeted CAPEX+OPEX amount		The DFs have been appointed by CESU.

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	Franchisee Capital (CAPEX) and Operating expenditure (OPEX)		1) What is the reason of such condition? 2) What are the actions taken against DFs? This is essential to understand ground reality.		Interested bidders are requested to carry out their own field level due diligence in this regard.
48	General	PIM	Please throw some light on the reasons for failure of the private companies to perform and the new measures/ assurances from the govt. that such failures are not repeated.		Bidders may kindly go through in details the Commission's orders in regard to the revocation of the earlier licensee (CESCO) in this regard.
49	General	PIM	Please provide access to the relevant previous bidding documents so that the investors can take more informed decision.		The earlier privatisation of the Discoms in Odisha in 1999 were under a different transaction framework. Bidding documents used in 1999 will not be relevant in the current situation and for the current sale process.
50	Area of operations	PIM	Please state the area of proposed License circle wise in Sq. Km.		This has already been clarified in the PIM.
51	Business Model Description	PIM	1) Who is responsible for HR practices, procurement of equipment, materials etc.? 2) What is the quantum of security deposit & who will be its custodian post privatisation?		1. As the distribution licensee, the new company would be entirely responsible for the operations, including procurement of material, equipment, etc.

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			3) Is SD included in the existing quantum of Fixed Assets?		2. The quantum of security deposit is already indicated as part of the opening balance sheet proposed for the new licensee. The new licensee will be responsible for maintaining the Security Deposit and also paying necessary interest to the consumers on their balances, as per law and extant regulations. 3. The balances of Security Deposits received from the consumers would form a part of the assets as part of the opening balance sheet for the new licensee.
52	Bulk Supply Agreement between CESU and GRIDCO	PIM	Will the new licensee procure power solely from GRIDCO or it can instead procure from other sources. Is there adequate transmission network to wheel power from external sources?		Under the current regime, CESU procures all its power directly from GRIDCO under the bulk supply agreement, because GRIDCO holds the current PPAs. This is elaborated further in the Commission's Tariff Orders.
53	Operational highlights	PIM	The details of components of revenue / collection may be shared. Detailed computation as to how these values have been		Billing information (as available with CESU) will be provided during the subsequent RFP stage and as part of the Data Room.

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			arrived at may be shared for clarity of understanding.		
54	Investment Considerations	PIM	Who would decide on geographical location, design specs & quality of installations? Will the new licensee is liable to pay for assets created under various scheme? Please share the data of expenditure incurred till date. What actions have been taken against their defaults, in CAPEX etc. so far? What will be the procedure for: 1) Availability different funds under govt. scheme to investors in future? 2) Procedure of fixed assets transfer from CESU to investor		As a licensee, the new company will have the operational freedom for design of specs / quality of installations within the designated license area, subject to the relevant regulations of the Commission. New assets will need to be created by the new Licensee. Information regarding capex incurred is already provided in the PIM. The on-going schemes approved for capital expenditure will continue to the new licensee as well. The utility (viz. CESU along with the Assets) will be vested with the new licensee under an order of the Commission – assets will be owned by the new licensee and not the investor.
55	Data Accountability		During the Investor's meeting it was made clear that the performance data (technical, economical, etc.) have been self-certified by CESU itself. ENEL was in the past years involved in the analysis of other PPP/DF bids all over India, and did realize in a number of cases that the performances of Companies discovered after the bid awarding did not always match with the data received during the bid process.		The performance data would be based on information provided by CESU / information based on the audited accounts of CESU. Bidders are free to appoint any third party to verify the information

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			To avoid such issues, ENEL is suggesting to hire a third party consultant that would assess the CESU baseline performance data guaranteeing all the participants about the data accountability. Would please confirm if such process could be used for the next stages of the sale procedure?		provided as part of the sale process. The Commission, or its advisors cannot independently vouch for or certify the information provided by CESU.
56	General	PIM	1) What will be the fate and treatment of Government subsidies post privatisation? 2) Reason for generally low ABR in the context of regular tariff revision. How can this be effectively dealt with? 3) Any Regulatory Asset involved in the prevalent price mechanism.		1. As on date, there is no tariff subsidy available from the state government. In case of the State Govt. providing any form of tariff subsidy in the future, the same shall be passed on to the Licensee 2. Low ABR is a reflection of the operational performance and efficiency of the licensee and has to be addressed by the new Licensee. 3. The new licensee will be free from any past regulatory asset, if any, created earlier by the Commission
57	General	EOI		Considering the area of operation, we feel that each circle in CESU should be divested separately so that there can be more focus on operations and more value unlocking.	The Act, under Sec. 20, envisages the sale of the utility as a whole. As this process is being carried out under the statutory provisions of Sec 20, the utility cannot be broken up into circle-wise.

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58	General	EOI	ENEL has its own 'Code of Ethic' and Zero Tolerance Plan (available on the Company Website) to prevent the corruption practices. No mention has been done in the documentation provided during the invitation for Expression of Interest (EOI) to any specific standards or policy adopted by the stakeholders to prevent such phenomenon. Could you be more specific on this regards?		This will be taken into consideration by the Commission and will be addressed appropriately in the RFP stage.
59	EHT Consumers	EOI	Please state that after giving license to a private entity who will be responsible for supply quality, network maintenance, metering accuracy, testing etc of EHT consumers?		All retail consumers, including all EHT consumers, would be the responsibility of the new Licensee. Maintenance of all the EHT assets continues to remain with STU (i.e. OPTCL).