

# **Odisha Electricity Regulatory Commission**

## **Appointment of Auditor to assist the commission in performance review of the Tata Power Central Odisha Distribution Ltd. (TPCODL)**

### **REQUEST FOR PROPOSAL (RFP)**

**24<sup>th</sup> May 2023**

#### **1 Background**

- 1.1 The Commission vide its order in case No. 11/2020 dated 26.05.2020 vested the utility of CESU into a newly formed company, TPCODL through a bidding process. TPCODL took over the responsibility of management of Distribution system of Central part of Odisha (Covering the distribution circles of Bhubaneswar, Cuttack, Paradeep & Dhenkanal) on 01.06.2020. Tata Power Company Limited (TPCL) acquired 51% of the shares of TPCODL and balance 49% shares are held by the Government of Odisha represented by GRIDCO, the state designated entity to facilitate power procurement of the State. In the RFP and in the said vesting order there is provision for the review of the performance of the company (TPCODL) with respect to various performance parameters after completion of third year of operations i.e. after June 2022. These conditions are binding on the Distribution licensee including the commitments made in its business plan.
- 1.2 This Request for Proposal (RFP) is to assist the commission in performance review of the TPCODL after the completion of third year of its operation as per the vesting order. The copy of vesting order is enclosed as an **Annexure**.

## 2 **Scope of work**

2.1 The responsibility of the Auditor shall include analysis of the data (with reference to vesting order) given by the TPCODL pertaining to

- a) Aggregate Technical & Commercial (AT&C) loss target
- b) Capex & financing plan (minimum & cumulative capex investment)
- c) Recovery/Collection of past arrear and sharing of incentives
- d) Human resources deployment as per the Commission's approval
- e) Additional commitments – Customer engagement/Service, CSR, etc.
- f) Any other parameter as specified by the Commission

2.2 Auditing firm would evaluate the financial, operational, and regulatory aspects of the TPCODL for the period from June 2020 to June 2023. The objective is to ensure that the Distribution licensee is operating efficiently and effectively in compliance with RFP conditions, Vesting order and applicable regulations. While conducting the audit the following will be the key considerations.

### (a) Financial Auditing:

- Review of financial statements including balance sheets, income statements, cash flow statements and asset register to assess the financial performance and stability of the utility.
- Verify the accuracy and completeness of financial records, transactions, and disclosures.
- Evaluate the utility's revenue recognition practices, cost allocation methods, and compliance with accounting standards.
- Assess internal controls related to financial operations and safeguarding of assets.

### (b) Regulatory Compliance:

- Examine the utility's compliance with respect to regulatory requirements, including licensing agreements, tariffs structures, and service quality standards set by regulatory authorities.

### (c) Infrastructure and Network Operations:

- Assess the utility's infrastructure, including distribution infrastructure covering primary substations, distribution lines, distribution substations, power & distribution transformers, meters etc. to ensure reliability, adequacy, and compliance with respect of technical standards.
- Review of operation & maintenance practices and assess if norms are in accordance with industry's best practices.

- Assess the utility's metering infrastructure and accuracy of meter readings, billing & collection leveraging IT.
- Adoption of technology including SCADA & Automation, asset mapping & consumer indexing using GIS and other innovative practices.
- Safety measures being taken to reduce fatal & non-fatal accidents

(d) Distribution System Losses:

- Evaluate the utility's measures to minimize technical and commercial losses in the distribution system.
- Review the accuracy and integrity of energy consumption measurements and billing processes.
- Assess the utility's initiatives for curtailment of theft, tampering, and unauthorized use of electricity.
- Evaluate the effectiveness of metering including smart metering, monitoring, and control systems to manage distribution losses.
- Practice of energy audit

(e) Customer Service and Billing:

- Review the utility's customer service processes, complaint handling procedures, and response times.
- Assess the accuracy and timeliness of customer billing, meter reading, and invoicing.
- Evaluate the utility's revenue collection practices and measures to reduce outstanding receivables.
- Verify the utility's procedures for addressing billing disputes and metering complaints.
- Consumer satisfaction level
- Handling of consumer grievances, and effort to reduce the grievances, litigation & litigation expenses.

2.3 Preparation of report and analysis including a comprehensive future roadmap basing on the current performance.

2.4 Assisting the Commission in any other matter specifically asked by the Commission within the scope of work

**3 Qualification Experience of the Auditor:**

3.1 CA partnership firms empanelled with Comptroller Auditor General (CAG) of India. The firm must have knowledge of working in SAP module. The firm must have experienced technical experts to assist the firm in technical evaluation of various parameters.

3.2 The Audit firm shall be responsible for examining and evaluating financial records, statements, and other relevant documents of TPCODL to ensure their accuracy and

compliance with applicable laws & regulations. Auditors should have a strong understanding of accounting principles, auditing standards, financial reporting, and relevant laws and regulations. Practical experience in compliance-related roles in compliance departments of organizations, regulatory agencies, or consulting firms, a thorough understanding of compliance frameworks, risk management, and effective auditing techniques.

- 3.3 The bidder must have successfully completed at least three (3) assignment primarily related to Distribution Sector or of similar nature as on the last date of submission of bid and list of successful completion of such work shall be submitted with the Bid.
- 3.4 The bidder shall indicate the net worth of the company.

#### 4 **General Requirement**

- a) Language of the Bid shall be English only
- b) Bidders shall mention the name of the team leader & contact person(s) and complete address along with contact details, telephone numbers and email of the Bidder in the covering letter.
- 4.1 The Proposals should be in two parts, namely technical proposal and financial proposal.
- (a) Bids are to be submitted in a single sealed envelope, containing Envelope-1 super scribing “Technical Bid” and Envelope-2 super scribing “Financial Bid”
- (b) Envelope-1: Technical Bid shall be submitted as per prescribed Format-1. Envelope-2: Financial Bid (as per the prescribed Format-2) shall be submitted duly signed by an Authorized Signatory.

#### 4.2 **Technical Proposal/Bid**

- (a) The technical proposal/bid should contain details of the methodology to be adopted in carrying out the assignment addressing issues enumerated in the Scope of work.
- (b) The technical proposal should also contain details of the organization structure, number of offices, manpower, financial status, details of similar works carried out in the past.
- (c) Detailed Resumes of the personnels to be associated with the assignment shall be furnished mentioning their years of experience, qualification, experience details, task assigned to be incumbent etc.
- (d) The technical proposals shall be evaluated on the basis of the following parameters and criteria:

Sl.No.	Attributes	Score
<b>1</b>	<b>Organisation Setup</b>	
(a)	Organisation Structure	5
(b)	Local office in Bhubaneswar	3

<b>Sl.No.</b>	<b>Attributes</b>	<b>Score</b>
<b>2</b>	<b>Financial Status</b>	
(i)	Networth& Profitability	5
(ii)	Annual turnover for the last three years should be more than 5 crores	3
<b>3</b>	<b>Presentation</b>	
(i)	Quality of Presentation	15
(ii)	Response to Queries	5
<b>4</b>	<b>Details of similar transactions carried out with emphasis on power sector and distribution sector in particular</b>	
(a)	No. of similar works executed (total)	10
(b)	No. of similar works in power sector	
	(i) Generation	2
	(ii) Transmission	2
	(iii) Distribution	12
<b>5</b>	<b>Quality of personnel</b>	
(a)	Quality of Team Leader in the company	8
(b)	Quality of key professional staff for the assignment	5
<b>6</b>	<b>Project Methodology</b>	
(a)	Understanding of the project and Strategies & Options specified	20
(b)	Timelines specified	5
<b>Total Technical Score</b>		<b>100</b>

- 4.3 The second part of the Proposal shall be financial, outlining fees to be charged for carrying out the assignment. The fees shall be quoted in two parts – the first part shall be for efforts, and the second part shall be for the results, payable on successful completion of the transaction. If the fees have a component for reimbursement of expenses, the quotation should also include an estimate of the expenses, and a ceiling on the expenses to be reimbursed shall also be specified. The objective is to facilitate computation of the overall cost of the Auditor for comparison and evaluation.
- 4.4 Prospective Auditors will be required to make a presentation to OERC to explain their Technical Proposal.
- 4.5 **Opening of Bids:**  
Envelope-1 (Technical Bid) and Envelope-2 (Financial Bid) will be opened in the presence of representative(s) from each Bidders who wish to be present and date of bid opening shall be communicated to all Bidders.
- 4.6 **Bid Security**  
One percent (1%) of bid value shall be submitted as Bid security which shall be submitted in a separate sealed envelope superscribing 'Bid Security' by way of Demand Draft from any schedule bank drawn in favour of OERC payable at Bhubaneswar.
- 4.7 **Validity of the Bid**  
Bids shall remain valid for a period of 180 (One hundred & eighty) days from the date of bid opening. OERC reserves the right to reject the Bid, which does not meet the aforementioned validity requirement. In exceptional circumstances, prior to the expiry of Bid validity period, OERC may request Bidders to extend Bid validity period. The request and response, in this regard, shall be in writing. In the event any Bidder refuses to extend its Bid validity as requested by OERC, OERC shall not invoke Bid Security. A Bidder, accepting OERC's request for validity extension shall not be permitted to modify its Bid and such Bidder shall, accordingly, extend the validity of Bid Security as requested by OERC within seven (7) working days of such request, failing which Bid shall not be considered as valid.
- 4.8 **Bid evaluation**
- a) The Technical/proposal bid shall be evaluated on the basis of weightage given in Clause No.4.2(d) above. The Technical Proposal/ bid, getting the highest rank will be assigned a score of 100, and the other Proposals/bid shall be given a score relative to the highest rank.
  - b) The financial bids shall be ranked by assigning a value of 100 to the proposal/bid scoring the lowest overall cost and other proposals/bids shall be given a score relative to highest rank.
  - c) In the evaluation of the overall bid, a weightage of 70% shall be assigned to the Technical Proposal, and 30% to the Financial Proposal. The combined score

awarded on the technical proposal/bid and financial proposal/bid shall be computed as per following formula:

Combined score =  $0.7 \times (\text{Tech bid score}) + 0.3 \times (\text{Financial bid score})$ .

The bid with the highest combined Score shall be the successful bidder for award of the assignment.

- d) In the event that two or more Bidders achieve the same Combined Marks (the “Tie Bidders”), OERC shall identify the Tie Bidders with the higher Financial Marks among the bidders. In the event of tie in the Financial Marks also, OERC shall then identify the Bidder with the higher Technical Marks as the Selected Bidder. In the event of a further tie, OERC’s decision based on certain principle will be final.

#### 4.9 Release of payment

Out of the total fees, 50% shall be payable on Effort, and 50% on Result, i.e. consummation of the transaction, and execution of enforceable agreement by the Investor.

The schedule of payment of fees shall be upon achievement of specific milestones as follows:

Sl.No.	Milestone	Percentage of overall Fees
<b>A- EFFORTS</b>		
1	Mobilization Advance against submission of BG from any Schedule Bank	10%
2	Submission of Action Plan defining the Transaction Structure, and Timelines	20%
3	Completion of Evaluation and including field visits	20%
	<b>Sub-Total</b>	50%
<b>B- RESULT</b>		
4.	Submission of draft report and discussion with the Commission	25%
5.	Submission of final report	25%
	<b>Sub-total</b>	50%
	<b>Total (A+B)</b>	<b>100%</b>

- 4.10 After evaluation of all bids, a Letter of Intent (LOI) shall be issued, in duplicate, by OERC to the Selected Bidder and the Selected Bidder shall, within fifteen (15) days of the receipt of the LOI, sign and return the duplicate copy of the LOI in acknowledgement thereof. In the event, the duplicate copy of the LOI duly signed by the Selected Bidder is not received by the stipulated date, the offer is likely to be rejected and the next eligible Bidder may be considered by OERC and the Bid security deposit will be forfeited. However, the bidder may request OERC for an extension of time for submission LOI duly signed.

After acknowledgment of the LOI as aforesaid by the Selected Bidder, the Selected Bidder shall not be entitled to seek any deviation, modification or amendment to any of the RFP Documents.

The Selected Bidder would then be required to execute the RFP Documents within a period of forty-five (45) days from the date of issue of the LOI.

- 4.11 **The Proposal should be furnished to the following address so as to reach latest by 11.00 AM of 21<sup>st</sup> June 2023.**

The Secretary, Odisha Electricity Regulatory Commission, Plot No.4 Chunokoli, Sailashree Vihar, Bhubaneswar-751021.

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**Format-1**

**Technical Bid**

<b>Sl.No.</b>	<b>Particular</b>	<b>Details</b>
<b>1</b>	<b>Organization Setup</b>	
(a)	Name of the bidder	
(b)	Single Firm/Consortium, details to be provided (copy to be attached)	
(c)	Pan No. (Copy to be attached)	
(d)	GST Registration No. (Copy to be attached)	
(e)	TIN No. (Copy to be attached)	
(f)	Address of the Bidder (Head Office/Registered Office /Local Office in Bhubaneswar)	
(g)	Phone No. & Fax No.	
(h)	Organisation Structure	
<b>2</b>	<b>Financial Status</b>	
(a)	Networth & Profitability	
(b)	Annual turnover should be more than 5 crores for the last three years (Copy to be attached)	
<b>3</b>	<b>Details of similar transactions carried out with emphasis on the power sector and distribution sector in particular</b>	
(a)	No. of similar works executed (total)	
(b)	No. of similar works in power sector	

<b>Sl.No.</b>	<b>Particular</b>	<b>Details</b>
(i)	Generation	
(ii)	Transmission	
(iii)	Distribution	
4	<b>Personnel</b>	
(a)	Team Leader (Qualification, experience, etc.)	
(b)	key professional staff for the assignment (Qualification, experience, etc.)	
5	Timelines specified	

**Format-2**

**Financial Bid**

<b>Sl. No.</b>	<b>Particular</b>	<b>Amount (in Rs)</b>	<b>Taxes (in Rs)</b>	<b>Total Amount (Rs. in Words)</b>
1	Bid Amount			

\*The Financial Bid shall remain valid for a period of 180 (One hundred eighty) days from the Bid opening date. A Bid valid for a shorter period shall be rejected by OERC as being non-responsive. In exceptional circumstances, prior to the expiry of the Bid validity period, OERC may request Bidders to extend the Bid validity period.

\* Along with the technical bid and financial bid, the BIDDER is required to submit Bid Security, with the Authorized Representative. The Bid Security shall be valid & retained by the Authorized Representative till the completion of the assignment.

