Together, let us light up our lives.

ODISHA ELECTRICITY REGULATORY COMMISSION

BIDYUT NIYAMAK BHAVAN, UNIT-VIII
BHUBANESWAR – 751 012
FAX : 0674 – 2395781 / 2393306
Email : orierc@rediffmail.com

Odisha Electricity Regulatory Commission (OERC) invites 'Expression of Interest' from Financial Institutions, reputed Merchant Bankers/Investment Banks & Consulting firms with expertise in privatization/strategic sale for appointment of an Advisor to assist in the selection of Investor/s for transfer of ownership and/or management of Central Electricity Supply Utility of Odisha (CESU).

The background note dealing with objective of appointment of Advisor, the current approach, procedure to be followed, etc. and the preliminary status paper detailing the current status of CESU can be downloaded from OERC Website : www.orierc.org as well as CESU's Website : www.cescoodisha.com.

The responsibilities of the Advisor would include, *inter alia*, rendering of advice, preparing a detailed Information Memorandum, marketing of the offer, inviting and evaluating the bids, assisting OERC during the negotiation with prospective bidders, drawing up the agreements and the documents for the transaction and assisting CESU/OERC and the successful bidder in post transaction activities including accounting and tax matters.

The intending Advisor should furnish the 'Expression of Interest' including details of their credentials. They will also be required to make presentation giving a broad outline of various strategies and options available for transfer of ownership/ management of CESU. Based on the parameters OERC will short-list the prospective Advisors.

OERC will thereafter issue a 'Request for Proposal' from among the short-listed Advisors which should *inter alia* specify the detailed strategies and methodology, time frame and Fee Structure. The fees quoted should be in two parts. Part-One of the fees shall be for the efforts and Part- Two shall be for results, payable on conclusion of the Transaction. Greater weightage shall be given to Part-Two. A more detailed description of the process of evaluation of the proposals shall be contained in the 'Request for Proposal'.

OERC reserves its right to circulate the content of this notice among reputed Consulting Firms for inviting 'Expression of Interest'. Those who respond and furnish EoI may also be short listed along with other parties who will furnish EoI in response to this advertisement.

'Expression of Interest' should reach Secretary, OERC on or before **16.06.2015.** OERC reserves the right to reject the application of any of the intending Advisor without assigning any reason thereof.

By order of the Commission

Sd/-

Secretary I/c.

BACKGROUND PAPER

Appointment of Advisor to assist in
Selection of Investor for
Transfer of Ownership and/or Management

Invitation for Expression of Interest
May, 2015

1 BACKGROUND

1.1 The Central Electricity Supply Company of Odisha Limited (CESCO) was granted the License for distribution and Retail Supply of Power in the Central Zone of Odisha consisting of Bhubaneswar, Cuttack, Paradeep and Dhenkanal circles. The Odisha Electricity Regulatory Commission (OERC) revoked the license granted to CESCO under section 19 of the Electricity Act, 2003 (the Act) with effect from 01.04.2005.

1.2 After the revocation of the License, the Commission initiated the process of sale of the Central Zone Distribution and Retail Supply Utility (CESU) under Section 20 of the Act. The Utility, however, could not be sold.

1.3 The Commission then formulated a Scheme under section 22 of the Act for operation & management of the distribution and retail supply of electricity in the Central Zone. Initially the tenure of the scheme was 2 years. The tenure has been further extended periodically by the Commission and presently the Scheme is extended till 07.09.2015.

1.4 After the operation of the Scheme for over eight years, OERC has decided to revive its efforts for the sale/transfer of the ownership and/or management of the Utility. This invitation is issued by OERC soliciting Expression of Interest to act as advisor for the transaction.

1.5 Financial Institutions, reputed Merchant Bankers/Investment Banks & Consulting firms with expertise in privatization/strategic sale may submit their Expression of Interest.

2. THE CURRENT APPROACH

2.1 One of the possible reasons for the poor outcome of the earlier efforts to sell the Utility was the transfer of liabilities along with the assets of the Utility. Further, methods other than sale of the Utility were not explored. In the interest of a

stable and long term arrangement for maintaining the distribution and retail supply of electricity, OERC has now decided to take a more broad-based approach. It is intended to enlist the services of Financial Institutions/reputed consulting firms/merchant bankers to formulate different strategies and also identify investors to own and/or operate the Utility.

2.2 Prospective Advisor would devise strategies and structure of the Transaction, which could include any or a combination of the following features:

a) Sale of the Utility which may include

i. Acquisition of the whole of the Assets
ii. Taking over the employees at existing terms of employment and settlement with the employees not taken over
iii. Assumption of the whole or part of the liabilities
iv. Exclusion of some liabilities in the scheme of acquisition

b) Management Contract where the revenues and expenditure would accrue to CESU, and the contractor would receive a performance based Management Fee or Commission.

c) Lease of the assets of the Utility and paying Lease Rentals to CESU.

d) Any other approach devised by the prospective Advisor.

2.3 The responsibilities of the Advisor would include, *inter alia*, rendering of advice, preparing a detailed Information Memorandum, marketing of the offer, inviting and evaluating the bids, assisting during the negotiation with prospective bidders, drawing up the agreements and other documents for the Transaction, and assisting CESU / Commission and the successful bidder in post Transaction activities including accounting and tax matters.

3. PROCEDURE TO BE FOLLOWED

3.1 Prospective Advisor should furnish the following details in the Expression of Interest to demonstrate their credentials including the organization structure, number of offices, manpower, financial status, details of similar transactions carried out in the past. Detailed Resumes of the personnel to be associated with the assignment and the indicative timeframe for completion of the transaction shall also be furnished.

3.2 Prospective Advisor will be required to make a presentation to OERC giving a broad outline of the various strategies and options available for achieving the Transaction. The presentation shall also indicate the methodology to be adopted.

3.3 Based on the parameters indicated above, OERC will short-list a set of prospective advisors.

3.4 OERC will thereafter issue a Request for Proposal (RfP) from among the short-listed Advisors who have submitted the Expression of Interest, which should *inter alia* specify the detailed strategies and methodology, time frame and Fee Structure. The fees quoted should be in two parts. Part One of the fees shall be for the efforts and Part Two shall be for results, payable on conclusion of the Transaction. Greater weightage shall be given to Part Two. A more detailed description of the process of evaluation of the proposals shall be contained in the Request for Proposal.

4. LAST DATE OF SUBMISSION:

4.1 The Expression of Interest should reach Secretary, OERC in the following address by **16.06.2015**.