



SOLAR POWER DEVELOPERS ASSOCIATION
910, 9th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi- 110001
Phone: +91-8750394442, Email: spda@solarpda.com
Website: www.solarpda.com

SPDA/PG/2020/241

December 10, 2020

To,
Shri Raj Kumar Singh
Hon'ble Minister of State (IC),
Ministry of Power, New and Renewable Energy
Rafi Marg, Shram Shakti Bhavan,
New Delhi, Delhi-110001

**Subject: Request for reduction of Contract Performance Guarantee/
Performance Security (PBG) in existing under construction renewable
projects following MoF OMs dated 12.11.2020**

**Ref.: Office Memorandums No. F.9/4/2020-PPD dated 12.11.2020
PGCIL Circular Number 33/2020 dated 03.12.2020**

Dear Sir,

Greetings from Solar Power Developers Association.

At the outset, we are grateful for the Government's consistent efforts towards promoting renewable energy generation in the country. MoP and MNRE have extremely responsive towards improving ease of doing business for renewable energy developers, which was established once again when SECI removed Earnest Money Deposit (EMD) requirement under SECI hybrid tender that has concluded on 07.12.2020 following Office Memorandums issued by Ministry of Finance (MoF OMs) dated 12.11.2020.

We want to apprise you that as per the bidding documents and contract provisions, Solar Power Developers (SPDs) have submitted a Performance Security (PBG) of Rs. 20 Lakhs/MW to SECI (for some recent projects, it has been reduced to Rs. 8 lakhs/MW), which is approximately 5% of the existing contract value/project cost under constructional projects.

Therefore, we bring your kind attention to already issued directions as per the vide office Memorandums (MoF OMs) dated 12.11.2020.

(i) Contract Performance Guarantee/ Performance Security

As you may be aware, regarding the recent reduction in Performance Security deposits, the relevant excerpt of MoF referred OM is reproduced below for your ready reference.

"3. In view of all the above, it is decided to reduce Performance Security from existing 5-10% to 3% of the value of the contract for all existing contracts.



SOLAR POWER DEVELOPERS ASSOCIATION

910, 9th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi- 110001

Phone: +91-8750394442, Email: spda@solarpda.com

Website: www.solarpda.com

5. In all contracts where Performance Security has been reduced to 3% given above stipulations, the reduced percentage of Performance Security shall continue for the entire duration of the agreement, and there should be no subsequent increase of Performance Security even beyond 31.12.2021."

The performance security amount has been reduced from 5-10% to 3% of the contract's value. This should apply to all the existing agreements and tenders concluded till 31.12.2021. Also, the reduced percentage of the said Performance Security should continue for the contract's entire duration and not increase beyond 31.12.2021. This will help in easing out the cash outflow and improve the bidding capacity of the SPDs.

Also PGCIL, via its office circular dated 03.12.2020, has provided relief to the Engineering, Procurement and Construction (EPC) contractors for reducing Contract Performance Guarantee to 3% of the Contract price. Since the SPDs are also contract with PGCIL for connectivity, they provide various Bank guarantees (BGs), including Transmission BGs, Application BGs, etc. The same reduced PBG should also be effective for SPDs.

(ii) Bid Security/ Earnest Money Deposit (EMD)

Furthermore, in a separate MOF OM dated 12.11.2012, issued on Bid Security/EMD, the relevant provision is reproduced below:

"4. In view of above, it is reiterated that notwithstanding anything contained in Rule 171 of GFRs 2017 or any other Rule or any provision contained in the Procurement Manuals, no provisions regarding Bid Security should be kept in the Bid Documents in future and the only provision for Bid Security Declaration should be kept in the Bid Documents."

It is requested that all RE Implementing Agencies/ State DISCOMs/ SNAs be issued necessary advisory so that all future tenders should not have any provision on bid security or EMD and instead, have 'Bid Security Declaration'/Corporate Guarantee as a provision.

It is requested that,

Given the above, we humbly request your kind office to issue necessary directions for the following:

- a) SECI to reduce the performance security to the extent of 3% of the contract value/ project cost and return the balance performance security to the SPDs.
- b) PGCIL to reduce the BGs of SPDs submitted under various obligations and return the balance BGs to SPDs.

We look forward to your kind support in the matter.



SOLAR POWER DEVELOPERS ASSOCIATION

910, 9th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi- 110001

Phone: +91-8750394442, Email: spda@solarpda.com

Website: www.solarpda.com

Thanking you.

Yours Sincerely,

Praveen Golash
Joint Secretary- SPDA

CC:

1. The Chairman & Managing Director, SECI, New Delhi.
2. COO (CTU Planning), PGCIL, Gurgaon, Haryana.
3. The Joint Secretary, MNRE, New Delhi.