



## SOLAR POWER DEVELOPERS ASSOCIATION

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**SPDA/DG/2020/238**

**November 23, 2020**

**Sub: Request to reduction of Performance Security (PBG) and waiver of submission of Bid Security/Earnest Money Deposit (EMD) in tenders as per instructions issued by Ministry of Finance**

**Ref.: Office Memorandums No. F.9/4/2020-PPD dated 12.11.2020**

*Dear Smt Hussain,*

Greetings from Solar Power Developers Association.

We are an independent industry association, committed towards promoting solar sector in India. We provide a neutral platform for policy advocacy, discussions and examination of issues critical to the development of the solar sector and is well recognized by Ministry of New and Renewable Energy (GoI). SPDA represents more than 50 members' companies from solar sector providing their assistance in policy evolution and healthier enabling environment for investments for RE projects and services. The member companies of SPDA includes all the large players who have actively contributed with more than 75% of total capacity operation in India.

We are writing with reference to the contracts/PPAs executed between Solar Power Developers (SPDs) and State Discoms/intermediary procurers for the supply of solar power pursuant to competitive bidding. As per the provisions of the bidding documents and contracts, SPDs have submitted a Performance Security (PBG) of Rs. 25 Lakhs/MW to State Discom/intermediary procurers (for some recent projects it has been reduced to Rs. 8 lakhs/MW). In addition, bidders are required to furnish a bid security/EMD of Rs. 4 Lakhs/MW at the time of bid submission.

**(i) Performance Security**

As you may be aware that MoF has issued directions vide office Memorandums (MoF OMs) dated 12.11.2020, for reduction in Performance Security deposits have been announced.

The relevant excerpt of MoF referred OM is reproduced below for your ready reference:

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

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

**Request:**

We request you to kindly issue necessary direction for reductions in **Performance Security (PBG) to 3% of contract value/project cost or lower i.e. Rs 3- 5 lakhs/ MW shall be applicable in all the PPAs executed prior to 31.12.2021.**

As mentioned above that Intermediary procurers have reduced the performance security amount from Rs. 25 lakhs/MW - Rs. 8 lakhs/MW in its recent tenders. Therefore, we request that State Discoms/intermediary procurers should return the PBGs submitted by SPDs to the extent of Rs.17 lakhs/MW for all the PPAs executed in past. This will help in easing out the cash outflow and increase the bidding capacity of the SPDs.

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

Also, in a separate OM dated 12.11.2012 of MoF, issued on Bid security/EMD, 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 only provision for Bid Security Declaration should be kept in the Bid Documents"*

All future tenders should not have any provision of submission of bid security or EMD and SPDs should be required to submit only 'Bid Security Declaration/Corporate Guarantee for all future tenders.

**Request:**

In view of the above stated facts, we request you to kindly issue necessary directions to intermediary procurers requesting **waiver of submission of EMD in all future tenders and tenders where bid submission is due.**

We look forward to your kind consideration in the above matter. We hope you will accept our request favourably and we will be happy to provide any additional information if required.

*With warm regards*

To,  
**Smt. Shahmeena Husain, IAS**  
**Managing Director**  
**Gujarat Urja Vikas Nigam Ltd.**  
**VidyutBhavan**  
**Vadodara, Gujarat**

Yours Sincerely,



**Shekhar Dutt**