

F.No.3/6/2015-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
(PPP Cell)

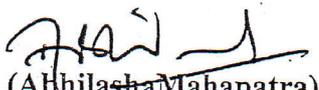
New Delhi the, April 17, 2015

OFFICE MEMORANDUM

**Subject:** Record of Discussions of the 64<sup>th</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

Please find enclosed the Record of Discussions of the 64<sup>th</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), held on April 7, 2015, under the Chairmanship of Additional Secretary (Investment), Department of Economic Affairs.

*Encl: as stated*

  
(Abhilasha Mahapatra)  
Director (PPP)  
17.4.15

1. Dr. Arunish Chawla, Joint Secretary, Department of Expenditure, North Block, New Delhi.
2. Shri Praveen Mehto, Adviser (Infrastructure), NITI Aayog, Yojana Bhawan, New Delhi.
3. Smt. Jyoti Arora, Joint Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
4. Shri R.K. Singh, Joint Secretary, Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.
5. Shri Prashant Trivedi, Joint Secretary (Storage), Department of Food & Public Distribution, Ministry of Consumer Affairs, Room no 199 C, Krishi Bhawan, New Delhi.
6. Shri Sanjay Malhotra, Secretary (Energy), Government of Rajasthan, Jaipur -302004.
7. Shri Abhishek Singh, Executive Director, IT/Engg./Storage, Food Corporation of India, Khadya Sadan, 16-20, Barakhamba Lane, New Delhi 110 00

**Copy to:**

1. Sr. PPS to Additional Secretary (Investment)
2. PS to JS (Infra), DEA

  
20/4/15

F. No. 3/6/2015-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell  
Empowered Institution for the Scheme for Financial Support to Public Private  
Partnerships in Infrastructure

64<sup>th</sup> Meeting on April 07, 2015

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Record Note of Discussions

The sixty-fourth meeting of the Empowered Institution (EI), chaired by Additional Secretary (Investment), Department of Economic Affairs (DEA) was held on April 07, 2015. The list of participants is attached.

The EI noted that there were two (2) proposals for consideration for viability gap funding (VGF) under the Scheme. Of these proposals, one power sector proposal is for in-principle approval from Government of Rajasthan and one road sector proposal for final approval from Ministry of Road Transport & Highways. Additionally, issues relating to RfQ for the proposed silo projects of FCI through PPP at 11 locations are also placed for information of the EI.

The EI noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the EI, proposals for VGF up to Rs. 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC, with the approval of the Finance Minister.

**A. Power sector proposal from Government of Rajasthan for grant of In-Principle Approval**

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**Agenda Item I:** Development of a 400 kV Bikaner-Sikar D/C Power Transmission line project for evacuation of power from wind and solar power in Rajasthan on Design, Build, Finance, Operation and Transfer (DBFOT) basis.

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Total length of transmission line: 169 km; Total Project Cost: Rs. 260 crore; Concession Period: 25 years with extension of 20 years including 21 months of construction period.

**Major development works/ structures:** Development of the 169 Km long Transmission Line Project i.e. 400 KV Bikaner-Sikar DCDS twin Moose ACSR Transmission Line for evacuation of wind and solar power in Rajasthan. The design capacity to transfer electricity would be equivalent to 1066 MW. The scope of work includes:

- (i) "MOOSE" ACSR conductor with maximum permissible DC resistance calculated at 20o C shall be 0.05552 Ohm/km;
- (ii) number of conductors in each phase shall be two;
- (iii) maximum operating conductor temperature shall be 75o C;
- (iv) 12.54 MVA and 1066 MW at 0.85 (zero point eighty five) power factor; and
- (v) Two earth wires – one of GSW minimum size 7/3.66 mm and other of OPGW size 24/2.34 mm

2. Director, DEA informed the Empowered Institution ( EI) that the project was earlier considered for in-principle approval of Viability Gap Funding ( VGF) by the EI in its 61st EI meeting held on December 19, 2014 subject to fulfillment of certain conditions, which included inter alia amending the Concession period proposed for the project to 25 +10 years, GoR agreed. Subsequently, Government of Rajasthan (Energy Department) vide letter dated January 08, 2015 requested the EI to reconsider the project's Concession Period and approve it as was proposed in the application, for 25 + 20 years. The EI again considered the proposal in its 63rd meeting held on February 03, 2015 and after deliberation noted that the in-principle approval granted in its 61st meeting held on December 19, 2014 to the project would be valid. Since GoR had already issued the RfQ, GoR was requested to issue an Addendum to the RfQ as the EI had approved a Concession Period of 25+10 Years , this was agreed to by RVPN. However, instead of issuing the Addendum in compliance to the EI's directions, once again, Government of Rajasthan (Energy Department) vide letter dated 11.2.2015 requested the EI to approve the Concession Period of 25 + 20 years stating that the project was in the final stage of bidding and any change at this stage, would delay and destabilize the bid process leading to delay in project execution. It was informed that the State Electricity Regulatory Commission (SERC) had approved the unitary charges based on concession period of 25 + 20 years. Further, the bids for the projects have already been received on February 26, 2015 and opened by RVPN.

3. The Chair stated that it was unclear how the RfP was issued and financial bids received for the proposal with Concession Period of 25+20 years when the Concession Period approved by the EI was for 25+10 years and inquired when the RfQ and RfP were issued. Addl. CE, RVPN responded that the application to the EI was submitted on September 08, 2014 and RfP was issued on September 30, 2014. The EI granted in-principle approval of the VGF to the project in December 19, 2014. While other conditions laid down by the EI for grant of in – principle approval had been incorporated in the bidding documents, on the issue related to the Concession Period, RVPN issued an Addendum providing

for the option for the Concessionaire to terminate the contract after 35 years. Financial bids were subsequently received in February 2015, and hence the request to approve the Concession Period of 25+20 years, post-facto.

4. Joint Secretary, DoE stated that while the issue of the RfP being issued prior to EI approval can be condoned, the issue for consideration is whether Concession Periods of 25+20 years are being followed in similar projects in the sector, whether allowing an additional 10 years beyond 35 years would reduce the VGF and whether the option to the concessionaire to exit the project after 35 years is justified.
5. Director, Ministry of Power stated that the matter had already been discussed at length at the last two EI meetings and the Government of Rajasthan had also agreed on the Concession Period of 35 years. It had been explained that the Standard Bidding Documents provide for Concession Period of 35 years for transmission projects as per the CERC 's approved guidelines where the life of the assets is 35 years. He stated that projects are being implemented approved with Concession Period of 35 years , both for Power Grid and other State Governments and State Regulatory authorities are also following Concession Period of 35 years.
6. Representative of Niti Aayog stated that the Concession Period of 25+20 years has been prescribed in the best practice documents published by the erstwhile Planning Commission (now NITI Aayog). He stated that these documents have been approved by the IMG after the stakeholder's consultations. However, Director, Ministry of Power maintained that the approved documents of the Ministry of Power provide for Concession Period of 35 years and projects are being bid out with this Concession Period. It was noted that there is a difference of opinion between the NITI Aayog and Ministry of Power on this issue.
7. The Chair enquired from GoR as to what concession period has been considered by the State Electricity Regulatory Commission (SERC) while working out the unitary charges for the project. Additional CE, RVPNL responded that the unitary charges were fixed by the SERC considering the concession period of 25+20 years. On the query as to how does the minimum VGF bid compare with in principle VGF approved in the 61<sup>st</sup> EI meeting, Additional CE, RVPNL responded that as per the bids received, the minimum VGF is 11.07 percentage of TPC as compared to upto 20 percentage of TPC, as approved in principle in the 61<sup>st</sup> EI meeting held on December 19, 2014.
8. The EI was of the view that RVPNL should have adhered to the decisions taken in the 61<sup>st</sup> EI meeting, which was also reiterated in the 63<sup>rd</sup> EI meeting. The RFP should have been issued after obtaining the approval of the EI. As regards the difference of opinion between the Department of Power and NITI Aayog on the concession period, the same need to be quickly resolved so that

an uniform approach can be adopted for such projects. In this case, considering that SERC has based fixation of unitary charges on concession period of 25+20 years and that the minimum VGF bid is much below the in principle VGF approved by EI, the proposal was approved so as to not vitiate the bidding process. However, RVPNL should ensure that such a situation should not arise in future where the EI is presented with *fait accompli* situation. In future RFP should be issued only after in principle approval of VGF by EI and as per the terms and conditions of such approval.

(Action: GoR/ RVPN)

## B. Ministry of Road Transport & Highways

Agenda Item II: Proposals from Ministry of Road Transport & Highways (MoRTH), for grant of final approval for Development & Operation (2 lane with PSS) of Nagaur-Bikaner Section of SH-89 from km 171.00 to km 267.325 (including Nagaur bypass from km 180.50 of NH-65 to km 171.00 of NH-89) in the State of Rajasthan on BOT (Toll) basis

Total length: 108.260 km; Total Project Cost: Rs. 378.07 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 91.21 crore ; Concession Period: 15 years including 1.50 years of construction period.

VGF: VGF quoted by L-1 bidder: Rs. 69 crore (18.25% of TPC) from Government of India as grant during construction.

**Major development works/ structures:** ROB-4, By-passes: 2 of 26.78 km (Nagaur- 10.75 & Nokha- 16.030), Toll Plaza -2 at km 176.2 & km 236.3, Bus Bays -42, Major Road Junctions- 5, Minor Road Junctions- 63, Culverts- 82, Truck Lay byes- 2, Realignment- 13 locations of 3.105 km, Vehicular Underpasses-4.

9. Director, DEA informed the EI that the project had been granted in-principle approval of VGF in the EI's 37th meeting held on January 06, 2012 for an amount of Rs. 75.61 crore (20% of TPC). The project had also been considered by the PPPAC in its 50th meeting held on February 17, 2012. Since it was a PPP project proposed by a Central line Ministry, i.e MoRTH, the PPPAC recommended the project for approval by the Competent Authority. MoRTH have now stated that approval has been granted on 03.04.2012, and the project is now posed to the EI for final approval of the VGF, based on the bid received for the project.
10. Superintending Engineer ( SE), MoRTH, Government of India indicated that M/s. GVR Infra Projects Ltd was selected as the preferred bidder who quoted the lowest grant of Rs. 69 crore (18.25% of the TPC) on Bid Due Date i.e. 26.03.2012. The Letter of Award (LoA) for the project was issued on October 31, 2012 and the Concession Agreement signed on May 13, 2013 between Government of Rajasthan & M/s GVR Nagaur-Bikaner Tollways Limited (project

SPV), Financial Close has been achieved on November 07, 2013 with project cost of Rs. 422 crore. SE, MoRTH confirmed that the Appointed Date was fixed on January 30, 2014 and that the construction in the project has started with the Concessionaire having infused Rs. 46.14 crore as Equity contribution till date. Lenders for the project have disbursed Rs. 141.96 crore into the Escrow Account against debt of Rs. 315 crore. The target date for achieving COD is July, 2015, however the present progress is about 35% and the expected completion date of the project is March, 2016.

11. SE, MoRTH further clarified on the fulfillment of Conditions Precedent by the Authority and stated that the Fee Notification has been published on June 03, 2014 and Environment Clearances obtained on January 29, 2013. GADs for 3 RoBs have been approved by the Railways, however GAD approval for one RoB is awaited. As regards Forest Clearances, this is awaited for only about a stretch of 1.37 km of the Nokha bypass. On a query on the land acquisition status, he stated that Notification under 3 D has been issued for the additional 210 hectares land required for the project, however due to a technical requirement during execution of the project extra land acquisition of about 6 km length has been felt necessary, for which acquisition is under progress. The EI requested MoRTH to complete all clearances/land acquisition immediately so that work on the project is not hampered.

*(Action : MoRTH)*

12. Joint Advisor, Niti Aayog pointed out that the TPC approved by the EI was Rs. 378.07 crore however, TPC as per financial closure is Rs. 422 crore; the increase in TPC may be justified. SE, MoRTH responded that the increase in TPC is merely 11.64% which is due to the inflation for about two years i.e. the gap of period estimated by the Authority and lenders.
13. The Chair inquired on the reasons for delay in submission of the proposal for final approval and reasons for difference in the Appointed Date and the date of Financial Closure which should normally be the same. SE, MoRTH responded that the Financial Close was achieved on November 07, 2013 and Appointed Date was fixed on January 30, 2014. The delay of about 2.5 months is due to delay in fulfillment of Conditions Precedent by MoRTH/ Govt. of Rajasthan and other administrative delays. The Concessionaire submitted the documents of Financial Closure to the Govt. of Rajasthan (implementing agency on behalf of MoRTH) on 7.11.2013 who then forwarded the same to MoRTH for acceptance and fixation of Appointed Date. The reasons for the delay in submission of proposal were related to submission of incomplete Appraisal Report by the Concessionaire on 18.11.2014. The proposal has now been submitted on 13.03.2015 for final approval of EI and it was requested that EI condone the delay. The Chair stated that MoRTH should submit the proposals for final approval in time in future. This was agreed to.

14. The EI granted final approval of the VGF for an amount of Rs. 69 crore with total support from Government of India to the project for development & operation (2 lane with PSS) of Nagaur-Bikaner Section of SH-89 from km 171.00 to km 267.325 (including Nagaur bypass from km 180.50 of NH-65 to km 171.00 of NH-89) in the State of Rajasthan with TPC of Rs. 378.07 crore on BOT (Toll) basis.

Additional Agenda Item: Matter pertaining to request of Food Corporation of India for issue of RFQ for identified projects for Development of Food Silos at various locations through DBFOT basis prior to in-principle approval of VGF for information of EI.

15. The EI was informed that Food Corporation of India (FCI) is developing Modern Food Silo projects across various locations in the country through Design, Build, and Finance, Operate and Transfer (DBFOT) basis and wish to avail financial support under the "Scheme for Support to PPPs in Infrastructure (Viability Gap Funding Scheme)". The Department of Food & Public Distribution had requested DEA that FCI be allowed to issue the RfQ prior to in-principle approval of the VGF for the projects. Director, DEA informed the EI that Dept of F&PD and FCI had been requested to follow the procedural requirement for in-principle approval of VGF which includes submission of applications in the EI format with relevant project specific documents i.e. Project feasibility Reports, RFQ, RFP and DCA for circulation to the EI members.
16. Joint Secretary, F&PD stated that since the RFQ and RFP have been prepared by Niti Aayog and the Model Concession Agreement (MCA) document has been approved by the competent authority following the recommendations of the Inter Ministerial Group (IMG) constituted for the purpose, FCI has proposed to issue the RFQ for identified Silo projects prior to obtaining the in-principle approval of the EI for the VGF. ED, FCI stated that they have also just submitted a response to DEA with respect to the deviations pointed out from the model RfQ, issued by the Ministry of Finance and that the EI applications were also ready for submission, and hence the request that the RfQ may be issued prior to in-principle approval of the VGF.
17. Executive Director (ED), FCI explained that FCI wanted to issue the RFQ as there had been an abnormal delay in the project development process and accordingly the FCI Board has taken a decision to initiate the bidding process at the earliest. JS, F& PD, further stated that the matter was discussed with Niti Aayog who also advised them to go ahead with the issuance of the RFQ.
18. The Chair requested the EI members for their views. Representative from Niti Aayog stated that unless the entire project specific documents are examined no opinion can be provided on the proposals and requested that the EI

application and project documents be shared at the earliest. Director, DEA also stated that deviations pointed out by DEA in the RfQ submitted by FCI may not be complete and it is the onus of the project authority to list out the project specific deviations from the model documents for each project and provide justifications /clarifications for the same. She stated that while FCI has sent a copy of the draft base RFQ and Pre-feasibility Reports, project specific RfQ, RfP and Draft Concession Agreements have not been submitted for the identified projects at various locations. Further the documents are required to be submitted in the requisite format and with sufficient copies (Hard and soft) for circulation to the EI members. The documents pertaining to the proposals for the different locations are to be scrutinized in detail by the EI for VGF eligibility and based on the viability of the project, changes may be required to project's contours. These modifications may include eligibility criteria, project structure and project scope etc. Changes in projects' parameters, if required, affect the RFQ and the RFP and amendments in these documents at a later date has ramifications on the bidding process, viability and successful completion of the projects.

19. The EI agreed that project specific documents and application for VGF may be submitted at the earliest to the EI. In the meanwhile, on the matter pertaining to prior issue of the RfQ, project specific RfQs and the related project documents may be submitted to DEA, Department of Expenditure (DoE) and Niti Aayog who will quickly appraise the documents. In case they are able to resolve the issue and come to a common conclusion, the decision may be conveyed to FCI, which may be construed to be EI's decision. However, in case the matter is not resolved, the same may be brought before EI in its next meeting.

*(Action: DEA, DoE and Niti Aayog, Dept F & PD and FCI)*

20. ED, FCI stated that as regards the EI applications for in-principle approval of VGF for the identified locations, the applications and six sets of the project specific documents were ready for submission and these would be submitted the following day.

*(Action: Dept F & PD and FCI)*

The meeting ended with Vote of Thanks to the Chair.

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Annex  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

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Empowered Institution for the  
Scheme to Support Public Private Partnerships in Infrastructure  
64<sup>th</sup> Meeting on April 07, 2015

List of Participants

- I. Department of Economic Affairs
  1. Shri Ajay Tyagi, Additional Secretary (In Chair)
  2. Smt. Abhilasha Mahapatra, Director
  3. Shri V.Srikanth, Deputy Director
  
- II. NITI AAYOG
  4. Shri Amitabh Ray, Joint Advisor
  5. Shri K. Ranga Reddy
  
- III. Department of Expenditure
  6. Shri Arunish Chawla, Joint Secretary
  
- IV. Ministry of Power
  7. Shri Ghanshyam Prashad, Director
  
- V. Rajasthan Rajya Vidyut Prasaran Nigam Limited (RVPN)
  8. Shri R.K.Bhandari, Addl. CE(NPP&R), RVPNL
  9. Shri D.C.Gupta, XEN(NPP&R), RVPNL
  
- VI. Ministry of Road Transport and Highways
  10. Shri Sanjeev Kumar, S.E.
  
- VII. Government of Rajasthan
  11. Shri T.C.Gupta, SE (PWD), NH Circle, Bikaner
  12. Shri C.B. Khuriwal, XEN (PWD), NH Circle, Nagaur
  
- VIII. Ministry of Consumer Affairs, Department of Food & Public Distribution
  13. Shri Prashant Trivedi, Joint Secretary
  
- IX. Food Corporation of India (FCI)
  14. Shri Abhishek Singh, ED (Silos)
  15. Shri Aseem Chhabra, GM (Silos)
  16. Shri R.N. Bhargava, Advisor (silos)

