

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

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**Empowered Institution for the Scheme for Financial Support to Public Private
Partnerships in Infrastructure**

47th Meeting on July 23, 2013

Record Note of Discussions

The forty-seventh meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on July 23, 2013. The list of participants is annexed.

2. The EI noted that there are 10 proposals for consideration of viability gap funding (VGF) under the subject Scheme. Of these proposals, one proposal in the road sector from Government of Uttar Pradesh is for final approval. There are four proposals deferred from the last meeting: two proposals posed by Government of Odisha pertaining to water supply and to the education sector seeking in-principle approval, one proposal from the Government of Uttar Pradesh in road sector and a proposal seeking in-principle approval put forward by Government of Mizoram in the power sector. Five other fresh proposals are for in-principle approval in the road sector, two proposals from Government of Madhya Pradesh and three proposals from Government of Maharashtra.

3. Deputy Secretary, Department of Economic Affairs (DEA), at the outset, informed that the DEA is in receipt of a D.O. dated July 17, 2013 from Ministry of Road Transport and Highways (MoRTH) stating that proposals in the road sector where responses/compliance to MoRTH's observations are pending not be considered by the EI. **The Chair stated that in consideration of the above, it is proposed that should there be any pending compliances, projects be returned to entities concerned for the purposes of reconciliation and compliance.** This was agreed to by the members of EI.

A. Proposals for Final Approval

Agenda Item I: Proposal from Government of Uttar Pradesh (GoUP) for development of Bareilly-Almora Section of SH-37 Design, Build, Finance, Operate and Transfer (DBFOT) toll basis.

Total length: 54 km; Total Project Cost: Rs. 355 crore (as per executed Concession Agreement); Concession Period: 25 years including 2 years of construction period.

VGF from Government of India: Rs. 69.95 crore (actual by L-1 bidder), VGF from Government of UP: Nil

Major development works/ structures: Main paved carriage-way is 17 meter (4-lane with PS) from km 0.0 to km 54, Flyover at Bhojpurar: 1 of 2 km length at km 10.50; Minor bridge for reconstruction/widenining: 9; Bypass: 1 no. At Bahedi; Culverts: 56; Toll plazas: 1 (inbetween km 7-8); Truck laybys: 1 each on both sides, Bus-bays: 6 covering both sides, Major road junctions: 3, Minor road junctions: 42

4. Deputy Secretary, DEA stated that there were two primary issues pertaining to the subject proposal. The first issue related to 70 percent hike in total project cost (TPC) at financial closure. It was pointed out that during the in-principle approval stage in January 2011 the TPC for the subject project was Rs. 354.07 crore. However as per the financial closure documents, TPC has increased to Rs. 604.55 crore. The reasons for such high increase were sought. The second issue was in relation that Schedule R of the executed Concession Agreement had an anomaly wherein while the total tollable length of the project road is 54 km, it included 2 km length of the flyover. The user charges for flyovers are different and including the flyover length in the tollable length for the road may lead to disputes, and additional revenue to the Concessionaire.

4.1 Project Director, Uttar Pradesh State Highway Authority (UPSHA) responded that with respect to the TPC, UPSHA's liabilities towards termination were capped at Rs. 355 crore, which is the lowest of the TPC in

the executed Concession Agreement and were not concerned with the TPC as assessed by the lending Bank. As regards errors in Schedule R of the executed Concession Agreement, it was agreed that based on a suggestion by the representative of Planning Commission, the same shall be resolved through execution of a supplementary Concession Agreement with the Concessionaire to correct the anomaly. The amended supplementary document shall be submitted to the members of EI for record.

(Action: GoUP/ UPSHA)

5. The Chair expressed concern over the substantial increase in TPC, especially since the Lender, 'Canara Bank' is a publicly funded bank. Reasons for the increase were sought and whether the increase was attributed to factors other than inflation. The Chair stated that incorrect determination of the TPC would result in issues of financial viability across development or operation and maintenance stage of the project. It was stated that, at the macro level, financial liabilities still vests with the Government as a publicly funded bank is involved in lending. Further, in case termination rights are exercised these are likely to impact GoUP as well. Joint Secretary, DEA stated that the Bank's Appraisal note with reference to increase in TPC reveal inadequate assessment in scope of work. Broadly, these relate to poor assessment of drainage requirements across the road length, need for providing safety features such as metal crash barriers and certain missing structures that went unreported. These may have led to the increase in TPC, with the other factor being inflation. Therefore, position of UPSHA on the same was sought. Project Director, UPSHA stated that they would need time to look into the matter and to respond appropriately.

(Action: GoUP/ UPSHA)

6. The Chair advised that a written response or compliance may be submitted to the members of EI. It was also recommended that in future, Secretary of the concerned Department in the State Government preferably alongwith the Head of UPSHA be advised to attend these crucial meetings.

(Action: GoUP/ UPSHA)

7. Deputy Secretary, DEA enquired about the Appointed Date (AD). Project Director, UPSHA informed that AD is March 14, 2013. Deputy Secretary, DEA further stated that the as per the proposal documents, the date of financial closure (FC) was shown as March 17, 2012; thus, the reasons for variation in date of FC and AD were sought. Member (Finance), UPSHA agreed to send written comments providing reasons of varying dates.

(Action: GoUP/ UPSHA)

8. Joint Secretary, DEA sought clarification on the status of land acquisition. Project Director, UPSHA pointed out that only 1.78 hectare of land is required to be handed over and is for the purposes of development of toll plaza at one location. Remaining land requirements have been complied with.

9. The Chair advised DEA to expeditiously convene another meeting of the EI once compliance or response from UPSHA has been received in order to re-consider the proposal.

(Action: GoUP/ UPSHA and DEA)

10. **The EI decided to defer the project's approval due to pending clarifications and compliances as mentioned in paras 4, 5, 6, 7 and 9 above. GoUP/UPSHA was advised to render written responses for all the issues highlighted above and in the Appraisal notes. Provision of duly signed supplementary documents for executing the correction in Schedule R, between the Concessionaire and Sponsoring Authority, be submitted to the members of EI for record.**

(Action: GoUP/ UPSHA)

Agenda Item II: Proposal from Government of Uttar Pradesh (GoUP) for in-principle approval: Four-laning (with paved shoulders) of Delhi-Saharanpur Yamunotri Road upto Uttrakhand Border (SH 57) on DBFOT basis.

Total length: 206.089 km; Total Project Cost: Rs. 1718.35 crore; Concession Period: 25 years including 2.5 years of construction period. VGF from Government of India: Rs. 343.53 crore (actual by L-1 bidder), VGF from Government of UP: Nil
Major development works/ structures: Major Bridges: 5; Elevated corridor: 1 of 5.29 km from km 13.10 to km 16.20 at Loni border; Minor bridges: 27; ROB: 5; Service Roads: 22.19 km; Bypass: 2 (9 km at Shyamli and 19 km at Sharanpur) Culverts: 397; Toll plazas: 3 (km 30, km 119 & km 199), Bus-bays: 60, Major road junctions: 11, Minor road junctions: 105, Truck Lay Bys: 3.

11. Deputy Secretary, DEA informed that project was deferred in the 46th EI meeting held on April 9, 2013. The EI had directed GoUP to submit its justification over Schedule R anomalies. It was stated that responses to the Appraisal notes have been received. Clarifications rendered by the UPSHA are summarized below;

a. **Increase of one toll plaza:** Project Director, UPSHA reaffirmed the written position that five toll plazas had been indicated in the bid documents to all

the bidders. Increase of one more toll plaza was based on an outcome of the pre-bid meeting. Further, this increase of toll plaza from four to five was approved by the Committee constituted by the State Government. Additionally, it was intimated that the revised documents were sent to DEA. It was clarified that addition of one toll plaza would not create any implications of enhanced revenue for the Concessionaire.

- b. Incorrect Schedule R:** Project Director, UPSHA reiterated its written position, that the error in Schedule R has been corrected. Further, the Concessionaire has agreed to execute a supplementary concession agreement in order to effect this change. The revised document shall be submitted to members of EI for record purposes.

(Action: GoUP/ UPSHA)

12. Representative of MoRTH indicated that the Ministry had not received either the compliance of their observations or responses over their comments. The Ministry stated that deficiencies in minimum curve of the turning radii had been pointed out which could seriously impact the safety of users and unless these issues are addressed the proposal not be considered by the EI. MoRTH pointed that minimum requirement for curve was not followed. Project Director, UPSHA stated that response on the issues had already been provided to MoRTH and would resubmit the same. MoRTH also reiterated the need for adherence of the executed Concession Agreement with the Manual of Standards and Specifications. UPSHA indicated that the project was in accordance with MSS, and adherence with MSS was reiterated.

(Action: GoUP/ UPSHA)

13. The Chair stated that any deficiency with regard to safety features cannot be ignored. The UPSHA may comply with such measures and appropriately respond to the comments of MoRTH. DEA was advised to expeditiously convene another meeting of the EI once compliance or adequate response from UPSHA has been received in order to re-consider the proposal.

(Action: GoUP/ UPSHA and DEA)

14. The EI deferred the proposal and requested GoUP to submit its justification over MoRTH comments and other compliances indicated above at paras 11, 12 and 13 above. A copy of the updated documents may be submitted to members of EI for record purposes.

(Action: GoUP and DEA)

B. Proposals for in-principle Approval

Agenda Item III: Proposal from Government of Odisha (GoO) for in-principle approval: Development of a Bulk Water Supply network for satellite towns and other institutions (Khorda and Jatni) and other institutions (such as IIT Bhubaneswar, NISER, and INFOCITY-II etc.) in and around Bhubaneswar under PPP framework.

Total length of network: Transmission pipe length proposed is of 22.5km;**Total Project Cost (revised now):** Rs. 187.71crore; **Concession Period:** 25 years including 15 months of construction period.

VGF sought from Government of India: Rs. 37.54 crore (20 percent of Rs. 187.71 crores construction cost) and 20% from State Government i.e 37.54 crore)

Major development works/ structures; Proposed (pumping) transmission pipe length: 22.5 km of 1000 mm of mild steel spirally welded pipeline; Master balancing reservoir at Mendhsala; 11 ML; Proposed gravity transmission pipe length: 18.8 km (800-1200mm,MS) 12 km (250-700mm,DI); Proposed Ground service Reservoirs: Jemadei 1.75ML, Gurujang-1.25 ML, PHED Stores1.25 ML<BaxhchraMundia 2.25 ML<Kaju Plantation 1 ML< PHED 0.25 ML+0.75 ML; Length of proposed distribution pipe network(Cast Iron): 10 km(100), & 5.3 Km: Length of proposed distribution pipe network(Ductile Iron): 18.4 km(150-450) & 24.2 km (150-450); Booster pump stations: Jemadei 2.2+5 MLD, Gurujang 2.6 MLD, PHED Store 5 MLD, Kaju Plantation 1.7 MLD, PHED 4.8 MLD+3.5 MLD; Phase II works: Raw water pumping station (Cumulative) 69 MLD, WTP augmentation (additional) 17 MLD, Clear water reservoir (Additional) 5.5 MLD, Clear water pumping station (Cumulative) 66 MLD (Replacement) additional pipe network in new areas 54 Km (100) +59 km (100) of cast iron; 1.8 km (150-450) of Ductile Iron and replacements for Booster Pumping stations for cumulative flow at Jemadei of 3+6.9 MLD, Gurujang 3.6 MLD, at PHED Stores of 6.9 MLD, at Kaju Plantations of 2.4 MLD and PHED of 6.9+4.8 MLD

15. Special Secretary, Housing & Urban Development (H&UD), Govt. of Odisha clarified the points raised in the previous meeting. He stated that a list of existing assets proposed to be utilised for the project and those that are to be abandoned after implementation of the project have been listed out for better clarity. As regards Planning Commission's observations that the increased tariff from the institutional entities as well as the VGF from GoI will go to subsidize a Govt. Department i.e. PHEO and not the end users, Special Secretary, GoO informed that PHEO (Government Department) should not be construed as a beneficiary as the benefit of any tariff reduction is ultimately being passed on to the consumers He also stated that this is the existing arrangement for supply of bulk water to the ULBs and no change has been made because of this PPP project. Joint Secretary, DEA stated that the documents show that supply of bulk water to the ULBs through PHEO is only a pass-through mechanism and PHEO is not a beneficiary of such an arrangement. On

the contrary, the risk of NRW, O&M and collection of water charges are with PHEO/ULBs. The position was acceptable to EI members.

16. As regards the query of the Chair, Special. Secretary, Odisha clarified that that the State's Water Tariff policy permits increase in tariff. He also stated that the state government is coming up with an Urban Water Supply policy, which inter alia, provides guidelines on projects to be implemented in Public Private Partnership. The policy will have provision for applicability of differential tariff for projects to be implemented in PPP. The EI decided that before issuance of the RFP , GoO shall furnish copies of the water tariff policy, which permits increase in tariff, as also notify the proposed Urban Water Supply policy, which provides guidelines for charging differential tariffs in PPP projects,.

17. Special Secretary, Odisha further confirmed that all the other observations of Planning Commission, Ministry of Urban development have all been addressed. Joint Advisor, Planning Commission wanted to know whether penalties for non-supply of raw water by the Authority were incorporated in the DCA which was confirmed by GoO.

18. Joint Secretary, DEA sought clarification on why the project cost has gone up by nearly 40% within a span of 105 days since the previous meeting of EI. Special Secretary, GoO pointed out that the earlier project cost was based on the Schedule of Rates (SOR) of 2011 and the current costs on the SOR of 2013. GoO revises the SORs once in two years; hence the project cost has gone up to Rs.188 crores.

19. Deputy Secretary, DEA stated that legal vetting of the project documents by a legal expert along with its certification would be required

20. All the members of EI were in support of grant for in-principle approval for the project.

21. The EI granted in-principle approval to the project for TPC of Rs. 187.71 crore with maximum GoI contribution towards VGF as Rs. 37.54 crore (20 percent of TPC), subject to fulfillment of the following conditions:

- a. GoO shall furnish a copy of the State's existing Water Tariff Policy which permits increase in tariffs.
- b. GoO shall notify, before issuance of the RFP, the proposed Urban Water Supply policy, which, inter-alia, would permit charging of differential tariff for projects to be implemented in PPP.
- c. Confirm in writing that penalties for non-supply of raw water by the Authority have been incorporated in the DCA.

- d. GoO shall undertake corrections in the project DCA and bulk water supply agreement in compliance with the observations of DEA, Planning Commission and other members of EI which have been agreed to by GoO in their responses to the appraisal note. Accordingly, GoO shall undertake reconciliation of the project documents.
- e. GoO shall undertake legal vetting of the project documents, in particular the project's DCA, by a legal expert along with its certification.
- f. GoO shall obtain all statutory clearances in accordance with their obligations, such as environment and forest clearance, shifting of utilities etc., before commencing work on the project site.
- g. GoO shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration.
- h. GoO shall circulate the final documents to the members of the EI for record.

Agenda Item IV: Proposal from Government of Odisha (GoO) for grant of in-principle approval for: Development of a Residential School covering poor, disadvantaged, SC, ST, minorities and backward class students, each school to be located in the 3 districts of Baripada, Keonjhar and Rayagada/Koraput under PPP framework.

Total number of projects: 3 projects across 3 districts of Odisha;

Total Project Cost for each project: Rs. 15.50 crore,

Total Project Cost for all 3 projects: Rs. 46.5 crore

Concession Period: 20 years including 2 years of construction period.

VGF from Government of India for each project: maximum Rs. 3.10 crore

VGF from Government of India for 3 projects: maximum Rs. 9.3 crore

Major development works/ structures: Establishing, managing and operating one residential senior secondary school on design, build, finance, manage, operate and transfer; Construction of School building and complex, School having classes at least from Class VI-XII, along with ancillary facilities and operation and maintenance.; Provision of facilities covers hostel facilities, housekeeping security, sports facilities including playgrounds etc., Staff quarters, Mess, Water management, harvesting, recycling and energy conservation; Nominated students to be provided with additional non-academic and academic facilities such as books, stationery items, uniform, etc.

Student intake: Design capacity of 700 students and 50% students of these shall be nominated by GoO. 2 sections in each class from VI to XII, 50 students in each classroom with 14 class rooms

22. Secretary, ST & SC Development Department, Government of Odisha presented the proposal. It was reiterated that the proposal was for development of 3 schools, one each in 3 backward districts of Odisha. These were proposed to be residential schools offering education from class VI to class XII and targeting CBSE/ICSE board affiliation. It was informed that the observation the EI had at the last meeting and the Appraisal Notes had been complied with and updated projects documents circulated to all the members of EI. For e.g penalty leviable on the Concessionaire for non-performance of Key Performance Indicators (KPIs) has been increased to 25% of the last quarter reimbursement payment. Further, in case the KPIs have not been met with adequately for 3 continuous years by the Concessionaire, then provisions of termination clause can set in; clarification on land use provided as being non- agriculture. The land has been identified as per the land Schedule and is unencumbered and shall be granted on a nominal lease basis. In a response to Joint Secretary, DEA's query over any existing tracts of forest land on the project site, it was informed that revenue records do not indicate the same.

23. Deputy Secretary, DEA pointed out that while updated project documents have been submitted, however there appear to be inconsistency in the projects' Concession Agreement, for example, statutory clearances such as environment and forest have been allocated as a condition precedent of the Concessionaire, no provision made for a suitable mechanism for incentives vide bonus or penalties for non-performance of KPI among others. Therefore a clause by clause examination jointly between the GoO and DEA would be required to ensure harmony of the Concession Agreement with the proposal and the compliance of the EI's observations. Legal vetting would also need to be undertaken by a legal expert and certification for the same is submitted. Joint Secretary, DEA stated that in case certain clearances are not required or not envisaged, these may not be apportioned or rationalized as a condition precedent. Also, risks related to statutory clearances may be allocated to the Government.

24. Representative of Planning Commission stated that with regards to adopting norms for physical infrastructure for the project schools, CBSE and well as KV norms have been provided. Thus, it is unclear what norms shall be applicable. Representative from GoO informed that while Kendriya Vidyalaya (KV) norms have been generally followed, certain norms that were not present in the KV list have been adopted from CBSE norms and a combined list has been provided for the project DCA.

25. All the members of EI were in support of grant for in-principle approval for the project.

26. **The EI granted in-principle approval to the three projects, each for TPC of Rs. 15.50 crore with maximum GoI contribution towards VGF as Rs. 3.10 crore (20**

percent of TPC), TPC for all the three projects Rs. 46.5 crore having a combined VGF requirement of maximum Rs. 9.3 crore from GoI, subject to fulfillment of the following conditions:

- a. GoO shall undertake a clause by clause examination with the PPP Cell of DEA in order to undertake reconciliation of the project documents.
- b. GoO shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and other members of EI which have been agreed to by GoO in their responses to the appraisal note.
- c. GoO shall undertake legal vetting of the project documents, in particular the project's DCA, by a legal expert along with its certification.
- d. GoO shall obtain all statutory clearances in accordance with their obligations, such as environment and forest clearance, shifting of utilities etc., before commencing work on the project site.
- e. GoO shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration.
- f. GoO shall circulate the final documents to the members of the EI for record.

(Action: GoO)

Agenda Item V: Proposal from Government of Mizoram (GoM) for grant of in-principle approval for: Development of Tuivai Hydro Electric Project (210 MW) on DBFOT basis.

Capacity of generation: 210 MW of hydro electric power; Total Project Cost: Rs. 1700 crore; Concession Period: 35 years including 5 years of construction period. VGF from Government of India: Rs. 340 crore (20 percent of TPC)

Major development works/ structures: Construction of 155m high Dam, 491 m long chute spillway, 1200 m long diversion tunnel of 12.5 m dia, water conductor system comprising 4950m long head race tunnel of 6m dia through a hill between Ngopa and Phuaibuang town, a surge shaft, a pressure shaft of 750m length, a surface power house at Pullen near Phuaibuang for an installed capacity of 3*70 MW (210 MW), switch yards, construction of haul and approach roads of 70 km length

27. Representatives of Government of Mizoram presented the proposal. The EI noted that the State Government proposes to develop the Tuivai Hydro Electric Project on a tributary of River Barak for an installed capacity of 210 MW in the state of Mizoram on PPP mode at an estimated Total Project Cost (TPC) of Rs. 1700 crore. The hydro electric project is proposed to be developed with VGF support. It is the

first project of its kind in the North Eastern States of the country as well as the first hydro electric project seeking VGF under the Scheme. The Joint Electricity Regulatory Commission (JERC) for Manipur and Mizoram, vide its order dated November 11, 2011, has fixed the tariff of Rs. 3.55 per unit assuming VGF for the project amounting to 20 percent of the TPC. This tariff shall remain as a fixed charge throughout the concession period of 35 years. It was informed that EI has earlier granted in-principle approval for shortlisting of bidders. Seven bidders have been shortlisted. The Concession Agreement for the project has been legally vetted.

28. Deputy Secretary, DEA informed that the project was deferred in the 44th EI meeting held on December 13, 2012 and as directed by the EI, a separate meeting of members of EI was called on May 23, 2013, chaired by Additional Secretary, Department of Economic Affairs (DEA) to sort out the pending issues for the above project. The Minutes of Meeting held on were circulated to the members of the EI.

29. The Chair desired to know the reasons of fixing the unit charges at Rs. 3.55 per throughout the concession period without any provision for escalation. Deputy Secretary, DEA informed that at the 44th meeting of the EI held on December 13, 2012, Joint Secretary, Ministry of Power (MoP) had explained that "since this is hydro power project, it entails onetime costs installation and development of generation plant and minimum O&M costs are envisaged. Unlike the thermal projects, the unit cost of production of hydro power reduces over a period of time. Hence, no escalation is usually provided in the unit charges for hydro power projects". This had been recorded in the minutes of 44th EI Meeting .

30. Director, Ministry of Power (MoP) stated that they support the project and MoP's view is that the project is admissible for VGF support in accordance with the Electricity Act, 2003 and the Tariff Policy amendment of 2008. Further, the project is covered under the Amendment to the Tariff Policy 2006, notified on July 08, 2011.

31. Representative of Planning Commission stated that the main issues highlighted by them with respect to the project in their appraisal note relate to the following :

- (i) Tariff should be determined through competitive bidding based on the guidelines issued by Ministry of Power under Section 63 of the Electricity Act;
- (ii) In case VGF is granted to one generating unit, it may lead to similar requests from other States and result in market distortions in tariff determination.
- (iii) DEA may confirm that VGF is admissible for power generating units;
- (iv) PPA/ DCA needs to be amended based on the detailed comments by the legal consultant as indicated in the appraisal note.

32. Representative, Government of Mizoram responded that as per the Amendment to the Tariff Policy 2006, notified on July 08, 2011, *“a developer of hydro electric project, would have the option of getting the tariff determined by the appropriate commissioned on the basis of performance based cost of service regulation with the fulfilment of the certain conditions”*. Accordingly, tariff has been fixed upfront by the JERC. The Tariff Policy allows that the tariff can be determined by the appropriate Commission for a hydroelectric project, *“with bidding on the basis of only one single quantifiable parameter such as, free power in excess of 13 percent, equity participation offered to the State Government, or upfront payment etc”*. The Ministry of Power has already confirmed that, the conditions of the Tariff Policy are satisfied for the instant project and VGF may be a possible bid parameter in the Tariff Policy amendment under the flexibility allowed therein under the ambit of the word *“etc”*.

33. Representative, Government of Mizoram further indicated that since the project is located in the North Eastern region, grant of VGF may not result in distortions in the market with respect to determination of tariff, in the event VGF is granted to the proposed project. It has been confirmed that all suggested amendment in the appraisal note of the Planning Commission shall be carried out in the DCA.

34. Joint Secretary, DEA stated that *“Electricity Generation”* comes under the ambit of definition of ‘Infrastructure’ notified by DEA in the Harmonized list and *“Power”* is notified as an eligible sector for VGF support under the Scheme.

35. The EI deliberated further on two specific issues:

- (i) The coverage of Electricity Generation projects, normally done in the Private Sector, under the PPP Scheme, with VGF,
- (ii) The assumed VGF support by the SERC in fixing the Unitary charges which were to be frozen during the concession period.

These aspects are considered crucial in terms of their implications to future VGF proposals and the policy impact.

36. On 35 (i) above, it was noted that EI was also informed that the HVPNL 400 KV Jhajjar Power Transmission Project in Haryana had been finally approved on 16.03.2011 and the Madhya Pradesh , Sarni (Satpura) - Ashta transmission line was granted in-principle approval by the EI on 11.06.2012 for VGF support with fixed Unitary charges and VGF as the bid parameter. Hence, this is not the first Power Sector project to be covered and cleared by EI. Further, specific to this proposal, the EI noted that Mizoram, a special category State, has been unable to successfully have this project implemented either through the NTPC or as a purely private sector

initiatives-it has had several rounds of bidding and there is limited interest by the private sector. Given the need for early implementation and the special conditions in the state, the project can, in principle, be considered as an exception to the policy for full private initiatives in generation schemes. Further, Unitary Charges were fixed for the said project by SERC, assuming 20 to 30 percent VGF support. Hence, tariff fixation by JERC by considering 20 percent VGF for the instant project may not require a review since, the actual VGF in respect of the project, if the proposal is approved, would be determined through a competitive bid process. In all PPP projects, tariff is fixed on cost plus margin basis.

On 35 (ii), the State Govt. explained to the EI that indexing the unitary charges WPI is not possible because it has been fixed by SERC that the rate will remain fixed in entire concession period. However, EI was of the view that before the proposal is formally sanctioned, GoM may approach the CEA through MoP and obtain written confirmation that fixed charges will not violate any provisions of the Electricity Act, 2006.

37. Representative, Planning Commission indicated that since, Ministry of Power has confirmed that the project is admissible for VGF support in accordance with the Electricity Act, 2003 and the Tariff Policy amendment of 2008, they have no objection to the project. However, it was reiterated that the project documents should be got vetted by the Central Electricity Authority (CEA). This was agreed to.

38. All the members of EI were in support of grant for in-principle approval for the project.

39. The EI recommended the proposal to the Empowered Committee for grant of in-principle approval to the project for TPC of Rs. 1700 crore with VGF of Rs.340 crore (20 percent of TPC), subject to fulfillment of the following conditions:

- a. GoM shall confirm in writing that 90 percent of land is available along with the details of total land required, available land and balance land to be acquired.
- b. GoM shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and MoP which have been agreed to by GoM in their response to the appraisal note.
- c. MoP to facilitate GoM obtaining written confirmation from CEA/CERC that fixed Unitary charges during the Concession Period are in line with extant policy.
- d. GoM shall confirm that project documents has been vetted by the Central Electricity Authority (CEA).

- e. GoM shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared expeditiously with the short listed bidders.
- f. GoM shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- g. GoM shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
- h. GoM shall circulate the final documents to the members of the EI for record.

(Action: GoM)

Agenda Item VI: Proposal from Government of Madhya Pradesh (GoMP) for grant of in-principle approval for Development of 17 Railway Over Bridges (ROBs) & 15 Limited Height Subways (LHS) on 17 locations of existing Railway Level Crossing in the state of Madhya Pradesh under DBFOT.

Total ROBs: 17; Total Project Cost: Rs. 82.86 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 16.57 crore,

Major development works/ structures: Development of 17 Railway Over Bridges (ROBs) & 15 Limited Height Subways (LHS) on 17 locations of existing Railway Level Crossing
Toll plazas: 14.

40. Managing Director, MPRDC presented the proposal and informed that proposal of GoMP is for development of 17 Railway Over Bridges (ROBs) & 15 Limited Height Subways (LHS) on 17 locations of existing Railway Level Crossing project. He stated that Planning Commission in its appraisal note and during pre-appraisal meeting has insisted that MPRDC should revise the cost after considering the share of Ministry of Railways for cost of construction of the RoBs. He expressed concerns regarding difficulties with regards to contribution of Railways in construction costs in view of the various conditions imposed which may not be fulfilled in BOT projects. The present proposal for VGF support upto 40 percent of the TPC has been estimated without considering the share of the Railways in the construction costs. The Chair stated that consideration of the support from Railways, other than VGF support, may not be feasible as it would imply an additional outgo from the Central Government. This was supported by all members of the EI and considered present structuring as appropriate.

41. MD, MPRDC further stated that EI in its appraisal had raised observations mainly related to non-tolling of three toll plazas out of 17 proposed for construction, that four laning was justified at three RoBs as present traffic estimates are more than 20,000 PCUs and hence tolling at these 3 RoBs would not be justified as service provided would be below par. He clarified that three ROBs at Sl. No. 1, 4 and 7 are located built up area of Katni, Narsinghpur town and Sagar town portion respectively. The alignment of these ROB's has already been confirmed with the Railways; also no alternate alignment for these ROB's is possible. Construction of Toll Plaza is not possible at these locations as land is not available. These RoBs are to be constructed on cross subsidized basis. Deputy Secretary, DEA indicated that it is a matter of concern when toll is collected but the service delivery is not upto the mark and suggested that MPRDC consider the option of bypass in case ROW at the existing highway is not available. MD, MPRDC responded that the three RoBs are located in built up area of Piparia, Bina town and Bargawan town portion where land is not available for four laning due to built up area and Building line. At present there is extreme congestion of traffic due to existing LC and frequent closing of Railway Gates. The construction of ROB with two lane with paved shoulder would provide respite to a great extent. The GAD's for these ROB's have also been approved by Railways with bridge width of 12.0 mtr which is sufficient to cater traffic up to capacity of 25,000 PCU, the bypass option may not be feasible as the RoBs are located in the city. He stated that the capacity of ROBs would breach in the 12th year of concession period and for the balance concession period the option of termination as the Concession Agreement would apply. SE, MoRTH stated that since, 17 ROBs are proposed in one concession agreement, termination may not be possible even when the traffic breaches the capacity of highway. Deputy Secretary, DEA stated that even the present traffic exceeded the capacity of the highway, hence, MD, MPRDC may re-examine the proposal keeping these issues in mind. This was agreed to.

42. Deputy Secretary, DEA stated that the cost of the RoBs have been estimated at Rs. 40.87 crore each as against norms of about Rs. 20 to 25 crore and needs to be justified, the special toll rates for the projects are required to be approved by the State Government and No Objection Certificate and approval of GAD from the Railways confirmed. Confirmation that entire VGF upto 40% of TPC would be provided during construction period was also requested. MPRDC was also requested to consider the suggestion breakup of the project into three sub-project to facilitate construction and award. MD, MPRDC responded that the cost of ROB is on higher side as out of 17 LoBs, eleven are located in built-up area and as per Manual of Standards and Specifications IRC:SP:73:2007 viaduct span in built up area shall be provided for more than 5.0 m height and then RE wall has to be provided in approaches due to adjoining building line on both side. Also as per approved GAD of Railway, viaduct spans have been provided in entire ROW and Railway Steel Composite Girders have been provided which are costlier than RCC Girders. There

is also provision made for LHS on each ROB with approaches and of service road and drain on both side of ROB in built- up area and electrification and shifting of utilities of Railways. Hence the cost is justified. The proposed toll rates has already been approved and notified by the State Government and copy of the notification has been submitted along with the reply of the appraisal notes. Further, No Objection Certificate and approval of GAD from the Railways has already been obtained. MD, MPRDC also confirmed that the entire VGF upto 40% of TPC would be provided during construction period to increase the viability of the project. The 17 RoBs have been proposed for implementation in a single project for enhancing viability of the project and attract large developers who can facilitate and handle construction of the RoBs. It was unclear how tolling will be done within city areas for a combined or a pooled system of roads. MD,MPRDC informed that in fact there are a total of 35 RoBs which are to be constructed and the project has already been have already been divided in two packages of 17 RoBs and 18 RoBs. Further, division of project may not be feasible. The Chair directed MPRDC to send the detailed justification of the cost as all RoBs are not identical, approval of State Government for special toll rates and GAD approval from Railways. This was agreed to.

43. Representative of Planning Commission indicated that MPRDC has proposed in Annex I of Schedule C of the DCA to provide one hard top vehicle for the use of the MPRDC. This needs to be deleted as per the earlier decision of the EI. MD, MPRDC has agreed to delete the same.

44. Superintendent Engineer, MoRTH stated that they have not received the response of their appraisal notes. MPRDC may confirm that the proposed RoBs are not located on the National Highways. MD, MPRDC confirmed that none of the RoBs are located on the National Highways. The Chair directed MPRDC to submit the written response to the appraisal notes of MoRTH. This was agreed to.

45. **The EI deferred the project and requested MPRDC to provide the following information/ documents:**

- (i) Justification of non-tolling of three toll plazas out of 17 proposed for construction as it would affect viability of the project
- (ii) Justification for construction of three RoBs as two- laning with paved shoulders instead of four- laning where present traffic is more than 20,000 PCUs. Early Termination clause and mitigation measure as per the draft Concession Agreement may be provided.
- (iii) Detailed justification for the higher cost as compared to the similar projects earlier executed.
- (iv) Approval of State Government for special toll rates

- (v) Approval from Railways for GAD and cost.
- (vi) Written response to the appraisal notes of MoRTH and Planning Commission.
- (vii) Revised legally vetted documents in compliance with the observations of DEA, Planning Commission and MoRTH which have been agreed to by GoMP.
- (viii) Details of land acquisition for each ROBs & LHS i.e. total land required, land available and balance land required along with the current status of land acquisition may be furnished. It may be confirmed that atleast 60% land is physically available.
- (ix) Status of environment and other clearances required for the project.

(Action: GoMP)

Agenda Item VII: Proposal from Government of Madhya Pradesh (GoMP) for grant of in-principle approval for two laning of Ater - Jaitpur Road from Km. 0/10 at Bhind-Ater Junction in Ater Town to Km. 5/5 and construction of High Level Bridge on Chambal River near Jaitpura Village (SH-19) in the state of Madhya Pradesh under DBFOT.

Total length: 4.5 km including bridge of 1.1 km; Total Project Cost: Rs. 82.86 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 16.57 crore,

Major development works/ structures: Major Bridges: 1; Major Junctions: 1; Minor junctions: 1; Toll plazas: 1(Km. 2); Culverts: 4; Bus Bays: 1.

46. Managing Director, MPRDC presented the proposal and informed that the proposed project is to connect missing link between Bhind and Agra having length of 4.5 km including a major bridge of 1.1 km long. The project is new two lane bridge project having width of 8.5 m with two lane approach road of 3.5 Km long on both sides. On construction of this bridge, the travel length from Bhind to Agra would be substantially reduced. Presently, people use the ferry.

47. Deputy Secretary, DEA stated that the cost of the bridge has been estimated at Rs. 76.19 crore as against norms of Rs. 40 to 45 crore and needs to be justified and the special toll rates for the projects are required to be approved by the State Government. MD, MPRDC responded that the proposed bridge is a high level bridge and will be constructed on Chambal River. The bed of Chambal river is sandy

with gravel in this region and hard strata is not available in the bed even at a deeper depths. This bridge therefore needs to be constructed on a well foundation with PSC Box Girder Bridge in super structure. This has resulted in the cost of bridge being 30% higher in comparison to bridges resting on rocks and hence the cost is justified. The Chair desired that MPRDC should provide detailed justification for the higher cost as compared to the similar projects earlier executed. This was agreed to.

48. MD, MPRDC further indicated that proposed toll rates has already been approved and notified by the State Government and copy of the notification has been submitted along with the reply of the appraisal notes.

49. Superintendent Engineer, MoRTH stated that the width of the proposed bridge is of 8.5 meter and approach road of 7 meter with 2.5 m shoulders on either side. As per the MoRTH guidelines, the minimum width of the bridge should be 12.9 m without footpath (14.8 m with footpath) and approach road should be of 10 meter (including 1.5 m paved shoulders) with 1 m shoulders on either side. MD, MPRDC responded that as per Manual of Standard and Specification for two lane roads on BOT basis and IRC SP-73/ 2007, width of major bridge for two lane carriageways should be 7.5 m without footpath and overall width of bridge should be 8.5 mtr. Hence, width of proposed bridge is 8.50m. The cost of the 12.9 m bridge would be very high and project may not be financially viable on BOT basis. Further, based on the present and future projections of traffic, 12.9 m bridge may not be required.

50. Representative of Planning Commission indicated that MPRDC has proposed in Annex I of Schedule C of the DCA to provide one hard top vehicle for the use of the MPRDC. This needs to be deleted as per the earlier decision of the EI. MD, MPRDC has agreed to delete the same.

51. All the members of EI were in support of grant for in-principle approval for the project.

52. **The EI granted in-principle approval to the project for TPC of Rs. 82.86 crore with maximum GoI contribution towards VGF as Rs. 16.57 crore (20 percent of TPC), subject to fulfillment of the following conditions:**

- a. GoMP shall provide detailed justification for the higher cost as compared to the similar projects earlier executed.
- b. GoMP shall confirm in writing that 90 percent of land is available along with the details of total land required, available land and balance land to be acquired.
- c. GoMP shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and MoRTH which have been agreed to by GoMP in their response to the appraisal note.

- d. GoMP shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared expeditiously with the short listed bidders.
- e. GoMP shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- f. GoMP shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
- g. GoMP shall circulate the final documents to the members of the EI for record.

(Action: GoMP)

Agenda Item VIII: Proposal from Government of Maharashtra for two/four laning to WaturPhata-Jintur-Aundha-Basmath Road (MSH-2) and Hingoli-Aundha Road (SH-249) on DBFOT basis.

Total length: 144.408 km; Total Project Cost: Rs. 752.98 crore; Concession Period: 30 years including 3 years of construction period.

VGF sought from Government of India: Rs. 150.60 crore (20% of TPC), VGF from Government of Maharashtra: Rs. 82.8278 crore (11% of TPC) as per EI memo Article 25 of project's DCA: indicates equity support of maximum 40% of the TPC.

Major development works/ structures: Lane development: (4-Lanes: 67.164 km, and 2-lane with PSS: 77.244 km; Flyover: 1, in-between km 22 to km 24 of SH 249; Major Bridges: 5, Minor bridge: 34 (28 for widening and 6 for new construction); Toll plazas: 3 at km 23.1, km 70.1 and km 117.1 of MSH-2; Culverts: 28 Slab drains and 63 C.D. Works; Bus-bays: 32, Junctions: 22 for improvements; Retaining wall: 0.75 km, from km 58.9 to km 59.0; Built up gutters: 4.380 km of length (varies in EI memo, is 5.95 km); Gantries: 6; Underpasses: Vehicular: 3; Parking lots: 2, each of 1700 sqm

53. Deputy Secretary (PR), PWD, GoM presented the proposal. It was indicated that the road proposal for Watur consideration is in continuation of four-lane road stretch, the Aurangabad-Jalna- section of the State Highway. Construction has already been completed for this stretch for around a length of 100 km and no VGF support was utilized for its development. However, for the instant proposal a mix of four-lane and two-lane has been proposed based on the traffic needs and projections. It was informed that for the Watur to Jintur section of the instant road, only two-laning is justified, hence, the project configuration recommended is two-lane with PSS. However, the road connects with the National Highways at two junctions, onwards from Aundha to Hingoli meeting NH-161 and onwards from Basmath leading to NH-222. It was also informed that Jalna town, on the SH and on the road

corridor, is an industrial belt. It is expected that there shall be an increased movement of traffic after the development of the four-section leading to the NH.

54. Deputy Secretary (PR), PWD, GoM stated that legal vetting for the project's DCA has been carried by a legal expert. Legal vetting certification for the project road's DCA and non-technical Schedules was handed over during the meeting for consideration and record.

55. Representative of Planning Commission indicated that as the Maharashtra's Toll Policy indicates a separate Toll notification for project's costing more than Rs. 400 crore. However, whether the same has been notified for the instant project, it is unclear. Deputy Secretary (PR), PWD, GoM stated that for the instant proposal the same has been notified by the State Government and shall be provided to the members of EI.

(Action: GoM)

56. Representative of MoRTH stated they have not received either the Detailed Project Report or the Feasibility Report. The Project report submitted contains inadequate data for carrying out an appraisal of the project. Thus, in order to conclude the appraisal process it was requested that the all supporting documents, including the DRP/FR may be provided by GoM. Deputy Secretary, (PR), PWD, GoM responded that they shall submit the DPR for the projects to the members of EI.

(Action: GoM)

57. Representative of MoRTH stated that technical Schedules of the project's DCA do not comply with the Manual for Standards of Specifications (MSS). Further, an observation on the Toll Policy of Maharashtra was put forth, it was stated the toll policy prescribes 3 categories of toll rates; (a) projects costing uptoRs. 40 crore; (b)between Rs. 40 crore to Rs.100 crore and (c) over Rs. 100 croreuptoRs. 400 crore. The cost of the instant project is Rs. 752.89 crore and there are three proposed toll plazas. Thus, cost for each of 3 stretches of the project road maybe approximately Rs. 250 crore. As per State Government's toll policy, the applicable toll rate should then be based as relevant for the aforementioned category (c). In the instant case the project documents have incorporated toll rates applicable to greater than Rs. 400 crore project, whereas, toll rates should have been limited to projects costing Rs. 250 crore. Deputy Secretary (PR), PWD, GoM responded that toll rates for projects costing more than Rs. 400 crore are also pegged at the rates specified for uptoRs. 400 crore projects. The applicable notification for projects costing over Rs. 400 crore and specific to this instant project shall be submitted to members of EI.

(Action: GoM)

58. The Chair observed that the rate is not be changed by GoM for each project proposal, and there may be a uniform policy. Further, it was indicated that for clarifications provided or clarifications that are pending, such as the toll notification for project over Rs. 400 crore, tollable length as applicable to each of the 3 toll plaza in Schedule R, and compliance to MSS, written responses may be provided.

59. In view of the aforementioned, all the members of EI were in agreement to defer the approval of the project.

60. The EI deferred the proposal and requested GoM to submit documentation supporting toll notification for projects over Rs. 400 crore. Additionally, toll notification to be resubmitted as specifically applicable to the instant project covering the tollable length at each of the 3 toll plazas. GoM was further requested to comply with requirements of MSS and respond suitably to appraisal notes of the member of EI. A copy of the updated documents may be submitted to members of EI for concluding the appraisal process and for purposes of record.

(Action: GoM and DEA)

Agenda Item IX: Proposal from Government of Maharashtra for four-laning to Jalna-Ambad-Vadigodri (SH-176) km 154/00 to 200/600 (Total length 46 km) on DBFOT basis.

Total length: 46 km; Total Project Cost: Rs. 180.40 crore, Concession Period: 25 years including 2 years of construction period.

VGF from Government of India: Rs. 35.70 crore ,VGF from Government of Maharashtra: 30.34 crore.

Major development works/ structures: Main paved 4-lane with PS) from km 154 to 200 km 46, new construction of 4 major bridges,; widening of 17 Minor bridges; slab drains 16, H.P. Culverts: 34; Toll plazas: 1 (at km 175)

61. Representative of MoRTH stated that technical Schedules of the project's DCA do not comply with the Manual for Standards of Specifications (MSS). He also stated that they have not received either the Detailed Project Report or the Feasibility Report. The Project report submitted contains inadequate data for carrying out an appraisal of the project. Thus, in order to conclude the appraisal process it was requested that the all supporting documents, including the DRP/FR may be provided by GoM. Deputy Secretary, (PR), PWD, GoM responded that they shall submit the DPR for the projects to all the members of EI.

62. EI deferred the proposal and requested GoM to submit all the supporting documents including the DPR/FR and Schedules of the project's DCA that are complete and compliant with MSS to all the members of the EI.

(Action: GoM)

Agenda Item X: Proposal from Government of Maharashtra for four-laning to Aurangabad-Ajintha-Fardapur Highway (MSH 8) km 5/0 to 104/0 (Total length-99 km) on DBFOT basis.

Total length: 99 km; Total Project Cost: Rs. 580.22 crore (; Concession Period: 30 years including 2 years of construction period.

VGF from Government of India: Rs. 116.04 crore (20%), VGF from Government of Maharashtra: Rs. 81.23 crores (14%)

Major development works/ structures: Main paved carriage-way 4-lane with PS from km 5/0 to km 104/0, 7 major bridges (6 new, 1 widening), 37 minor bridges (4 new construction, 33 widening), 5 grade separators, 38 slab drain (1 new, 37 widening), 10 bus bays and 2 Toll Plazas (at km 11/500 and km 71/500).

63. Representative of MoRTH stated that technical Schedules of the project's DCA do not comply with the Manual for Standards of Specifications (MSS). He also stated that they have not received either the Detailed Project Report or the Feasibility Report. The Project report submitted contains inadequate data for carrying out an appraisal of the project. Thus, in order to conclude the appraisal process it was requested that the all supporting documents, including the DRP/FR may be provided by GoM. Deputy Secretary, (PR), PWD, GoM responded that they shall submit the DPR for the projects to all the members of EI.

64. EI deferred the proposal and requested GoM to submit all the supporting documents including the DPR/FR and Schedules of the project's DCA that are complete and compliant with MSS to all the members of the EI.

(Action: GoM)

65. The meeting ended with a vote of thanks to the Chair.

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

**Empowered Institution for the Scheme to Support Public Private Partnerships in
Infrastructure**

47th Meeting held on July 23, 2013

List of Participants

I. Department of Economic Affairs, Ministry of Finance

1. ShriShaktikanta Das, Additional Secretary (**In Chair**)
2. Kum. SharmilaChavaly, Joint Secretary
3. Smt. AbhilashaMahapatra, Deputy Secretary,

II. Department of Expenditure, Ministry of Finance

4. Smt. S.G. Ray, Director, PF-II

III. Planning Commission

5. Shri Amitabh Ray, Joint Advisor
6. Shri K.R. Reddy, Consultant

IV. Ministry of Power

7. Smt. AnjuBhalla, Director,

V. Ministry of Road Transport and Highways

8. ShriAmarendra Kumar, SE (PPP)
9. ShriVarunAggarwal, EE

VI. Ministry of Urban Development

10. Shri A.S. Bhal, Economic Advisor

VII. Government of Madhya Pradesh

11. ShriVivekAgarwal, Managing Director, Madhya Pradesh RoadDevelopment Corporation

VIII. Government of Maharashtra

12. Shri C.P. Joshi, Chief Engineer, Aurangabad
13. Shri M.N. Dekate, Deputy Secretary (PR), PWD, Mantralaya, Mumbai
14. ShriAvinash T. Dhondge, EE, PWD, Hingoli

15. Shri R.A. Gupta, Resident Engineer, PWD, New Delhi

IX. Government of Mizoram

- 16. Shri C.L. Thangliana, E-I-L
- 17. Shri K. Guite, CE, Power
- 18. Shri L. Pachuau, CE
- 19. Shri Ranbir Singh, Resident Commissioner

X. Government of Odisha

- 20. Shri I. Srinivas, Development Commissioner cum ACS
- 21. Shri S.K. Ratho, Special Secretary, H&UD, Govt. of Odisha
- 22. Shri Santosh Sarangi, Secretary, ST & SC Dev. Department
- 23. Shri Baldev Singh, Project Adviser, HEUD/ SC & ST Department, HFW

XI. Government of Uttar Pradesh

- 24. Shri S.K. Rai, Member-Finance, UP State Highway Authority
 - 25. Shri G.K. Srivastava, Project Director, UP State Highway Authority Lucknow
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