

POWER GRID CORPORATION OF INDIA LIMITED

CORPORATE CONTRACT SERVICES

CIRCULAR NO.33 /2020

Ref.: CC/P&S/06/CPG

Date: 03/12/2020

Sub.: Implementation of GoI guidelines regarding Performance Security.

- 1.0 As per provisions of the Works & Procurement Policy (WPP), Contract Performance Guarantee (Performance Security) shall be normally 10% of the Contract Price.
- 1.1 Presently, in the backdrop of representations on acute financial crunch among many commercial entities and contractors on account of slowdown in economy due to the pandemic, which in turn is affecting timely execution of the contracts, Procurement Policy Division, Department of Expenditure, Ministry of Finance has issued OM dated 12/11/2020 containing certain guidelines regarding Performance Security (Flag-A). In regard to the aforesaid, methodology for implementation of the guidelines contained therein has been approved by competent authority as follows:
- 1.2 Implementation of GoI Guidelines regarding Performance Securities
- a) As per extant guidelines of Works & Procurement Policy and Procedures, the value of Contract Performance Guarantee (CPG) shall normally be 10% of the contract price. However, in view of the present GoI guidelines for reduction in quantum of Performance Security, Contract Performance Guarantee for all existing contracts shall be reduced to 3% of the contract price as defined in respective contracts.
- b) The aforesaid reduction shall be applicable to all Performance Security (ies) including additional Performance Security(ies), whether submitted by the main contractor(s) or their Associate(s). Further, additional Performance Security(ies) to be submitted by Parent Company/ Principals/ Collaborator/ Licensors/Manufacturers etc. in line with the requirements of QR/bidding conditions shall also be reduced to 3 % of the values as defined in the respective contract(s). In cases wherever the existing Performance Security is already less than or equal to 3% of the contract price as defined in the respective contract(s), shall however, remain at the present level.
- c) Further, all tenders/ contracts issued/ concluded till 31 .12.2021 shall also have the provision of reduced Performance Security as above.

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- d) In all contracts where Performance Security shall be 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 shall be no subsequent increase of Performance Security even beyond 31.12.2021. Similarly, in all future contracts entered into with the reduced percentage of Performance Security of 3%, there will be no subsequent increase in Performance Security even beyond 31.12.2021.
- e) The aforesaid shall also be applicable in cases where options of withholding of retention money in lieu of Performance Guarantee or a combination of both are provided for.
- f) However, the benefit of the reduction in the quantum of performance security as above will not be given in following circumstances/cases:
- i) The contracts under dispute wherein arbitration/court proceedings have been already started or are contemplated;
 - ii) Recovery on account of any shortfall/losses/estimated LD suffered by POWERGRID/reconciliation of materials etc. exceeds aggregate of the balance amount due to the contractor and reduced CPG of 3%.

1.2 Procedural Aspects:

- (i) The reduction of CPG as per the instant guidelines shall be carried out irrespective of whether a request to this effect from the contractor is received or not.
- (ii) In case of existing contracts (including contracts being executed under TBCB projects), the changes as mentioned above (shall be incorporated as amendment to contract with the approval of ED/HoD(Region) [ED(Indenting deptt.) for packages being executed by any CC deptt] in case of Corporate awarded packages. For Regional awarded packages, the competent authority for issuance of amendment to the contract shall be as per Delegation of Powers.
- (iii) In cases as per para 1.1 (f) above wherein the benefit of reduction shall not be extended to the contractor, the proposal for the same shall be approved by ED/HoD(Region) [ED(Indenting deptt.) for packages being executed by any CC deptt] in case of Corporate awarded packages. For Regional awarded packages, the competent authority for approval shall be the award approving authority as per Delegation of Powers. Further, in case a request from the Contractor is received in such cases, a communication citing the reasons for not reducing the CPG value in terms of the extant guidelines



shall be issued to the contractor by the concerned Responsibility centres on approval of the aforesaid proposal.


- (iv) In case of multi-regional contract(s), the Lead Region shall be the nodal Region to operationalize the instant guidelines.
- (v) For cases wherein NIT has been issued and change in QR/ amendment to the bidding documents is necessitated as per instant guidelines, a corrigendum to the NIT/amendment to the bidding documents shall be issued (without necessitating any approval of QR Committee for change in QR). For future packages, revised stipulations shall be incorporated suitably by Indenting deptts.
- (vi) In cases wherever bids have been opened, the value of reduced performance security shall be incorporated in Notification of Award/Contract Agreement as the case may be. However, in case Contract Agreement has also been signed and Contract Performance Guarantee has also been submitted by the Contractor prior to issuance of circular to this effect shall be dealt with by executing Regional offices.

1.3 Wherever, there is compelling circumstances to ask for Performance Security in excess of three percent as stipulated above in future tenders, the same should be done only with the approval of the next higher authority to the authority competent to finalize the particular tender. In case where award approving authority is the CMD/CODAC/ Board, approval of the exception shall be sought from the Board. Specific reasons justifying the exception shall be recorded.

2.0 Sample amendment to the bidding documents for implementation of the above guidelines is enclosed as Annexure-I. The amendments shall be applicable for all packages for which deadline for bid submission is after 3 days from the issuance of this circular.

2.1 In case of funded packages, the changes shall be implemented in concurrence with the Funding agency.

This is issued with the approval of competent authority.


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For kind information, please:

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