Director General

SEC/REP/S/092   29th April 2021

Dear Shri Singh,

Sub: Request to Reduce the Value of Performance Security from 10% to 3% for Switchyard Pkg Switchyard Package for Solapur STPP (2X660 MW)

Ref: (1) Contract Agreement NOA No. CS-9571-573-2-FC-NOA-5690, dated 30-03-2012
(2) Contract Agreement NOA No. CS-9571-573-2-SC-NOA-5691, dated 30-03-2012

IEEMA is the apex representative body of electrical industry, covering a wide range of electrical, industrial electronics and allied products, encompassing the entire value chain of the sector from power generation, transmission, distribution and downstream to the point of consumption of electricity; thereby covering finished products, parts and components, systems and services.

IEEMA members are participating in the tender for Solapur Super Thermal Power Project of NTPC Limited, for Supply of Switchyard Pkg Switchyard Package for Solapur STPP (2X660 MW). The industry has reported that NTPC Limited has insisted for a performance security deposit of 10% for the said contract instead of 3%.

We would like to submit that due to slowdown in the economy on account of outbreak of deadly COVID-19 pandemic, there is an acute financial crunch among many commercial entities and contractors, which has affected the timely execution of the contracts. Further, this cash crunch has affected the ability of contractors to bid in tenders for healthy completion in the market.

Keeping in mind the importance of this sector in sustaining the economic activity in the country and the above challenges being faced by Industry, Government of India, had announced Reduction in Value of Performance Security in Government Tenders from existing 5-10% to 3% of the value of the contract vide Office Memorandum No. F.9/4/2020-PPD, dated 12th November 2020, issued by Department of Expenditure, Ministry of Finance, Government of India *(copy attached)*

The above Order states that all Government Departments / Public Enterprises / Central Public Sector Undertakings etc. were advised to reduce the Performance Security from existing 5 -10% to 3% of the value of the contract, pertaining to all existing contractors tenders / contracts issued / concluded upto 31.12.2021, thus making it applicable for all kinds of procurement viz. Goods, Consultancy, Works, non-consulting Services, EPC etc. and was issued under Rule 6(1) of the GFRs 2017.

Also, 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. Similarly, in all 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.

IEEMA request NTPC Limited to revise its said contract for Supply of Switchyard Pkg Switchyard Package for Solapur STPP (2X660 MW), in order to reduce the percentage of performance security from 10% to 3%, in compliance to the OMs of the Department of Expenditure, Government of India.

The above measure will provide significant relief to the contractors and suppliers, easing their liquidity and working capital needs and help them tied over the difficult situation created by the pandemic and subsequent crisis.

We look forward to kind consideration of our above request.

Best regards,

Yours sincerely

Sunil Misra

**Shri Gurdeep Singh
Chairman and Managing Director
NTPC Limited**

CC: Shri Ambrish Kumar, AGM (EED), NTPC Ltd.