

**MINUTES OF THE 11<sup>th</sup> MEETING OF THE BOARD OF DIRECTORS OF THE CESC HELD ON SATURDAY, THE 30<sup>TH</sup> DECEMBER 2006 AT 11.00 AM AT REGISTERED OFFICE OF THE CORPORATION, MYSORE**

**Present:**

Shriyuths:

- |                         |    |                      |
|-------------------------|----|----------------------|
| 1. Bharat Lal           | .. | Chairman             |
| 2. Vijayanarasimha      | .. | Managing Director    |
| 3. KV Srinivasamurthy   | .. | Director (Technical) |
| 4. Dr.Aditi Raja        | .. | Director             |
| 5. S Pratapkumar        | .. | Director             |
| 6. M Lokaraj            | .. | Director             |
| 7. Vishvanath Hiremath  | .. | Director             |
| 8. BN Sathyaprema Kumar | .. | Director             |

**By invitation**

- |                  |    |                               |
|------------------|----|-------------------------------|
| 1. UR Badiger    | .. | Chief Engineer (Mysore Zone)  |
| 2. Basavarajappa | .. | Financial Adviser addl charge |

**In attendance:**

- |                   |    |                      |
|-------------------|----|----------------------|
| R Balasubramanian | .. | Authorised Signatory |
|-------------------|----|----------------------|

*Leave of absence was granted to Shriyuths VM Chandre Gowda, MV Murthy & Darpan Jain, Directors*

**Item No. 11/5: Confirmation of the minutes of the 10<sup>th</sup> Board meeting held on 14.11.2006**

11/5.01 The Board confirmed the minutes of the 10<sup>th</sup> meeting of the Board held on 14<sup>th</sup> November, 2006 as circulated.

**Item No.11/1: Rural Electrification works in Madikeri (Kodagu) District on Turnkey basis under RGGVY Scheme for Rural Electricity Infrastructure and Household Electrification**

11/1.01 The Board was informed that similar to the schemes for rural electrification approved by the Board in respect of Mysore, Mandya, Hassan and Chamarajanagar districts, similar scheme has been prepared for Madikeri (Kodagu) district. He further informed that tenders have been floated based on the prevailing guidelines.

Under the Electricity Act-2003 there is a provision for a national policy on rural electrification. Government of India has evolved a scheme called “Rajiv Gandhi Grameen Vidyuthikaran Yojana (RGGVY)–Scheme to provide Electricity Infrastructure and Household Electrification In Rural areas.” The scheme is implemented through Rural Electrification Corporation (REC).

11/1.02 The Board was further informed that:

- i) A detailed project report covering 3 blocks/taluks was prepared in respect of Madikeri (Kodagu) district and submitted to REC authorities for sanction.:

Sl No	Details of work	Unit	Qty as per DPR submitted	Quantity as per REC Sanction	Unit rate Rs in lakhs	Total Amt Rs in lakhs
1	Extension of 11 KV line	Kms	1967.99	1553.57	1.24	1926.43
2	Establishing 25 KVA 11KV/415 V Distribution transformer centre	Nos	935	769	0.560	430.64
3	Extension of LT 3 phase 5 Wire	Kms	368.71	29.52	1.230	36.31
4	Extension of LT single phase 2 wire	Kms	1480.03	118.48	0.744	88.15
5	Servicing of BPL house holds	No	39669	39669	0.0150	595.04
6	DTC's metering	No	935	769	0.0428	32.91
7	Over head charges @ 10% (excluding item 5)	LS				251.44
8	Total project cost Rs. In lakhs		5609.47			3360.92

- ii) The REC has sanctioned the project vide letter No. No.REC/BLR/RGGVY/ 06-07/ 1069/ dtd.04-12-2006;
- iii) A tripartite agreement between REC & GOK & CESC Mysore was executed on July 2005.
- iv) Project Finance: Funds for the project will made available by REC towards Capital Subsidy & Loan component at 90 % & 10 % of eligible project cost respectively;
- v) Karnataka Electricity Regulatory Commission will be addressed to accord approval to carry out the project on receipt of project sanction;

- vi) In order to execute the work on turnkey basis in accordance with the REC guidelines and after getting clearance from tender scrutiny committee, tenders were floated on e-tendering mode;

Sl No.	Details	Details of Madikeri (Kodagu) District
1	Notification of Bid Enquiry.	Bid Enquiry No.CEE/MYZ/ EEO/ AEE-1 /RGGVY-5/MDK/ 06- 07 / Dated 10-10-2006.
2	Date of Notification:	10-10-2006
3	Commencement of Registration:	16-10-2006
4	Issue of Electronic Bid Document:	16-10-2006
5	Cost of Bidding Document:	Rs.5200.00
6	Last Date and Time for receipt of requisition for electronic Bid sheets:	30-11-2006 12-00 hrs
7	Last Date and Time for issue of electronic Bid sheets:	30-11-2006 16-00 hrs
8	Last Date and Time for receipt of Bid through Electronic mode with one hard copy:	01-12-2006 15-00 hrs
9	Date and Time of opening Techno-commercial electronic bid sheet:	01-12-2006 16-00 hrs

- vii) Qualifying requirements were :
- i) The bidder or his associates shall possess a valid government of Karnataka class-I contractors electrical license.

The bidder should satisfy any one of the following conditions:

- a. The bidder should have executed at least one Sub Station or Switch yard of 33 KV class or above, during the last Seven years as on the date of bid opening and which must be in satisfactory operation for at least Two years as on the date of bid opening. OR
- b. The bidder should have constructed and commissioned transmission lines / feeders of aggregate route length of 100 Kms 11 KV or above Voltage class or Installed / erected 11 KV or above voltage class substations (in case of 11/4 KV distribution substation at least 20 Nos. substations) during the last 7 years and which must be in satisfactory operation for at least Two years as on the date of bid opening. OR
- c. The bidder should be a manufacturer who must have designed manufactured type tested and supplied in one single year (in any year during last 7 years) at least 20MVA cumulative distribution transformers of 11/4KV rating or Power transformers for 11 KV and above voltage class and are in satisfactory operation at least Two years as on the date of bid opening provided he engages a

sub contractor who meets any one of the qualification requirements specified in b) or c) or d).

ii) Bid security/EMD was 1% of amount put to tender. Payment of Bid Security / EMD valid for Seven calendar Months from the date of opening of Bids,

iii) Financial Capability:

a. Financial Turn-Over: 3 times the amount put to tender.

b. Liquid Assets: 45% of the Amount put to tender.

- viii) The following firms have purchased the bid documents to participate in the tender.
- i) M/s ABB Ltd Bangalore
  - ii) M/s Deepak Cables (I) Ltd, Bangalore
  - iii) M/s GVPR Engineers Ltd, Hyderabad
  - iv) M/s Larsen & Toubro Ltd, Bangalore
  - v) M/s Victory Transformers & Switch Gears Ltd Hyderabad.
  - vi) M/s ICOMM Tele Ltd, Hyderabad
- ix) The techno-commercial Bids through e-tendering mode were opened on 1.12.06;
- x) The following firms have participated in the Bidding process:
1. M/s Deepak Cables (I) Ltd, Bangalore
  2. M/s Larsen & Toubro Ltd, Bangalore.
- xi) On evaluation of the techno-commercial bids by the tender scrutiny committee on 6.12.06, both the firms were found to be responsive;
- xii) The price bids were opened through e-tendering mode on 7-12-06 and quoted price schedule sheets, prints were taken out;
- xiii) The firms have stated in the tender document that they have not taken any technical deviation and commercial deviations;
- xiv) The bidders were requested to quote unit ex-work prices, applicable taxes, duties and freight and Insurance as per the specifications. As such the total evaluated unit FORD price including taxes, duties and freight and Insurance charges is considered for the purpose of evaluation. The lowest evaluated total FORD price is to be considered for awarding the contract;
- xv) The total evaluated amount has been compared with respect to the estimated schedule of rate as per prevailing CESC SR 2005-06 & BESCOM SR 2005-06;
- xvi) The prices are FIRM throughout the period of contract;

- xvii) VAT will be allowed subject to furnishing of VAT registration number. The firm will be asked to supply materials at agreed rate as per CESC requirement / approved design adopted by KPTCL & other ESCOMs;
- xviii) The preliminary queries of internal audit have also been replied;
- xix) The Controller (I/A) has stated that KTPP Act-2000 has been followed in the tender process.
- xx) The price bids are evaluated for DPR quantity with respect to:
- *the estimate prepared based on CESC SR-2003. In this estimate, only material cost, casual labour, regular labour costs and 10% overhead charges for the material and labour costs are only considered as per the norms of REC for sanctioning purpose. However, this 10% overhead charge is not included towards the cost of servicing of BPL houses.*
  - *The total evaluated bid amount has been compared with respect to the estimated schedule of rate as per prevailing CESC SR 2005-06 & CESC up dated procurement rate for Transformer & 2 ACSR Conductor and PWD/ Market rate for some other materials.*
- xxi) Since the submitted DPR quantities have been revised by REC, the details of quantities included in the tender for each item of work are as follows:

Sl No	Details of work	Unit	Quantity as per DPR submitted	Qty as per REC Sanctioned	Qty put to tender
1	Extension of 11 KV line	Kms	1967.99	1553.57	1400.00
2	Establishing 25 KVA 11KV/415 V Distrn transformer centre	Nos	935	769	700
3	Extension of LT 3 phase 5 Wire	Kms	368.71	29.52	100.00
4	Extension of LT single phase 2 wire	Kms	1480.03	118.48	500.00
5	Servicing of BPL house holds	Nos	39669	39669	30000
6	DTC's metering	Nos	935	769	700
7	Total amount	lakhs	5609.47	3360.92	3600.00

- xxii) Executive Engineer (E) O & M Division, Madikeri has furnished the details of the quantities based on the latest survey carried out by the field staff before calling the tender. Hence the revised quantity is put to tender to enable the bidders to quote their bids.

11/1.03 The Board was further informed that the total FORD prices quoted by the firms are as follows:

Name of the firm	Total FORD rates quoted by the firms
M/s Larsen & Toubro Ltd, Bangalore.	Rs. 6784.28 lakhs
M/s Deepak Cables (I) Ltd, Bangalore	Rs. 6014.08 lakhs

- a) M/s Deepak Cables (I) Ltd, Bangalore has quoted Rs 6014.08 lakhs which is 78.55 % with respect to REC sanction and 16.33 % with respect to CESC SR estimate and becomes L-1.
- b) M/s Larsen & Toubro Ltd, Bangalore has quoted Rs.6784.28 lakhs which is 101.42 % with respect to REC sanction and 31.23 % with respect to CESC SR estimate and becomes L-2.

11/1.04 The Board noted that as per the tripartite agreement, in the event of any variation in the project parameters or increase or decrease in the project cost, CESC has to submit revised cost estimate to REC through Govt. of Karnataka for consideration of revised sanction from REC as per that guidelines. The DPR has been prepared as per the norms of turnkey award using CESC SR 2003. But the project estimate cost now sanctioned by REC authorities considers only the material cost + casual & regular labour cost + 10% overhead charges on total material cost + labour, but excluding cost of servicing of BPL households. In any case, the Board has taken a view in all such RGGVY Schemes it is advantageous to avail whatever assistance is given by GOI as the company would otherwise be required to fund the entire program out of its funds.

11/1.05 The Board desired to know whether the proposal was examined by the Purchase Committee and as to whether prior approval of KERC was required. The Managing Director clarified that the proposal has been vetted by the Purchase Committee. As per the orders of the Appellate Tribunal for Electricity, prior approval of KERC is not required.

11/1.06 The Board thereafter discussed about the procedure followed in ESCOMS in the matter of processing of tenders for approval by the competent authorities and the role of FA and Controller Internal Audit, Purchase Committee, verification of compliance to KTPP Act with reference to check list, type of audit observations and replies thereto. The Board felt that it would be

appropriate to evolve a standard procedure with respect to tenders coming before the Board. The Controller of Internal Audit can play two roles, one as a member of the Tender Scrutiny Committee ( *with reference to the tender* ) and other as an Internal Audit Authority with reference to Company procedures and Internal Controls. Financial Advisor's input is also required with reference to funding and commercial conditions. The Purchase Committee has to examine the audit observations and whether the replies meet such observations reasonably. The Chairman emphasized the need to update unit rates for facilitating proper comparison.

11/1.07 The Board observed that in the case of RGGVY package approved for Hassan, the tender premium came to about 11% over the updated costs. In order to assess the comparability of the present L1 offer, the Hassan package could be updated based on IEEMA formula to assess the percentage increase. Based on such evaluation, the Managing Director could negotiate with the L1 and obtain reasonable price reduction not less favourable than the Hassan package. The Board thereafter resolved

**Resolved that in regard to the RGGVY works proposed for Madikeri District, the Managing Director be and is hereby authorized**

- (i) to carryout further price negotiations with the L1 bidder M/s Deepak Cables (I) Ltd, Bangalore and to award the work to them at the negotiated total Firm cost against tender enquiry No. CEE /MYZ/ EE (O) / AEE-1/ RGGVY-5/MDK/06-07/ Dtd.10-10-06**
- (ii) to pose the project for funding and grant under the RGGVY scheme of GoI to M/s REC Ltd.**
- (iii) to seek the approval of REC Ltd. for revision in estimated cost of the scheme based on the revised quantities and updated estimate and to consider funding on that basis;**
- (iv) to pose the project to commercial banks and other lending agencies for funds to meet the shortfall in funding from GoI under RGGVY**

**Item No.11/2: Revision of rates of key materials, labour charges for preparation of cost data sheets in SR**

11/2.01 The Managing Director informed the Board about the existing SR approved by the Board, need for updating on account of rise in the revision of rates of materials, the interim report of the committee headed by the Chief Engineer (Electy), Mysore Zone formed for revision of SR and the cost data sheet, the salient features of the proposed revision of the price of key materials, which are dominant in working the cost data sheet for distribution system. He further informed that as regards other materials, the committee would forward detailed proposals for approval in respect of revision of SR.

11/2.02 The Board noted the proposals as below:

Proposed revision of rates of key materials, Labour etc., of CESC SR-2005					
Sl. No	Particulars	Unit	Rate as per SR-2005 (Base month 4/05)	Proposed Rate SR- 2006 (Base month 11/06)	Remarks
1	Poles				
	a) 9 Mtr. RCC 145kg	No.	Rs.3235/-	Rs.3397/-	a. Rate includes loading, unloading Transpiration charges also within division b. ED will be paid on production of documents, if applicable only
	b) 8 Mtr. RCC 115kg	No.	Rs.2165/-	Rs.2519/-	
	c) 8 Mtr. PCC 140kg	No.	Rs.1382/-	Rs.1538/-	
	d) 8 Mtr. PSC 200kg	No.	Rs.1712/-	Rs.1767/-	
	e) 9 Mtr. PSC 280kg	No.	Rs.2081/-	Rs.2094/-	
2	Transformers				
	a) 25 kvA	No.	Rs.35560/-	Rs. 63571/-	
	b) 63 kvA	No.	Rs.51269/-	Rs.100415/-	
	c) 100 kvA	No.	Rs.62849/-	Rs.119652/-	
3	Conductor				
	a)Rabbit ACSR	Km	Rs.25490/-	Rs.33663/-	
	b)Wassail ACSR	Km	Rs.14930/-	Rs.20092/-	
4	Insulator				
	a)45 KN Disc	No.	Rs.268/-	Rs.322/-	
5	Concreting of guys wherever required	No.	Rs. 30/-	Rs.138/-	
6	Labour charges	No.	As per SR-2005	Rs.579/526 X labour proposed in SR 2005.	Consumer price index for ind. Workers as per IEEMA is Rs.579,526 for 11/06 & 03/05
7	Average span for new 11 Kv lines		As existing	As proposed	
	a) Urban areas in Mtrs.		40	30	
	b) Rural areas in Mtrs.		50	40	



It felt that the comprehensive proposals for revision of SR should be formulated and the entire proposal brought before the Board. It observed that it would be appropriate to update as per IEEMA from time to time preferably on quarterly basis. One approach could be to track the procurement of the previous one - one half years and apply IEEMA to the procurement rates. The other approach is to apply IEEMA to the SR. While the updated SR rates are used for tendering purpose, at the time of taking decisions, the updated procurement rates would be a reasonable comparison. The Board also felt that the rates in the neighbouring States could be tracked and kept in mind while finalizing SR and tenders. It was informed that in AP, the manufacturing of poles is mechanized leading to reduction in cost while in Karnataka the manual labour intensive method is followed resulting in higher costs.

11/2.02 The Board after discussions desired the Managing Director to formulate proposals accordingly and bring it before the next Board after vetting by the Purchase Committee.

**Item No. 11/3: Authorization to take disciplinary action against officers working in CESC**

11/3.01 The Board was informed of the need for clarity in the matter of disciplinary powers for the management to be effective and accordingly the present the proposals were submitted to the Board.

11/3.02 The Board noted that this was a common issue debated in the ESCOMS and that the issue had been clarified in these ESCOMs Board meeting. It was noted that Rule 16 of the KEB Employees (CDC&A) rules deals with disciplinary matters in respect of borrowed officers. Hence, the Board authorized the Managing Director to follow the powers vested under Rule 16 of the KEB Employees. (CDC&A) Rules in such cases.

**Item No. 11/4: (a) Requirement of Additional Store Budget grant for procurement of line materials to CESC for the FY-07**

**(b) Requirement of Provisional Store Budget of Rs.100 Crores for the year FY-08 – reg.**

11/4.01 The Board was informed that the proposal is for enhancement of Stores Budget for Rs. 130 crores approved earlier to Rs. 180 crores and sanction of a provisional Store Budget of Rs.100 crores for the year FY-08, against pending finalization of store budget for the year FY-08.

11/4.02 The Board desired to know has to whether the increase is due to increase in quantities or due to tender premium/higher rates, the extent of capital expenditure and turn key works proposed and whether the proposed expenditure is in consonance with the plan for three years expenditure/action plan that ESCOMS are required to formulate.

11/4.03 It was clarified that of the capital expenditure program of Rs. 368 crores, turn key works accounted for Rs. 142 crores only and hence the capex of an amount of Rs. 226 crores had to be driven by CESC with support through Stores Budget.

The Board approved the increase in Store Budget in principle but desired that a detailed budget for 07-08 and 08-09 be prepared and brought to the Board. Expenditure details also be brought to Board.

**Item No. 11/6 : Annual Accounts for the year ending 2005-2006 – statutory auditors’ report and the review and comments of the C & AG of India thereon – approval to Directors’ Report including Addendum containing management’s reply to Auditors’ observation**

11/6.01 The Board noted the report of the statutory auditor on the accounts for the period from 17.1.05 to 31.3.06, the review and comments of the Comptroller and Auditor General of India thereon and the Directors’ Report including Addendum containing management’s reply to Auditors’ observation as vetted by the Audit Committee. The Board observed that the statutory auditor shall be present in the Audit Committee in future to assist the Committee. The Board also desired the Managing Director to prepare a detailed administration report, *though not statutorily required*, for better disclosure understanding and appreciation of the progress of the Company. Shri Satyapremakumar felt that in future directors reports,

details of customer friendly initiatives, loss reduction measures, incentives. demand side management, status of internal audit paras and disciplinary proceedings etc. could also be incorporated. Dr. Aditi Raja, Chairman Audit Committee desired that a detailed agenda on audit observations and internal controls be prepared for discussion in the next Audit Committee meeting and also that the Finance wing shall ensure the presence of the Statutory Auditors.

11/6.02 After discussions, the Board

**Resolved that the statutory auditors' report & the review and comments of the Comptroller & Auditor General of India on the Annual Accounts 2005-2006 be and are hereby taken on record.**

**Further, the Directors' Report including the Addendum containing management's reply to auditors' observations be and are hereby approved and the Chairman be and is hereby authorized to sign the same on behalf of the Board.**

**Further, the Annual Accounts, Directors' Report together with the Auditors' Report and C&AG review and comments be placed before the Annual General Meeting to be convened on or before 31.12.06 for adoption.**

**Further, the Managing Director or the Director Technical be and are hereby authorized to file the necessary returns required under Companies Act 1956.**

**the Authorised Signatory be and is hereby authorized to issue the Notice convening the 1<sup>st</sup> Annual General Meeting on or before 31.12.06.**

#### **Item No. 11/7: Review of Financial performance**

11/7.01 The Board perused the charts/statements pertaining to the financial performance of the Company. The Board desired that revenue collection has to be intensified and disconnections carried out wherever necessary. It was decided to review the same in greater detail in the next meeting.

**Item No. 11/8: Procurement of 5,00,000 nos Compact Fluorescent Lamps 11 w on rate contract basis for RGGVY works**

11/8.01 The Board was informed that in terms of the authorization given by the Board in its 10<sup>th</sup> meeting, the Managing Director had negotiated with M/s Philips Electronics Ltd., Chennai and obtained a further price reduction from the Unit quoted rate of Rs. 77.19 to Rs. 64.62 for 11 watts CFL. However, the firm is insisting on placement of entire order to avail the benefit of the unit rate.

11/8.02 The Board noted that the price reduction obtained was substantial and that the unit FORD price was competitive. The Board therefore

**Resolved i) that the Managing Director address the other ESCOMS regarding the price obtained and for placement of orders on M/s Philips Electronics (India) Ltd. Chennai for one lakh units of 11 Watts CFL each at the negotiated FORD unit price of Rs.64.62 only inclusive of all duties, taxes, freight and insurance – Sales tax component is 4% against issue of Form-C;**

**(ii) Orders be placed on M/s Philips Electronics (India) Ltd. Chennai on behalf of CESC for one lakh units of 11 Watts CFL each at the negotiated FORD unit price of Rs.64.62 only inclusive of all duties, taxes, freight and insurance – Sales tax component is 4% against issue of Form-C;**

**(iii) Inspection if required be carried out by officials at the manufacturing centre located in China with the ESCOMS bearing the travel expenses**

**11/A.01 Demand Side Management**

The Chairman informed that –

BESCOM has taken action to set up a cell and undertake DSM activities. The need for DSM was emphasized. Board after discussion authorized MD to implement such measures and take all action needed in this regard. He was authorized to associate in all such activities.

**11/A.02 Dovetailing with SCADA.**

Chairman briefed about action taken to implement SCADA in KPTCL. Need for dovetailing IT initiatives was emphasized.

After discussion, MD was fully authorized to take action in consultation with Chairman and decide in implementation of SCADA in Company Stations and on sharing the cost of SCADA with KPTCL.

Sd/-  
**(Bharat Lal)**  
**Chairman**