



KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

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ABSTRACT

Pallivasal Extension Scheme HEP (2x30 MW) - Erection of supplied E&M Equipment and supply and erection of Balance of Plant equipment - Request for the time extension of contract completion period - Sanctioned - Orders issued.

Corporate Office (SBU-GE)

B.O. (FTD) No.87/2024 (DGE/G2/AEE3/PESHEP/2023)
Thiruvananthapuram.

Dated:26-02-2024

-----Read:1.

Work Order No.06/2021-22 dated 31.01.2022 of CE (GEN&PED).

2. Contract Agreement No.CEPED/01/2022-23 dated 25.04.2022.
3. B.O. (FTD) No.252/2023 (DIRGE-AEE4/2023/327) dated 17.05.2023.
4. B.O. (FTD) No.493/2023 (DIRGE-AEE4/2023/327) dated 16.11.2023.
5. Letter No.TVPPL-KSK/PES-HEP/SITE/373/2023-24 dated 15.01.2024.
6. Letter No.EDK/PES/2023-24/342 dated 27.01.2024 of Executive Engineer, Erection Division, Kallarkutty.
7. Letter No.TVPPL-KSK/PES-HEP/SITE/375/2023-24 dated 27.01.2024 (Revised Project Schedule Rev.12).
8. Note No.PED-AE1&AE6-PES-2024-253-Time Extension/01 dated 29.01.2024 of Deputy Chief Engineer (PED) with FPO Chief Engineer.
9. Note No. DGE/G2/AEE3/PESHEP/2023 dated 06.02.2024 of the Director (Generation- Electrical, REES, SOURA, Sports and Welfare) submitted to Full Time Directors (Agenda item No.27-02/2024).

ORDER

Brief History of the Project

The erstwhile KSEB had accorded administrative sanction for an amount of Rs.175.86 Crore for the implementation of the Pallivasal Extension Scheme 2x30 MW (153.9 Mu) on 20.11.2001. Tender for execution of the Palivasal Extension Scheme was invited as a single package for Civil & Electrical works on 15.12.2004 based on 2004 PWD SOR. Contract for the execution of the Scheme was awarded on 18.9.2006 to the lowest bidder M/s. ESSAR-DEC-CPPL Consortium and the agreement was executed on 31.01.2007. The agreed contract value was Rs.268.01 Crore. The date of completion as per agreement was 01.03.2011 but the work could not be completed in time due to several reasons including geological issues, improper planning of the contractor, non- mobilization of adequate men, materials and machineries etc. and works were at a standstill from July 2015 onwards. The Government as per G.O. (MS) No. 7/2016/PD dated 4.3.2016 accorded sanction to KSEBL to foreclose the contract without any risk and cost liability of the present contractor and permitted KSEBL to rearrange the balance works through open tender. The Government vide order dated 16.1.2017 excluded the Pallivasal project from the purview of foreclosure and vide order dated 27.3.2017 granted extension of time upto 31.12.2020 to the present contractor to complete the work.

The contractor has resumed the stand still works on 11.04.2017 based on the decision taken by the Board to write to the existing contractor to complete the remaining works as per the existing terms

and condition of the contract. After resuming the work, M/s.ESSAR-DEC-CPPL Consortium has submitted a proposal for price escalation in which they have demanded escalation in rates for the balance civil works to be completed as well as already completed works by applying DRIP escalation formula. In the original contract agreement with M/s.ESSAR-DEC-CPPL Consortium there is no provision for revision of rates on any ground and hence the proposal for granting price adjustment as per DRIP formula was placed before the 33rd meeting of the Board of Directors held on 18.07.2017. The Board, considering the price allowed as per the tender and the current market price, especially on the cost of labour and the need to complete these project without further delay, sanctioned the price adjustment rates based on "DRIP formula" with cost index of 05/2005 as base for the balance civil works assigned to M/s.ESSAR-DEC-CPPL Consortium, as per the Micro schedule submitted by the contractor, with a total financial commitment not exceeding Rs.16 crore. Further, Board vide order dated 30.12.2017 decided to De-link the work of Intake area, Face I Tunneling and balance Face II Tunneling from the scope of work awarded to M/s.ESSAR-DEC-CPPL Consortium by invoking clause El.060 of the existing contract agreement, with the consent of the contractor.

Government sanction was requested for granting the price adjustments by applying the "DRIP" formula with a total financial commitment not exceeding Rs.16 Crore. The Government as per G.O. dated 28.02.2018 had granted price adjustments for fixed rate revision for the hindered works for which the contractor is no way responsible.

This price adjustment sanctioned by the Government was not found encouraging to the contractor and requested to consider DSR 2015 as base without any ceiling with GST extra for enabling them to continue with the balance civil works of Palivasal Extension Scheme.

Regarding the Hydro Mechanical & Electrical part, M/s.ESSAR-DEC-CPPL Consortium as per letter dated 07.04.18 submitted their demand for a revised rate of supply of 2 times of existing rate and 4 times of the existing contract rate for erection with hike in supervision component at actual plus 25% towards other cost and incidentals.

The matter was placed before the Board in its 39th Board meeting held on 24.04.2018 and decided to refer the case to the Government for a decision on either to reconsider the price revision sanctioned as per G.O. dated 28.02.2018 for the remaining Civil works and to decide on price revision claimed by the Contractor on Electro Mechanical works or to carry out the entire balance work (Civil & Electro Mechanical) at the risk and cost of the contractor.

The Government after examining the matter in detail has accorded sanction as per G.O dated 10.07.2018 to Re-tender the balance work of Palivasal Extension Scheme at the risk and cost of the Contractor. Also Government ordered that KSEBL shall prepare a time line and monitor the completion of the project in a time bound manner.

The Deputy Chief Engineer & PM (PES) as per note dated 09.07.2018 has reported that M/s.ESSAR-DEC-CPPL Consortium has stopped the work with effect from 10th April 2018 without any reasons and reported the status as "Breach of Contract as per Article X" of agreement.

Since the contractor committed breach of contract conditions, notice was issued to the Contractor M/s.ESSAR-DEC-CPPL Consortium as per letter dated 16.07.2018 to make good the losses, failure and slippage so as to get the work completed as per the micro schedule within 15 days. But no attempt has been made from the contractor's side for resuming the work and to make good the losses, failure and slippage.

Finally, the contract with M/s. ESSAR-DEC-CPPL consortium was terminated on 19.09.2018 at the risk and cost of the contractor. The contractor filed WP(C) No. 31613 before the Hon'ble High Court of Kerala and counter affidavit was filed by the Board before the Hon'ble High Court of Kerala. Even though the contractor obtained stay order against the termination of work with the consent of the Hon'ble High Court of Kerala, the balance works were rearranged by the Board in four segments.

There is inordinate delay in concluding the contract for erection of supplied electro mechanical equipment and supply and erection of BOP equipments. The detailed sequence of E & M works events are as follows.

26.02.2019	Board decided to re-tender the balance works of PES as two separate tenders for civil and E&M works.
27.05.2019	First tender for E&M works floated.
25.09.2019	Tender cancelled due to lack of competition and being single tender.
27.09.2019	Second tender invited.
07.01.2020	Board decided to cancel the tender and to retender the work since only one bidder was there and the quoted rate is very high.
10.07.2020	Tender invited on MSTC platform on reverse bidding basis.
04.08.2020	Re-e-reverse bid invited since no potential bidders are there.
03.09.2020	Two bidders participated and the PQ bids were opened.
19.01.2021	Work order issued to M/s. TVPPL-KSK-REHPL-DEC consortium.
09.08.2021	The work order was cancelled due to delay in progress of works and the contractor could not fulfil the contractual obligations of producing mandatory documents for executing the agreement.
11.08.2021	Work retendered with modified tender conditions.
30.10.2021	The P.Q. bids were opened.
31.01.2022	Work order for E&M works issued to M/s. TVPPPPL - KSK - FITWELL - BOOM - REHPL consortium

The above process of awarding the balance E&M works took about three years to conclude the contract.

The work order read as 1st above was issued for the erection of already supplied E&M equipment and supply and erection of balance of plant equipment of Pallivasal Extension Scheme to M/s TVPPL-KSK-FITWELL-BOOM-REHPL Consortium, Plot No. 304-L - III, road No. 78, Jubilee Hills, Hyderabad 500096, Telangana and the agreement was executed on 25.04.2022. As per work order the work shall be completed in all respects, tested, commissioned and handed over to KSEBL within 12 months from the date of issue of work order. The Erection and commissioning work was not completed as per the work order. The completion date of contract ended on 31.01.2023. The contractor has requested for time extension due to various reasons and raised claims of extra items vide letter dated 24.02.2023 clearly stating that contractor is not willing to bear the cost of extra items requested. Considering the recommendation of the PMC, KSEBL as per the B.O. read as 3rd above has granted time extension up to 17.07.2023 without any financial commitment to KSEBL and without any penalty to the contractor. However processing of the claim of extra items by the contractor took considerable

time because even though the agency has brought into notice that there are few items not available, items not as per the design, items not usable, items need fabrication should be considered as extra items as they are outside the BoQ, these aspects were not brought to the notice of decision making authority CMD or the full Board in time. Later in the review meeting conducted by the Chairman & Managing Director at project site on 19.8.2023, these aspects were brought to notice and the CMD directed to examine and settle the issues in a time bound manner. Thereafter, finally the matter was placed before the Director Board meeting on 23.11.2023 and detailed order No B.O (DB) No. 531/2023(DGE/G2/AEE3/PES/2023) TVM dated 13.12.2023.

The extended period was over on 17.07.2023 and the contractor as per the letter dated 10.08.2023 requested time extension and stated the reasons for delay such as the expiry of contract affected the availing of credit facility of project financing bank for making payment to vendors as advance and the ready material/equipment and take delivery of the same because of the contract is not valid. This lead to delay in delivering the supply of materials and equipment as per schedule. Lot of discrepancies/ deviations in the already approved documents and drawings of previous contractor as compared to the actual site conditions and outdated technology caused delay in document submission and approval. Considering the above, as per the B.O read as 4th above time extension was granted up to 31.01.2024 without any financial commitment to KSEBL and without any penalty to the contractor.

Now, the extended period has completed on 31.01.2024 and the contractor as per the letter read as 5th above has requested for time extension due to following reasons. Effectively, the contractor got only two months from the date of sanctioning Board order out of 6-month time requested by them. So, the contractor could not utilize the credit facility of project financing bank for making payment to vendors as advance because of the contract invalidity. This leads to delay in delivering the supply of materials and equipment as per schedule. Some major equipment parts found to be missing. These are all custom-made components and to be get it manufactured by reverse engineering process due to non-availability of sample piece at site or referring drawings. The contractor has submitted revised schedules with the date of commissioning the first and second machine by 30.06.2024.

The Overall physical progress of E&M erection works is 73% and financial progress is 50.32%. The physical and financial progress of 220kV Cable laying and 11 kV Cable laying is 100%. As per the letter read as 6th above, the Executive Engineer, Erection Division Kallarkutty, has intimated that significant progress has been made by the contractor in the mechanical erection. The reengineering process has consumed a considerable amount of time and has contributed to delays in the overall project schedule. The matter was presented in 11th PMC Meeting held on 20.01.2024. The PMC Meeting unanimously requested the contractor to complete the necessary prerequisites for filling and testing the water conductor system of the project. M/s. ABB has confirmed their supply by 15.03.2024.

In the review meeting of Chairman and Managing Director conducted on 25.01.2024, it has been emphasized the requirement of completing the projects in time. The CMD reiterated the necessity of commissioning the water conductor system and conducting the mechanical spinning of unit-1 machine on or before 31.03.2024. The CMD directed the contractor to stick on to the proposed schedule and to synchronize the unit-1 machine to grid on or before 30.05.2024 and unit-2 on 20.06.2024. Also warned the contractor that, failing to complete the same may attract penalty as per contract conditions. The contractor agreed to the dates of commissioning in the meeting and submitted a revised schedule as per the letter read as 7th above, with dates of commissioning of unit 1 machine by 30.05.2024 and second machine by 30.06.2024.

The Deputy Chief Engineer (PED) with FPO Chief Engineer as per the note read as 8th above has recommended to consider the contractor's request and to grant time extension to M/s TVPPLKSKFITWELL-BOOM-REHPL Consortium for the completion of the Pallivasal Extension Scheme (2X30 MW) for the legitimate period required for the completion of the project in the most efficient manner till 30.06.2024 with first machine commissioning on 30.05.2024 without any financial commitment to KSEBL and without penalty to the contractor.

Considering all the above, the Director (Generation-Electrical, REES, SOURA, Sports and Welfare) has recommended to grant time extension to TVPPL-KSK-FITWELL-BOOM-REHPL Consortium up to 30.06.2024 with first machine commissioning on or before 30.05.2024 and the second machine commissioning on or before 30.06.2024 for the work of "Erection of supplied E&M equipment and supply and erection of BOP equipment for (2X30MW) Pallivasal Extension Scheme HEP" without any financial commitment to KSEBL and without penalty to the contractor.

The matter was placed before the Full Time Directors as per the note read as 9th above for a decision.

Having considered the matter in detail, the Full Time Directors has resolved to accord sanction to grant the time extension to TVPPL-KSK-FITWELL-BOOM-REHPL Consortium up to 30.06.2024 for the work of Erection of supplied E&M equipment and supply and erection of BOP equipment for (2X30MW) Pallivasal Extension Scheme HEP with a condition that the first machine commissioning on 30.05.2024 and the second machine commissioning on 30.06.2024 without any financial commitment to KSEBL and without penalty to the contractor.

Orders are issued accordingly.

By Order of the Full Time Directors

Signed by
LEKHA G
COMPANY SECRETARY

Date: 26-02-2024 16:36:21

To:
The Deputy Chief Engineer (PED) with full powers of Chief Engineer.

Copy to:

The Company Secretary / Chief Engineer (IT,CR&CAPS) / Financial Advisor / LA&DEO / Chief Internal Auditor / Chief Vigilance Officer

The TA to the Chairman & Managing Director / Director (Generation-Civil) / Director (Distribution, Safety, SCM & IT) / Director (Transmission, SO & Planning) / Director (Generation - Electrical, REES, SOURA, Sports & Welfare)

The PA to the Director (Finance & HRM)

The Sr.CA to the Secretary (Administration)

The RCAO/ RAO

Stock File.

Forwarded / By Order


Assistant Executive Engineer