

1. Risk of regularizing illegal connections

Background: This is an example of a contract provision for mitigating the risk of converting illegal connections to legal connections in a 300,000 population town. The authority agreed to provide for a six month testing period for this responsibility. During this period, the contracting authority and the selected operator will jointly identify illegal connections and meter them. If the pre agreed number of connections are not detected, the contract does not come into effect. This clause is a part of the Conditions Precedent clause.

Excerpts from the contract are reproduced below. The relevant clauses are in **bold**.

CONDITIONS PRECEDENT

Conditions Precedent

Save and except as provided in Clauses 2, rights and obligations of the Contractor under this Agreement are subject to the satisfaction in full of the following conditions precedent to be fulfilled on or before completion of 6 (six) months unless any such condition has been waived as provided in Clause 2.2, Clause 2.5;

2.1 MJP shall have obtained all such Applicable Permits as listed in Schedule 'G' unconditionally on or before the completion of 1 (one) month or if subject to conditions then all such conditions have been satisfied in full and such Applicable Permits are and shall be kept in full force and effect for the relevant period during the subsistence of this Agreement;

2.2 MJP and the Contractor have jointly prepared on or before the completion of 1 (one) month an Inventory of assets comprised in the Water Supply and Distribution Assets in the form of Opening Asset Register and Opening Level of Inventory.

2.3 MJP shall have taken over the Water Supply and Distribution Assets from Latur Municipal Council, notified the Water Metering and Connections Drive in accordance with Schedule K on or before the completion of 1 (one) month and granted the permission to the Contractor to enter upon the Water Supply and Distribution Assets and operate and maintain it in accordance with this Agreement.

2.4 Contractor and MJP have satisfactorily operated and maintained the Water Supply and Distribution Assets unto the Commencement Date in accordance with Schedule K.

2.5 MJP shall have identified and the Contractor shall have installed water meters for at least 25,000 Customers in the Project Area.

The following schedule to the contract details the activities each party is responsible for in this kick-off and testing period.

SCHEDULE K
**SCHEDULE K – WATER METERING AND CONNECTIONS
REGULARISATION PLAN**

Introduction

The Contractor and the MJP shall perform the tasks in accordance with this Schedule for the period commencing from the date of taking over of the Water Supply and Distribution Assets from LMC to the completion of 6 (six) months or an extended period in accordance with Clause 2.5 of Agreement.

The LMC levies water charges on an annual basis, with the water bill for the year 2006 – 07 served on Consumers during December 2006. The water payments due to the LMC for the water supplied by them in the financial year 2006 – 07 shall be collected by LMC along with past arrears if any. The Contractor shall be responsible for making collections for the water supplied from April 01, 2007. The water charges towards the water supplied by LMC from April 01, 2007 till the date of Agreement is to be recovered by the Contractor at the prevailing tariffs of LMC and transferred to MJP.

The MJP after the date of signing of the Agreement but not later than the date of taking over the Water Supply and Distribution Assets from LMC shall notify a Water Metering and Connections Regularisation Drive (Drive). This Drive shall be notified in all major news papers of the Project Area. The cost for the notification in major newspapers would be shared by MJP and Contractor in proportion of 25% and 75% respectively.

The Drive shall inter-alia notify the following to the citizens in the Project Area:

1. The Water Supply and Distribution System of LMC shall be taken over by MJP; with brief information on the taking over.
2. MJP shall from the date of taking over operate and maintain the water supply system would operate and maintain it through the Contractor.
3. Notify the tariff rates that shall be applicable with effect of MJP taking over.
4. The advantages to Consumers due to introduction of volumetric metering of water supply.
5. Invite consumers of LMC to convert their water supply connections to metered water supply connections.
6. **Announce an amnesty plan for regularizing illegal water connections free of past dues and penalties and installing water meters within a period of 3 months from its notification.** The consumer regularizing his water connection would be liable for

payment of connection charges, security deposit and the cost meters. The amnesty plan shall prescribe the penalties that would be levied beyond the amnesty period.

The key tasks to be performed by the Parties in accordance with this Schedule are:

Key tasks to be performed by MJP:

1. MJP after taking over the Water Supply and Distribution Assets from LMC allow the staff and labour of the Contractor to enter upon the water supply and distribution assets and operate and maintain it in accordance with this schedule
2. Supervise the operations and maintenance of the water supply and distribution assets by the Contractor.
3. Collect from LMC a copy of its list of consumers, billing address and details of security deposits etc and provide a copy of the same to the Contractor
- 4. Provide supervisory support to the staff and labour of the Contractor in serving notices to Consumers for regularizing their water supply connections.**
- 5. Provide supervisory support to the staff and labour of the Contractor in serving notices to Consumers for converting the water supply connections to metered water supply connections.**
6. Provide supervisory support to the staff and labour of the Contractor in installing water meters at Consumer premises.
7. Provide assistance to the staff and labour of the contractor by settling disputes connected with Consumers not agreeing to install water meters.
8. Retain all the payments and collections from the Consumers towards water consumed during the said period.
9. Transfer the amount due to the Contractor for installing meters at consumer premises and paid by the Consumer as per the Water Supply Bill during the said period.
10. Make payments to MSEDCL for electricity consumed and to Water Resources Department for the water drawn from the Manjra River.

Key tasks to be performed by the Contractor:

1. Enter upon the water supply and distribution assets on permission from MJP for the purpose of operating and maintaining it in accordance with this Schedule.

2. Deploy its operations and maintenance staff and labour for operations and maintenance of water supply and distribution assets under supervision of MJP.
3. Provide staff and labour for serving notices to Consumers for regularizing their water supply connections.
4. Provide staff and labour for serving notices to Consumers for converting the water supply connections to metered water supply connections.
5. Provide staff and labour for providing water supply and installing meters at Consumer premises.
6. Provide necessary assistance including legal assistance to MJP for settling disputes with Consumers not agreeing to install water meters.
7. Provide and install meters in accordance with Schedule D at Contractors expense at Consumer premises.
8. Ensure adequate supply of water meters and labour for achieving a meter installation and level of operations to the tune of at least 6000 meters per month.
9. Set up a functional Billing system for raising bills on consumers and collecting payments from Consumers. The Bills raised by the Contractor shall clearly delineate the payment due from Consumer under two heads viz.
 - a. Component A – Towards the water consumed for the billing period either volumetric or fixed charge in accordance with the tariff mentioned in Schedule F.
 - b. Component B – Towards cost of meters installed to the extent recoverable from the Consumers in accordance with Schedule F.
10. Bill to Consumers for the water supplied in accordance with Schedule F.
11. Recover and collect payments from Consumers due from April 01, 2007 onwards and deposit the said amount in a designated bank account of MJP.
12. Collect the payments due to the Contractor from MJP for installing meters and paid by Consumers as per the Water Supply Bill during the said period for meters installed at Consumer premises.
13. Maintain records of consumers regularized, consumers metered, consumption billed, payments made and arrears in connections.
14. Undertake all tasks at Contractors cost and expense during the said period including but not limited salaries and wages of the MJP and LMC staff on service with the Contractor as per Schedule L, salaries and wages of Contractor employees, cost of operating and maintaining the Water Supply and Distribution Assets, cost of

chemicals and consumables required for smooth O&M of the Water Supply and Distribution System.

Joint obligations of the parties

- 1. To ensure at least 25,000 Consumers are identified and meters installed at Consumers premises during the said period.**
2. To ensure that meter installation and water supply improvements go hand in hand such that quality of service to Consumers is demonstrated to precipitate interest in Consumers for installing meters. In this regard the MJP and Contractor could mutually agree on operational strategies.
(Clarification: The strategy may involve forming a demonstration zone that has maximum metered connections and the water supply to that zone is at higher service levels than rest of the Project Area, however not compromising on equity and more as a marketing strategy. To achieve this Contractor and MJP may agree to install water meters on a zonal basis or agree to provide at least 50% of the meters in a single zone and balance in rest of the Project Area).
3. Towards the end of the said period, prepare a statement of arrears in connection with the amount of water billed, the payments made by Consumers, payments outstanding to MJP by Consumers and payments outstanding to Contractor by Consumers.

Notwithstanding anything to the contrary contained in this Schedule, the Contractor is only entitled for payments made by Consumers for the meters installed at Consumer premises during the said period. MJP shall transfer the amount paid by Consumers and deposited by the Contractor (Component B) in the Designated Bank Account of MJP for the meters installed at Consumer premises.

MJP shall only undertake to make payments to MSEDG and Water Resources Department for the bills raised by the respective companies. No other payments shall be made by the MJP to any agency including the Contractor during the said period.

2. Capital investment planning and implementation

Background: Clauses from an improvement contract that is supported by World Bank in four locations in Karnataka, India. The process of planning and procurement are listed out so as to have arms length decisions and financial relationships.

During the initial period of operations, the operator is expected to prepare an investment programme which should

- a) meet the performance requirements
- b) cost less than a pre-estimated sum

If this programme is approved, the operator will procure the capital items based on an agreed procurement practice.

The excerpts from the contract are reproduced below.

3. IMPLEMENTATION PERIOD

3.1 General

The fifty-two (52) week implementation period (the "**Implementation Period**") shall commence from the Effective Date. The Implementation Period shall have the following two phases:

- (i) The period between the Effective Date and the Initial Takeover Date ("**Preparatory Period A**"); and
- (ii) The period between the Initial Takeover Date and the Final Takeover Date ("**Preparatory Period B**").

3.2 Preparatory Period A

- 3.2.1 Within three working days of the Effective Date, the OC shall provide KUIDFC with a list of the names of the members of its Transition Team.
- 3.2.2 The Transition Team shall be granted access to the Facilities within the Demonstration Zones to monitor the management, operation and maintenance of the water supply system in the Demonstration Zones from the respective Bulk Water Supply Points to the Customer Water Connection Points.
- 3.2.3 No later than 9 weeks from the Effective Date, the OC shall:
 - (a) Procure all the OC Permits; and

- (b) **Develop, design and provide to the KUIDFC for its review and approval a comprehensive plan prepared ("Draft Investment Programme") which shall be prepared within the time set out above, which shall include and explain:**
- (i) the strategy of the OC in relation to the management and operation of each Demonstration Zone in order to achieve the Performance Targets during the Preparatory Period B and the Operation and Management Period;
 - (ii) the system assessment and study of each of the Demonstration Zones, details of quantitative and statistical data collected concerning the existing distribution system in the Demonstration Zones and anticipated life expectancy of all identifiable installed infrastructure and non-infrastructure assets incorporate into the Facilities;
 - (iii) the infrastructure improvement works and capital works ("**Capital Works**") required to be completed to suitably equip the respective Demonstration Zones to implement the Demonstration Project and for the OC to achieve the Performance Targets together with a description of the short and long term performance improvements to be achieved by rehabilitation of above-ground and underground assets;
 - (iv) the estimated investment amount required by the OC to complete the Capital Works and to implement the Final Investment Programme during the Preparatory Period B and to meet the operating expenses during the Operation and Management Period;
 - (v) details of the number of Corporation Employees the OC would require in each Demonstration Zone to implement the Final Investment Programme during the Preparatory Period B and the estimated number of Corporation Employees required by the OC to conduct the operations and management of the Demonstration Zones during the Operation and Management Period;
 - (vi) a hydraulic model of the distribution system with confirmation of the boundary of the Demonstration Zones; and
 - (vii) suggestions regarding position of the Critical Zone Points on the distribution network within each Demonstration Zone for installation of magnetic flow meters.

3.2.4 In the event the OC fails to provide the Draft Investment Programme or obtain all the OC Permits within 9 weeks of the Effective Date, for any reason whatsoever,

KUIDFC may, at its sole discretion, agree to provide additional time to the OC, to complete these obligations, or may immediately terminate the Contract.

- 3.2.5 Within 4 weeks of the later of (i) the date on which the KUIDFC receives the Draft Investment Programme from the OC, or (ii) the date on which the OC receives the last of the OC Permits in accordance with the provisions of Clause 3.2.3(a), the KUIDFC shall review and, in consultation with the Technical Auditor, approve or suggest revisions to the Draft Investment Programme. In case the KUIDFC fails to approve the Draft Investment Programme or suggest any revisions thereto within the stipulated period of 4 weeks, the Draft Investment Programme submitted by the OC would be deemed, approved.
- 3.2.6 The Investment Amount to be suggested by the OC in the Draft Investment Programme shall not exceed Rs. 38,00,00,000 (Thirty Eight Crores).** The Investment Amount shall not include the OC Remuneration or Bonus stated in Schedule 18. In case the investment amount stated by the OC in the Investment Programme exceeds the Investment Amount, KUIDFC shall have the option at its sole discretion to terminate the Contract with immediate effect.
- 3.2.7 In the event the OC disagrees with the changes suggested by the KUIDFC to the Draft Investment Programme the KUIDFC and the OC shall meet to discuss and resolve these issues. In case the KUIDFC and the OC are unable to agree on the changes to the Draft Investment Programme within two weeks of receipt of KUIDFC's suggestions by the OC in terms of Clause 3.2.5, the KUIDFC may at its sole discretion, terminate the Contract with immediate effect.
- 3.2.8 In the event the KUIDFC and the OC are able to arrive at an agreement with regard to the details of the Draft Investment Programme, or if the Draft Investment Programme is deemed to be approved as provided in Clause 3.2.5:
- (a) the KUIDFC and the OC shall sign off on the finalised version of the Draft Investment Programme ("**Final Investment Programme**"); and
 - (b) immediately thereafter, the KUIDFC shall issue to all Parties a certificate for commencement of Preparatory Period B specifying the initial takeover date ("**Initial Takeover Date**") and the duration of the Preparatory Period B which shall be 39 weeks, unless extended by the KUIDFC in accordance with the terms of this Contract.
- 3.3.2 During the Preparatory Period B the OC shall perform the following functions to implement the Final Investment Programme:
- (i) *Contract Document Preparation*

Within a period of 3 weeks from the Initial Takeover Date, the OC shall complete the following activities:

- (A) prepare documents to tender requisite infrastructure improvement works to Sub-Contractors, as required;
- (B) invite tenders and select sub-contractors from the Sub-Contractors to perform such works;
- (C) provide a report to KUIDFC on tendering and award of works to establish the Demonstration Zones;

(ii) *Infrastructure Improvement Works*

From the date of conclusion of the obligations stated in Clause 3.3.2(i) until expiry of the Preparatory Period B, the OC shall supervise implementation of the Capital Works. During this period, the OC shall, subject to the approval of the KUIDFC:

- (A) manage the implementation process including planning, scheme identification, project appraisal, design and specification;
- (B) **manage procurement processes pursuant to the Final Investment Programme in accordance with the Procurement Guidelines;**
- (C) supervise execution of Capital Works by the Sub-Contractors
- (D) carry on by itself Capital Works not being carried on by the Sub-Contractors; and
- (E) monitor and report on progress and costs on a regular basis to the KUIDFC as requested by the KUIDFC.
- (F) arrange for disbursements to the Sub-Contractors from the KUIDFC as per the procedure set out in Schedule 7.
- (G) manage procurement processes pursuant to the Final Investment Programme in accordance with the Procurement Guidelines; and
- (H) hydraulically isolate each Demonstration Zone, with the sole exception of the single main feeding the Demonstration Zones, by installation of boundary gate valves on every cross-boundary main, and replacement of defective and leaking valves;

SCHEDULE 6

Procurement Guidelines

PROCUREMENT METHODS

All Goods and Works financed under the Loan shall be procured in accordance with the World Bank's Guidelines for Procurement, January 1995, revised January and August 1996, September 1997 and January 1999. Consulting services to be funded through the Bank's Loan shall be procured in accordance with the World Bank's Guidelines for the Selection and Employment of Consultants by the World Bank Borrowers, January 1997, revised September 1997, January 1999 and May 2002. All civil works, goods and services will be procured using India-specific Model Standard Pre-qualification, Bidding Documents and RfPs for Bank funded projects. Specific procurement arrangements are summarized and briefly described below:

PROCUREMENT OF SMALL WORKS

The works relating to "Demonstration Zone" estimated to cost the equivalent of US\$ 100,000 or more per contract will also be awarded following NCB procedures as per para 3.3 and 3.4 of the Guidelines. Works relating to Demonstration Zone, and to the distribution network estimated to cost less than US \$100,000 per contract may: (a) be procured under lump sum price contracts awarded on the basis of quotation obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank and relevant drawings where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully. The exact details of these works will, however be finalized after the Operator – Consultant is selected and he finalizes the procurement plan.

NATIONAL COMPETITIVE BIDDING

National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower and may be the most efficient and economical way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in Bank-financed procurement, these procedures shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of these Guidelines. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because (i) the contract values are small, (ii) works are scattered geographically or spread over time, (iii) works are labour intensive, or (iv) the goods or works are available locally at prices below the international market. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

Basis for tendering and award – A distribution franchise contract highlighting the need for objective and simple final selection criteria.

Background: A power distribution franchise operator was selected based on the fixed input price that the operator commits to pay the utility. The operator in turns recovers the prevailing tariff from the consumer. The selection of the operator is based on a single criteria – Maximum input price to the utility.

Excerpts from the Request for Proposal document are reproduced below.

Financial Proposal

The Bidders are required to bid for annualized Input Rate for power injected by MSEDCL at Input Points in the Franchisee Area for the entire term of DFA. The bidders are required to submit a detailed Financial Proposal as per the Exhibit 6 and 7.

The annualised Input Rate, as quoted by the Bidders shall factor minimum 5% reduction in T&D losses and 4% improvement in collection efficiency every year for first three years from the Effective Date and minimum 3% reduction in T&D losses and 3% improvement in collection efficiency every year after three years and up till seventh anniversary of DFA and minimum 1% reduction in T&D losses and 3% improvement in collection efficiency every year after seventh anniversary and up till the Expiry Date. The Bidder shall consider the T&D losses and collection efficiency of 2005-06 as base for estimating the improvement in performance during the term of DFA.

The Bidders shall consider the Average Revenue Realisation per unit in Base Year as base Input Rate for quoting annualised Input Rates for entire term of DFA as stipulated in Clause 5.3.1.

MSEDCL, based on its assessment of improvements of various network parameters, has projected annual internal benchmarks for revenue per unit input

for the next seven years. These projections would serve as a benchmark to evaluate the Financial Proposals. If any proposals fail to meet these benchmarks in any of the year (s) or at the overall level for the franchise period, MSEDCL reserves the right to reject the proposal without assigning reasons whatsoever.

The Evaluation of Financial Proposals submitted by the Bidders, committing minimum improvement in performance level as stipulated in clause 5.3.2, shall be carried out by comparing the levelised annualised Input Rate for entire term of DFA, computed at a discount rate of 6.19%.

The objective of the evaluation of the Financial Proposal is to shortlist Bidders who have offered the maximum Input Rate for power injected by MSEDCL at Input Points in the Franchisee Area

The Bidders short-listed after evaluation of Technical Proposal, quoting the maximum Input Rate in the Financial Proposal will be selected for awarding the Project.

Any conditional Financial Proposal may be liable for rejection.

3. Exhibit 7: Format for Financial Proposal

Year -->	1	2	3			9	10
Input Rate (Rs/ kWh)							

For and on behalf of :

Signature :

(Authorised Signatory) :

Basis for tendering and award – **A distribution contract for a town with about 300,000 population**

Background: A distribution contract for water supply was awarded based on the fixed amounts the bidder was willing to pay to the utility during the contract period.

Excerpts from the Request for Proposal document are reproduced below.

Cover 2 – FINANCIAL Proposal Evaluation

Objective of FINANCIAL Proposal Evaluation

The Financial Proposal evaluation seeks to select the bidder offering the highest evaluated payment to MJP.

FINANCIAL Proposal parameters

Bidders are required to quote their best offer in terms of the payment committed to MJP. MJP has prescribed a minimum payment expected by them during the term of agreement. The Bidder shall quote the additional amount Bidder is willing to pay MJP for the Management Contract. The payment to the MJP will be on a monthly basis as per the Management Contract.

The Bidder shall be deemed to have quoted his offer after making a complete assessment of the Project to his satisfaction and thus have indemnified MJP against any liability that may arise in the future for the same.

Bidders are cautioned against quoting their payment in negative numerical leading to a reduction in the annual payment to MJP in a particular year. This would lead to automatic disqualification of the Bidder from the bidding process, irrespective of the present value of the overall payment commitment being higher than the present value of the minimum commitment required by MJP.

The Bidder is also cautioned against quoting illogical lower figures in the initial years and/ or illogical higher figures in the subsequent years. If observed this would lead to automatic disqualification of the Bidder from the bidding process, irrespective of the present value of the overall payment commitment being higher than the other bidders.

evaluation of Financial Proposals

After opening the financial proposal, the total payment commitment made by each bidder will be entered into the table format indicated below. The sum total of column (v) of each bidder will be compared for identifying the highest evaluated bidder. **The Bidder with**

the highest total present value of the payment committed to MJP shall be declared as the Successful bidder subject to Clause 9.2 above.

Evaluation Format

(NOTE – PLEASE DO NOT FILL IN ANY FIGURES IN THIS FORMAT)

Contract period from and to, from Commence ment Date	Minimum Payment (Rs Lakhs) (i)	Additional payment quoted by the bidder (Rs Lakhs) (ii)	Total Amount (Rs Lakhs) (iii) = (i) + (ii)	Multiplication factor (iv)	Present value of the total payment committed (v) = (iii) x (iv)
1 st month to 12 th month	220.72			1.000	
13 th month to 24 th Month	281.70			0.893	
25 th Month to 36 th Month	438.41			0.797	
37 th Month to 48 th Month	418.82			0.712	
49 th Month to 60 th Month	399.35			0.636	
Totals	1759.00			XXXXX	

Financial Proposal: Information formats

The format of information requirements and guidelines for submission of the Financial Proposal are detailed in Section **Error! Reference source not found.**

Performance parameters and bonus provisions - Clauses from an operating contract for a distribution circle that is being managed by a private operator in Karnataka, India.

Background: A World Bank supported performance improvement contract is in operation in select circles of a town in Karnataka, India. The operator is selected based on a fixed performance fee. If his performance meets some pre –agreed criteria, bonuses are paid.

Excerpts from the contract are reproduced below.

PERFORMANCE TARGETS DURING THE OPERATION AND MANAGEMENT PERIOD

5.1 During the Operation and Management Period, the OC must meet all the following Performance Targets:

- (a) Continuous Pressured Water Supply must be provided to every connected property and stand-post connected to the public network in the Demonstration Zone.
- (b) Emergency stoppages shall not exceed twelve hours and no more than an average of four emergency stoppages [of less than 12 hours each] shall occur in any continuous period of twelve months.
- (c) 100% of all property connections (individual and shared), public stand-posts and feeds to street storage tanks must be metered and computerised records of the readings must be maintained.
- (d) 100% of Customer meters must be read every month and a bill for water used based on these volumetric readings must be issued to 100% of connected properties each month by the OC with prior approval of the respective Corporation obtained pursuant to the provision of the generated bills to the Corporation before dispatch to the Customers.
- (e) Real (physical) losses from the distribution network within the Demonstration Zone must be reduced in the following manner:

Elapsed time from the Final Takeover Date (in Months)	Losses (in litres/connection/day/meter pressure)
12	25
18	23
24	20

- (f) System connection requests must be fulfilled within 7 days of directions being issued by the Corporation subsequent to the payment of connection fee.
 - (g) Customer service and support centre must be situated at a location easily accessible to residents of the given Demonstration Zone and operated on a 24-hour basis.
 - (h) All Customer queries and complaints to be responded to within 24 hours and redressed within 7 days of such complaint or query, except the complaints concerning low pressure or poor quality of water, which must be responded to within 12 hours and redressed within 24 hours of such complaint.
 - (i) leaks appearing at the surface must be repaired within 24 hours of notification/observance.
- 5.2 The KUIDFC shall either by itself or through the Technical Auditor constantly monitor achievement of Performance Targets by the OC during the Operation and Management Period.

OC REMUNERATION AND BONUS

1. **OC Remuneration**

The OC Remuneration would comprise two components, viz. Fixed Remuneration and Performance Remuneration, as follows:

- (a) Fixed Remuneration equal to 50% of the OC Remuneration amounting to Rs. [___] [*Note: insert amount*]; and
- (b) Performance Remuneration equal to 50% of the OC Remuneration amounting to Rs. [___] [*Note: insert amount*].

1.1 ***Fixed Remuneration***

The Fixed Remuneration shall be paid to the OC in 12 equal quarterly installments. The first quarterly payment would be paid within 10 days of signing of Contract, and the final (12th) quarterly payment would be made within 10 days of the end of 33rd month from the date of signing of the Contract.

1.2 ***Performance Remuneration***

- a. The Performance Remuneration shall be paid to the OC as stated below:

(All figures are indicated as a percentage to the OC Remuneration)

Item	Elapsed Time
<i>Milestone</i>	<i>12 months from the Effective Date 12 months from the Final</i>

	<i>Takeover Date</i> 18 months from the Final Takeover Date	<i>24 months from the Final Takeover Date</i>
On achievement of implementation period targets	15	
Demonstration of continuous supply, subject to specified limit on emergency stoppages during the operations period	5	5.5
Achieving targets relating to real losses	5	5
Maintaining minimum pressure at critical zone points	2.5	2.5
Meeting customer service targets	2.5	2.5

- b. 10% on all payments of Fixed Remuneration and Performance Remuneration would be retained as retention money ("**Retention Money**") and would be released on meeting all the contractual obligations, unless otherwise specified in the Contract.

2 **Bonus for higher performance**

The OC would be paid a Bonus on achieving higher performance better than the mandatory performance targets in improving the service provision. The maximum permissible Bonus will be 25% of the OC Remuneration.

The Bonus relating to the three components would be paid at the end of the contract period as per the following schedule: