

No.2/3/2016-NHPC
Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg,
New Delhi, dated 08.11.2019

To,

1. CMD (NHPC), Sector-33, Faridabad, Haryana
2. CMD (NEEPCO), Shilong, Meghalaya
3. CMD (SJVN), Shimla, Himachal Pradesh
4. CMD (THDC), Rishikesh, Uttarakhand

Sub: Guidelines to reduce the incidence of time and cost overruns in Hydro Power Projects

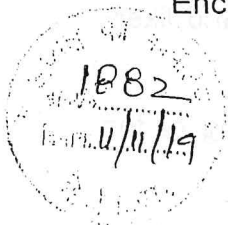
Sir,

I am directed to enclose a copy of the guidelines to reduce the incidence of time and cost overruns in Hydro Power Projects for information and strict compliance in Hydro PSUs.

2. This issues with the approval of the Competent Authority.

Yours faithfully,

Encl. As above



(H/P) नि.स.पी.ए.
य.स.जी.के.ए.
14/11/19

Under Secretary to the Govt. of India
Tel.23324357

(Anil Bajpal)

Copy to:

1. ✓ Chairperson, CEA, R.K. Puram, New Delhi

Copy also to:

1. Sr. PPS to Secretary (Power)/PPS to JS (Hydro)/PS to Dir (H-I)/PS to DS (H-II)

2. US (H-I) / US (H-II)

मुख्य अभियंता का कार्यालय
एच.पी.ए. के.वि.प्रा.
आवृत्ति सं. 607
दिनांक 14/11/2019



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copy may pl. be provided
to all CES in the wing.

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Guidelines to reduce the incidence of time and cost overruns in Hydro Power Projects

- I. **Sunset Date:** The provisions of CERC Regulations (2019-24) are applicable across all generating projects and provide the time for completion of balance works; hence the cut-off date defined in CERC regulations may be considered as sunset date for future hydro projects.
- II. **Preparation of Realistic Project Schedule:** All hydro CPSUs may prepare more realistic project schedule based on past experience of projects in vicinity. Although, it may not be possible to foresee all the events causing delay in case of hydro projects, some margin, based upon the past experience of similar projects, may be built in project schedule to take care of contingencies.
- III. All Hydro PSUs must use latest software tools for Project Monitoring on regular basis at CPSU level. Representative from the concerned State Govt. may also be invited for Quarterly review meetings at Ministry level to resolve the issues, if any, with the state Govt.
- IV. If the project is not likely to be commissioned within the time limit approved by CCEA, the implementing Agency must seek prior approval of competent authority at least six months prior to the approved time limit on the following;
 - (a) Components of works as per approved DPR/RCE which would not be completed on Scheduled Date with reason thereof along with likely completion date and likely expenditure (cost overrun with time overrun),
 - (b) Segregation of Critical works and non-critical works for commissioning of the project.
- V. As CERC regulation is already known in advance, the implementing agency must mention the "sun set date" in the DPR/RCE itself while indicating non-critical works which would not be completed on CoD. However, in case CoD is not likely to be adhered to as per original time line approved by CCEA, while taking prior approval of the competent authority as suggested at Sl. No. (a) above, the "sun set date" may also be mandatorily mentioned for non-critical works.
- VI. Following measures are to be followed to reduce incidences of time over run and cost overrun for hydro projects:

- a. One of the major reasons for stoppage of works is delay in payments and settlement of disputes with the contractor leading to liquidity crunch with the contractor. Therefore, time bound resolution of disputes and timely payment mechanism should be ensured.
- b. Delegation of Power should be reviewed by the CPSU to ensure that sufficient power is delegated at project level for timely decisions on various issues at the project.
- c. Adoption of international best practices for implementation of hydro projects including methodology to deal with geological surprises.
- d. The availability of all resources, viz., equipment and manpower as per schedule should be ensured.
- e. Equipment should be maintained in good condition and AMC of the equipment should be given to OEM.
- f. The new equipment would be purchased by the developer on behalf of contractor and may be hypothecated in the name of the developer or may also be purchased by the Contractor as per need of the project.
- g. Settlement of contractor's claim should be done in timely manner. The report/records should be kept in electronic form and need to be shared with the Head Quarter on real time basis.
- h. If the contractor wishes to raise a claim for any reason, such reason/event should notified by the contractors within 15 days of such event and claims should be raised by the contractor within 90 days. If contractor either fails to (i) notify the event or (ii) files the claim within 90 days, the claim made by him shall not be entertained. Thereafter, the claims should be settled within 45 days after receiving the same by the Engineer-in-charge (EIC) otherwise the claim made by contractor will be deemed to have been accepted.
- i. If the Contractor is not satisfied with EIC decision, he may approach Dispute Resolution Board (DRB) within 15 days from the decision of EIC. It was also decided that at least one member of DRB should be from Technical background for better appreciation of technical issues. DRB will take decision within 6 months. If decision of DRB is not adhered by the Contractor, then EIC's decision may be treated as final.
- j. Web based e-diary system shall be maintained to keep record of for all events in respect of under construction projects. The letters/claims by contractors and response of the project in-charge should be entered in such

system. All the letters/claims received from the contractor must be responded immediately to effectively counter his claim in the event of dispute.

k. If work is stalled for any reason other than natural calamity, Management should take quick decision (within 60 days) to resolve the issue, e.g. facilitate resumption of work by contractor or cancellation of contract and rebidding of works or any other mechanism found suitable for quick resumption of work etc., and should ensure that work is not stalled for more than 60 days. The overall responsibility for stoppage of work beyond 60 days shall be upon Director in-charge of the construction of the projects & CMD.

l. Risk sharing mechanism for stoppage of work in situations, e.g., law and order problem, floods, earthquake, geological surprises, local resistance etc. should be well defined in contract document.

m. CPSUs should devise the mechanism of incentivizing labour on achieving project milestones in time.
