



RURAL ELECTRIFICATION CORPORATION LIMITED

GUIDELINES FOR SYSTEM IMPROVEMENT – BULK LOAN (SI: Bulk) CATEGORY OF SCHEMES

1. The guidelines

These guidelines are to help in formulation, appraisal, financing and disbursement of loans under the SI-Bulk loan category of schemes (of state and central sector borrowers and CPSUs) aimed at purchase of various equipments/materials required for creation, expansion, upgradation and renovation of the transmission, sub transmission and distribution systems, and supersedes all guidelines issued earlier in this regard.

2. Objectives of the schemes

The main stress of the schemes should be on purchase and installation of various equipment/materials, like, Transformers, meters, capacitors, conductors, breakers, poles, control and relay panels, tower materials, electric cables etc. which help the utility in:

- i) Providing the required infrastructure for transmission, sub transmission and distribution for meeting additional load demand.
- ii) Improving the voltage regulation so as to bring it within the permissible limit.
- iii) Improving the quality and reliability of power supply by removing repaired and old/outdated equipment.
- iv) Improving the power factor in sub-transmission and distribution systems so as to optimise the utilisation of available system capacities.
- v) Improving the revenue billing and collection.
- vi) Energy Audit.
- vii) Reduction in technical and commercial losses in the transmission, sub-transmission and distribution systems.

3. Scope of works

The project shall cater primarily to the needs of the power utilities/SEBs for the purpose of purchasing and installation of various equipment/materials for use in their transmission, sub transmission and distribution system as follows:

- i. Power and Distribution transformers for meeting the load growth, for replacement of repaired transformers, and for system improvement.
- ii. Conductors of various sizes.
- iii. Meters of various types and applications (consumer meters, meters for energy audit, DT meters, feeder meters etc).
- iv. Capacitors for various applications.
- v. Poles/Tower materials.

- vi. Circuit Breakers.
 - vii. Control and Relay panels.
 - viii. Power Cables including Aerial Bunched Cables
4. Format of the Scheme

The schemes will be submitted by the borrower as per the prescribed structure of the project report (enclosed as [Annexure-I](#)).

The scheme reports as per the above may be forwarded to the CO by the ZM/CPM, along with his appraisal note as per format enclosed as [Annexure-II](#).

5. Entity Appraisal

For appraising the capability of the borrower, the latest ratings as specified by the entity appraisal division of REC may be followed.

6. Extent of exposure of utility

At the time of project appraisal, the CPM shall ensure that the balance credit exposure for the utility is available. For this purpose, the format as per Annexure III shall be prepared and enclosed by the CPM along with his appraisal note.

7. Cost data

The schemes will be formulated by the utilities based on their latest approved schedule of rates for the equipment. The cost of the equipment considered shall be the FOR stores rate (supply rate plus freight plus insurance). The rates of the equipment/material calculated as above is to be certified by the CPMs. If there is a variation in the cost adopted in the scheme compared to the rates as above, the CPM should give justification for the same. Where the utilities have not formulated the latest schedule of rates, the cost as per the latest purchase orders can be adopted by the CPMs. Alternatively, in such cases, the old approved schedule of rates with permitted escalation as per utility's norms may be used. In any case, the PO should invariably give its recommendations in the processing note regarding the acceptability of the cost estimates adopted by the power utility.

8. Project implementation

Project Period

Execution of the scheme shall be completed within the scheduled operating period of one year, with a grace period of one year (at the discretion of REC). However, the scheme implementation period may be extended beyond the scheduled operating period by the competent authority. The competent authority for extension cases shall be as per the circular No. SEC-1/195(A)/2006/205 dated 24.7.2006 (as amended from time to time).

9. Deviation proposals

a) In the event there are some deviations (as compared to the sanctioned project) these will be considered on submission of a deviation proposal by the utility/SEB, during the project period, subject to the following conditions:

- (i) The deviations made shall be technically justified.
- (ii) The Financial commitment of REC is limited to the original loan amount.
- (iii) The submission of the deviation proposal shall precede the submission of the last reimbursement claim against the scheme by the utility/SEB and approved by Competent Authority of REC before release of this amount. This deviation proposal shall be forwarded by the competent authority of the SEB, justifying the change with details of (i) & (ii) above.

The powers for approving the deviation proposals as above are as per circular No. SEC-1/195(A)/2006/233 dated 18.8.2006 (as amended from time to time).

10. Viability: As the schemes are for bulk purchase, IRR is not required to be worked out.

11. Normally, the sanction under Bulk loan category of schemes should be limited to 20% of the sanctions under P:SI category during a financial year.

12. Terms of loan

- a) The repayment period of the loan would be 7 years including moratorium period of 2 years. In case the scheme period is extended beyond the scheduled completion period, on the request of the utility for various reasons, the moratorium period shall remain the same and shall not be changed.
- b) The Bulk loan schemes are normally not eligible for drawal of advance or first instalment and release of funds is based on progress of works. However, in case the utility has to release advance to the supplier as per the terms of payment of their purchase order, REC shall also consider release of matching advance (if requested by the utility), if fully supported by the relevant documents. The advance shall be limited to a maximum of 10% for schemes with loan amount more than Rs.100 crore, maximum of 15% for schemes with loan amount more than Rs. 50 crore but is up to Rs.100 crore, and maximum of 20% for schemes with loan amount less than Rs. 50 crore. The advance loan as above would be provided only where the borrower has provided adequate acceptable upfront security to REC.
- c) The instalments of loan will be released based on submission of invoices upto 90% of the invoice value, after prorated adjustment of initial advance if any.
- d) Release of loan instalments beyond 50% of loan amount of the scheme shall be preceded by detailed monitoring in accordance with monitoring guidelines issued vide REC/MC/2006-07/1302 dated 28.8.2006.

- e) The final 10% of the loan will be released after final field monitoring, and after the borrower certifies that the equipment has actually been installed in the field, as also after compliance of other terms and conditions of sanction of the scheme if any.
 - f) Direct payment to contractors/suppliers is permissible, if desired by the utility, as per terms and conditions stipulated in Finance Division instructions on the subject issued vide letter numbers REC/Fin/Claims/2006-07/17.11.2006 and REC/Fin/Claims/Directpay/2007-08/1886 dated 5.9.2007, as amended from time to time.
13. Other guidelines (including amendments) to be read in conjunction with this guidelines:
- (i) Guidelines for Withdrawal of sanction, cancellation and closure of REC schemes issued vide letter No. REC/T&D/Guidelines/2006-07/689 dated 4.5.2006.
 - (ii) Monitoring guidelines issued vide REC/MC/2006-07/1302 dated 28.8.2006.

SCHEME FOR PROCUREMENT AND INSTALLATION OF

1. Introduction:

This project proposal is for procurement of _____ for installation in the scheme area of _____ Circle/District , for the purpose of _____, for which loan assistance is requested from REC Ltd., under SI(_____) Category.

2. Objective of the scheme (brief write up):**3. Name of the scheme area****4. Scheme proposals / Details**

All relevant details to be enclosed.

5) Project Implementation period requested, with justification**6. Details of items to be procured with number, type, quantity, unit rate, total cost etc.****7. Loan assistance sought for from REC****8. Schedule for procurement of equipment and delivery****9. Certificates:**

1. The unit cost adopted for each type of equipment covered in the scheme is as per _____.
2. The programme of procurement of _____ is scheduled for completion by -----.
3. Utility is not availing financing for this programme from any other funding agency.
4. These works are not included in any of the REC financed sanctioned schemes.

Format of Appraisal Note to be sent by the PO

1. Name of the state
2. Name of the power utility
3. Name of the scheme with district , Circle and block name
4. Category of scheme
5. Total project Cost
6. Loan amount

7. Brief details of the scheme

8. Objectives

- (i)
- (ii)
- (iii)

9. Works proposed in the scheme

S.No	Item	Qty	Rate	Cost
	Total			

- 10.** Details of cost estimates adopted in the scheme and whether they are acceptable to the CPM.

11. Security proposed to be provided for the loan

Mention about which security option the utility proposes to opt for. If GG is proposed, status of the same may be given (likely date of sanction of GG etc). If assets are proposed to be hypothecated, status of valuation of assets may be furnished.

12. Likely period of documentation after the scheme is sanctioned

- 13.** Details of Scheme completion period requested by the Utility and recommended by CPM.

14. Whether scheme formulation as per guidelines?

15. **Default escrow would be provided/not provided by the utility. (strike out whichever is not applicable)**

16. Exposure norms:

Enclose Format

17. **Whether correctness of the facts and figures mentioned in the scheme have been verified?**

Yes/No

18. **Whether the utility has certified the following:**

- (i) **that the works covered under the present scheme have not been covered under any other scheme already sanctioned by REC;**
- (ii) **that the utility proposes to avail financing for the present scheme from only one financial institution;**

19. **Whether any relaxation is required.**

20. **Recommendations**

The proposal of the Utility for loan assistance of _____ is recommended for consideration by the Corporation, subject to acceptance of the relaxation (if any) indicated at para 19 above.

(Processing Officer)

Signature

Name

Designation

Date

ZM/CPM