

REFORM EFFORTS

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Privatisation of Electricity Distribution in Karnataka State.

READ:

1. The Energy Sector Policy Statement issued vide Government Order No.DE 99 PPC 96 dated 30th January 1997.
2. The Government Order No.DE 99 PPC 96 dated 31.1.1997.
3. The Karnataka Electricity Reform Act, 1999.
4. The Government Order No.DE 4 PSR 99 dated 16.7.1999.
5. The Government Notification No.DE 3 PSR 99 (1) dated 28.8.1999.
6. The Government Notification No.DE 11 PSR 99 dated 11.10.1999.

PREAMBLE:

In the Government Order dated 30.1.1997 read at (1) above, the State Power Sector Policy on Reforms, envisaged that "in order to improve the operational efficiency in distribution and to enhance customer service quality, the State Government plans to privatize the restructured distribution operations of the KEB. While doing so, as open competitive bidding process will be adopted. To ensure that necessary framework is in place, Privatisation would be implemented after the independent Regulatory Commission has become fully operational".

In the Government Order dated 31.1.1997 read at (2) above, an empowered committee was constituted under the Chairmanship of the Chief Secretary to the Government of Karnataka to float the tenders for selection of consultants, evaluate the bids received and appoint consultants and thereafter guide the consultants and monitor their performance.

The Karnataka Electricity Reform Act, 1999 read at (3) above, envisages establishment and constitution of an Electricity Regulatory Commission for the State of Karnataka, restructuring of the electricity industry in the State involving separation and rationalization of the generation, transmission and distribution functions, reorganization and corporatisation of Karnataka Electricity Board, Transfer of Board functions to successor entities including the licensing the transfer of distribution functions to licensees authorized by the Commission etc.

Accordingly, in the Government Order dated 16.7.1999 read at (4) above, approval was accorded for incorporation of new Government companies known as the Karnataka Power Transmission Corporation Limited (KPTCL) for handling transmission and distribution functions of KEB, and Visvesvaraya Vidyuth Nigama Limited (VVNL) for handling KEB's

existing generating stations with its associated units. In the Government Notification dated 28.8.1999 read at (5) above, the Karnataka Electricity Regulatory Commission has been established under the provisions of the Karnataka Electricity Reform Act, 1999. In the Government Notification dated 6.10.1999 read at (6) above, the Commission has been duly constituted.

As per the State Power Sector Reform Policy and the provisions of the Karnataka Electricity Reform Act, 1999, the Karnataka Electricity Regulatory Commission is set up and is now fully operational and the KEB is undergoing the process of corporatisation and reorganization under the newly incorporated companies namely KPTCL and VVNL. Necessary further steps are therefore to be taken by the Government to privatize the distribution operations of the KEB, as envisaged in its Power Sector Policy Statement dated 30.1.1997 and the provisions of the Karnataka Electricity Reform Act, 1999. In the circumstances, Government order as follows:

GOVERNMENT ORDER NO.DE 17 PSR 99,

BANGALORE, DATED 27.1.2000.

In the circumstances explained in the Preamble, Government are pleased to accord approval for the following:

1. To take steps for inviting private sector participation in power distribution in the State by following the three stages bidding as detailed below:
 - i. Request for Qualification (REQ),
 - ii. Request for Proposals in which bidders will also furnish the price bid, and
 - iii. Negotiation on terms and conditions, and conclusion of contracts.
2. The competitive bidding process will follow the delineation of the jurisdiction of each distribution company and preparation of detailed documentation.
3. Bidding for the proposed joint venture entities would be limited to those companies which are evaluated to have the required technical, financial and managerial capabilities in the field, following the first stage of bidding which will be to invite Requests for Qualification (RFQ).
4. To hold an Investors' Conference inviting domestic and foreign companies during August 2000 in order to promote the Privatisation proposal.
5. To invite suitable Consultants to prepare the proposals relating to financial restructuring, delineation of distribution entities and preparation of bid documents as well as assistance in the whole

process, and to meet the cost of these Consultancies from the State Government Funds.

The Consultants will be required to develop evaluation criteria, which are transparent and appropriate.

6. To authorize the Steering Committee under the Chairmanship of the Chief Secretary to Government of Karnataka constituted in the Government Order No.DE 99 PPC 96 dated 31.1.1997 to take all the decisions relating to Terms of Reference of Consultants, selection and appointment of Consultants, obtaining of Consultants' reports and payment of Consultancy fees.

BY ORDER AND IN THE NAME OF

GOVERNOR OF KARNATAKA

Sd/-

(B.V.KUMARASWAMY)

Under Secretary to Government

Energy Department.