

**The World Bank assisted “Karnataka Urban Water Supply Modernisation Project”**

**PRE-BID QUERIES RECEIVED FOR OPERATOR SERVICES FOR BELAGAVI AND KALABURAGI CITIES**

| SI No | Queries  |
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| 1.    | <p>a) We presume that the Operator shall not be responsible for payment of raw water abstraction charges.</p> <p>b) Please confirm that non-availability of sufficient water at source or restriction on abstraction of water due to the default in payment of raw water abstraction charges by the Corporation shall relieve the Operator from its obligations during such period that water is not available or available in insufficient quantities.</p>  |
| 2.    | <p>We request that considering the long term of the Contract and the requirement of mobilization of large number of manpower, the Contract should provide for 3 months Mobilization Period and the Effective Date should be the date falling on 91st day after the execution of the Contract.</p>  |
| 3.    | <p>Vol I Clause 1.1.1 - Page 4- It is intended that the G.O.K, through loan assistance from World Bank, would finance up to 70% of total Contract amount including the transition costs. The remainder and the O&amp;M costs will come from the ULB. Please confirm status of remaining 30% finance from ULB.</p>  |
| 4.    | <p>Vol II -Schedule 12- Page 151- Mobilization Advance<br/>Operator has to mobilize significant resources as soon as Agreement is signed as well as during the entire start up period. Hence, we would request you to provide mobilisation advance of at least 10% of the total start up period fee + total transition period fee against a bank guarantee</p>   |
| 5.    | <p>Vol II - Schedule 11- Performance Standard-<br/>The milestones for startup and transition period includes milestones for physical progress in terms of percentage of work completed within 12, 24, 36, 48 months of Effective Date. However since the work is actually done by third party contractors, the milestones and associated penalties apply only to the contractors and not the operators. Kindly confirm.</p>  |
| 6.    | <p>Vol II - Schedule 11- Performance Standard-<br/>Delivery of item B are subjected to third party works which the Operator only act as Construction Manager. Therefore Operator should not be held responsible for late delivery due to fault by the Third Party?</p>   |
| 7.    | <p>Financial bid format indicates that cost is exclusive of taxes and duties. Please clarify, how tax component will be handled during execution phase. How operator will raise the bill for tax component paid by operator.</p>   |
| 8.    | <p>Please clarify who will pay for electricity and chemicals during transition period as well as sustaining period. Also please clarify who needs to arrange construction power and water.</p>   |
| 9.    | <p>We understand that Employer shall provide all permits, right of way, environmental clearances or any other statutory requirement etc. from local or state or central govt. authorities.</p>   |
| 10.   | <p>Vol II - Schedule 5 , 5.3.4 - page 109- The Operator shall prepare a plan to set up a well-functioning water meter workshop for testing and calibrating water meters, fully accredited if possible and train staff in meter testing &amp; calibration, selection, replacement and repair of domestic and commercial water meters.<br/>The repairs shop of water meter may not be insisted to be in the town itself. The meter manufacturer supporting the operator may have repair shop outside the town.</p>   |
| 11.   | <p>Vol II Schedule 5 - Page 89 - Preparation of Environmental and Social Assessment including Environmental and Social Management Plans for the Service Improvement Plan proposed by the operator in line with the Environmental Code of Practice of this agreement<br/>The operator scope includes environmental assessment and EMP. Typically an environmental impact assessment (EIA) takes one year due to field monitoring. Also the EIA is not mandatory since water supply project is not covered under EIA notification and no environmental clearance</p> |

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|       | is required for the project. Hence we suggest environmental assessment based on available data/desk study followed by EMP  |
|       | <p>Vol II - Schedule 1 - Page 80 - Raw Water Supply</p> <p>a) Please confirm that the quantity of water is guaranteed.</p> <p>b) We request you to include non-availability of raw water for reasons beyond control of the Operator under the Force Majeure condition. The reasons beyond control of the Operator include non-payment of raw water charges by Corporation to the relevant authorities, power failure, scarcity of water at source, illegal tapping / breaking of transmission pipeline or any other event which prohibits the Operator from abstracting water from source.</p>   |
| 12.   | <p>Voll - Schedule 1 - Page 80- Raw Water supply</p> <p>Please clarify the provisions to safeguard the Operator in case of inadequate availability of raw water supply to ensure 24x7 pressurised water supply.</p>  |
| 13.   | <p>Vol II- Clause 12.3.2 - Page 47- The Corporation will transfer, quarterly, to the Third Party Contracts Special Account the sum of the standard costs for subsidized connections sanctioned and provided over the previous quarter.</p> <p>1) In case of subsidized connections, the Corporation should upfront pay to the Operator the subsidy amount prior to Operator providing the new connection.</p> <p>2) Quarterly payment creates a big cash flow issue for Operator.</p> <p>Please change to monthly</p>  |
| 14.   | <p>Vol II - Clause 11.2 Performance Security - Page 44</p> <p>We would request that Operator be allowed to provide three performance securities for each of the three period (SUP,TP and P) at the value of 10% of the Fee quoted for each period to be provided at the beginning of each period.</p>  |
| 15.   | <p>Vol II- 6.3.7 (b) - Page 37 -(b) The interest on delayed payments shall be deposited into the Third Party Contracts Special Account on submission of proof of payment of interest, due by the Operator, to the relevant third party contractor.</p> <p>It appears from this clause that in case of delayed payments by the Corporation or KUIDFC, the Operator shall pay the interest to the Works Contractor and the same shall be reimbursed to the Operator on submission of proof of interest payments to the Works Contractor. However, the Operator shall also have to pay interest on these additional interest payments made to the Works Contractor for the period between payments to the Works Contractor and receipt of payments from the Corporation or KUIDFC (Working Capital Interest). Therefore, the Operator should also be reimbursed such Working Capital.</p> |
| 16.   | <p>Vol II - 6.3.5 c - page - 36-(c) The Technical Auditor shall review the forecast for the present month and disbursements from previous months and issue a confirmation to KUIDFC and the Corporation (with a copy to the Operator) that:</p> <p>The process of review of the forecast by the technical auditor and confirmation from KUIDFC and the Corporation will become a time consuming process and result into delay in releasing the payment. Instead of monthly forecast, the period of forecast may please be revise to quarterly or six monthly forecasts to enable speeder release of payments.</p>  |
| 17.   | <p>Vol II -6.3.4 - Page 36 -The Operator shall make timely payments to the third parties under the third party contracts and any undue delays due the act or omission of the Operator shall be its sole responsibility and it shall not be entitled to seek reimbursement or payment for any extra liability for late payment so caused under the third party contracts from KUIDFC or the Corporation.</p> <p>a) Please confirm whether the Operator shall obtain Performance Security from the Works Contractor and shall have the right to invoke the same in case of default or delay by the Works Contractor.</p> <p>b) If this is not allowed, please clarify the mechanism for compensation offered to the Operator for delays on part of the Works Contractor and subsequent increase in O&amp;M payments.</p>   |

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| 18.   | <p>Vol-II , Page No.32 Clause no. 5 Procurement</p> <p>Since the Works Contract is to be entered between the Operator and the Works Contractor, and the performance of the Works Contractor is the responsibility of the Operator and has substantial bearing on the performance of the Operator, we presume that the Liquidated Damages in case of non-performance of the Works Contractor should be paid to the Operator and the Operator should have right to obtain Performance Security to that effect from the Contractor and forfeit complete or part of it whenever necessary. Please confirm that the Operator shall have rights to do so and the Works Contracts shall be prepared in line with this understanding.</p>   |
| 19.   | <p>Vol-II , Page No.32 Clause no. 4.5 Major Maintenance Expenditure</p> <p>Please clarify whether Major Maintenance during O&amp;M needs to be carried out by Operator or through Third Party Contractor since payment for Major Maintenance will be transferred to separate account for which Operator cannot take any payment.</p> <p>Further Please clarify What happens if Major Maintenance cost exceeds Annual Capital Maintenance Fund.</p>  |
| 20.   | <p>Tender Condition- Non performance of Third party contractor for infrastructure improvement activities.</p> <p>If the third party contractor fails to perform for reasons not attributed to Operator or the Employer, what are the provisions available to safeguard the interest of Operator/Employer? Please confirm, in such situation, whether Operator can take up the work for faster and smoother completion of project with mutual agreement between Operator and Employer, subject to commercial implication.</p>  |
| 21.   | <p>Vol I page 37, Clause 3.3.1.3 Criterion-(a):<br/>Tender Condition</p> <p>Responsibility for managing all aspects of water service, including all aspects of customer interface, complaints, billing and collections for a physically integrated service area having:</p> <ul style="list-style-type: none"> <li>i. A minimum of 70,000 connections;</li> <li>ii. A minimum of 700 kms of pipe length;</li> <li>iii. Providing 24/7 supply to all connections in that area through a continuously-pressured distribution system;</li> <li>iv. A demonstrably effective active leakage control program; and</li> <li>v. A modern, computerised system of customer data, billing and collection and customer complaint &amp; response monitoring.</li> </ul> <p>We understand that the scope of work is differentiated into 3 parts.</p> <ol style="list-style-type: none"> <li>1. Start up period (1 Yr)</li> <li>2. Transition Period ( 3Yrs)</li> <li>3. Sustaining Period ( 8Yrs)</li> </ol> <p>The city is currently under intermittent water supply and the Operator will be responsible for maintaining current water supply system from day 1 of the contract.</p> <p>We are of the view that the Operator should be experienced with Operating interminant water supply system, and conversion of the system from intermitant to 24x7 Water supply.</p> <p>We request you to please amend the clause as</p> <p>Criterion-(a):</p> <p>Responsibility for managing all aspects of water service, including all aspects of customer interface, complaints, billing and collections for a physically integrated service area having:</p> <ul style="list-style-type: none"> <li>i. A minimum of 70,000 connections;</li> <li>ii. A minimum of 700 kms of pipe length;</li> <li>iii. Providing 24/7 supply to 25,000 nos (30% of 85,000 nos) connections in that area through a continuously-pressured distribution system;</li> <li>iv. A demonstrably effective active leakage control program; and</li> <li>v. A modern, computerised system of customer data, billing and collection and customer complaint &amp; response monitoring.</li> </ul> |
| 22.   | <p>2.17.1 -Tender Requirement- Bank Guarantee towards bid security may be issued by the Bank using SFMS in line with directions of Department of Financial Services, Ministry of Finance,</p>   |

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|       | Government of India<br>We understand Bank guarantee from Nationalized or Scheduled Bank is acceptable towards bid security. Please confirm.  |
| 23.   | Please provide us the EB tariff - Rs/kWH andRs/kVA/Month to be considered.   |
| 24.   | Please clarify whether the Operational cost of electricity for all pumping station is in client scope or bidder scope  |
| 25.   | Please confirm whether the current raw water tapping points are metered supply or unmetered.   |
| 26.   | Service Improvement Plan (SIP), Overview of the SIP, Clause 1.4, Page No :97 "In preparing the SIP the following design horizons will be adopted .....a) Water Treatment - 2026"<br>Kindly confirm the Design horizons of Water treatment plant is 2026  |
| 27.   | Start up period, Assessment of Water Quality, Clause 6, Page no: 92 "The Operator shall collect the required number of samples each of the raw water and treated water from all the Water Works existing at the Effective Date and the required number of samples"<br>Kindly confirm the number of samples need to analysis for the following location, during the start-up period and transition period   |
| 28.   | Please provide us the existing flow meter details in Jack well outlet, WTP inlet, outlet, Reservoir inlets and outlets   |
| 29.   | Kindly confirm existing automation availability  |
| 30.   | Please confirm any other pipe materials available apart from CI, DI, PVC and HDPE material as mentioned  |
| 31.   | We request you to kindly confirm us the online bid submission through any of the Authorized representative of the partners holding the Power of Attorney for this project.   |
| 32.   | Clause 2.3.2 (A) (i) (a) and 3.3.1.6 of RFP<br>We request you to reconsider your decision of O&M partner to be the lead member. We suggest that the JV member fulfilling the financial requirements and also having more than 10 years of experience in water projects to be the lead member of the consortium.  |
| 33.   | We request you to extend the last date for the submission of pre-bid queries to 15 days after the first pre-bid meeting  |
| 34.   | We request you to kindly extend the last date for sending queries by 1 week. i.e., up to Nov 17, 2016  |
| 35.   | Clause 2.3.2 and 3.3.1<br>Technical Qualification<br>These two clauses regarding the technical qualification do not match with each other. Sub-criteria (b), (c) and (e) mentioned in Clause 3.3.1 do not appear in Clause 2.3.2.  |
| 36.   | Definition of Minor Maintenance<br>Please clarify whether the repairs to the house service connections will be the responsibility of the Operator or the consumer. Who shall pay for these repairs?<br>Also, please clarify what shall be the battery limits for the Operator with regards to the house service connections?   |
| 37.   | Definition of Minor Maintenance<br>Please specify the responsibility of Operator with regards to domestic meters. In case of damaged meters, theft, non-functional etc., the role of Operator should be made clear. Who shall pay for the replacement of such meters?  |
| 38.   | Clause 3.4 – Draft System Improvement Plan<br>i. As per this Clause, the amount proposed by the Operator shall not exceed the CAPEX Envelope. The CAPEX Envelope is decided by KUIDFC and is only given as one number to the Bidder. Further, the Agreement requires that the Operator shall be able to prepare the SIP within the CAPEX Envelope after the Operator undertakes a thorough study of the existing system. We request you to kindly consider the review this provision.<br><br>ii. We also request you to provide the bidders, the basis of the CAPEX Envelope so that Bidders are aware of the different components of the CAPEX Envelope and also provide some comments on the same.<br><br>iii. As per provisions of Clause 3.4.4, in case the Operator, if not be able to bring the SIP within the CAPEX Envelope, shall be entitled for the payment for preparation of the draft SIP. We request you that the preparation of draft SIP would include costs towards set- |

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|       | <p>up, customer and topography survey, asset condition assessment and the SIP preparation that would have been already incurred. Therefore, we suggest that in such condition, the Operator shall be entitled to these costs (Start Up Period Fee).</p> <p>iv. Our experience in other similar contracts show that usually the cost of road restoration (for pipelines as well as service connections) and cost of the service connection is estimated on a lower side than the market rates. We request you to please make it sure that these costs, which have a lot of bearing on the total cost, are appropriately estimated.</p> <p>v. Please clarify whether the CAPEX Envelope includes price escalation and all the taxes and duties also.</p>  |
| 39.   | <p>Clause 3.7 - Liquidated Damages for delay in submission of SIP<br/>Since the fee for preparation of draft SIP is a single line item, please clarify how the fee for relevant components of the SIP shall be calculated.</p>  |
| 40.   | <p>Definition of Expiry Date<br/>The Expiry Date of the Contract is specified as 12 years from the Effective Date or the date extended as per Clause 2.3.1. The clause 2.3.1 refers to the extension in mutual agreement towards the end of the Sustaining Period. However, it is not clear whether the Expiry Date shall be extended if the Startup Period and/or Transition Period is extended by KUIDFC/Corporation. For example, if the Startup Period and/or Transition Period is extended in accordance with clauses 3.4.5, 3.13.3 and other relevant clauses (say cumulatively by 10 months), will the Expiry Period also be extended accordingly? In other words, the Sustaining Period shall be a fixed term of 8 years or the period between the commencement date of Sustaining Period and the end of 12 years from the Effective Date?</p>  |
| 41.   | <p>Clause 5.5 and Clause 25.4<br/>The Contract requires the Operator to sign Works Contract(s) with Third Party Contractor(s). Clause 5.5 of the Agreement states that the Operator is liable for all negligent acts, omissions and defaults of any Works Contractor or Utility Systems.</p> <p>We request that these Third Party Contracts should be signed between KUIDFC / Municipal Corporation and the Third Party Contractors. It is unfair to make the Operator responsible and liable for the Contractor's performance because;</p> <p>1. In this Agreement, the Operator is responsible for achieving the KPIs and will lose substantial part of the O&amp;M Fees in case of not meeting these KPIs. It shall be always Operator's endeavour as a PMC to ensure that Works Contractor delivers the works in time and as per the acceptable quality since it has direct bearing on the achievement of the KPIs by the Operator. However, it is unjust to enforce the entire liability of the works onto the Operator in addition to the O&amp;M responsibilities, especially when the Operator has no choice in selecting the Contractors.</p> <p>2. Based on our legal &amp; tax due diligence, the Operator's tax liability will increase and hence it is a more expensive option for the Client than direct contracting between KUIDFC and Works Contractor.</p> |
| 42.   | <p>Clause 3.4.4<br/>As per this clause, in case the operator's investment amount in SIP exceeds the CAPEX Envelope, the Corporation and KUIDFC shall have right to terminate the Contract. Please appreciate that the Bidder has little time to review the CAPEX Envelope at the bidding stage and has limitations in carrying out his studies prior to submission of bid.</p> <p>As per our understanding, the clause doesn't provide any room for the Technical Auditor / KUIDFC / Corporation to accept the excess of SIP cost over the CAPEX Envelope if the Operator successfully justifies the reasons for investments above CAPEX Envelope. This should be provided for in the Agreement in the interest of the Project.</p>   |
| 43.   | <p>Clause 3.13.4 (b)<br/>The Clause mentions that in case the Sustaining Period conditions are not achieved even during the extended period, the KUIDFC may allow the commencement of Sustaining Period and the</p>   |

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|       | <p>Operator would be liable for a reduction in the Performance Fee. Kindly clarify how this reduction shall be calculated.</p> <p>Also, in such a case, what will be applicable; the O&amp;M Fee and KPIs of Transition Period or that for the Sustaining Period?</p>   |
| 44.   | <p>Clause 6.3.2 – Disbursements from the Third Party Contracts Special Account<br/>Will Operator require prior approval from KUIDFC/Corporation for making payments to the third party contractors and suppliers during the Sustaining Period? If yes, this would be a concern especially because there will be several small contractors who will find it difficult to arrange for the working capital. The day to day operations will require immediate release of payments to the petty or small time contractors. We propose that such approval may be required only post-facto and such approval shall not be unreasonable withheld.</p>   |
| 45.   | <p>Clause 6.3.7<br/>As per this Clause, in case KUIDFC / Corporation defaults in depositing necessary funds in this account resulting in penalties payment to 3rd party contractors, the Operator is required to pay the penal interest (to third party) before seeking reimbursement of the penal interest paid. The interest on delayed payments shall be deposited into the Third Party Contracts Special Account on submission of proof of payment of interest, due by the Operator, to the relevant third party contractor.</p> <p>We request the following;</p> <p>The contract with 3rd party contractor should be signed with KUIDFC / Corporation.</p> <p>The Operator can be made responsible for this 3rd party special account, but should neither be asked to pay BG (against the deposits) nor expected to pay penal interest (without getting upfront funds from KUIDFC/ Corporation).</p> |
| 46.   | <p>Clause 6.3.1<br/>Even for the first advance payment of Rs. 10 Crore, the Operator is supposed to provide Advance Payment Security even for the funds which are not part of Operator's remuneration. If the Works Contract is signed between the Operator and the Works Contractor, the Works Contractor shall raise the invoice in the name of the Operator and not in the name of KUIDFC. However, the Operator shall not be able to raise the invoice to KUIDFC for the Capital Works performed since the Operations Agreement does not provide for such mechanism.</p> <p>In such case, we fail to understand how KUIDFC would release funds to the Operator's account in absence of any invoice raised in KUIDFC's name.</p>   |
| 47.   | <p>Clause 12.3<br/>Please confirm that the provisions related to new connections and replacement of illegal connections shall be applicable during Sustaining Period as well as Transition Period. At present, the clause only refers to the provisions during Sustaining Period.</p>   |
| 48.   | <p>General<br/>Please confirm that the land required for WTP, reservoirs and for pipelines and other necessary components is already in possession of the Corporation. Please confirm that the Contractor / Operator shall not be responsible for any delay on part of Corporation in arranging the land for construction of various components.</p>  |
| 49.   | <p>Clause 11.2 (ii)<br/>The Operator shall review the Performance Security at the end of every 2 years. Does it mean that the Performance Security shall be reduced gradually every 2 years as per the reduced outstanding value of works?</p>  |
| 50.   | <p>Clause 11.2<br/>We understand that the Performance Security for Startup and Transition Period shall be returned on commencement of Sustaining Period. Please confirm.</p>  |
| 51.   | <p>Clause 12.2<br/>Please clarify whether the meter reading and billing to the consumers shall be once in a month,</p>  |

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|       | <p>2 months or otherwise.</p> <p>Also, please share the Connection Policy of the Corporation and any other relevant document for the bidder to assess the Transition and Sustaining Period requirements in detail.</p> <p>Please confirm that the meter reading shall be through manual reading of mechanical meters and the bills shall be provided in hard prints or through electronic modes.</p>   |
| 52.   | <p>Clause 12.3 – New Connections during Sustaining Period</p> <p>For the clarity, please confirm the following;</p> <ul style="list-style-type: none"> <li>i. The Operator shall not be required to keep any provision in the O&amp;M cost for providing new connections.</li> <li>ii. In case of non-subsidized customers, the cost of the connections shall be directly recovered upfront from the customers. In case of subsidized customers, the payments shall be made by the Corporation after providing the connection.</li> <li>iii. The Operator’s responsibility is only limited to providing the service for new connection. The cost of materials, labour, resources, equipment etc. shall be borne as per (ii) above.</li> <li>iv. The Standard Cost of the new connection shall be accepted by the Corporation as per the basis of estimate provided by the Operator.</li> </ul> |
| 53.   | <p>General</p> <p>Please provide a list of buildings (with built-up area) that will be handed over to the Operator and also when they will be handed over. Based on this list, the bidder can assess the requirements of offices, stores, workshops etc.</p>   |
| 54.   | <p>General</p> <p>Please share the details of the proposed scheme with the bidders so that the bidders have a good idea of works to be managed during Transition Period.</p>   |