

No. 3/7/2017-Trans-Pt(6)
Government of India
Ministry of Power
Shram Shakti Bhawan, Rafi Marg, New Delhi-110001

Dated, 23rd March, 2021

To

1. Additional Chief Secretaries/ Pr. Secretaries/ Secretaries of Power/ Energy Departments of all States/ UTs and heads of power sector organisations under States/ UTs.
2. Chairman/ Managing Directors of all power sector CPSUs.

Subject: Three O.M. No.9/4/2020-PPD, dated 12.11.2020 of Ministry of Finance (D/o Expenditure) regarding- (i) Performance Security, (ii) Bid Security/ Earnest Money Deposit; and (iii) Additional Performance Security in case of Abnormally Low Bids (ALB), respectively.

Sir,

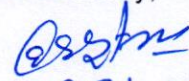
I am directed to refer to three Office Memorandums, all bearing No. 9/4/2020-PPD and dated 12.11.2020 (copies enclosed), issued by the Ministry of Finance (D/o Expenditure), Govt. of India, on the following subjects:

- (i) Reduction in Performance Security from existing 5-10% to 3% of the value of the contract.
 - (ii) In place of Bid Security, only provisions for Bid Security Declaration should be kept in the future bid documents.
 - (iii) No provision to be kept in the Bid Documents regarding Additional Security Deposit/Bank Guarantee (BG) in case of Abnormally Low Bids.
2. In this regard, it is requested to provide relaxation as suggested in the aforesaid O.M.s of Department of Expenditure for power projects being implemented under State/UT Government.

3. This issues with the approval of Competent Authority.

Encl: as stated.

Yours faithfully,


23/3/2021
(Bihari Lal)

Under Secretary to the Govt. of India
Tele Fax: 011-23325242
E-mail: transdesk-mop@nic.in

Copy to:

1. Chairpersons of all SERCs/ JERCs.
2. Chairperson, CEA, New Delhi.
3. PS to Hon'ble MoSP(IC)/ Sr. PPS/ PPS/ PS to Secretary(Power)/ AS(VKD)/ AS(SKGR)/ AS&FA/ Sr. Advisor/ All JSs/ Ch. Engineer(Th)/ All Directors of MoP.
4. Technical Director, NIC, MoP- with the request to host this letter on the website of MoP.

No. F.9/4/2020-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

512, Lok Nayak Bhawan, New Delhi
Dated the 12th November 2020

OFFICE MEMORANDUM

Subject: Performance Security.

As per Rule 171 of General Financial Rules (GFRs) 2017, Performance Security is to be obtained from the successful bidder awarded the contract for an amount of five to ten percent of the value of the contract to ensure due performance of the contract. Similar provisions also exist in the Manual for Procurement of Works 2019 and Manual for Procurement of Consultancy & other Services 2017 issued by this Department.

2. The Government is in receipt of many representations that on account of slowdown in economy due to the pandemic, there is acute financial crunch among many commercial entities and contractors, which in turn is affecting timely execution of the contracts. It has also been represented that this may affect the ability of contractors to bid in tenders and hence reduce competition. Requests are being received for reduction in quantum of Security Deposits in the Government contracts.

3. In view of all above, it is decided to reduce **Performance Security from existing 5-10% to 3% of the value of the contract** for all existing contracts. However, the benefit of the reduced Performance Security will not be given in the contracts under dispute wherein arbitration/ court proceedings have been already started or are contemplated.

4. Further, all tenders/ contracts issued/ concluded till 31.12.2021 should also have the provision of reduced Performance Security.

5. In all contracts where Performance Security has been reduced to 3% in view of above stipulations, the reduced percentage of Performance Security shall continue for the entire duration of the contract and there should be no subsequent increase of Performance Security even beyond 31.12.2021.

Similarly, in all contracts entered into with the reduced percentage of Performance Security of 3%, there will be no subsequent increase in Performance Security even beyond 31.12.2021.

6. Wherever, there is compelling circumstances to ask for Performance Security in excess of three percent as stipulated above, the same should be done only with the approval of the next higher authority to the authority competent to finalise the