

VENDOR DEVELOPMENT POLICY

- I. Vendors/manufacturers interested in introducing new products/technologies **offering technical advantages in the field of Condition Monitoring, Residual Life Assessment, SCADA/Automation Systems, Smart Grid Technologies, Products for Effective Asset Management and Operational Reliability, etc. are to be encouraged and facilitated** by permitting them to install their product in MSETCL system.

- II. Before introduction of a product with new technology, thorough technical evaluation shall be done for the product to be introduced in the system through a committee comprising of following members:
 - a. The C.E. (Des. C&M), CO
 - b. The C.E. (Tr. O&M), CO
 - c. The C.E. (PAC), CO
 - d. The C.G.M. (F&A)
 - e. External (Academic) Member

If required, factory Inspection may also be carried out by the members. The committee, in the report, shall lay down the parameters of successful operation /performance. An agreement in this regard be executed with the concerned vendor which shall be part of the proposal. Disputes, if any, arises in this regard shall be resolved at committee level. An undertaking to this effect may also be taken from the vendor. Committee should furnish the report within 30 days after receipt of the proposal.

- III. Vendor shall arrange for Supply, Transportation, Erection, Testing and Commissioning of the offered equipment at the site chosen by MSETCL. Also, after commissioning, vendor shall arrange for performance monitoring at their own cost.

- IV. Pricing Methodology:
 - a. All the technical details in respect of the product shall be submitted.

 - b. In case the product is already tried in any other state utility/private company or abroad, Details of the Contract/PO, Performance Reports from actual user together with prices in INR/Foreign currency and period of

supply and such other information as required by MSETCL should be furnished by the vendor.

OR

In absence of base price as above, details such as material cost, processing cost, manufacturing cost, testing and other special costs upto the development of prototype product and mutually agreeable price for first time use of such product in the system.

OR

In case the details above are not available, the price of such new product shall be arrived at by considering similar product or its substitute or the quantifiable gain likely from the use of such product.

- c. In addition to above, **Swiss Challenge Method** shall invariably be adopted for price discovery mechanism. Swiss Challenge System is a new process to help private sector initiative in core sector projects. It's an offer made by the OEM/Proponent to the Utilities/Government ensuring their Product/System/Process to be best (in terms of effectiveness including both the factors cost and technology) by his initiative as a result of his own innovative approach to perform certain task. The Swiss challenge system, further allows third parties to make better offers (challenges) for the Product/System/Project during a designated period with simple objective to discourage frivolous Products/Systems/ project, or to avoid exaggerated Product/System/Project development costs. Then accordingly, the original proponent gets the right to counter-match any superior offers given by the third party.

The **Committee as at (II), will be authorized to take decision** and furnish the proposal accordingly for approval of the Director (Projects)/(Operations).

- V. The equipment/system shall remain under observation for its satisfactory operational performance for a period of one year from the date of commissioning. On completion of performance period of one year, the vendor shall furnish a detailed operational performance report to the Committee.
- VI. **Payment Schedule:**
Against the policy, Vendor will be eligible for availing payment of normally 50% of the accepted value (decided by the committee) after successful

commissioning of the equipment/system subject to submission of Bank Guarantee of 60% of accepted value. Balance 50% payment will be normally payable after completion of one year of performance period and furnishing BG towards balance amount. Vendor shall fulfill the requirement of Performance Bank Guarantee (20% of the accepted value) for performance period of 3 years.

- VII. In the event of failure of the product within one year of performance period or during the performance Guarantee period of 3 (three) years after completion of performance period of 1 (one) year, the payment already made to the vendor shall be recovered from BG/PBG as the case may be and the equipment/system shall be returned on “as is where is” basis. Aforesaid condition will also be applicable if the product/system fails to deliver the technical advantages claimed by the vendor.
- VIII. The vendor has to indemnify MSETCL towards losses, if any, caused to other equipments/system operating with such new product due to defects/mal-operation/non-operation installed under vendor development policy. The vendor has to furnish an undertaking in this regard on appropriate value of stamp paper that they shall pay for the actual losses as assessed by MSETCL due to defects/mal-operation/non-operation of their product. The losses will be assessed by aforesaid committee (at II above).
- IX. After successful performance period of two years or as per period decided depending upon product type and assessment thereof, the vendor will be eligible to participate in MSETCL’s tenders.