

**Agreement with SHGs**

This AGREEMENT entered into on this ..... day of ..... Two Thousand Ten **between Central Electricity Supply Utility (CESU)** having its registered office at 2<sup>nd</sup> Floor, Bhubaneswar, Orissa (herein after referred as **Utility** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) as party of the **First part**

**And**

..... Self Help Group (SHG) having its office at ..... under ..... Block of ..... District (Herein after referred to as **Franchisee** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) represented by ..... of ..... SHG as party of the **Second part**.

Whereas the first party agrees that the second part may do meter reading, bill distribution, mobilize the consumers, collect the current billing amount as well as past arrears from the consumers, curb the unauthorised consumption in the specified area under the jurisdiction of the first part, and, whereas the second party agrees to the above proposition of the first party.

**NOW, THEREFORE, IN VIEW OF THE FOREGOING PREMISES AND IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS HEREIN SET- FORTH, BOTH PARTIES HEREBY AGREE AS FOLLOWS:**

**I. SCOPE OF WORK**

The franchisee, which is engaged in accordance with the section 5 read with section 14 of the Electricity Act 2003, will carry out the following activities in the Franchised Area;

1. Franchisee will do the collection of both current and arrear electricity dues from the consumers and should achieve the target assigned to them from time to time.
2. FRANCHISEE will do the meter reading, billing & bill distribution using SBMs for all the consumers in its area.
3. FRANCHISEE will coordinate with CESU for metering of consumers & distribution transformers.
4. FRANCHISEE will interact with the prospective consumers and make efforts to motivate them to be authorised customers. They will have to collect filled-up application form for the new connection from them along with required documents and service connection charges & deposit the same with designated office of CESU within 48 hours.
5. FRANCHISEE will play a pivotal role in checking power theft and help CESU in taking appropriate action.
6. FRANCHISEE will coordinate with CESU in resolving the complaints of consumers.
7. FRANCHISEE will also coordinate the issue of new connections & regularizations.
8. On deposit of requisite security deposit to CESU, FRANCHISEE may be allowed to collect revenue from all the LT consumers.
9. FRANCHISEE should deposit the money collected from the consumers on the same day or next working day with the designated office of the CESU.
10. FRANCHISEE may be allowed to take the meter reading from the Distribution Transformer of their area.
11. FRANCHISEE may be assigned additional responsibility from time to time by CESU for which separate remuneration will be worked out from time to time.

## II. PAYMENT TERMS

1. The Base Line Collection Target ( BLCT) of a month depends on the Average Collection Per Month ACPM) of the immediate past six months.
2. **For the first year, BLCT is the 120% of ACPM during** present financial year. From second year onwards, the BLCT may be increased by at least 20% over initial BLCT & this trend will continue till the collection efficiency reaches 100%.
3. In case of retail supply tariff(RST) revision by OERC, the BLCT will be revised accordingly to factor the revision.
4. Franchisee will get Rs.3/Consumer for meter reading & bill distribution activities.
5. Same amount of Rs.3/Distribution Transformer meter reading will be paid, once they are asked to carry out this activity.
6. Once they are allowed for collection activities, they will get an incentive of 6% of the collection amount.
7. The Franchisee will get an additional incentive of 8% on incremental revenue collected beyond BLCT & up to 125% of BLCT. The incentive beyond 125% of BLCT will be paid @ 10% of the incremental revenue over and above 125% of BLCT.
8. **Penalty:-**
  - (A) In case if the actual collection is less than the Base Line Collection Target(BLCT), Franchisees will be penalised @6% of the shortfall amount. The shortfall amount =(BLCT- Actual Collection). Actual collection includes Franchisee collection, CESU counter collection, on-line collection & collection through CESU effort. The penalty is not applicable for initial three months, which is considered as stabilization period.
  - (B) In case of the Franchisee fails to work within the **time stipulated by Division office**, the CESU will impose penalty@Rs 5.00/ per customer per day of delay. If on account of the default in completion of the work within the schedule dates for two consecutive billing cycles, CESU reserves the right to terminate the agreement without further notice and entrust the work to another party who might be willing to abide by CESU's terms & conditions
  - (C) For issuance of bills with the new tariff/tariff changes within the time limit specified by CESU shall be –Rs 1000/ day of delay for every 100 consumers.
  - (D) For wrong meter reading=Rs 50/- per bill.
  - (E) Non issuance of bill=Rs 10/- per bill.
  - (F) Data upload into SBM after specified date=Rs 500/- per day/ SBM.
9. For effective consumer mobilization, they will be paid Rs.100/Consumer for bringing them under billing fold.
10. The franchisee will earn 20% of the long disconnected arrear amount.

11. The franchisee will be involved for curbing the power theft in their area. Hence whenever a dishonest consumer is arrested because of power theft, they will be rewarded Rs.1000/Arrest.
12. The Franchisee will get 10% of the penal amount collected from the customers due to unauthorized consumption.

### **III. SETTLEMENT OF BILL**

The Franchisee will submit its monthly bill to the Junior Manager of .....section of .....sub-division under ..... Electrical Division. He will certify the collections and amount payable to Franchisee. The Junior Engineer will forward this bill along with his certification report to Executive Engineer, ..... electrical division with a copy to sub-divisional officer. Executive Engineer, ..... is the paying officer for these franchisee-operations under .....Section. CESU shall pay the fee payable within 7 days of bill submission to section officer. All the payments will be made through cheques.

### **IV. REVISION OF THE REMUNERATION STRUCTURE**

The remuneration structure may be revised from time to time. The basic premise of such a revision shall be to maintain a win-win situation for the FRANCHISEE as well as the CESU. In case there is evidence to show that the remuneration structure is detrimental either to the interests of the CESU or the FRANCHISEE, the parties can initiate discussion to change the structure.

### **V. AUDIT AND ACCOUNTS**

#### **1) Audit**

The Utility reserves the right to conduct audits relating to matters arising out of this Franchise Operation. In the event an audit results reveals that franchisee has deposited less amount to the Utility in accordance with the agreement, Franchisee shall pay the balance amount and vice-versa.

#### **2) Accounts**

- (A) The financial year of the Franchisee shall run from the first of April to the following thirty-first of March.
- (B) The Franchisee shall, in respect of the Franchised Business:
  - (i) Keep such accounting records as would be required to be kept in respect of each such business as prescribed by the utility from time to time.
  - (ii) Notwithstanding anything contained in this Section, whenever deemed fit, the Utility may conduct a comprehensive audit on franchisee operations.

- (C) Franchisee shall maintain Records of its operations that are open and accessible to the Utility. The Utility shall have the right to inspect such Records of the Franchisee as are reasonably necessary. The records as per **Schedule- II** may be maintained by franchisee.

## **VI. REMEDIES FOR NON-COMPLIANCE & TERMINATION**

### **1) Monitoring and reviewing the performance of Franchisee:**

1.1 The performance of Franchisee will be evaluated by CESU on AT & C loss reduction in a quarter. However, the quarterly target may be fixed by CESU based on the following parameters:

- No. of Consumers Regularized
- No. of new consumers added into the system
- Average no. of paying consumers/ month
- Improvement in average collection / month
- Improvement in Billing Efficiency
- Improvement in Collection Efficiency
- Reduction / Increment in Energy Consumption in MU

1.2 Franchisee will be communicated on the deficiency in service, if any from time to time. They are required to comply the same immediately.

### **2) Termination for the Franchisee's Event of Default**

2.1 Franchisee's Event of Default: The following events shall constitute an event of default by the Franchisee (a "Franchisee Event of Default") unless such Franchisee Event of Default has occurred as a result of "CESU"'s Event of Default or a Force Majeure Event;

- (i) If the Franchisee fails to pay any amount(s) as and when the same become due to "CESU" in accordance with the Agreement;
- (ii) If the Franchisee fails to improve the AT & C performance @ 4% per annum from the baseline at the first anniversary of the Effective Date;
- (iii) If the performance of Franchisee as mentioned in 1.1 is not satisfactory
- (iv) Any representation or warranty made by the Franchisee is found to be false and misleading;
- (v) Any petition for winding up of the Franchisee is admitted by a court of competent jurisdiction or the Franchisee is ordered to be wound up by court,

2.2 On the occurrence of a "Franchisee's Event of Default" under any of the provisions of 2.1 hereof, "CESU" shall be entitled to immediately terminate this Agreement by issuing a "Termination

Notice” to the Franchisee and carry on the Distribution in the Specified Area by itself. This Agreement shall stand terminated from the date of issuance of “Termination Notice” by CESU. For issuance of notice by either party, the address given at the end of the Memorandum of Understanding (MOU) shall be treated as the address of the parties for the purpose of notice.

## **VII. OTHER PROVISIONS**

### **1) Compliance with Laws**

The Franchisee shall comply with all applicable central / state laws and abide by the rules and regulations adopted or established pursuant to the Utility's lawful authority.

### **2) Dispute Resolution**

(A) Any dispute between the Franchisee and the Utility arising out of / or in connection with this Agreement shall be first tried to be settled through mutual negotiation.

(B) In the event of such differences or disputes between the Franchisee and the Utility not settled through mutual negotiations within thirty days of such dispute, the same shall be referred to Chief Executive Officer, CESU, whose decision shall be final and binding on both the party.

(C) In the event the franchisee has difference with the above order, it can approach the District Collector and the decision of the Collector will be final and binding

(D)The Franchisee and the Utility shall undertake to carry out any decision relating to such dispute without delay.

### **3) Force Majeure**

Neither party shall be responsible or liable for or deemed in breach hereof because of any delay or failure in the performance of its obligations hereunder (except for obligations to pay money due prior to occurrence of force majeure events under this Agreement) or failure to meet milestone dates due to any event or circumstance (a force majeure event) beyond the reasonable control of the party experiencing such delay or failure, including the occurrence of the following:

- a) Acts of God;
- b) Typhoons, floods, lightening, cyclones, Hurricanes, draught, famine, epidemic, or other natural calamities;
- c) Acts of war or Civil unrest;
- d) Any requirement, action or omission to act pursuant to any judgment or order of any court or judicial authority;
- e) Earthquakes, explosions;

## **VIII. DOCUMENTS TO BE PROVIDED BY THE UTILITY TO FRANCHISEE**

- 1) Compliant Handling Procedures (CHP)

- 2) Consumer Right Statement (CRS)
- 3) Code of Practice on Payment of Bills (COP)
- 4) Utility shall also provide the details of the franchisee area as per Schedule-1 which shall form part and parcel of this Agreement.

**IX. COUNTERPARTS**

This Agreement may be executed in two counterparts, each of which when executed and delivered shall constitute an original of this Agreement.

IN WITNESS WHEREOF THE, PARTIES HAVE EXECUTED AND DELIVERED THIS Agreement AS OF THE DATE FIRST ABOVE WRITTEN.

SIGNED SEALED AND DELIVERED

For and on behalf of  
Central Electricity Supply Utility Limited

By \_\_\_\_\_ (Signature)

In the presence of:

1.

2.

\_\_\_\_\_ (Name)

\_\_\_\_\_ (Designation)

\_\_\_\_\_

\_\_\_\_\_ (Address)

SIGNED, SEALED AND DELIVERED

For and on behalf of  
FRANCHISEE by:

\_\_\_\_\_ (Signature)

In the presence of:

1.

2.

\_\_\_\_\_ (Name)

\_\_\_\_\_ (Designation)

\_\_\_\_\_

\_\_\_\_\_ (Address)

**SCHEDULE – I**

Franchisee Area covers the following villages:



## **SCHEDULE – II**

1. Consumer Survey Register – 1
2. Consumer Compliant Register – 2
3. Village meetings Register ( involving utility staff) – 3
4. Complaint Camps Register – 4
5. New connection Registers – 5
6. Regularisation of un authorized connections Register – 6
7. Power theft – Arrest Register – 7
8. Meter status Register – 8
9. Meter reading / bill distribution status Register – 9
10. Arrest recovery Register – 10
11. Up to date payment consumer Resister – 11
12. Defaulting Consumer Register – 12
13. Disconnection Register – 13
14. Daily payment submitted to CESE( with signature of CESU officers) register-14
15. Monthly MIS ( management Information system) register – 15