

CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI

Petition No. 154/2012 (Suo-motu)

Coram:

Dr. Pramod Deo, Chairperson

Shri S. Jayaraman, Member

Shri V.S. Verma, Member

Shri M. Deena Dayalan, Member

Date of order: 22.4.2013

In the matter of:

Empanelment of Compliance Auditor in the area of Renewable Energy Certificate Mechanism.

**ORDER**

Regulation 13 of the Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 (REC Regulations), provides for appointment of compliance auditors. Regulation 13 extracted as under:

***"13. Appointment of compliance auditors:***

*(1) The Commission may, in consultation with the Central Agency, appoint from time to time compliance auditors to inquire into and report on the compliance of these Regulations by the person applying for registration, or on the compliance by the renewable energy generators in regard to the eligibility of the Certificates and all matters connected thereto.*

*(2) The compliance auditor shall have the qualifications and experience*



*as contained in the Schedule to these Regulations:  
Provided that the Commission may by order amend the Schedule  
from time to time.*

*(3)The Commission may from time to time fix the remuneration and  
charges payable to such auditors and all such amount payable  
shall be met out of the funds which the Central Agency may  
collect from the eligible entities."*

2. As required under the REC Regulations, the Commission vide its order dated 6.7.2012 (Suo-Motu Petition No. 154/2012) empanelled following firms as Compliance Auditors:

- | S. No. | Name of individual/firms                                   |
|--------|--|
| 1.     | See-Tech Solutions Pvt. Ltd, Nagpur                        |
| 2.     | S.R. Corporate Consultant (P) Ltd., Raipur                 |
| 3.     | World Institute of Sustainable Energy, Kalyani Nagar, Pune |
| 4.     | Tetra Tech DLF Cyber city, Gurgaon                         |
| 5.     | P.P. Mittal, Energy Engineers, Faridabad                   |
| 6.     | Energy Advisory Services Pvt. Ltd., New Delhi              |
| 7.     | ITP Senergy Ltd., Gurgaon                                  |
| 8.     | SGS India Pvt. Ltd., Gurgaon                               |
| 9.     | Core Carbonx Solutions Pvt. Ltd., Hyderabad                |
| 10.    | DNV India, Bangalore                                       |

3. The Commission in the above referred order directed the Central Agency to propose remuneration and charges to be payable to the Compliance Auditors based on the assessment of man-hour effort for the possible assignments for various RE technologies. The relevant portion of the said order is reproduced as under:



*"8. In pursuance of the above, we direct the Central Agency to propose remuneration and charges to be payable to the Compliance Auditors based on the assessment of man-hour effort/requirement for the possible assignments and with due consideration of the requirements for auditing generating stations based on various RE technologies, location of the project etc. The empanelled Compliance Auditors shall give their inputs to the Central Agency for consideration after selection for assignments. Based on the suggestion from the Central Agency, the Commission will fix remuneration and charges payable to the Compliance Auditors. After the fees have been fixed by the Commission, the Central Agency will formally engage the Compliance Auditor(s) for specific assignments after entering into an agreement. All empanelled auditors will be allocated work equally in terms of entities to be audited and quantum of work. Report of the Compliance Auditors will be submitted as per agreement to the Central Agency who will forward a copy to the Commission, with their comments."*

4. In compliance of the aforesaid order, the Central Agency invited financial proposal from the empanelled Compliance Auditors for arriving at the remuneration payable to them for auditing of registered renewable energy generators as well as Central Agency, State Agency, SLDCs and Power Exchanges. The Central Agency vide its letter dated 8.1.2013 submitted proposal to the Commission on remuneration and charges payable to empanelled Compliance Auditors, based on the L1 price derived from the financial proposals received and recommended following charges payable to all Compliance Auditors uniformly on per project basis:



(All figures in ₹ thousands)

	State	Wind	Small Hydro	Bio Fuel Cogen	Bio mass	Solar PV	Solar Thermal	Urban & Municipal Waste	Others
1	Andaman & Nicobar	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
2	Andhra Pradesh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
3	Arunachal Pradesh	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
4	Assam	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
5	Bihar	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
6	Chandigarh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
7	Chhattisgarh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
8	Daman and Diu	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
9	Delhi	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
10	Dadar & Nagar Havelli	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
11	Goa	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
12	Gujarat	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
13	Himachal Pradesh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
14	Haryana	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
15	Jharkhand	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
16	Jammu and Kashmir	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
17	Karnataka	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
18	Kerala	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
19	Lakshadweep	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
20	Maharashtra	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
21	Meghalaya	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
22	Manipur	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
23	Madhya Pradesh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
24	Mizoram	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
25	Nagaland	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
26	Odisha	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
27	Punjab	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
28	Pudduchery	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
29	Rajasthan	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
30	Sikkim	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00



31	Tripura	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
32	Tamil Nadu	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
33	Uttarakhand	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
34	Uttar Pradesh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
35	West Bengal	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50

(All figures in ₹ thousands)

S. No.	Agency	Price/ project
1	Central Agency	5.50
2	State Agency	11.00
3	SLDC's	5.50
4	Power Exchanges	5.50

Above mentioned charges are inclusive of all taxes and duties and exclusive of travelling and out of pocket expenses. The modalities of payment of travelling and out of pocket expenses such as TA, DA etc. shall be payable as per TOR circulated by the Central Agency to all empanelled Auditors.

5. Further, it has been proposed that the claim made by the Compliance Auditor(s) regarding the number of site visits, man days required to audit, capacity to handle minimum number of projects at given point of time shall not exceed the proposals in their respective bids.

6. The modality for selection of assignments has also been recommended by Central Agency. The recommendation of Central Agency for remuneration /charges payable to Compliance Auditors are enclosed at **Annexure** attached



with the order.

7. The Commission accepts the recommendations of the Central Agency brought out at para 4 above. The Central Agency shall formally engage the Compliance Auditor(s) for specific assignments after entering into an agreement in line with the terms and conditions in Terms of Reference, other supplementary information/ requirements and terms of payment circulated by the Central Agency while inviting the financial bids from the empanelled Compliance Auditors. The deliverables and duration of assignment shall be decided by the Central Agency. In case of non-acceptance of remuneration notified herein, no assignment shall be awarded to the concerned Compliance Auditor. The empanelled auditors shall be assigned projects for compliance audit at a given point of time, preferably in the same region after taking into consideration their capacity to handle such projects. The Central Agency shall ensure while identifying the projects for compliance auditing that projects of different RE technologies spread across different States are selected based on overall framework for selection as provided in the Report of the Central Agency.

8. We direct the Central Agency to define the detailed scope of work, prepare checklist to ensure quality work and also ensure that the empanelled Compliance Auditors deploys sufficient experienced manpower having



qualifications in the area of finance/accounts/commerce as well as in engineering with specialisation in generation, transmission or distribution of electricity. Also, the Central Agency shall take into consideration the geographical locations of the projects, language etc. for assigning work at L-1 price, with a view to ensure efficiency and reduce cost of travel.

9. The Commission in its order dated 6.7.2012 empanelled the Compliance Auditors for a period of two years from the date of the order. The validity of the empanelment as also the fees and other terms stipulated herein shall remain valid for two years from the date of this order.

**-Sd-**  
**(M.DEENA DAYALAN)**  
**MEMBER**

**-Sd-**  
**(V.S. VERMA)**  
**MEMBER**

**-Sd-**  
**(S. JAYARAMAN)**  
**MEMBER**

**-Sd-**  
**(Dr. PRAMOD DEO)**  
**CHAIRPERSON**



## Proposal in accordance with Hon'ble CERC order dated 6<sup>th</sup> July 2012 for the empanelled Compliance Auditors in the area of Renewable Energy Certificate Mechanism

### Background

Regulation 13 of the Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 (REC Regulations), provides for appointment of compliance auditors. Regulation 13(1) reads as under:

“13. Appointment of compliance auditors:

*(1) The Commission may, in consultation with the Central Agency, appoint from time to time compliance auditors to inquire into and report on the compliance of these Regulations by the person applying for registration, or on the compliance by the renewable energy generators in regard to the eligibility of the Certificates and all matters connected thereto.”*

In line with Regulation 13 of the REC Regulations, CERC invited technical bids for "Empanelment of Compliance Auditor in the area of Renewable Energy Certificate Mechanism" vide its notification dated on 06<sup>th</sup> January, 2012 in order to empanel Compliance Auditors.

CERC vide Order dated 06<sup>th</sup> July, 2012 (copy enclosed **at Annexure-I**) has shortlisted ten Compliance Auditors for a period of two years & the empanelled the following Compliance Auditors which are as follows:

S. No.	Name of individual/firms
1.	See-Tech Solutions Pvt. Ltd, Nagpur
2.	S.R. Corporate Consultant (P) Ltd., Raipur
3.	World Institute of Sustainable Energy Kalyani Nagar, Pune
4.	Tetra Tech DLF Cyber city, Gurgaon
5.	P.P. Mittal, Energy Engineers, Faridabad
6.	Energy Advisory Services Pvt. Ltd., New Delhi
7.	ITP Senergy Ltd., Gurgaon
8.	SGS India Pvt. Ltd., Gurgaon
9.	Core Carbonx Solutions Pvt. Ltd., Hyderabad
10.	DNV India, Bangalore

The aforementioned order dated 6th July 2012, inter-alia, specifies the following:

1. Central Agency may choose Compliance Auditor(s) from the panel notified by the Commission from time to time for audit into and report on the compliance of REC Regulations by the person applying for registration, or on the compliance by the renewable

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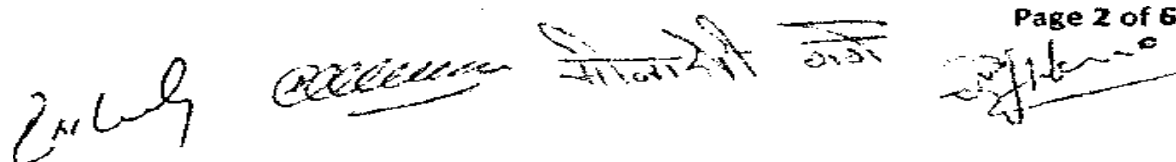
energy generators in regards to the eligibility of the Certificates and all matters connected thereto.

2. The firms empanelled by the Commission should not have any conflict of interest with RE generators or other agencies involved which has selected it for audit into and report on the compliance of REC Regulations. The firms empanelled by the Commission shall be debarred from auditing of RE projects with which they have been associated in the past and shall also be debarred from associating with such project developer in future on the matters which may cause any conflict of interest.
3. Central Agency to propose remuneration and charges to be payable to the Compliance Auditors based on the assessment of man-hour effort/requirement for the possible assignments and with due consideration of the requirements for auditing generating stations based on various RE technologies, location of the project etc.
4. The empanelled Compliance Auditors shall give their inputs to the Central Agency for consideration after selection for assignments.
5. Based on the suggestion from the Central Agency, the Commission shall fix remuneration and charges payable to Compliance Auditors.
6. After the fees have been fixed by the Commission, the Central Agency will formally engage the Compliance Auditor(s) for specific assignments after entering into an agreement.
7. All empanelled auditors will be allocated work equally in terms of entities to be audited and quantum of work.
8. Report of the Compliance Auditors will be submitted as per agreement to the Central Agency who will forward a copy to the Commission, with their comments.

### Constitution of Committee

For compliance to the said order, the undersigned committee has been constituted comprising of representatives from Central Agency and CERC for finalization of bidding documents i.e. scope of work, payment terms, etc., inviting and evaluating the financial bids from the empanelled auditors to work out the methodology for calculation of the remuneration for the empanelled auditors, finalizing the template of agreement form, selection and allocation of assignments for the compliance auditors, etc.

Committee proposed to invite financial bids from the empanelled Compliance Auditors for arriving at the remuneration payable to the compliance auditors. Accordingly, Terms of Reference (TOR), other supplementary information/requirement for inviting financial bids along with Model Agreement to be entered by Central Agency with the Compliance Auditor(s) were prepared and the same were approved by management of POSOCO. The TOR, other terms and conditions along with model agreement are enclosed at **Annexure-II**.

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Financial bids were invited with last date & time for submission of bids specified as 29/11/2012 (Thursday) up to 11:00 hrs and date and time for opening of bids is specified as 29/11/2012 (Thursday) at 11:30 hrs. Accordingly, out of 10(ten) empanelled Compliance Auditors, financial bids from 9(nine) Compliance Auditors were received till the time specified. However, one financial bid from M/s SEE-Tech Solutions Pvt. Ltd. was received at 15:00 hrs of 29<sup>th</sup> November, 2012 which remained unopened. It was further observed that none of the compliance auditors furnished the requisite undertaking, as per para 4.10 of TOR of the "Invitation of Financial bids", with respect to conflict of interest.

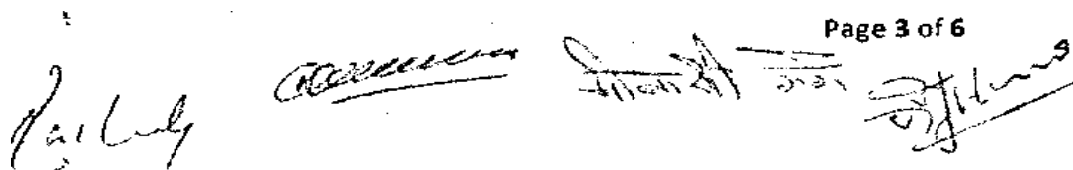
#### I. Committee recommendation for Remuneration/ charges payable to Compliance Auditors

The Committee has evaluated the financial bids and a comparative statement was made by the committee which is enclosed as **Annexure-III**. From the financial proposal received from the compliance Auditors, it has been observed that there is large variation between the L1 price and the prices quoted by other bidders. The proposed charges are inclusive of all taxes and duties and exclusive of travelling and out of pocket expenses. Further, the modalities of payment of travelling and out of pocket expenses have been mentioned in the Annexure-II. It is further proposed that, the claim made by the Compliance Auditor(s) regarding number of site visits and man days required to audit should not exceed the proposals made by the Compliance Auditors in their respective financial bids. The estimated total expenditure for audit of all projects registered as on 15<sup>th</sup> December, 2012 at L1 price (inclusive of all taxes and duties and exclusive of travelling and out of pocket expenses) is enclosed at **Annexure-IV**. **Based on the L1 price derived from the financial proposals received from the empanelled Compliance Auditors**, the Committee recommends the following charges payable to all the Compliance Auditors uniformly on per project basis.

All Figures in Rs. Thousands (per project)

S. No.	State	Wind	Small Hydro	Bio Fuel Cogeneration	Biomass	Solar PV	Solar Thermal	Urban & Municipal Waste	Others
1	Andaman & Nicobar Islands	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
2	Andhra Pradesh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
3	Arunachal Pradesh	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
4	Assam	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
5	Bihar	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
6	Chandigarh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
7	Chhattisgarh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
8	Daman and Diu	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
9	Delhi	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
10	Dadar & Nagar Haveli	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
11	Goa	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00

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S. No.	State	Wind	Small Hydro	Bio Fuel Cogeneration	Biomass	Solar PV	Solar Thermal	Urban & Municipal Waste	Others
12	Gujarat	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
13	Himachal Pradesh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
14	Haryana	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
15	Jharkhand	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
16	Jammu and Kashmir	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
17	Karnataka	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
18	Kerala	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
19	Lakshadweep	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
20	Maharashtra	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
21	Meghalaya	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
22	Manipur	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
23	Madhya Pradesh	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
24	Mizoram	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
25	Nagaland	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
26	Odisha	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
27	Punjab	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
28	Pudducherry	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
29	Rajasthan	14.00	14.00	17.50	17.50	14.00	14.00	14.00	14.00
30	Sikkim	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
31	Tripura	30.00	30.00	33.50	33.50	30.00	30.00	30.00	30.00
32	Tamil Nadu	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
33	Uttarakhand	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
34	Uttar Pradesh	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50
35	West Bengal	22.50	22.50	26.00	26.00	22.50	22.50	22.50	22.50

All Figures in Rs. Thousands (per project)

S. No.	Agency	Price/ project
1	Central Agency	5.50
2	State Agency	11.00
3	SLDC's	5.50
4	Power Exchanges	5.50

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*[Handwritten signatures and marks]*



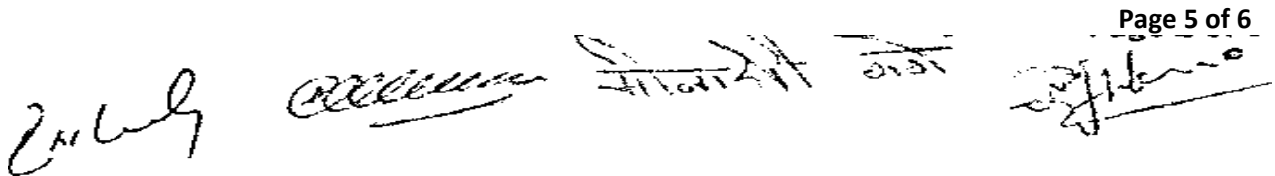
## II. Committee recommendation for selection of Projects & other criteria for Compliance Audit:

Compliance Auditors were also required to furnish their capability to handle number of projects at a given point of time. Based on the data furnished by Compliance Auditors, it has been observed that in general Compliance Auditors have different capacity to handle projects at a given point of time. Summary of the time lines for audit of projects and the capacity to handle projects at one point of time is enclosed at **Annexure V and Annexure VI** respectively. In view of the above to Comply with the direction of CERC that “.....the Central Agency will formally engage the Compliance Auditor(s) for specific assignments after entering into an agreement. **All empanelled auditors will be allocated work equally in terms of entities to be audited and quantum of work**” may not be possible. Committee has observed that the capacity of the Compliance Auditors to carry out audit at a given point of time is not same. Therefore, Hon’ble Commission may take a view on the same. However, to comply with this direction, the only possibility is to consider the minimum number of project specified by one of the Compliance Auditor and assign the same number of projects to all the Compliance Auditors. In this case Compliance Audit of all the registered projects may not be possible. Thus in such situation the possible alternatives for selection of projects are as follows:


1. Selection of projects from those states where the REC Regulations of that State differ from CERC REC Regulations.
2. Selection of all biomass and bio fuel cogeneration projects.
3. Selection of projects for which annual fees for registration have not paid.
4. Selection of projects which have been registered for their self consumption.
5. Feedback of registered RE Project from State Agency and SLDCs which they would like to be audited from their concerned state(s).
6. Selection of 2 projects from each fuel source and each state which were registered in starting of every month, starting from November, 2010.
7. In case of State Agency, SLDCs and Central Agency selection of 5 projects in each category already selected based on aforementioned criterion.
8. Any other selection criterion deemed fit at the time of selection of projects.

Award of work to the respective Compliance Auditors may be undertaken by the committee after the notification of remuneration payable to the Compliance Auditors by CERC. Further, the proposed contract agreement to be entered into with the Compliance Auditor at the time of award of assignment has been included as part of the “Invitation of Financial bids”. It is proposed by the Committee that a separate undertaking regarding conflict of interest shall be taken from all the Compliance Auditors at the time of award of work.

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The recommendations of the Committee to propose remuneration and charges to be payable to the Compliance Auditors and the criterion for selection of projects for the purpose of Compliance Audit is hereby submitted to POSOCO's management for their consideration and subsequent recommendation to CERC.



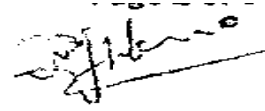
(Rakesh Shah)  
Advisor, CERC



(R. Piplonia)  
DGM, C&M, POSOCO



(Minaxi Garg)  
DGM, Renewables, NLDC



(Anil Chadha)  
DGM, F&A, POSOCO

