

REC/DDUGJY/2016/908  
Date: 07.09.2016

To,  
CMDs/MDs  
All State DISCOM/Power Departments

Subject: Time Extension with / without imposition of LD/stage penalty

Sir,

The execution period of DDUGJY (including RE-DDUGJY) projects are extended time to time due to delay in execution of works. The reason for delay in execution of works may be fully attribute to turnkey contractor alone, to PIA alone or to turnkey contractor and PIA both. In some cases, it may not be attributed to PIA as well as to turnkey contractor. However, to keep the contract live, extension of time is sanctioned by PIAs time to time. Finding reason (s) for delay and fixing responsibilities for such delay is a long time process. It is noted that stage penalty/Liquidated Damages are deducted by the PIAs on account of delay fully attributed to turnkey contractors in achieving stage milestone(s) leading to blockage of working capital of the turnkey-contractors. Deduction of stage penalties are in-turn adversely affecting the pace of implementation of the DDUGJY projects.

In this matter, it is noted that Contract Performance Guarantee amounting to 10-15% of Supply as well as Erection contracts and 10% retention payments payable after completion of all the works in a project are available with PIA as security during execution of contract. These securities are sufficient to recover full LD in case delay is established as fully attributed to the turnkey contractor. However, penalizing turnkey contractor solely for delay during execution of works results in blockage of its working capital which in-turn affects pace of progress of works.

Hence, in cases where contract period is completed but works are not completed (and the agency are not demobilized), need to execute the works with accelerated speed is felt essential. In such cases, following procedures may be adopted:

- On specific request of turnkey contractor, a "***provisional time extension***" shall be granted upto a reasonably assessed completion period by PIA without taking a decision on levy of LD or to waive it off or to impose partial LD. Hence, no stage penalties shall be deducted at this juncture.
- Once entire project is completed, "***Final Time Extension***" with or without time extension shall formally be approved by an officer of PIA who had earlier accorded approval for award of the contract. While according final time extension on completion

**Zonal Offices** : Hyderabad, Kolkata, Mumbai, Panchkula & Lucknow

**Project Offices** : Bangalore, Bhopal, Bhubaneswar, Chennai, Guwahati, Jaipur, Jammu, Patna, Ranchi, Shillong, Shimla, Thiruvananthapuram & Vadodara

**Sub Offices** : Dehradun, Raipur

**Training Centre** : Central Institute for Rural Electrification (CIRE), Hyderabad

of project, details analysis shall be performed to establish reason(s) for delay attributed to turnkey contractor, to PIA, to both PIA and turnkey contractor or to neither PIA nor turnkey contractor. Depending on merit of the case, PIA shall take a decision on final time extension of the project with levy of full LD, part LD or waiver of LD.

- c. Provisional time extension shall be granted for the purpose of keeping the contract live and it is given without prejudice to PIA's right to levy LD at the time of final time extension. A draft letter to grant provisional time extension is enclosed herewith for your kind reference.
- d. Provisional time extension is purely an administrative decision while final time extension with or without LD is a contractual decision keeping all aspects in view as above.

This is for information and necessary action please.

Thanking you,

Yours sincerely,



Dr. Dinesh Arora, IAS  
Executive Director (PMG)

