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Market Watch

Power Grid comes under vigilance lens over gear tender process

BY MITUL THAKKAR, ET BUREAU | UPDATED: AUG 15, 2014, 01.04 PM IST

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NEW DELHI: The vigilance commission is looking into allegations that state-run [Power Grid Corporation](#) of India has deviated from its guidelines for tender process, which has benefited Chinese [power equipment](#) makers at the expense of local companies.

Indian power gear makers are up in arms against the operator of transmission network for what they allege altering tender conditions to source equipment and introducing reverse auction after opening bids.

On July 30, the chief vigilance officer for [Power Grid](#) recorded the statement of Sunil Misra, director-general of the Indian Electrical and Electronics Manufacturers' Association, which made representations before the ministries of heavy industries and power against the company.

According to the association, after the Indian equipment makers have emerged as the lowest bidders, they were compelled to participate in Power Grid's "abruptly introduced" reverse auction that is held electronically.

According to the association's estimates, imported electrical equipment have now captured over a third of the market. It claimed that the built-up capacity of domestic industry stands underutilised at 70% across several products due to sluggish domestic demand and the surge in imports of electrical equipment in recent years.

Power Grid is one of the largest procurers in the sector and accounts for a significant chunk of orders for Indian gear makers.

KEC India, KPTL India, Tata Projects, Larsen & Toubro, EMC India, Alstom, ABB, Siemens, [Bharat Heavy Electricals](#), Techno India, Hyosung Korea, TBEA China and Baoding China are some of the largest vendors to Power Grid.

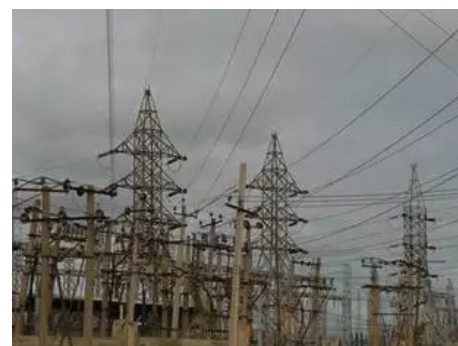
A Power Grid spokesperson refuted the allegations, saying that less than 8% of the orders has been awarded to Chinese firms between 2011-12 and now.

"It is pertinent to mention here that Power Grid undertakes e-reverse auction in cases where the price is observed to be on the higher side. For price optimisation, it is the legal right of any buyer to adopt various procedures inviting fresh tenders by annulling the earlier bidding process, conducting negotiations, inviting snap bids linked to bids earlier received or conduct e-reverse auction amongst the bids received from the bidders," the spokesperson told ET in response to emailed queries.

Power Grid said these were well-established procurement practices and processes and reverse auction has enabled it to procure equipment at a lower costs in most cases.

But Mishra of the manufacturers' association said the company's decision to change the tendering process midway to introduce reverse auction benefitted certain Chinese firms even though bids by Indian equipment makers were the lowest.

The association has submitted before the government and the vigilance officer that Power Grid had initially called for closed bids for



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procurement of equipment for certain projects, but subsequently it opted to go for e-reverse auction, even though the bid documents did not specify the same.

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