



**BUREAU OF ENERGY EFFICIENCY**

**EXPRESSION OF INTEREST**

**For**

**Engagement of SEBI Accredited Rating Agencies or their wholly owned subsidiaries for grading of Energy Service Companies (ESCOs) for empanelment of ESCOs with BEE**

***22<sup>nd</sup> February, 2021***

## LETTER OF INVITATION FOR EOI

**Subject: Engagement of SEBI Accredited Rating Agencies or their wholly owned subsidiaries for grading of Energy Service Companies (ESCOs) for Empanelment of ESCOs with BEE**

This Expression of Interest (EOI) document is for Engagement of SEBI Accredited Rating Agencies or their wholly owned subsidiaries for grading of Energy Service Companies (ESCOs) for their empanelment with BEE and Grading of Energy Efficiency Projects.

SEBI Accredited Rating Agencies which are interested are requested to send their proposals in requisite format latest by 20<sup>th</sup> March, 2021 at BEE's office at 1500 Hrs. (IST).

BEE reserves the right to alter any or all conditions, eligibility criteria and terms specified in this document. The terms and conditions are not exhaustive and additional conditions, as may be included. These conditions are also subject to modifications or deletions, if any considered necessary.

Any request or clarification in writing, by email must be sent to [asengupta@beeindia.gov.in](mailto:asengupta@beeindia.gov.in) or Bureau of Energy Efficiency office, 4th Floor, Sewa Bhawan Sector 1, R.K. Puram New Delhi.

Bureau of Energy Efficiency  
4th Floor Sewa Bhawan  
R K Puram, Sector -1,  
New Delhi-110066

## **1 Introduction**

### **1.1 About BEE**

The mission of Bureau of Energy Efficiency (BEE) is to develop policy and strategies with a thrust on self-regulation and market principles, within the overall framework of the Energy Conservation Act (EC Act), 2001 with the primary objective of reducing energy intensity of the Indian economy. This will be achieved with active participation of all stakeholders, resulting in accelerated and sustained adoption of energy efficiency in all sectors.

The setting up of Bureau of Energy Efficiency (BEE) provides a legal framework for energy efficiency initiatives in the country. The Act empowers the Central Government and in some instances the State Governments to:

1. Notify energy intensive industries, other establishments, and commercial buildings as designated consumers.
2. Establish and prescribe energy consumption norms and standards for designated consumers.
3. Direct designated consumers to designate or appoint certified energy manager in charge of activities for efficient use of energy and its conservation.
4. Get an energy audit conducted by an accredited energy auditor in the specified manner and intervals of time.
5. Furnish information about energy consumed and action taken on the recommendation of the accredited energy auditor to the designated agency.
6. Comply with energy consumption norms and standards, and if not so, to prepare and implement schemes for efficient use of energy and its conservation.
7. Prescribe energy conservation building codes for efficient use of energy and its conservation in commercial buildings State Governments to amend the energy conservation building codes to suit regional and local climatic conditions.
8. Direct owners or occupiers of commercial buildings to comply with the provisions of energy conservation building codes.
9. Direct mandatory display of label on notified equipment and appliances.
10. Specify energy consumption standards for notified equipment and appliance.
11. Prohibit manufacture, sale, purchase and import of notified equipment and appliances not conforming to standards.

The Energy Conservation Act, 2001 defines the powers of the State Government to facilitate and enforce efficient use of energy and its conservation. The State Governments have to designate State Designated Agencies in consultation with the Bureau of Energy Efficiency to coordinate, regulate and enforce the provisions of the Act in the State. Thus, the State Designated Agencies are the strategic partners for promotion of energy efficiency and its conservation in the country.

### **1.2 Organization**

Under the provisions of the Energy Conservation Act, 2001, Bureau of Energy Efficiency has been established with effect from 1st March, 2002 by merging into it, the erstwhile Energy Management Centre, being a society registered under the Societies Registration Act, 1860, under the Ministry of Power.

The mission of the Bureau of Energy Efficiency is to assist in developing policies and strategies with a thrust on self-regulation and market principles, within the overall framework of the Energy Conservation Act, 2001 with the primary objective of reducing energy intensity of the Indian economy.

### 1.3 Functions of BEE

BEE co-ordinates with designated consumers, designated agencies and other organization; recognizes, identifies and utilizes the existing resources and infrastructure, in performing the functions assigned to it under the E.C Act, 2001. The Act provides for regulatory and promotional functions. The major functions of BEE include:

- Develop and recommend to the Central Government the norms for processes and energy consumption standards.
- Develop and recommend to the Central Government minimum energy consumption standards and labeling design for equipment and appliances.
- Develop and recommend to the Central Govt. specific energy conservation building codes.
- Recommend the Central Government for notifying any user or class of users of energy as a designated consumer.
- Take necessary measures to create awareness and disseminate information for efficient use of energy and its conservation.

## 2. About the Project

### Grading of ESCOs-

BEE has been carrying out empanelment of ESCOs since 2008. BEE undertakes empanelment/re-empanelment process of Energy Service Companies (ESCOs) every year to encourage implementation of energy efficient retrofitting measures within existing facilities across the country. Currently, 127 ESCOs are empaneled with BEE. The pre-requisite for ESCOs to get empaneled with BEE is grading of the ESCOs by any of the SEBI accredited rating agency, who is currently associated with BEE.

For grading of ESCOs, BEE has developed a holistic grading methodology in consultation with Rating agencies. The grading methodology involves assessment of Business Risk (Track record and Market position), Organizational setup and Financial capability of the organization and accrediting the ESCOs on a 5-point grading scale. The assessments of the eligible ESCOs on each of the parameters are a holistic one, designed to evaluate the organizational capability for handling the ESCO assignment.

The grading scale is described as below:

<b>GRADING</b>	<b>Definition</b>	<b>Score</b>
GRADE 1	VERY HIGH	85 and above
GRADE 2	HIGH	70 – 84
GRADE 3	GOOD	55 – 69
GRADE 4	AVERAGE	40 – 54
GRADE 5	BELOW AVERAGE	Less than 40

In the current grading methodology, Evaluation technique has been developed with keeping in view to emphasize ESCO related capability of the organization and rewarding higher marks to true ESCOs which are well experienced in ESCO business and executed successful projects with respect to guaranteed savings achieved against Energy performance contracting (EPC), current order book, having qualified, competent and experienced manpower, organization structure and technology tie-ups.

Track record and market position section evaluates ESCO on the key parameters to assess on the basis of ESCO's past and present records in ESCO business consisting years of ESCO

business, nature of projects, number of clients, customer's feedback on ESCO projects, number of ESCOs projects, current order book position for ESCO business, time and cost overruns, performance of executed projects etc.

Organizational capability of ESCOs is evaluated primarily on the basis of employee strength, qualification and competency of key personnel involved in ESCO business, number of certified auditors, organizational structure, processes and systems, technology tie-ups and R&D facility.

Financial capability of the organization is evaluated on the parameters such as Revenue from ESCO business in last 3 years, Annual turnover from ESCO business, Average profit after tax margins, revenue growth rate of ESCO business, Net cash accruals to total debt, CIBIL score, working capital turnover ratio, banker's feedback and access to flow from other business.

The criterion for assessment is annexed as **Annexure-I**

### **3. Scope of Work**

- The scope of the work pertaining to grading of ESCOs includes following activities-
- I. Eligible beneficiaries for this project are – SMEs, Large Industries, OEMs, ESCOs, Central/State govt undertakings. Grading agency shall accept applications for grading from these identified beneficiaries
- II. Collection of relevant data and information for evaluation of ESCOs
- III. Verification of data and information provided by ESCOs for their grading including physical visits
- IV. To undertake the grading of an Energy ESCOs as per the template of evaluation provided in Annexure-I and Preparation of grading reports and grading letters of ESCOs
- V. Submission of grading reports and grading letters of all evaluated ESCOs to BEE
- VI. Regular updation and submission of progress of ESCOs related projects to BEE
- VII. To co-operate with BEE for any queries/inputs related with this project.

### **4. Pre-Qualifying Criteria**

The agency submitting proposal should fulfill all the following criteria:

- The Rating agency must be a SEBI Accredited rating agency or wholly owned subsidiary of SEBI accredited rating agency established in India. The applicant should be a registered organization with a formal intent to enter into an agreement. The organization registered under Companies Act or Societies Registration Act shall be eligible to apply. The organization or its parent agency must be registered / incorporated in India, with at least 3 years of experience in the field of grading activities on 31st Dec 2020.
- It should have dedicated team for carrying out grading of ESCOs and grading of Energy Efficiency projects as mentioned above.
- Not be involved in any major litigation that may have an impact affecting or compromising the delivery of services as required under this contract.
- Not be black-listed by any Central / State Government / Public Sector Undertaking in India

#### Note:

- i. If agencies do not meet any of the above listed criteria, their proposals will not be considered for further evaluation.
- ii. Agencies meeting above listed criteria are required to submit evidences (details / documents audited financial statements of last 3 years) in support – otherwise proposal may be disqualified.
- iii. There is no financial implication for the grading of ESCOs on BEE as rating agencies shall charge the professional fee from ESCOs only.
- iv. The validity of grading reports shall be two years.

#### **5. Submission of Interest:**

The Interest should be submitted in English and be set out in two parts:

- Cover Letter
  - Letter of interest along with all the documentary evidences to substantiate the claim for pre-qualifying criteria.
- Both Parts may be bound together. No publicity material is required.

- 5.1 The original letter of interest shall be placed in a sealed envelope clearly marked with **“Letter of Interest – Engagement of SEBI Accredited Rating Agencies or their wholly owned subsidiaries for grading of Energy Service Companies (ESCOs) for their empanelment with BEE”**.

This envelope shall be sent to Bureau of Energy Efficiency, 4th Floor, Sewa Bhavan, R.K. Puram, New Delhi-110066. The last date for sending the proposal document is 20<sup>th</sup> March, 2021 upto 1500 Hrs.

The completed letter of interest must be delivered at the submission address on or before the time and date stated above. Any letter of interest received after the closing time for submission shall be returned unopened. BEE does not take any responsibility for the delay and any explanation for the same.

#### **6. Contents of the Letter of Interest**

The interested agency is expected to examine all instructions, terms & conditions and Statement of Work. Failure to furnish all information required or submission of a letter of interest not substantially responsive to the project requirement in every respect will be at the agency's risk and may result in the rejection of the application.

#### **7. Conflict of Interest**

Interested agency should not have any conflict of interest with the work that is needed to be undertaken.

#### **8. Language of Letter**

The Letter prepared by the agency and all correspondence and documents relating to the proposal exchanged by the agency and BEE, shall be written in the English language, provided that any printed literature furnished agency may be written in another language so

long the same is accompanied by an English translation in which case, for purposes of interpretation of the letter, the English translation shall govern.

## **9. Confidentiality**

BEE requires that recipients of this document to maintain its contents in the same confidence as their own confidential information and refrain from any public disclosure whatsoever.

## **10. Authorized Signatory for Agency**

The "Agency as used in the Letter of Interest shall mean the one who has signed all the supporting documents against Pre-Qualification Criteria. The authorized signatory should be the duly Authorized Representative of the Agency, for which a certificate of authority will be submitted. All certificates and documents (including any clarifications sought and any subsequent correspondences) received hereby, shall, as far as possible, be furnished and signed by the Authorized Representative.

The power or authorization, or any other document consisting of adequate proof of the ability of the signatory to bind the agency shall be annexed to the Letter of Interest. BEE may reject outright any Letter not supported by adequate proof of the signatory's authority.

## **11. Contact details of the Agency**

Agency who wants to receive BEE's response to queries should give their contact details to BEE. The Agency should send their contact details in writing at the BEE's contact address.

## **12. Other Terms & Condition:**

- BEE will engage the agencies, in accordance with the method of evaluation set by BEE. The conclusion based on the evaluation by BEE shall be considered as the result.
- BEE reserves the right to reject any or all the Letter of Interest received at its discretion, without assigning any reason whatsoever, and no costs would be paid to agency for the same.
- Acceptance of the Letter of Interest will rest with the Competent Authority of the BEE. No reasons will be given for acceptance or rejection of the contract thereof.
- The BEE reserves the right to cancel this EOI. Any and all Letter of Interest may be rejected in whole or in part when it is in the best interest of the BEE.

### **Disclaimer**

*BEE and its officers, employees disclaim all liability from any loss or damage, whether foreseeable or not, suffered by any person acting on or refraining from acting because of any information including statements, information, forecasts, estimates or projections contained in this document or conduct ancillary to it whether or not the loss or damage arises in connection with any omission, negligence, default, lack of care or misrepresentation on the part of BEE and/or any of its officers, employees.*

**Criteria for assessment of ESCOs:**

A 100-point scale has been devised based on the above parameters with a 40% weight-age given to Business Risks, 25% weight-age to Organizational Risks and 35% to Financial Risks.

**I. Business Risk - 40%**

Sr No.	Parameter
1.	Years in the ESCO business
2.	Number of detailed energy audits in last 5 years
3.	Number of clients for ESCOs projects in last 5 years
4.	Number of sectors covered for ESCOs projects (As per Schedule of the EC Act)
5.	Customer feedback for ESCOs projects
6.	Number of ESCOs projects completed (Those projects will be considered which are already executed and repayment of at least one year is done as per the agreement)
7.	Current Order book position for ESCOs business (as a percent of past year business)
8.	Time and cost overruns
9.	First time any innovative ESCOs projects implemented of its kind in specific industrial or establishment sector
10.	Ratio of number of projects where actual energy savings is more than or equal to guaranteed energy savings to the total number ESCOs projects implemented

**II. Organizational Risk - 25%**

Sr No.	Parameter
11.	Number of employees in ESCO business
12.	Qualification of employees related to energy related courses
13.	Average years of experience of employees in ESCOs projects
14.	Number of certified energy auditors
15.	% of employees in ESCO business with respect to total number of employees in organization



16.	Management evaluation
17.	Quality of organization structure, reporting system, and internal controls for ESCOs business
18.	Constitution
19.	Maximum number of projects handled at a time
20.	Quality of service, systems and processes, reflected in third party certifications
21.	Technology tie-ups, patents, R&D facilities

### III. Financial Risk - 35%

Sr No.	Parameter
22.	Revenues from the ESCO business over the last three years
23.	Annual turnover from ESCO business/ Total turnover
24.	Average PAT margins for ESCOs business in last 3 years
25.	NCA/TD-Net Cash Accruals to Total Debt
26.	Gearing
27.	Receivable management
28.	Revenues growth rate in last 3 years for ESCO business
29.	CIBIL SCORE (Risk Index Score)
30.	Working capital turnover ratio
31.	Banker's feedback
32.	Access to cash flows from other businesses