

# CONCEPT NOTE

## Comprehensive Operation & Maintenance (O&M) Contract for

### Water Supply Systems in Rajasthan

(For Pre-Tender Stakeholder Consultation)

#### 1. Background & Objective

PHED proposes a district-wise Comprehensive Operation & Maintenance (O&M) Contract covering urban, rural, and major project water supply system through a single, long-term, performance-linked framework.

The initiative shifts from fragmented activity-based maintenance to an outcome-oriented, single-point accountability model, aimed at:

- Service reliability
- Long-term system sustainability

This Concept Note is issued to facilitate pre-tender stakeholder consultation.

#### 2. Contract Architecture & Tenure

- **Scope:** End-to-end O&M of water supply system
- **Base Tenure:** 10 years
- **Extension:** Up to 5 years, subject to performance and approvals

#### 3. Commercial Principles & Cost Structure

##### 3.1 Long-Term Cost Certainty

- Fixed long-term O&M pricing with 5% annual escalation
- No post-award price variation beyond defined escalation
- Enables accurate budgeting and lifecycle-based maintenance

##### 3.2 Inclusion of Consumables

The quoted O&M cost shall include all routine and recurring consumables, including but not limited to:

- Pipe joints, fittings, spares

- EMI spares
- Fabrication, minor works
- No separate billing shall be admissible.

### **3.3 Electricity Charges**

- Basic electricity charges borne by Department
- Penalties/surcharges due to poor O&M recoverable from Contractor

## **4. Contract Philosophy**

The contract is founded on:

- Single-point responsibility
- Outcome-based service delivery
- Lifecycle-oriented asset stewardship
- Field-measurable and auditable KPIs
- Public service continuity safeguards
- Collaborative but regulated engagement

## **5. Initial System Readiness (ISR)**

### **5.1 Purpose**

ISR addresses inherited asset variability and establishes:

- Baseline asset condition survey by joint team of PHED , Contractor & Third Party Agency party
- Rectification of legacy deficiencies
- Stabilisation prior to KPI linked payment

### **5.2 Responsibilities**

#### **Department**

- Asset access, records, major material procurement
- Approval of ISR reports
- Third Party Agency (TPA) engagement

#### **Contractor**

- Joint asset survey

- Minor repairs at own cost
- Installation of major item /equipments to be replaced & procured by department without extra payment
- Operation & maintenance during ISR

### 5.3 Procurement Classification

Item Type	Cost	Procurement
Minor	≤ ₹10,000	Contractor
Major	> ₹10,000	Department

### 5.4 ISR Milestones

- Milestone wise timeframes will be defined in the Tender Document.
- Maximum ISR period: 12 months.
- After ISR period of 12 months, mandatory commencement of KPI linked payment.

## 6. Post-ISR O&M Responsibilities

### Contractor

- Preventive, routine, and breakdown maintenance
- Water supply schedules & water quality compliance
- Complaint redressal
- Asset protection, MIS, audits

### Department

- KPI certification
- Procurement of Major Items
- Contract oversight and coordination

## 7. Asset Replacement Due to Deterioration / Obsolescence (ARDO)

ARDO refers to replacement due to end-of-life or obsolescence, without capacity enhancement to be decided by EIC.

## Key Provisions

- Contractor to submit ARDO assessment report 12 months in advance
- Approval & Procurement by Department
- Installation and commissioning by Contractor without extra payment

### 8. Additions, Modifications & IT Systems

- Mandatory on-boarding on PHED IT portals
- Centralised control room at Division/Circle level

### 9. Performance Standards, KPIs & Penalties

- KPIs measured monthly
- Penalties apply post permissible restoration time

### 10. Payment Mechanism

Component	Description	Share
<b>Basic Service Charges (BSC)</b>	Fixed payment for operation and maintenance of the system	<b>70%</b>
<b>Variable Charges (VC)</b>	Performance-linked payment tied to achievement of KPIs	<b>30%</b>

#### During ISR

- Only Basic Service Charges payable
- Variable Charges not admissible
- Deduction of penalties if any

#### Post ISR

- Basic service charges
- KPI-linked variable charges payments commence
- Deduction of penalties if any

### 11. Fallback & Safeguards

PHED reserves right to:

- Take over operations
- Recover losses from BGs / dues
- Execute works through alternate agencies at risk and cost
- Blacklist under RTPP Act, 2012

## **12. Disclaimer**

- This Concept Note is non-binding, issued solely for consultation.
- Final tender documents approved by competent authority shall prevail.

## **Pre-Tender stakeholders conference is scheduled**

- Date: 09.02.2026 at 10.00 AM
  - Venue: Rajasthan International Centre, Jhalana Doongri, Jaipur.
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