

3

ACCELERATED POWER DEVELOPMENT AND REFORM PROGRAMME (APDRP)

[ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE
COMMITTEE CONTAINED IN THEIR SEVENTY-SEVENTH
REPORT (14TH) LOK SABHA]

MINISTRY OF POWER

PUBLIC ACCOUNTS COMMITTEE
2009-10

THIRD REPORT

FIFTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

THIRD REPORT
PUBLIC ACCOUNTS COMMITTEE
2009-10

(FIFTEENTH LOK SABHA)

ACCELERATED POWER DEVELOPMENT
AND REFORM PROGRAMME (APDRP)

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Seventy-seventh Report (14th Lok Sabha)]

MINISTRY OF POWER



Presented to Lok Sabha on 26.11.2009
Laid in Rajya Sabha on 26.11.2009

LOK SABHA SECRETARIAT
NEW DELHI

November, 2009/Kartika, 1931 (Saka)

PAC No. 1898

Price: Rs. 50/-

©2009 BY LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Thirteenth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10).....	(iii)
INTRODUCTION	(v)
CHAPTER I. Report	1
CHAPTER II. Observations/Recommendations which have been accepted by Government	10
CHAPTER III. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government	21
CHAPTER IV. Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration	32
CHAPTER V. Observations/Recommendations in respect of which the Government have furnished interim replies	39
APPENDICES	
I Minutes of the third sitting of Public Accounts Committee (2009-10) held on 27.10.2009	42
II. Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventy-seventh Report (Fourteenth Lok Sabha).....	44

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-10)

Shri Jaswant Singh — *Chairman*

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Shri Gopinath Munde
9. Dr. K. Sambasiva Rao
10. Shri Jitendra Singh (Alwar)
11. Kunwar Rewati Raman Singh
12. Shri Yashwant Sinha
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Shri Aruna Kumar Vundavalli

Rajya Sabha

16. Shri Prasanta Chatterjee
17. Shri Sharad Anantrao Joshi
18. Shri Ashwani Kumar
19. Shri Shanta Kumar
20. Dr. K. Malaisamy
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Ashok Sarin — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri Sanjeev Sharma — *Deputy Director*

INTRODUCTION

I, the Chairman, Public Accounts Committee (2009-10), having been authorized by the Committee, do present on their behalf this Third Report (Fifteenth Lok Sabha) on action taken by Government on the Observations/Recommendations of the Committee contained in their Seventy-seventh Report (Fourteenth Lok Sabha) on "Accelerated Power Development and Reform Programme (APDRP)".

2. The Seventy-seventh Report was presented to Lok Sabha on 23rd October, 2008. Replies of the Government to the Observations/Recommendations contained in the Report were received on 23rd July, 2009. The Public Accounts Committee considered and adopted their Third Report at the sitting held on 27th October, 2009. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Seventy-seventh Report (Fourteenth Lok Sabha) is given at Appendix II.

NEW DELHI;
13 November, 2009
22 Kartika, 1931 (Saka)

JASWANT SINGH,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 77th Report (14th Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 (No. 16 of 2007), Union Government (Civil—Performance Audit) relating to “**Accelerated Power Development and Reform Programme (APDRP).**”

2. The 77th Report (14th Lok Sabha) was presented to Lok Sabha on 23rd October, 2008. The Committee had dealt with various issues arising out of Audit Paragraph concerning the implementation and operationalisation of Accelerated Power Development and Reform programme (APDRP) with a view to assess the efficacy of the steps taken towards reforms and other policy measures for helping the State power utilities to bring improvement in their efficiency towards bringing about commercial viability in the power sector. The Committee had also examined the major initiatives taken towards establishment of regulatory mechanism at central and State level, restructuring of the State power utilities, metering of feeders and consumers, energy accounting & auditing etc. and whether funds meant for the Power sector were being utilised properly and efficiently.

3. The 77th Report contained 27 Observations/Recommendations and the Action Taken Notes have been received from the Ministry of Power in respect of all Observations/Recommendations which are categorized as follows:—

- (i) Observations/Recommendations which have been accepted by the Government.

Recommendations Sl. Nos. 2,11,14,15,16,19,21,25,& 27
(Para Nos. 139,148, 151, 152, 153, 156, 158, 162 and 164)

Total: 9
Chapter-II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government.

Sl. Nos. 3,4,5,6,8,9,10,18,20,24 & 26
(Para Nos. 140, 141, 142, 143, 145, 146, 147, 155, 157, 161 and 163)

Total : 11
Chapter-III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration.

Sl. Nos. 1,7,12,22 & 23
(Para Nos. 138, 144, 149, 159 and 160)

Total : 5
Chapter-IV

- (iii) Observations/Recommendations in respect of which the Government have furnished interim replies.

Sl. Nos. 13 & 17
(Para Nos. 150 and 154)

Total : 2
Chapter-V

4. The Committee in their 77th Report on the subject had made the following important Observations/Recommendations:—

- (i) The Committee had strongly recommended that the Ministry of Power should take corrective measures with a view to ensure that the **“Accelerated Power Development and Reform Programme (APDRP)”** is properly implemented at least in the XIth Five Year Plan and to re-evaluate the targets for Aggregate Technical and Commercial (AT&C) Losses so that the targeted reduction in these losses is achieved in the reformulated APDRP in XIth Plan.
- (ii) Keeping in view the fact that there were no prescribed norms for assessment of unmetered consumers and the criteria for assessment was not uniform amongst various billing authorities, the Committee had desired that the Ministry should issue fresh directions to the State Governments for making the assessment procedure more organized and uniform with an aim to significantly reduce the AT&C.
- (iii) Perturbed at the lapses in maintenance of records, its compilation and incorrect reporting of figures, the Committee had recommended that the responsibility of the officers concerned be fixed for the same. The Ministry of Power and the SEBs/Utilities had also been recommended to evolve a coordinated and integrated system of record-keeping and reporting with periodical reconciliation of figures in order to avoid incorrect financial reporting by the State Governments/Utilities.
- (iv) Considering the fact that delayed implementation of APDRP projects was due to delayed/non-release of funds by the State Governments to the State Power Utilities/SEBs, the Committee had recommended that the Ministry should devise a sound mechanism for release of grants to the State Governments. Further, the Committee had expressed the view that immediate onward release of funds to the SEBs/Utilities by the State Governments also warranted urgent attention of the Ministry.

- (v) The Ministry had released incentive claims to the SEBs/Utilities without satisfying themselves that the incentives were being utilized for the power sector only. As the incentive scheme was conceived for effective implementation of the programme, the Committee had recommended to the Ministry of Power to establish a sound mechanism for ensuring that the incentive claims of States/Utilities are scrutinized properly in the Ministry before establishing eligibility and realization of the incentive. The Committee had also expected the Ministry to consider withholding the claims of the defaulter States who have been utilizing the incentives for other purposes.
- (vi) As theft of energy constitutes a substantial part of commercial loss, the Committee had desired the Ministry to ensure adherence to the guidelines in this regard, namely setting up vigilance squads, detection and follow-up of cases involving theft of energy, making full use of legal provisions for launching prosecution against offenders and conducting periodic review of cases and imposing severe penalties for tampering with meter seal. The Committee had emphasized to the Ministry to prioritise the Installation of automated systems and application of Information Technology for recording of data.
- (vii) The Committee had recommended that the Ministry should take up IT enablement on priority in order to ensure that the envisaged objectives of power distribution reforms are achieved. They were also asked to fix up a deadline for this purpose. The Ministry had been asked to further ensure that the States expected to adopt the IT based system within the time limit fixed by it, should do the same failing which further sanctioning of fund to these States should be stopped and at the same time transmission of more power to these States should be withheld.
- (viii) The Committee had desired that stringent measures were urgently required to revamp the existing monitoring/supervisory mechanism prevailing in the Ministry.

5. The Action Taken Notes furnished by the Ministry of Power in respect of all Observations/Recommendations of the Committee contained in the Report have been reproduced in the relevant Chapters of this Report.

A. STRENGTHENING OF EXISTING INFRASTRUCTURE IN THE STATES FOR PROPER EXECUTION OF RESTRUCTURED APDRP

(Recommendation Sl. No. 1 Para 138)

6. In their 77th Report the Committee had observed that the utilization of funds by the Ministry of Power sharply decreased from 92.21 per cent in 2004-2005 to 57.60 per cent in 2006-07. They were perturbed over the poor utilization of the earmarked funds by such an important Ministry, resulting in non-achievement of targets set under various programmes. The Committee expressed their displeasure over the lackadaisical approach of the Ministry, as many schemes/programmes for power reforms could not make proper progress and the funds remained idly parked year after year, which could have been gainfully utilized for the fund-starved schemes/programmes. The Committee

had desired that the Ministry of Power should critically examine the reasons responsible for such a dismal situation, and evolve realistic parameters to avoid such wide variations between the sanctioned provisions and actual expenditure.

7. While providing the reasons for their dismal performance in this regard, the Ministry have stated as under:—

“Earlier the State level Utilities were not equipped to handle the scheme simultaneously in different towns, as the Utilities did not have the dedicated implementation group. Further, lack of willingness to award the contract on turnkey basis was also one of the main reasons for delay in implementation of the Schemes. In the Restructured APDRP for XI Plan, time bound implementation programme has been envisaged for each Scheme. If the Utilities fail in timely completion of the Schemes, the loan sanctioned for the Schemes would not be converted into grant. Therefore, the utilities have to ensure timely completion of Schemes.”

8. The Committee feel that proper utilization of funds earmarked for restructured APDRP for XIth Plan and timely completion of the projects selected during these programmes should be a top priority of the Ministry. The Ministry have indicated that conversion of loan sanctioned to utilities for schemes into grant has been linked to their timely completion. The Committee hope that this provision shall have salutary effect on the various projects and their timely completion. Moreover, they expect the Ministry to plug the loopholes that have been identified earlier as clear impediments in the realization of the targets set for APDRP. The Committee desire that the Ministry must impress upon the State Governments to strengthen their existing infrastructure on the field and augment the ability of State level utilities to carry out the selected projects with precision and professionalism.

B. ACHIEVING TARGETS IN TERMS OF AGGREGATE TECHNICAL & COMMERCIAL (AT&C) LOSSES

(Recommendation Sl. No. 7 Para 144)

9. In their earlier Report, the Committee had *inter-alia* observed that the objective of reduction of Aggregate Technical and Commercial (AT&C) Losses, as envisaged in the APDRP, had remained largely unfulfilled. The Committee had also expressed their dissatisfaction over the fact that the Ministry of Power could not provide cogent reasons for non-achievement of targeted reduction in AT&C Losses. The Secretary, Ministry of Power during evidence had conceded in this regard that the goal of 15 per cent loss might not be possible, as the performance in some of the States had been patchy due to varied levels of administration and superintendence. The Committee had also expressed their displeasure over the fact that there were significant deficiencies even in the maintenance of records relating to AT&C losses including absence of proper guidelines and supporting records. Consequently, the data reported by the Ministry could not be regarded as authentic, accurate and acceptable. The Committee were dismayed that the Ministry of Power did not have any mechanism at all to access and monitor the significant reduction in AT&C losses considered to be an inherent measure of the overall efficiency of power distribution. The Committee had strongly

recommended that the Ministry should take corrective measures with a view to ensure that the programme was properly implemented at least in the XIth Five Year Plan and to re-evaluate the targets for AT&C losses so that the targeted production in these losses was achieved in the reformulated APDRP in XIth Plan.

10. The Ministry of Power in their reply have *inter-alia* stated that it was true that objective of reduction in AT&C losses could not be achieved by the States but there are many States, who have shown significant improvement in the reduction of AT&C losses. As regards formulation of any baseline data on the basis of which, Ministry of Power could envisage that the AT&C losses would be brought down to 15%, the Ministry through their Action Taken Note have informed the Committee that they propose to establish the same under the Restructured APDRP for XIth plan.

11. Taking note of the reductions brought about in AT&C losses by some of the States, the Committee are of the view that the Ministry should take expeditious measures to replicate the same in other States as well. They further reiterate that the Ministry should ensure the maintenance of authentic, accurate and acceptable date in this regard, failing which, the assessment of achieved targets in terms of AT&C losses would become difficult.

C. BRIDGING THE GAP BETWEEN AVERAGE REVENUE REALISATION (ARR) AND AVERAGE COST OF SUPPLY (ACS)

(Recommendation Sl. No. 12 Para 149)

12. The Committee's examination of the APDRP had brought out that high cost of generation, high cost of power purchase, high maintenance cost, poor billing and metering, high AT&C loss beyond the levels allowed by the regulator etc. were the main contributory reasons for the gap between ARR and ACS. The Committee had expressed the desire that well conceived measures as, enumerated by the Ministry, such as upgradation and strengthening of the weak distribution system, relocation of distribution sub-stations, provision of additional distribution sub-stations, improvement in metering and billing, timely filling of Annual Revenue Realisation with State Electricity Regulatory Commissions and proper network planning for future expansion etc. ought to be implemented earnestly in letter and spirit in order to eliminate the gap between ARR and ACS in future.

13. The Ministry of Power in their Action taken Note have stated as under:—

“The issue has been addressed under Part-A of R-APDRP, which includes the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers. Part-B shall include regular distribution strengthening projects. The above recommendations have been covered under Part-A of R-APDRP Preparation of Base-line data for the project are a covering Consumer Indexing GIS Mapping, Metering of Distribution Transformers and Feeders and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system for big cities only. It would include Asset Mapping of the entire distribution network at and below the 11KV transformers and include and Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also

include adoption of IT applications for meter reading, billing & collection, energy accounting and auditing, redressal of consumer grievances, establishment of IT enabled consumer services centres etc. the baseline data shall be certified by an independent agency appointed by the Ministry of Power.”

14. As regards the gap between ARR and ACS, the Ministry have informed that the gap between ARR and ACS can be reduced by the action of respective State Governments and SERCs.

15. The Ministry have contended that the gap between Average Revenue Realisation (ARR) and Average Cost of Supply (ACS) can be reduced by the specific action of respective State Governments and State Electricity Regulatory Commissions (SERCs). The Committee feel that the Ministry should continuously impress upon the State Governments, at appropriate level, to take effective and concrete measures to address this problem in right earnest. The Ministry should not be content by merely passing on the whole responsibility to the State Governments and must supplement effective execution of the desired measures towards bridging the gap between ARR and ACS. The Ministry should apprise the Committee about the initiatives taken by them to address this issue.

D. LAPSES DUE TO RELEASE OF FUNDS WITHOUT STIPULATED CERTIFICATES UNDER THE APDRP SCHEME IN THE XTH PLAN

(Recommendation Sl. No. 13 Para 1 50)

16. The Committee in their 77th Report had observed that in terms of the APDRP guidelines, States receiving assistance under this programme would have to open a separate account/sub-account head to separate account classification. States which did not open a separate account were not entitled to receive any funds under APDRP. However, the Committee had observed that the Ministry of Power continued to recommend release of funds without the stipulated certificates from the State Governments regarding opening of a separate account head and expenditure statement prepared from the State monthly accounts. The Committee had found that 17 out of 29 States where the programme was being implemented, either did not operate separate account heads and bank accounts for APDRP funds, or did not operate them correctly. The Committee felt that in the absence of separate accounting classification, practical problems would be faced in so far as ensuring the usage of these funds only for legitimate and earmarked purpose was concerned. While strongly disapproving the failure of the Ministry to act sternly against such financial irregularities, the Committee had recommended a probe into these and responsibility fixed for the lapses.

17. While responding to this issue the Ministry in their Action Taken Note have informed as under:—

“Under Restructured-APDRP, the funds for execution of sanctioned Scheme are being credited directly to the specific account of Utility meant for implementation of Schemes of Restructured-APDRP.”

18. The Committee had pointed out that 17 out of 29 States, where the APDRP was being implemented, neither operated separate account heads and bank accounts for APDRP funds, nor operated them correctly. The Ministry have responded that under the Restructured—APDRP the funds for execution of sanctioned Scheme are being credited directly to the specific account of the Utilities. The Ministry's reply is, however, silent about fixing the responsibility for the lapses that had led to release of funds under the scheme without stipulated certificates from the State Government regarding opening of a separate account head and expenditure statements prepared from the State monthly accounts. The Committee, would like to be informed about the action taken in respect of funds that could not be utilized properly or were misused because of the State Governments not opening an account meant for the stipulated purpose.

E STRENGTHENING OF MONITORING MECHANISM AND CALCULATION OF PENAL INTEREST

(Recommendation Sl. No. 17 Para 154)

19. The Committee had observed that as of March, 2006 eight States failed to release Rs.412.03 crore of APDRP funds to the SEBs/Utilities. There were significant delays on the part of the State Governments in release of APDRP funds ranging from 7 days to 1095 days. Further, the Committee were constrained to note that the Ministry was not monitoring the details of such delays, nor did they intimate the Committee on the initiation and progress to levy penal interest through the Ministry of Finance even in a single case of delayed release of APDRP funds. With regard to the calculation and recovery of penal interest from the State Governments for delay in release of funds, the Ministry had stated that it would be done through Ministry of Finance. Keeping in view the fact that delayed implementation of APDRP projects was due to delayed/non-release of funds by the State Governments to the State Power Utilities/SEBs, the Committee had recommended that the Ministry should devise a sound mechanism for release of Grants to the State Governments. The Committee had further urged the Ministry to ensure immediate onward release of the funds to the SEBs/Utilities by the State Governments.

20. While apprising the Committee about the steps taken in this direction, the Ministry have, through their Action Taken Notes simply stated that the funds for execution of sanctioned Scheme are being credited directly to the specific account of Utility meant for implementation of Schemes of Restructured-APDRP.

21. The Committee have been informed that under the restructured APDRP under Central Sector Scheme during XI Plan funds shall be released directly to the State Power Utility. They, however, note that the Ministry's reply is conspicuously silent on their observation regarding lack of proper monitoring of delays in the release of APDRP funds to the SEBs/Utilities. The Committee, reiterate that the Ministry should take necessary steps to strengthen the prevalent monitoring mechanism urgently to avoid such delays in the future. They further expect the Ministry to apprise them regarding the calculation and recovery of penal interest from the State Governments for delays in release of funds.

F. ADHERENCE TO THE LIMITS SET FOR IT ENABLEMENT BY THE STATES

(Recommendation Sl. No. 22 Para 159)

22. According to APDRP Guidelines, Information Technology (IT) and Computer Aided Tools for revenue increase, outage reduction, monitoring and control play a vital role in distribution management. The performance Audit of APDRP and the Committee's examination of issue raised by Audit had revealed poor progress in IT works, in particular those relating to customer indexing, digital mapping and Supervisory Control and Data Acquisition, which could play a vital role in revenue increase, reduction in AT&C losses, and controlling commercial losses especially for metering, meter reading, billing, collection and outage reduction. The Committee, therefore, in their Report, had inter-alia recommended that the Ministry should take up IT enablement on priority in order to ensure that the envisaged objectives of power distribution reform were achieved. The Committee had asked the Ministry to fix up a deadline for this purpose, by which if the States did not adopt the IT based system, they should be disallowed not only sanction of funds but also the availability of more power in their States. Stringent guidelines were also required to be issued by the Ministry to State Governments in this regard.

23. In their Action Taken Note, the Ministry have informed as follows:—

“The issue has been taken care under Part-A of R-APDRP, which include the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers. Part-B shall include regular distribution strengthening projects. The above recommendations have been covered under Part-A of R-APDRP. The brief scope of works to be executed under Part-A is as follows: Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system for big cities only. It would include Asset Mapping of the entire distribution network at and below the 11KV transformers and include the Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing & collection, energy accounting & auditing, redressal of consumer grievances, establishment of IT enabled consumer service centers etc. The base line data shall be verified by an independent agency appointed by the Ministry of Power.”

24. From the reply furnished by the Ministry, it is evident that they have not laid down any deadline for the IT enablement of power utilities in the States. The Committee in their earlier Report had recommended that the Ministry should take up IT enablement on priority in order to ensure that the envisaged objectives of power distribution reform were achieved. They, therefore, reiterate their earlier recommendation regarding disallowance of sanctioning of funds and power to the States who do not shift to IT based system. The Ministry should ensure complete adherence to the guidelines laid down for IT enablement by the States and the Committee hope that these are executed in letter and spirit.

G. TIMELY COMPLETION/SHORT CLOSURE OF PROJECTS UNDER THE XTH PLAN

(Recommendation Sl. No. 23 Para 160)

25. The Committee had found that though the APDRP guidelines stipulated that the projects were to be completed within at least 36 months of the date of sanction, the progress of APDRP projects was way behind schedule, resulting in non/partial achievement of the desired objectives, even though nearly 54 per cent of the 10th Five Year Plan provision of Rs. 20,000 crore was still available for sanction. The Committee felt that the delays were mainly due to poor planning, execution and lack of commitment of the implementing agencies. Since the delay in progress of work and failure to complete works in time would result in non-partial achievement of the desired objectives and further time and cost over-runs, the Committee had emphasized the need to take effective steps for stricter monitoring and control over the APDRP projects. Responding to the Committee's observation regarding delays due to poor planning, execution and lack of commitment of the implementing agencies which resulted in non/partial achievement of the desired objectives and further time and cost over-runs in the Programme, the Ministry have furnished their reply as under:—

“The Schemes under X Plan APDRP have been completed or short closed on 31.03.2009 and the financial and physical progress of work executed against approved detailed project report of each scheme have been reconciled by the respective Advisor-cum-Consultants (AcCs) in accordance with the guidelines issued by the Ministry.”

26. Expressing apprehension about the achievement of objectives of the Schemes under Xth Plan APDRP, which have been completed or short closed on 31.03.2009, the Committee reiterate the need to take effective steps for stricter monitoring and control over the R-APDRP to ensure that the projects undertaken, under the XIth Plan are completed on time and the shortcomings noticed in the earlier plan are addressed appropriately and timely. Further, the Ministry should take appropriate measures to avoid recurrence of short closures of schemes in the XIth Plan. Since the XIth Plan is already underway in its third year, the Committee desire that the Ministry should furnish the latest data with regard to achievement of targets in the Restructured-APDRP.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation No. 2

The Committee note with concern that there has been an increase in energy shortage during the Xth Five Year Plan ranging from 7.5% in 2001-02 to 9.6% in 2006-07. The peak power shortage has also increased from 11.8% in 2001-02 to 15.2% in 2007-08. Power capacity addition targets have also not been achieved during Xth Plan period, as against the target of capacity addition of 41110 MW; only 23250 MW has been achieved. The reasons responsible for shortfall in achieving 10th Plan targets have been cited as delay in technology tie-ups, delay in award of works, projects not taken up, financial closure not achieved, delay in project clearance/investment decision etc. As the problem has assumed serious proportions, the Committee recommend that a thorough review should be conducted by the Government to remedy the situation. The Ministry of Power should work out a strategy to bridge the energy gap and meet the ever-increasing demand of energy, while supplementing strongly the efforts at the state level. In this context, the Government should also undertake a comprehensive programme to renovate and modernize old power plants located in different States.

[(Sl. No. 2) Para 139 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Against the target of 41110MW for 10th Plan, a capacity of 21180 MW was achieved during 10th Plan. The sector-wise and type-wise break-up is as under:—

	Central	State	Private	Total
Thermal	7330	3553.64	1230.6	12114.24
Hydro	4495	2691	700	7886
Nuclear	1180	-	-	1180
Total	13005	6244.64	1930.6	21180.24

The National Electricity Policy envisages that power shortage are to be fully eliminated by 2012. Keeping in view the projection of electricity demand during the 11th Plan as contained in the 17th Electric Power Survey, the Central Electricity Authority (CEA) had worked out that capacity addition or nearly 82,500 MW would be required by the end of 11th Plan.

2. The strategies adopted to meet the requirement are as follows:—

Capacity addition target for the Plan: A capacity addition target of 78700 MW has been set for the 11th Five Year Plan from conventional energy sources and 14000 MW from new and renewable energy sources.

Development of Ultra Mega Power Projects: a number of Ultra Mega Power projects of 4,000 MW each have been envisaged to be developed during the 11th Plan under competitive bidding.

Harnessing surplus captive power into the grid: A capacity of 12,000 MW of captive power is likely to be added to the system during 11th Plan. Out of this as on 31.10.2008 a capacity of 1648 MW has already been commissioned and balance is under construction.

50000 MW hydro initiatives: The target is to launch 50000 MW of hydro initiatives for accelerated development of hydro power in the country. A preliminary feasibility report of 162 projects totalling 48000 MW has been prepared out of which 77 projects with total capacity of about 37000 MW have been selected for execution.

An extensive network of transmission system: Commensurate with the capacity addition programme, an extensive network of transmission is also being developed. New inter-regional transmission capacities are also being added through the development of the National Grid.

The other initiatives undertaken in this regard are:—

- (a) Energy conservation and energy efficiency through Demand Side Management (DSM) and end user initiatives.
- (b) Renovation, modernization and life extension of old and inefficient generation units.
- (c) PFC and REC to ensure that execution of good/viable projects is not hampered due to lack of funds.
- (d) Strengthening of the monitoring mechanism.

3. Constant and close monitoring, besides regular review is essential requisites for the achievement of the targets. The monitoring mechanism of the power projects has been strengthened in the following manner:

- (i) The CEA has a nodal officer associated with each on-going project who continuously monitors the progress at site through frequent visits and regular interaction.
- (ii) Regular meetings are being organized in Ministry of Power with CEA, CPSUs and other stakeholders with a view to reviewing the critical milestones associated with each on-going project.
- (iii) A Power Project Monitoring Panel (PPMP) comprising independent consultants, has been set up in the Ministry of Power for further strengthening the monitoring mechanism.
- (iv) Based on the present status of ongoing generation projects, CEA has estimated that a generation capacity of 79790 MW would be feasible from conventional sources during the 11th Plan. Against this, a capacity of 11322 MW has since been added up to 30.11.2008 and 68468 MW is under construction. Thus, in view of the feasible addition of 79790 MW and the likely capacity addition of 14,000 MW from new and renewable energy and around 12000 MW through

captive power plants in the 11th Plan and other steps taken by the Ministry of Power to improve availability of power, it is expected that power shortage in the country could be eliminated by 2011-12.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/ 16-2007/APDRP/Vol. II/57-59 dated 24.06.2009)

Observation/Recommendation No. 11

One of the most important pre-requisites for ensuring reduction of commercial losses, with relatively lower capital investment, is comprehensive energy accounting and audit, which would enable quantification of losses in different segments of the system and their segregation into commercial and technical losses. The Committee have, however, observed that effective energy accounting and auditing was not being carried out in the States. It had not been possible in most States due to lack of 100 per cent system metering, lack of accountability at the circle and feeder level and low progress in respect of IT enabling activities such as consumer indexing, digital mapping, Automated Meter Reading instruments, Data Loggers etc. The Committee have been informed that keeping in view the poor progress by Utilities in this area, the Ministry are proposing to establish authenticated baseline data as one of the objectives of restructured APDRP during XI Plan, through which all the assets and consumers will be mapped and indexed. Feeder and Distribution Transformer (FDT) meters and bulk consumer meters will be read remotely and the base-line data will have to be got validated through independent auditors to be appointed by the Ministry. The Committee would welcome and await the implementation of these measures. Since the whole purpose of metering was defeated in the absence of linkages between feeder, Distribution Transformer and consumer metering, the Committee desire that the Ministry should work out the modality of regular and effective monitoring of the programme in consultation with SEBs so as to ensure that all States carry out effective energy accounting and auditing at the feeder and Distribution Transformer levels.

[(Sl. No. 11) Para 148 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The Ministry has addressed the above issue under Part-A of Restructured-APDRP. The salient features of the **Part-A:**

- ◆ Establishment of reliable and automated system for sustained collection of accurate Base-line Data, adoption of Information Technology in Energy auditing and Accounting. There will be metering at every feeder and Distribution transformer, as a result of implementation of Part-A of RAPDRP.

Part B: Strengthening of Sub-transmission and distribution system.

The implementation of Part-A and B Projects would lead to reduction of AT&C loss below 15% level. It is expected that resultant reduction of losses in the Distribution Sector would also improve the financial health of the Distribution Utilities.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/ 16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 14

The Committee find it strange that in respect of APDRP no conditions regarding Utilization Certificates (UCs) or Statements of Expenditure (SOEs) were incorporated in the guidelines, despite requirement of UCs in the prescribed proforma specified in the GFR. Further, the expenditure reported by SEBs/Utilities to the Ministry was not correct on the ground that expenditure was booked at Detailed Project Report (DPR) rates, even though actual procurement cost was lower. The reported expenditure was inflated by inclusion of works not in Detailed Project Reports, incomplete works, work done under normal development schemes, work done with old/repared equipment etc. Audit of 294 projects in 29 States with a total project cost of Rs. 10255.21 crore, involving utilization of funds reported to be Rs. 5617.64 crore as of March 2006, revealed instances of incorrect financial reporting amounting to Rs. 676.09 crore, which constituted 12 percent of the reported utilization. The Committee express their dissatisfaction in the matter and recommend that responsibility of the officers be fixed for the lapses in maintenance of records, its compilation and incorrect reporting of figures.

As regards the system for verification of expenditure reported by State Governments/ Utilities, the Committee have been informed that the Ministry does not have the

resources to audit each and every expenditure made by Utilities under the programme. However, Advisor cum Consultants (AcCs) do randomly check the bookings and point out the discrepancies to the Utilities. But with a view to curbing the tendency of incorrect financial reporting by Utilities executing APDRP projects on departmental basis, the model procedure for maintaining records and booking of cost has been handed over to States during review meetings. From these facts it is abundantly clear that the procedure for verification of the expenditure reported by state Governments/Utilities leaves a lot to be desired. Considering the fact that the Ministry does not have resources to audit every expenditure of the Utilities, and the fact that there are several cases of default, the Committee recommend that the Ministry of Power and the SEBs/Utilities should evolve a coordinated and integrated system of record-keeping and reporting with periodical reconciliation of figures in order to avoid incorrect financial reporting by the State Governments/Utilities.

[(Sl. No. 14) Para 151 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The financial and physical progress of each Scheme approved under X Plan APDRP have been reconciled by the respective Advisor cum Consultants (AcCs) in accordance with the guidelines issued by the Ministry.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments. Details of the process of reconciliation would be verified during next audit. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110 002

(Letter No. AMG-I/PAC/91/ 16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 15

During the course of examination, the Committee have come across several instances of inadequacies in some of the State regarding utilization of funds. Some of the major deficiencies/irregularities noticed are as follows:—

- (i) Expenditure reported by SEBs/Utilities to the Ministry/ACCs was not correct, in respect of 29 States, there were instances of incorrect financial reporting.
- (ii) Proper accounting and related records in respect of APDRP Projects were not maintained in almost all the States.

- (iii) Surplus funds amounting to Rs. 51.07 crore not returned by the States to the Government of India.
- (iv) Instances of diversion of funds amounting to Rs. 181.78 crore in ten States.
- (v) Non-release/Delayed release of funds by States to SEBs/Utilities and Non-levy of consequent penalty.

[(Sl. No. 15) Para 152 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The Schemes under X Plan APDRP have been completed or short closed on 31.03.2009, and the financial and physical progress of works executed against approved Detailed Project Report (DPR) of each scheme have been reconciled by the respective Advisor cum Consultants (AcCs) in accordance with the guidelines issued by the Ministry.

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments. Details of the process of reconciliation would be verified during next audit. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries, New
Delhi-110002

(Letter No. AMG-I/PAC/91/ 16-2007/APDRP/Vol. II/57-59 dated 24.06.2009)

Observation/Recommendation No. 16

There were also instances of diversion of funds by 10 States amounting to Rs. 181.78 crore for unauthorized purposes, and diversion of Rs. 432.23 crore by 7 States for adjustment against various dues of the Utilities, which was effectively equivalent to short release of funds of APDRP projects. With regard to seeking explanation from the concerned States for diversion of funds, the Ministry have merely stated that the States have been asked to submit the Utilization Certificates for the funds released under APDRP. The State Utilities have also been asked to open separate account for APDRP funds. However, many of the Utilities either did not open separate account or did not operate these accounts due to various problems in their accounting procedures. Undoubtedly, such cases not only reveal inadequacies in the governmental machinery but also leave scope for proliferation of corrupt practices in the system. This therefore, underscores the need for streamlining the procedures for utilization of funds. The Committee, therefore recommend that the entire matter of diversion of

funds should be thoroughly looked into and responsibility be fixed for the lapses in maintaining the funds.

[(Sl. No. 16) Para 153 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The 10th Plan APDRP schemes have been completed or short closed after completing the exercise of verification and reconciliation of the physical & financial progress of the works executed by the States under APDRP schemes, by Advisors cum Consultants, in consultation with the State representatives. The above exercise have been carried out in accordance with DPRs approved by the Steering Committee and the guidelines issued by the Ministry of Power. In such cases where ever the executions of items have not been done according to approved DPRs, the same has been disallowed by the AcCs.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. 5/8/2008-APDRP dated 27.5.2009)

Vetted Comments

No comments. Details of the process of reconciliation would be verified during next audit. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report) Office of the Principal Director of Audit, Economic & Service
Ministries, New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59 dated 24.06.2009)

Observation/Recommendation No. 19

The Committee note that the administrative intervention envisaged under APDRP of ensuring accountability at the circle and feeder level by re-designating distribution circles as independent profit centers and feeders as business units was not successful. The Committee regret to note that while many States had designated the Circle Superintending Engineer and Junior Engineer as Circle CEO and Feeder Manager, no administrative measures were taken to ensure accountability and responsibility. In Arunachal Pradesh, Punjab, Meghalaya, Nagaland, Rajasthan and Uttar Pradesh, even the designation of the JEs as Feeder Manager has not been done. With a view to ensuring accountability and responsibility among the circle CEOs and Feeder Managers, the Committee desire that a system of disincentive/incentive should be introduced at the distribution circle and feeder level for achievement of targets.

[(Sl. No. 19) Para 156 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Under Part D of R-APDRP in XI Plan, there is provision for incentive for utility staff in towns where AT & C loss levels are brought below the base line levels. An amount equivalent to 2% of the grant for Part-B projects (Rs. 400 crore) is proposed as

incentive of utility staff in project areas where AT&C loss levels are brought below 15%.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi -110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 21

The Committee's examination of the subject has revealed that there were significant weaknesses in the project planning, management and implementation process. There was inadequate examination of Detailed Project Reports (DPRs) by the Steering Committee, with 641 projects being approved in just 9 meetings. Clearly, this would not have enabled the Steering Committee to exercise detailed scrutiny of the project before according approval. Most SEBs/Utilities has not adopted turnkey contracting and had executed the works departmentally or on semi-turnkey basis; in some cases the turnkey packaging was so distorted that it negated the concept of single point responsibility which was the objective of turnkey contracting. Obviously, this was a clear case of negligence on the part of the Ministry which overlooked this lapse and which resulted in lack of coordination while carrying out the works. The Committee therefore, recommend that during XIth Plan period, the projects under the programme should be awarded only on turnkey basis as originally stipulated in the scheme, so that the problems arising out of lack of coordination between civil works and electrical works are avoided.

The audit also detected numerous deficiencies in individual projects across different aspects, covering execution of out-of-scope items, lack of economy in procurement and execution excess payments to contractors and other inefficiencies. The contributory reasons as adduced by the Ministry for shortfall in APDRP implementation are reduced project cycle, slow implementation of the programme by States, inadequate project management skills delay by States in passing on funds, delay in awarding the contracts by States, non-availability of required quantity of materials and contractors etc. The Committee find the reply of the Ministry hardly convincing as these are the reasons which are rather routine in nature and could have been taken care of, if timely steps were taken. The Committee considers it unfortunate that the Ministry had left the entire programme at the mercy of the State-Governments, although the monitoring of

the implementation of the programme was the responsibility of the Ministry. Considering the fact that the APDRP was launched for quick turnaround of the power sector, the Committee are dismayed that no urgency was showed by the Ministry for evolving a monitoring mechanism.

[(Sl. No. 21) Para 158 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The recommendations of Committee regarding execution of projects on turnkey basis under Re-structured APDRP has been adopted and as per the RAPDRP guidelines issued, the utilities have to execute the works under RAPDRP through turnkey basis only, the above guidelines have also been made the integral part of the quadripartite agreement which is being executed between Ministry of Power, PFC, State Government and the Utilities. The Utilities have to execute the said agreement before release of funds to them.

The recommendations of Committee regarding execution of out-of-scope items, lack of economy in procurement and execution excess payments to contractors and other inefficiencies have also been taken care during the final reconciliation of financial and physical progress of projects done by the respective Advisors cum Consultants (AcCs.), and items beyond scope are disallowed by the AcCs.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Details of the process of reconciliation would be verified during next audit. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director(Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 25

The Committee's examination has revealed that the mechanism for inspection of APDRP projects by the Ministry of Power was inadequate. The Committee are perturbed to note that even though 155 random inspections have been conducted through lead Advisor cum Consultants viz. NTPC during the past three years in various States, the Ministry did not have a consolidated record of all such inspections. According to the Ministry, the record is available with respective Advisor cum Consultants, who apprise

Ministry of Power about the salient findings of field inspection. The Committee note that the reports of these inspections were not provided to Audit also. In the absence of such reports, the objectives of the field inspections, findings of the AcCs and the follow-up action taken thereon by the State Utilities could not be ascertained at all. This also disenabled the Ministry of Power to monitor the status of implementation and bring about requisite improvements in the systems and procedures. The Committee are therefore, of the view that stringent measure are urgently required to revamp the existing monitoring/supervisory mechanism prevailing in the Ministry.

[(Sl. No. 25) Para 162 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The above recommendation of the PAC will be addressed in formulation of Restructured-APDRP.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59
dated 24.06.2009)

Observation/Recommendation No. 27

To sum up, the facts stated in the foregoing paragraphs revealed several shortcomings in the implementation of APDRP. The primary objective of the programme of reducing Aggregate Technical and Commercial Losses (AT & C Losses) by 9 percent per annum had not been achieved. There were serious deficiencies in system metering (in particular Distribution Transformer metering) and consumer metering. There were also major shortcomings in the quality and reliability of power supply. Besides, effective energy accounting and auditing had not been possible in most States, primarily due to lack of 100 percent system metering, lack of accountability at distribution circle and feeder levels and inadequate computerization. Significant deficiencies were noticed in the systems and procedures for release and utilization of APDRP funds. There were instances of in correct financial reporting by the States to the Central Government. In addition, instances of irregular diversion of funds, and non-return of surplus funds were noticed. the incentive mechanism was not successful, there were weaknesses in the project planning, management and implementation process as well as in the

mechanism for reporting, monitoring and inspection. The Committee regret to conclude that the APDRP did not succeed fully in achieving its objectives. The Committee have been informed that the APDRP will be continued during the XI plan with revised terms and conditions as a central sector scheme. According to the Ministry of Power establishment of reliable and automated systems for sustained collection of accurate base line data and the adoption of Information Technology in the areas of energy accounting in XI Plan will enable objective evaluation of the performance of State Power Utilities before and after implementation of the programme and will enforce internal accountability.

Considering the fact that a considerable amount has already been spent on the programme during Xth Five year Plan, the Committee take a serious view of the failures in fully achieving the objectives of such a laudable and crucial programme. The Committee desire that in the light of the facts brought out in this Report and the suggestions made, Government should take corrective action now with a view to ensuring that the scheme is properly implemented at least in the XIth Five Year Plan.

[(Sl. No. 27) Para 164 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

All the above recommendations of PAC have been addressed during formulation of Restructured-APDRP Scheme. This Scheme is solely based on actual and sustainable performance of each Utility, the disbursement of grant is based on the successful completion and verification done by the independent evaluating agency. The shortcomings experienced during the implementation of X Plan APDRP have also been fully addressed in the Restructured-APDRP Scheme.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/ Vol. II/57-59
dated 24.06.2009)

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

Observation/Recommendation No. 3

With a view to addressing the issues of inability of State Power Utilities to systematically fund essential activities relating to the upgradation of the sub-transmission and distribution system and renovation and modernization of old plants which resulted in shortages, poor quality of supply, frequent interruptions and escalation in commercial losses to the State Electricity Boards, the Government of India in February, 2001 launched the Accelerated Power Development Programme (APDP). The APDP could not produce the desired results during the first year of its initiation. Therefore, for quick turnaround of the power sector and to reward the actual improvement in the performance of the Power Utilities by way of reduction in commercial losses and increased revenue realization, it was renamed as "Accelerated Power Development and Reform Programme (APDRP)" in the Union Budget 2002-03. The project had an outlay of Rs. 40,000 crore as Additional Central Plan Assistance to the State Governments during the 10th Five Year (2002-2007). Of this amount, the investment component was for Rs. 20,000 crore, with the remaining Rs. 20,000 crore for the incentive component.

[(Sl. No. 3) Para 140 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Accelerated Power Development and Reforms Programme (APDRP) was launched in 2002-03 with the objective to make the SEBs/Utilities commercially viable through bringing down the Aggregate Technical & Commercial (AT & C) losses below 15% in five years in urban and in high-density areas. Government had approved the programme with a budget provision of Rs. 40,000 Crore during X Plan, out of which Rs. 20,000 Crore was allocated under Investment component and Rs. 20,000 crore under Incentive component.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59 dated 24.06.2009)

Observation/Recommendation No. 4

The basic objectives of the programme were:

- (i) Reduction of Aggregate Technical and Commercial Losses (AT&C Losses) from around 60 percent to around 15 percent in five years, to begin within the urban areas and high density/consumption areas, which implied a targeted reduction of 9 percent per annum.
- (ii) Significant improvement in revenue realization by reduction in commercial losses leading to additional realization of Rs. 20,000 crore approximately over a period of 4-5 years.
- (iii) Reduction of technical losses which would result in additional energy of nearly, 6,000-7000 MW to the system.
- (iv) Improvement in quality of supply and reliable, interruption free power.
- (v) Reduction in cash losses on a permanent basis
- (vi) To help States to avoid heavy subsidies, which are given to SEBs/State Utilities by State Governments.

[(Sl. No. 4) Para 141 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

No reply is required, as there is no recommendation by PAC.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP, dated 27.05.2009)

Vetted Comments

No comments.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59
dated 24.06.2009)

Observation/Recommendation No. 5

The operation of the programme was governed by the conditions laid down in the Memoranda of Understanding (MoU) and Memoranda of Agreement (MoA) signed between the State Electricity Boards (SEB)/Utilities and the Ministry of Power. The major conditions for availing benefits under APDRP are as follows:—

- (i) Setting up of State Electricity Regulatory Commissions (SERCs);
- (ii) Restructuring of SEBs, viz. unbundling into separate entities for generation, transmission and distribution and corporation of unbundled entities;

- (iii) Removing cross subsidies and traffic anomalies and providing budgetary support to SEBs towards subsidies;
- (iv) Introduce private participation in generation, transmission and distribution;
- (v) 100 percent metering for each KV feeder and also for consumer;
- (vi) Energy accounting and audit;
- (vii) Distribution Circles to be operated as independent profit centres, with Superintending Engineer as Circle Chief Executive Office (CEO);
- (viii) 11 KV feeders to be operated as business units, with the Junior Engineer as the feeder Manager; and
- (ix) Turnkey contracting system to be adopted by the SEBs/Utilities.

[(Sl. No. 5) Para 142 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

No reply is required, as there is no recommendation by PAC.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59
dated 24.06.2009)

Observation/Recommendation No. 6

The Committee's examination of the subject is based on the Audit review of the performance of programme in 294 approved APDRP projects during the period 2002-03 to 2005-06. Examination of the subject by the Committee in details has revealed that the avowed objectives of the APDRP have not been fully achieved. There have been significant deficiencies in the implementation of the programme. The Committee has dealt with these deficiencies and various aspects of the programme in the succeeding paragraphs.

[(Sl. No. 6) Para 143 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Though the objectives of APDRP could not be achieved fully, but most of the States have initiated reforms programmes by setting up SERCs, unbundling/

corporatisation of SEBs, metering of 11KV Feeders and the Consumers and strengthening of sub-transmission and distribution systems through APDRP assistance. As per the Power Finance Corporation (PFC) report on the performance of the State Power Utilities, the overall AT&C losses at national level have been reduced from 36.64% during 2002-03 to 33.07 during 2006-07.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

The facts, however, remains that the percentage reduction of AT&C losses was a mere 3.57% in four years against the targeted reduction from around 60% to 15% in five years. The subject, Therefore, needs further improvement and attention at Ministry's level.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 8

One of the key reforms envisaged through the Memorandum of Agreements with the Ministry of Power indicated 100 percent metering for each 11KV feeder and also for consumer. The Committee, however, note that a significant number of installations remained unmetered, and the computation of energy consumed was made on assessment basis, consequently affecting the veracity of the source data for computation of AT&C losses. In case of Jharkhand, unmetered supply in four sample circles, ranged between 67.8 percent and 39.93 percent of total energy. The States did not have any basis of calculation of unmetered supply and thus the estimation of unmetered energy was reduced to a purely hypothetical exercise. The Committee are surprised to note that the Ministry of Power have also not ascertained the reasons from SEBs for resorting to billing/metering on assessment basis. There were also no prescribed norms for assessment of unmetered consumers and the criteria for assessment was not uniform either among various billing authorities, which was bound to result in deficiencies in making accurate assessment of losses. It is, thus, evident that the Ministry of Power have not made any earnest attempt to make the assessment procedure uniform. Various bottlenecks such as non-availability of metering or defective/damaged metering system etc. that come in the way of correct and accurate assessment of supply could have been very-well removed by taking timely remedial action. While deploring the laxity on the part of the Ministry of power in taking corrective measures to minimize the practice of billing on assessment basis by improving the metering system for various segments

of consumers, the Committee would like the Ministry to issue fresh directions to the State Governments for making the assessment procedure more organized and uniform with significant reduction in the AT&C Losses.

[(Sl. No. 8) Para 145 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The Ministry has addressed the above issue under Part-A of Restructured APDRP. The salient features of the **Part-A:**

- ◆ Establishment of reliable and automated system for sustained collection of accurate Base-line Data, adoption of Information Technology in Energy auditing and Accounting. There will be metering at every feeder and Distribution transformer, as a result of implementation of Part-A of RAPDRP.

Part B:- Strengthening of Sub-transmission and distribution system.

The implementation of Part-A and B Projects would lead to reduction of AT&C loss below 15% level. It is expected that resultant reduction of losses in the Distribution Sector would also improve the financial health of the Distribution Utilities.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 9

Another objective of APDRP was to make 100 percent metering of feeders, Distribution Transformers (DTs) and consumer connections. The Committee find that while there was considerable improvement in terms of reported feeder and consumer metering, the progress in metering of Distribution Transformer was not adequate as only 3 States had shown 80 to 100 percent metering, whilst there was no information in respect of 10 States, with consequent lack of control on AT&C losses and inadequate energy accounting and auditing. Feeder and consumer metering at the State level also showed significant deficiencies, in addition to misreporting of data on installation of meters. While conceding that the progress of Distribution Transformer metering was indeed not upto the expected level, the Ministry have informed that it was mainly due

to the middle level executives pleading increase in meter reading load and their inability to manage even for the existing customers. The Committee fail to understand as to why no advance action was taken for the posting of additional personnel which were badly needed for installation and maintenance of meters and to ease the meter reading load. At least now they would expect that early action would be taken to fulfill the requirement of additional personnel at all the levels so that implementation of the programme does not suffer.

The Committee have now been informed in this regard that the Utilities will be forced to install and maintain the system meters due to performance base conditionality for converting 'loan' to 'grant' as proposed for 11th Plan APDRP. Since the Distribution Transformer metering is an essential tool to control AT&C losses, the Committee hope that the Ministry will closely monitor the installation and maintenance of system meters in 11th plan in a time-bound manner including augmenting the strength of the middle level executives so that the SEBs/Utilities complete 100 percent feeder, Distribution Transformer and consumer metering in all ongoing and completed APDRP projects within a clearly defined time frame. They should also ensure that the funds for APDRP projects should be released only after completion of 100 percent metering. The Committee would also like to be apprised of the details of installation of meters during XIth Plan under APDRP and action taken against the defaulting States which only can serve as an objective index of the efforts made by the Ministry of Power in this direction in the revised APDRP during XIth Plan.

[(Sl. No. 9) Para 146 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The issue has addressed under Part-A of R-APDRP, which include the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers. Part-B shall include regular distribution strengthening projects. The above recommendations have been covered under Part-A of R-APDRP. The brief scope of works to be executed under Part-A is as follows:

- Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system for big cities only. It would include Asset Mapping of the entire distribution network at and below the 11KV transformers and include the Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing & collection, energy accounting & auditing, redressal of consumer grievances, establishment of IT enabled consumer service centers etc. The base-line data shall be verified by an independent agency appointed by the Ministry of Power.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 10

The Committee find that in States like Jharkhand, Punjab, Assam, West Bengal, Karnataka, Haryana and Manipur, periodical checking of meters was not a regular feature and the shortfall in checking of meters in these states ranged between 13 and 96 percent during 2005-06. Although the Ministry have been advising the States through review meetings etc. to carry out periodical energy accounting and auditing, evidently, these measures have not produced the desired results. Since the purpose of installation of meters would be served only if the SEB/Utility conducted its periodical checking so as to ensure that installed meters were not being tampered with and were working efficiently, the Committee desire that the Ministry of Power should pursue the matter forcefully with all concerned State Governments to mitigate this serious problem.

[(Sl. No. 10) Para 147 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The measures for Feeder metering, Consumer metering, Distribution transformer metering, correct metering and billing would automatically be addressed by implementing the Part-A of R-APDRP. The main activities covered under Part-A of R-APDRP have already been explained in reply of para 146. [Sl. No. 9]

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 18

The Committee find that the incentive mechanism of APDRP was not successful, with just Rs. 1575.02 crore released as of January, 2007 against the provision of Rs. 20,000 crore envisaged in the 10th Five year Plan. Further, most of the claims pertained to the years 2001-02 to 2003-04, which indicated that the objective of reducing cash losses of SEBs/Utilities through an incentive mechanism had largely not been achieved. Audit examination also revealed a number of deficiencies like allowing ineligible claims, disallowance of incentive claims on the grounds not reflected in the guidelines, and lack of mechanism for verifying utilization of the incentive grant for improvement of the power sector. While responding to these shortcomings, the Ministry have clarified that many States had shown increase in cash loss and as such they could not become eligible for incentive. The Committee are surprised to note that there is no mechanism in the Ministry of Power for ensuring that the incentives are actually utilized for improvement of power sector only. It is obvious that the incentive mechanism has not been working under this programme, indicating that the actual cash loss reduction in most States has been rather poor. Further, it is a matter of serious concern that the Ministry released incentives claims to the SEB's/utilities without satisfying themselves that the incentives were being utilized for the power sector only. As the incentive scheme was conceived to make the MOAs more successful and conducive for effective implementation of the programme, any flaw in this process will vitiate its very objective. The Ministry of Power should, therefore, establish a sound mechanism for ensuring that the incentive claims of States/Utilities are scrutinized properly in the Ministry before establishing eligibility and realization of the incentive. The Ministry should also consider withholding the claims of the defaulter States who have been utilizing the incentives for other purposes. The release of incentive claims should be subject to physical target achievement and not to financial targets alone.

[(Sl. No. 18) Para 155 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

All the claims of incentive submitted by the various States against loss reduction have been scrutinised and verified by the independent evaluating agency and thereafter the proposal was concurred by the internal finance division of the Ministry. The issue of proper utilization of Incentive funds for improvement of financial health of the State Utility have been taken up by the Ministry with the States.

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 20

Theft of electricity, in the form of unauthorized connections from the electricity supply system, tampering, by-passing of meters by the consumers etc. constitute a substantial part of commercial loss. The Committee find that the Ministry did not have a mechanism for monitoring periodically the effectiveness of vigilance and legal measures in different States to prevent theft of energy. The percentage of registering theft cases was low ranging between 0.28 percent to 14.08 percent, and the percentage of conviction was even lower, ranging between zero and 10.61 percent. According to the Ministry, setting up of special courts and special police stations are the provisions in the Electricity Act to help the States in dealing effectively with the cases of energy theft. The Committee have been informed that as a result of these measures, detection of 15,19,020 cases of theft during last four years have been reported by the States, out of which 1,61,372 cases have been reported convicted and Rs. 1091.15 crore has been realised. The Committee are not satisfied with the number of cases reported and convicted during the past four years, as out of more than 15 lakh cases detected only 1,61,372 cases have been convicted which implies that no serious efforts have been made by the State Utilities to address this issue. The Committee have been informed that Ministry of Power was monitoring action taken by States for constituting Special Courts; and Special Police Stations to handle cases related to theft of electricity, and this was proposed to be made as a condition for eligibility for APDRP funds during the XIth Plan. As theft of energy constitutes a substantial part of commercial loss, the Committee would like the Ministry to ensure adherence to the guidelines in this regard, namely, setting up vigilance squads, detection and follow-up of cases involving theft of energy, making full use of legal provisions for launching prosecution against offenders and conducting periodic review of cases and imposing severe penalties for tampering with meter seal. Installation of automated systems and application of information Technology for recording of data; should also be accorded priority for this purpose.

[(Sl. No. 20) Para 157 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The implementation of Part-A Scheme of R-APDRP would make the Distribution Sector automated and the human intervention would be Nil in recording meter reading at feeder and distribution transformer level, which would definitely curb the theft of electricity.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 24

Yet another case of APDRP implementation which required attention is the system of evaluation and the follow-up action thereafter. Evaluation of APDRP is stated to be undertaken by the Ministry through independent agencies such as Indian Institute of Management, Ahmedabad, Administrative Staff College of India, Tata Consultancy Services, Tata Energy and Resources Institute and SBI Caps. The aforesaid Evaluators have observed that though there were considerable improvements in the billing, metering and collection efficiencies, there was scope for further improvements. They have, therefore, recommended continuation of the programme beyond Xth Five Year Plan. However, they have suggested a number of initiatives to be included in the programme so as to derive better results. The main suggestions of the Evaluators in this regard included direct release of APDRP funds to SEBs/ Utilities, concrete action plan for quick and fast implementation of IT initiatives, preparation of realistic Detailed Project Reports, undertaking anti-theft measures more vigorously, out sourcing of project implementation on a turnkey basis, improving the data quality and availability of MIS data in electronic format at the Circle Office etc. Keeping in view the grave nature of irregularities, the large scale misuses and also taking into account the enormous amount of revenue foregone, the Committee regret to note that the follow-up action of the suggestions made by the Evaluators was highly inadequate. The Ministry of Power should overcome their laxity on this count and act promptly on the findings of the evaluation study commissioned by the Ministry themselves.

[(Sl. No. 24) Para 161 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The prompt action on the findings by independent evaluating agencies after evaluation of the APDRP will be taken during implementation of Restructured-APDRP in XI Plan.

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Observation/Recommendation No. 26

The Committee note that while the State level Distribution Reforms Committee (DRC) was to meet once in two months to review the progress of project implementation, compliance of MOU/MOA conditions, performance against targets and benchmarks, the required number of meetings of DRC was not held, with the shortfall in holding the specified number of meetings ranging up to 80 percent in various States. The Committee have been informed that State level DRC discusses the State specific issues and time bound action plan is made to resolve the issues. Formal revord notes or minutes of the meeting are circulated among the participants and copy of the same is also sent to Ministry of Power. The Committee note that this procedure is not being followed, as the records of such reviews along with the reasons for not following the procedures and action proposed for overcoming shortfall were not intimated to the Ministry of Power. Since serious deficiencies have been noticed in the implementation of the APDRP, the Committee recommend that the Ministry of Power must review the situation and take immediate steps so that the State level Distribution Reform Committee is made functional and its working supervised in an effective manner.

[(Sl. No. 26) Para 163 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Ministry of Power has been taking the review meeting on regular intervals with the States for implementation of APDRP Schemes in accordance with the approved guidelines.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

In view of the shortcomings noticed in Audit, the subject needs further improvement at Ministry's level. However, evidence in support of reply may be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59 dated 24.06.2009)

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation No. 1

The Ministry of Power (MoP) is primarily responsible for the development of electrical energy in the country. The Ministry is concerned with perspective planning, policy formation, processing of projects for investment decisions, monitoring of the implementation of power projects etc. The Ministry also provides financial support in the form of grants to the States. The Committee note that as against the sanctioned allocation of funds, the Ministry of Power had been able to spend 92.21% during the year 2004-05, 87.98% during 2005-06 and only 57.60% in 2006-07. The Committee are concerned that the funds allocated to the Ministry of Power have not been fully utilized during these three years. The utilization of funds sharply decreased from 92.21% in 2004-05 to 57.60% in 2006-07. The poor utilization of the earmarked funds by such an important Ministry, resulting in non-achievement of targets set under various programmes is indeed disconcerting. The Committee cannot but express their displeasure over the lackadaisical approach of the Ministry, as many schemes/programmes for power reforms could not make proper progress and the funds remained idly parked year after year, which would have been gainfully utilized for the fund-starved schemes/programmes. The Committee desire that the Ministry of Power should examine critically the reasons responsible for such a dismal situation, and evolve realistic parameters to avoid such wide variations between the sanctioned provisions and actual expenditure.

[(Sl. No.1) Para 138 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Earlier the State level Utilities were not equipped to handle the scheme simultaneously in different towns, as the utilities did not have the dedicated implementation group. Further, lack of willingness to award the contract on turnkey basis was also one of the main reasons for delay in implementation of the Schemes. In the Restructured APDRP for XI Plan, time bound implementation programme has been envisaged for each Scheme. If the Utilities fail in timely completion of the Schemes, the loan sanctioned for the Schemes would not be converted into grant. Therefore, the utilities have to ensure timely completion of Schemes.

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments, subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59 dated 24.06.2009)

Comments of the Committee

Please *see* Paragraph No. 8 of Chapter I.

Observation/Recommendation No. 7

One of the basic objectives of APDRP was to reduce Aggregate Technical and Commercial Losses (AT&C Losses) from the existing level of about 60 percent to around 15 percent in five years which implied reduction of AT&C Losses @ 9 percent per annum. The Committee, however are constrained to observe that as against the targeted reduction of 9 percent per annum in AT&C Loss, a reduction of only 1.68 percent per annum has been achieved between 2001-02 and 2004-05. The figure was still very high, and ranged between 15.86 percent in Goa and 72.74 percent in Mizoram. It is thus evident that the objective of reduction of AT&C Losses, as envisaged in the Programme, remained largely unfulfilled. The Committee are dismayed that the Ministry of Power have not elaborated convincingly the reasons for not achieving the targeted reduction in AT&C Losses. Although the Secretary, Ministry of Power conceded in this regard during evidence that the goal of 15 percent loss may not be possible, as the performance in some of the States have been patchy due to varied levels of administration and superintendence. What is astonishing is the fact that there were significant deficiencies even in the maintenance of records relating to AT&C Losses including absence of proper guidelines and supporting records. Consequently, the data reported by the Ministry could not be regarded as authentic, accurate and acceptable. The Committee are dismayed that the Ministry of Power did not have any mechanism at all to assess and monitor the significant reduction in AT&C losses, which is considered a wherent measure of the overall efficiency of power distribution. Further, as regards formulation of any baseline data on the basis of which Ministry of Power could envisage that the AT&C losses would be brought down to 15%, the Committee have been informed that the Ministry have proposed to establish the same under the re-structured APDRP for XI plan. Considering the fact that APDRP was meant for quick turnaround of the power sector, the Committee consider it unfortunate that no worthwhile efforts were made by the Ministry with a view to ensuring that the programme was actually implemented in consonance with the envisaged objectives during Xth Five Year Plan. They did not yet have any mechanism to ensure that the objectives of the APDRP are met even after the completion of fifth year of the programme. The Committee strongly recommend the Ministry to take corrective measures now with

a view to ensure that the programme is properly implemented at least in the XIth Five Year Plan and to re-evaluate the targets for AT&C Losses so that the targeted reduction in these losses is achieved in the reformulated APDRP in XI Plan.

[(Sl. No. 7) Para 144 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

It is true that objective of reduction in AT&C losses could not be achieved fully by the States but there are many States, who have shown significant improvement in the reduction of AT&C loss. The details of the improvements in reduction in AT&C loss during 2006-07 (ending year of the X Plan APDRP Programme) as compared to 2001-02 are tabulated as follows:—

Sl. No.	State	AT&C loss (%) in 2001-02	AT&C loss(%) in 2006-07
1.	Bihar	66.02	42.63
2.	Jharkhand	60.21	52.51
3.	Sikkim	81.33	40.72
4.	West Bengal	35.92	30.92
5.	Arunachal Pradesh	61.97	52.03
6.	Mizoram	76.10	44.97
7.	Nagaland	60.89	52.19
8.	Tripura	41.60	23.46
9.	Delhi	51.78	32.93
10.	Haryana (UHBVNL)	45.93	28.96
11.	Himachal Pradesh	28.30	13.18
12.	J&K	68.22	67.56
13.	Punjab	27.66	24.87
14.	Rajasthan (JdVVNL)	52.77	37.21
15.	Andhra Pradesh (APCPDCL)	28.90	18.24
16.	Karnataka (BESCOM)	40.50	26.88
17.	Kerala	31.83	25.02
18.	Goa	48.53	19.39
19.	Chhattisgarh	39.02	36.12

The focus of the Restructured-APDRP is on action demonstrable performance in terms of AT&C reduction. The programme is to be executed in two parts:

Part-A: Establishment of reliable and automated system for sustained collection of accurate Base-line Data and adoption of Information Technology in Energy auditing and Accounting.

Part B: Strengthening of Sub-transmission and distribution system.

The implementation of Part-A and B Projects would lead to reduction of AT&C loss below 15% level. It is expected that resultant reduction of losses in the Distribution Sector would also improve the financial health of the Distribution Utilities.

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments, in view of the implementation of Restructured APDRP for XI Plan and subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No.AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59
dated 24.06.2009)

Comments of the Committee

Please *see* Paragraph No. 11 of Chapter-I.

Recommendation

The Committee's examination further revealed that one of the objectives of APDRP was the narrowing and ultimate elimination of the gap between unit cost of supply and revenue realization within a specified time frame. The Committee find that the objective of elimination of the gap between Average Revenue Realisation (ARR) and Average Cost of Supply (ACS) remained a distant goal. Only 3 out of 29 States had achieved this target, and in fact, in 8 States, the gap between ARR and ACS had shown a deteriorating trend. According to Ministry of Power, as many of the Utilities had increased the subsidy over the years, monitoring of ARR on subsidy and revenue realized basis would show the correct status. Audit did not accept the reply of the Ministry on the ground that since the reduction of subsidies to SEBs/Utilities is one of the key objectives of APDRP, using ARR on subsidy realized basis would not be appropriate. Moreover, high cost of generation, high cost of power purchase, high maintenance cost, poor billing and metering, high AT&C loss beyond the levels allowed by the regulator etc. are stated to be the main contributory reasons for the gap between ARR and ACS. During the course of examination of the subject by the Committee, several technical, commercial and managerial measures were stated to have been taken by the Ministry to reduce this gap, such as, upgradation and strengthening of the weak distribution system, relocation of distribution sub-stations, provision of additional distribution sub-stations, improvement in metering and billing, timely filling of Annual Revenue Realisation with State Electricity Regulatory Commissions and proper network planning for future expansion etc. The Committee desire that these well-concieved measures ought to be implemented earnestly in letter and spirit, which would surely go a long way in eliminating the gap between Average Revenue Realisation and Average Cost of Supply in future. The Committee may be apprised of the results achieved therefrom.

[(Sl. No. 12) Para 149 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The issue has addressed under Part-A of R-APDRP, which include the projects for establishment of baseline data and IT applications for energy accounting/auditing &

IT based consumer service centres. Part-B shall include regular distribution strengthening projects. The above recommendations have been covered under Part-A of R-APDRP. The brief scope of works to be executed under Part-A is as follows:

Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system for big cities only. It would include Asset Mapping of the entire distribution network at and below the 11KV transformers and include the Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing & collection, energy accounting & auditing, redressal of consumer grievances, establishment of IT enabled consumer service centers etc. The base line data shall be verified by an independent agency appointed by the Ministry of Power.

The objective of Part A and Part B implementation in RAPDRP is to ensure energy auditing and accounting, reduce AT&C losses. The gap between ARR and ACS can be reduced by the action of respective State Governments and SERCs.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol.II/57-59
dated 24.06.2009)

Comments of the Committee

Please *see* Paragraph No. 15 of Chapter-I

Recommendation

According to APDRP guidelines, Information Technology (IT) and Computer Aided Tools for revenue increase, outage reduction, monitoring and control play a vital role in distribution management. The performance Audit of APDRP and the Committee's examination of the issues raised by Audit has revealed poor progress in IT works, in particular those relating to customer indexing, digital mapping and Supervisory Control and Data Acquisition, which could play a vital role in revenue increase, reduction in AT&C losses, and controlling commercial losses especially for metering, meter reading, billing, collection and outage reduction. Although, IT task force constituted by the Ministry had recommended a clear cut roadmap for distribution Utilities for adoption of IT based on their present status. However, the Utilities did not accept the said proposal on the ground that the distribution infrastructure was weak. They therefore, gave

preference to strengthening the electricity network and gave secondary treatment to IT enabling. The reply of the Ministry is not tenable, as it confirms lack of adequate efforts by the Ministry of Power in ensuring the actual implementation of IT tools, which resulted in the lack of effective energy accounting and auditing, which was critically dependent on IT. Considering the fact that the IT applications would be used in the distribution sector to ensure higher revenues as a result of segregation of Transmission & Distribution Losses (T&D Losses) and controlling commercial losses, especially for metering, meter reading, billing, collection and outage reduction, the Committee recommend that the Ministry should take up IT enablement on priority in order to ensure that the envisaged objectives of power distribution reform are achieved. They should fix up a deadline for this purpose, by which if the States do not adopt the IT based system, they should be disallowed not only sanction of funds but also the availability of more power in their States. Stringent guidelines are also required to be issued by the Ministry to State Governments in this regard. The Committee would like to be apprised of the outcome of the steps taken in the matter.

[(Sl. No. 22) Para 159 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The issue has been taken care under Part-A of R-APDRP, which include the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers. Part-B shall include regular distribution strengthening projects. The above recommendations have been covered under Part-A of R-APDRP. The brief scope of works to be executed under Part-A is as follows:—

Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system for big cities only. It would include Asset Mapping of the entire distribution network at and below the 11KV transformers and include the Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing & collection, energy accounting & auditing, redressal of consumer grievances, establishment of IT enabled consumer service centers etc. The base line data shall be verified by an independent agency appointed by the Ministry of Power.

Sd/-

(Devender Singh)

Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,

New Delhi-110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol. II/57-59 dated 24.06.2009)

Comments of the Committee

Please see Paragraph No. 26 of Chapter-I

Recommendation

The Committee find that though the APDRP guidelines stipulated that the projects were to be completed within at least 36 months of the date of sanction, the progress of APDRP projects was way behind schedule, resulting in non/partial achievement of the desired objectives, even though nearly 54 per cent of the 10th Five Year Plan provision of Rs. 20,000 crore was still available for sanction. The factors cited by the Ministry for this are non-transferring the APDRP funds in timely manner to the Utilities and delayed action on the part of the implementing Utilities. In this regard, the Committee have been apprised that many of the projects showed 90 per cent completion on physical terms, pending final reconciliation and non-payment of final bills for want of completion of performance guarantee period. The Committee are not inclined to accept the explanation given by the Ministry on the ground that majority of projects were sanctioned between 2002 and 2003 and issues like final reconciliation and completion of performance guarantee period should have been settled by now. The Committee feel that the delays were mainly due to poor planning, execution and lack of commitment of the implementing agencies. Since the delay in progress of works and failure to complete works in time would result in non/partial achievement of the desired objectives and further time and cost over-runs, the Committee would emphasize the need to take effective steps for stricter monitoring and control over the APDRP projects.

[(Sl. No. 23) Para 160 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

The Schemes under X Plan APDRP have been completed or short closed on 31-03-2009, and the financial and physical progress of works executed against approved detailed project report of each scheme have been reconciled by the respective Advisor-cum-Consultants (AcCs) in accordance with the guidelines issued by the Ministry.

(Devender Singh)

Joint Secretary (Distribution) Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments. Details of the process of reconciliation would be verified during next audit. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi- 110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Vol-II/57-59 dated 24.6.2009)

Comments of the Committee

Please see Paragraph No. 24 of Chapter-I

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN REPORT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation No. 13

In terms of the APDRP guidelines, States receiving assistance under this programme would have to open a separate account/sub-account head for separate accounting classification. States which did not open a separate account for this purpose were not entitled to receive any funds under APDRP. However, the Ministry of Power continued to recommend release of funds without the stipulated certificates from the State Governments regarding opening of a separate accounts head and expenditure statements prepared from the State monthly accounts. The Committee find that 17 out of 29 States where the programme was being implemented, either did not operate separate account heads and bank accounts for APDRP funds, or did not operate them correctly. The Ministry of Power have tried to explain that many of the Utilities could not open separate accounts due to various problems in their accounting procedures. Evidently, there is no mechanism presently available with the Ministry to assess actual utilization of funds released for this programme. The Committee also wonder as to how in the absence of separate accounting classification, the Ministry could ensure that the funds earmarked for APDRP were not being spent for other purposes. While strongly disapproving, the failure of the Ministry to act strenly against such financial irregularities the Committee recommend that the matter should be enquired into and responsibility be fixed for the lapses. The Ministry should henceforth ensure that the accounts of APDRP funds are maintained separately reconciled periodically with banks and got audited regularly.

[(Sl. No. 13) Para 150 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Under Restructured-APDRP, the funds for execution of sanctioned Scheme are being credited directly to the specific account of Utility meant for implementation of Schemes of Restructured-APDRP.

(Devender Singh)
Joint Secretary (Distribution)

(Ministry of Power O.M. No. 5/8/2008-APDRP dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level . Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)

Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi- 110002

(Letter No. AMG-I/PAC/91/16-2007/APDRP/Voll-II /57-59 dated 24.6.2009)

Comments of the Committee

Please *see* Paragraph No. 18 of Chapter-I

Observation/Recommendation No. 17

As regards the release of funds by States to SEBs/Utilities, the APDRP guidelines stipulate that the State Governments shall release the funds provided under APDRP to the State Power Utilities within a week of its credit to the State Government Account and send a confirmation to the Government of India. The Committee find as of March, 2006 eight States failed to release Rs. 412.03 crore of APDRP funds to the SEB/Utilities. There were significant delays on the part of the State Governments in release of APDRP funds ranging from 7 days to 1095 days. The Ministry was not monitoring the details of such delays, nor did they levy penal interest even in a single case of delayed release of APDRP funds. In many cases, the State Governments did not release the entire funds released by the Union Government. Evidently, there was no proper system in Ministry of Power to ensure timely release of funds to the State Governments or their early utilization. The Committee have been informed that keeping such delays in view, Ministry of Power is proposing to take up APDRP under Central Sector Scheme during XI Plan, under which, funds shall be released directly to the State Power Utilities. The Committee deplore the fact that till now no procedure has been evolved by the Ministry nor prescribed by the State Governments for management of grants. With regard to the funds of Rs. 412.03 crore which were yet to be released by the State Governments, the Ministry have stated that the states have been asked to submit the Utilization Certificates for the funds released so far. The Ministry have apparently taken this action only now after the matter was considered by the Committee. Had these steps been initiated earlier, the delay in release of funds could have been easily avoided. Again, in regard to the calculation and recovery of penal interest from the State Governments for delay in release of funds, the Ministry stated that it will be done through Ministry of Finance. Considering the fact that delayed implementation of APDRP projects was due to delayed/non-release of funds by the State Governments to the State Power Utilities/SEBs, the Committee recommend that the Ministry should devise a sound mechanism for release of Grants to the State Governments. Further, immediate onward release of the funds to the SEBs/Utilities by the State Governments also warrants urgent attention of the Ministry.

[(Sl. No. 17) [Para 154 of 77th Report of PAC (Lok Sabha)]

Action Taken by Government

Under Restructure—APDRP, the funds for execution of sanctioned Scheme are being credited directly to the specific account of Utility meant for implementation of Schemes of Restructured—APDRP.

Sd/-
(Devender Singh)
Joint Secretary (Distribution) Ministry of Power O.M. No. 5/8/2008-APDRP
dated 27.05.2009)

Vetted Comments

No comments subject to constant and effective monitoring to be exercised at State and Central level. Evidence in support of reply may, however, be submitted to PAC for their appraisal.

Director (Report)
Office of the Principal Director of Audit, Economic & Service Ministries,
New Delhi- 110002
(Letter No. AMG-I/PAC/91/16-2007/APDRP/Voll-II /57-59
dated 24.6.2009)

Comments of the Committee

Please *see* Paragraph No. 21 of Chapter-I

NEW DELHI;
13 November, 2009
22 Kartika, 1931 (Saka)

JASWANT SINGH,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) HELD ON 27th OCTOBER, 2009

The Committee sat from 1230 hrs. to 1330 hrs. on 27th October, 2009 in Room No. 53,
First Floor, Parliament House, New Delhi.

PRESENT

Shri Jaswant Singh — *Chairman*

Lok Sabha

2. Shri Naveen Jindal
3. Shri Bhartruhari Mahtab
4. Shri Jitendra Singh (Alwar)
5. Kunwar Rewati Raman Singh
6. Shri Aruna Kumar Vundavalli

Rajya Sabha

7. Shri Prasanta Chateerjee
8. Shri Sharad Anantrao Joshi
9. Shri Ashwani Kumar
10. Dr. K. Malaisamy

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Vinod Rai — Comptroller & Auditor General of India
2. Ms. Rekha Gupta — Dy. CAG Report Central (RC)
3. Shri Gautam Guha — Director General of Audit, (Defence Services)
4. Shri R.B. Sinha — Director General (Report Central)
5. Shri P.K. Kataria — Pr. Director (Report Central)

A. Representatives of the Ministry of Human Resource Development (Department of school Education and Literacy)

1. Smt. Anshu Vaish — Secretary (SE&L)
2. Shri S.K. Ray — AS&FA (HRD)

3. Smt. Anita Kaul — Joint Secretary

4. Shri Anant Kumar Singh — Joint Secretary

B. Representative of the Ministry of Health & Family Welfare

Shri Amit Mohan Prasad — *Joint Secretary*

**C. Representative of the Ministry of Consumer Affairs, Food and Public Distribution
(Department of Food & Public Distribution)**

Shri Bhagwan Sahai — Joint Secretary

2. *** *** **

3. *** *** **

4. *** *** **

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

5. The Committee, then, took up the following Draft Reports for consideration:

(i) *** *** **

(ii) *** *** **

(iii) Draft Action Taken Report on the Observations/Recommendations of the Committee contained in their Seventy-seventh Report (Forteenth Lok Sabha) on 'Accelerated Power Development and Reform Programme (APDRP)'.

6. After some discussion, the Committee adopted the above mentioned Draft Reports. The Chairman, however, desired that suggestions/modifications, if any, of the Memebrs may be communicated to the Lok Sabha Secretariat latest by 4th November, 2009.

7. The Committee, then, authorized the Chairman to finalise the Draft Reports in the light of the factual verifications received from the Office of the C&AG and present the same to the House on a date convenient to him.

The Committee then adjourned.

*** Matters not related to this Report.

APPENDIX II

(Vide Para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR SEVENTY-SEVENTH REPORT (FOURTEENTH LOK SABHA)

- (i) Total number of Observations/Recommendations 27
- (ii) Observations/Recommendations which have been accepted by the Government
Sl. Nos./Paragraph Nos.
Sl Nos. 2, 11, 14, 15, 16, 19, 21, 25 & 27
(Para Nos. 139, 148, 151, 152, 153, 156, 158, 162 and 164)
Total : 9
Percentage : 33
- (iii) Observations/Recommendations which the Committee do not desire to pursue
in view of the reply of the Government.
Sl Nos. 3, 4, 5, 6, 8, 9, 10, 18, 20, 24 & 26
(Para Nos. 140, 141, 142, 143, 145, 146, 147, 155, 157, 161 and 163)
Total : 11
Percentage : 41
- (iv) Observations/Recommendations in respect of which the replies of the
Government have not been accepted by the committee and which require
reiteration.
Sl Nos. 1, 7, 12, 22 & 23
(Para Nos. 138, 144, 149, 159 and 160)
Total : 5
Percentage : 19
- (v) Observations/Recommendations in respect of which the Government have
furnished interim replies.
Sl Nos. 13 & 17
(Para Nos. 150 and 154)
Total : 2
Percentage : 7