

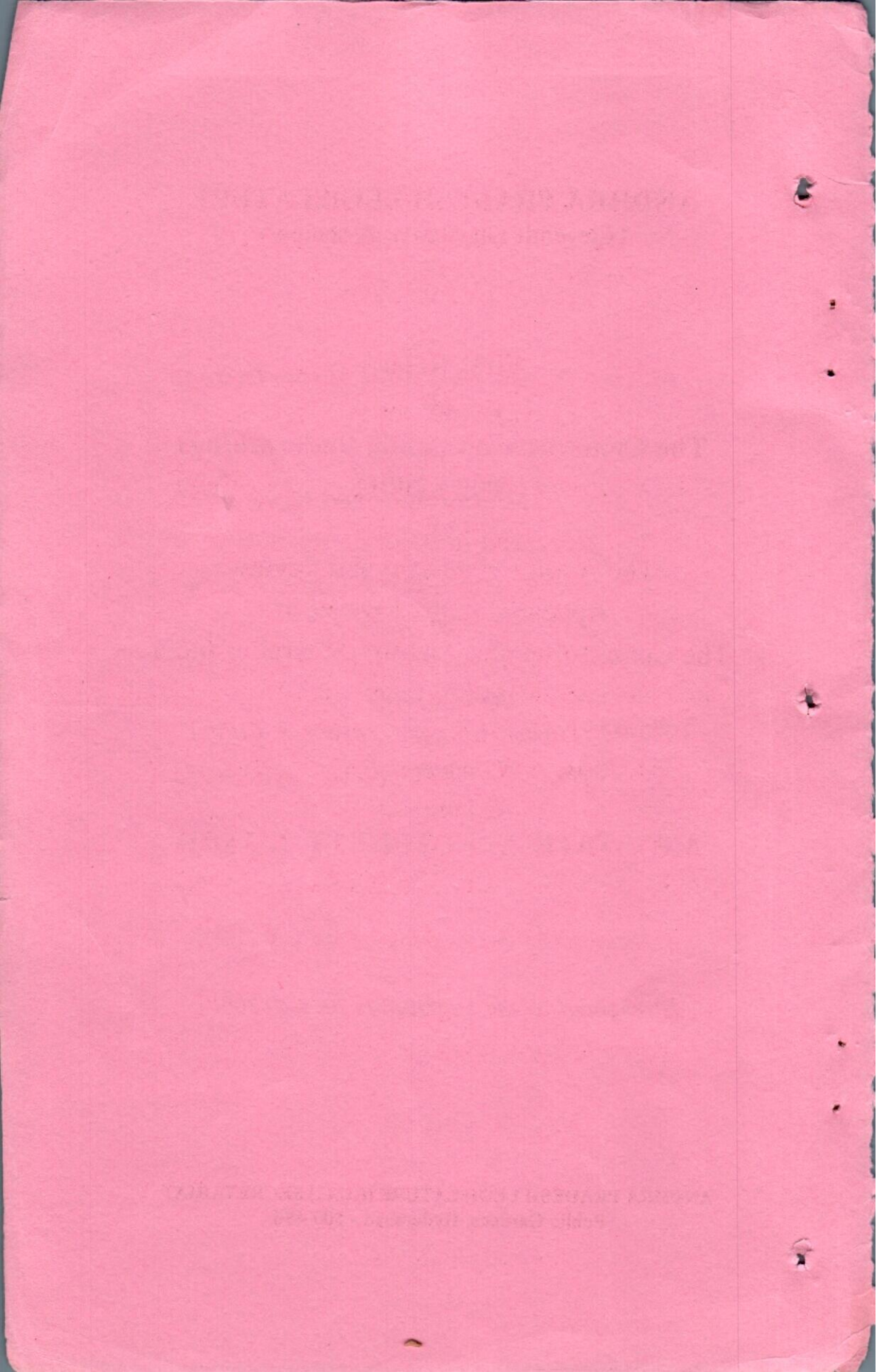
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ANDHRA PRADESH LEGISLATURE
(Eleventh Legislative Assembly)

First Report
of
The Committee on Public Undertakings
(2000 - 2001)
on
The Audit Paragraphs and Review
Appeared in the Reports of
The Comptroller and Auditor General of India
for the years
1992-93 (Paras), 1993-94 (Review & Paras)
(Commercial)
on
A.P. STATE ELECTRICITY BOARD

(Presented to the Legislature on 6-9-2000)

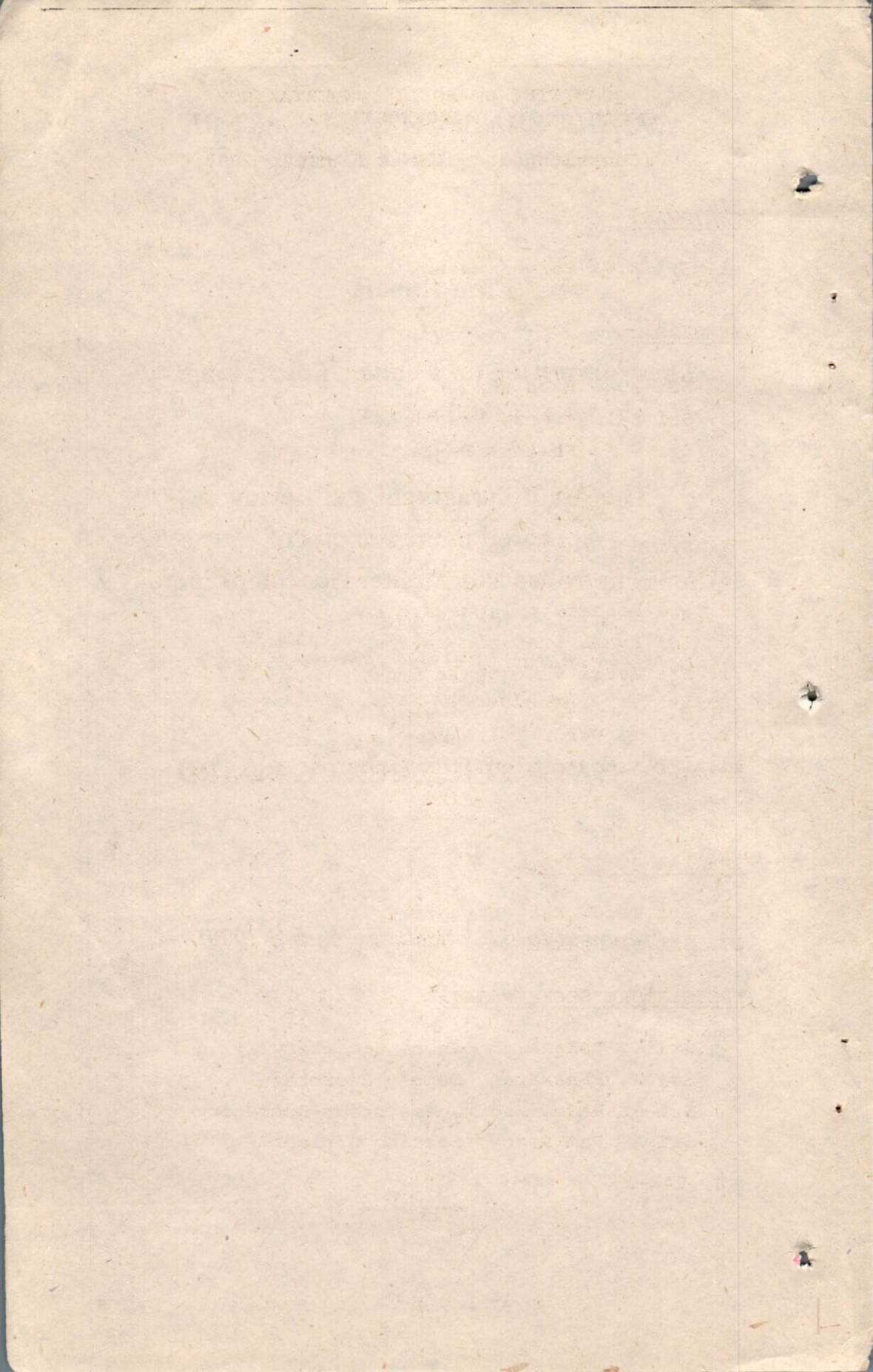
ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARIAT
Public Gardens, Hyderabad - 500 486.



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COMMITTEE ON PUBLIC UNDERTAKINGS
(2000-2001)

(Constituted on the 3rd April, 2000)

CHAIRMAN:

1. Sri A.V. Suryanarayana Raju

MEMBERS:

2. Sri Anne Babu Rao
3. Sri Balli Durga Prasad Rao
4. Sri S.A. Khaleel Basha
5. Sri P. Mahender Reddy
6. Smt. P. Ananta Lakshmi
7. Sri B. Janardhan
8. Sri R. Prakash Reddy
9. Sri Kondabala Koteswara Rao
10. Sri Kanna Lakshminarayana
11. Sri Patil Venugopala Reddy
12. Sri T. Jeevan Reddy
13. Sri M. Narsimhulu
14. Sri Kandula Nagarjuna Reddy
15. Sri Akbaruddin Owaisi

SPECIAL INVITEES:

16. Sri Reddy Satyanarayana
17. Sri M. Dharma Rao

LEGISLATURE SECRETARIAT:

Sri K. Tuljanand Singh, Secretary
Sri R. Bhaskaran, Deputy Secretary
Sri B. Padma Reddy, Assistant Secretary
Sri A. Ram Reddy, Section Officer

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INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2000-2001) having been authorised by the Committee to present the Report on their behalf, present this FIRST Report on the Andhra Pradesh State Electricity Board, on the audit paras contained in the Reports of the C. & A.G. of India (Commercial) for the years 1992-93 and 1993-94.

The Committee on Public Undertakings (1998-99) have examined the Reports of the C. & A.G. of India for the years ended 31 March 1993 and 1994 (Commercial), but could not present a report on the same for want of time.

The Committee (2000-2001) have considered and approved this Report at their sitting held on 29.8.2000.

A Statement showing the summary of principal recommendations/observations of the Committee is appended to this Report.

A record of proceedings (*) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Secretary to Government, Energy Department, the Chairman and other Officials of the A.P. State Electricity Board for the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit)-II, Andhra Pradesh the Senior Deputy Accountant General (Commercial) and other Officers and Staff of the Accountant General's Office.

The Committee also places on the record their appreciation of the assistance rendered to the

(*) One cyclostyled copy laid on the table of the House and one placed in the Legislature Library.

Committee by the Secretary to State Legislature and the other Officers and Staff of Legislature Secretariat, in the examination of the general working and audit paras relating to the Andhra Pradesh State Electricity Board and in preparation of this Report.

A.V. SURYANARAYANA RAJU,
Chairman,
Hyderabad,
Dated : 29.8.2000. Committee on Public Undertakings.

REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
(1998-99) ON ANDHRA PRADESH STATE ELECTRICITY BOARD
[ON THE REPORT OF THE C. & A.G. OF INDIA FOR
THE YEARS 1992-93 AND 1993-94 (COMMERCIAL)]

AUDIT REPORT 1992-93

(a) Infructuous expenditure on installation of
Solar Photo Voltaic Street Lighting system
(Para 4 B. 1.2).

1.1 The Board implemented a Government of India scheme of electrification of rural areas by erecting solar panel systems each costing Rs. 13,000 partly financed by loan from Rural Electrification Corporation and partly by material worth Rs. 6,000 per system supplied free of cost by Government of India. Of the estimated cost of Rs. 420.42 lakhs in 3234 systems in 3031 villages, the Board's share was Rs. 226.38 lakhs and the balance was material cost (GOI). However, the scheme did not work well and conventional electrification replaced the solar panels rendering the earlier expenditure infructuous. As of March 1992 the Board switched over to conventional system at 561 places costing Rs. 548 lakhs to the Board. The objective was not achieved and Rs. 2 crore was wasted.

1.2 The Board in its explanatory notes stated that the above programme was taken up with a view and expectation that the system might benefit the tribal poor people and systems failure was beyond the control of the Board and no motive could be attributed for taking up the scheme.

1.3 To a specific question raised by the Committee as to whether there was total failure of the scheme, the Chairman A.P.S.E.B., in his reply stated there was total failure of the scheme in the entire country. As the Central Government desired to have 100 per cent electrification of remote tribal villages, the State Government has also fixed target for implementation of the scheme in tribal areas. The areas taken up under this scheme were not permanent habitations.

1.4 The Committee recommends that the stage of replacement by conventional lines at all the places where the solar panels exist and the expenditure incurred on them be intimates to the Committee, immediately.

(b) Loss of revenue due to non-conversion of industrial services from LT tariff to HT tariff (Para 4B.1.5).

2.1 As per the orders issued by the Board in December 1983, all the consumers having loads with a contracted demand of not less than 70 KVA or having connected load exceeding 75 HP were to be classified under HT tariff.

However, as per the note, the LT category III tariff, a consumer with a contracted load upto 125 HP could be allowed to be billed under LT tariff subject to certain conditions and adoption of special procedure for billing such services. The Board had subsequently revised the tariffs effective from 15 July 1987 under which all consumers having loads with a contracted demand of 70 KVA and above were to be billed under HT category and the provision made in earlier tariffs for billing the consumers having a contracted load upto 125 HP and special procedure to be adopted for billing such cases was withdrawn.

2.2 The Board in its explanatory notes stated that the intention of the Board was not to disturb those LT category III industrial consumers who were released power prior to 15.7.87 or those LT consumers whose estimates were sanctioned prior to 15.7.87 under the then existing tariff provisions.

2.3 To facilitate such consumers to be continued under LT category III, Industrial, necessary amendments to the subsequent tariff vide BP (Op. Comml.) MS.No. 64, dt. 24.4.95 were also issued.

2.4 The Board in its oral evidence stated that even though the Board is trying to bring all those consumers, who are utilising the power under the same conditions, under the same tariff, owing to some representations received from some category of consumers (rice mill owners - which is a seasonal industry), a decision could not be arrived at in this matter.

2.5 The Committee feels that the discrimination shown in charging the tariff rates to the same type of customers is not tenable and recommends that the issue shall be discussed at the Government

level also and come out with a solution so that consumers of the same category and conditions shall be brought under the same tariff rates.

(c) Irrecoverable Energy Charges: (Para No. 4B.1.7).

3.1. The A.P.S.E.B. released in August 1984, HT category I, service to an Engineering Industry in Warangal District with a Contracted Maximum Demand of 2000 KVA. The firm defaulted the payment of bills from October 1987, the supply to the firm was disconnected in May 1988 and the line was dismantled in January 1992. The account of arrears of demand and surcharge etc., by end of May 1992 amounted to Rs. 42.54 lakhs, the recovery of which seems doubtful as the firm is under liquidation.

3.2 The Board in its explanatory notes and oral evidence stated that an official liquidator was appointed and the matter was pending with the liquidator.

3.3 The Committee recommends that the recovery of arrears should be made early and the fact of recovery be reported to the Committee within three months.

AUDIT REPORT 1993-94

(d) Review on Collection and Accounting of Revenue:
Analysis of arrears:

4.1 The arrears of Rs. 929.99 crores outstanding as on 31 March 1994 represent debtors for sale of power, inter-state sale of power, electricity duty, provision of unbilled revenue dues from disconnected services etc., Of these Rs. 538.89 crores represent the debtors for sale of power. (Rs. 129.71 crore were outstanding for more than 5 years and Rs. 62.32 crores for 3 to 5 years). In respect of 42 consumers in whose cases the arrears exceeded Rs. 50 lakhs, the dues accumulated to an extent of Rs. 164.21 crores. These are pending in various courts awaiting final decisions.

4.2 The Board in its reply stated that all efforts were being made to collect the arrears

early. The Member Secretary in his oral evidence stated that it is a continuous process and they are collecting part of the arrears also wherever there is possibility.

4.3 The Committee feels that the arrears are mounting year after year due to various reasons. The Committee, therefore, recommends to collect the arrears by putting all efforts by the Board and efforts should be made to clear the cases wherever they are pending in courts.

(e) Billing of Energy supplied to Rural Electric Supply Cooperative Societies (Para 3A.7):

5.1 There are 9 Rural Electric Supply Cooperative Societies at various places in the State functioning as licenses under the provisions of Indian Electricity Supply Act, 1910. The tariff payable by these societies is to be approved by the Government considering the paying capacity of the societies, while the societies are to charge their consumers also as per the tariff applicable to Board's consumers from time to time. Government issued orders in June 1991 reducing the rates payable by the Societies to the Board ranging from 1 paise to 15 paise per unit, though they were required to pay earlier an average of 10 paise per unit. The dues from the Societies as on 31 March 1994 stood at Rs. 23.29 crores. Cost of production of 555.96 million units supplied to the societies during 1993-94 was Rs. 1822.93 lakhs against which the Board realised only an amount of Rs. 224.74 lakhs.

5.2 The Board had not evolved any action plan to offset the losses suffered due to energy supplied to these societies.

5.3 The Board in its reply stated that the Government of Andhra Pradesh had issued orders in G.O.Ms.No. 786, dt. 7.7.95 fixing the revised tariff w.e.f. 1.1.92. The arrears from the 9 societies as on 31.5.96 was Rs. 2594.47 lakhs.

5.4 The Secretary (Energy) in his oral evidence stated that the situation was to be handled along-with restructuring plan in the reforms. The Secretary

Energy promised to look into whether these societies were serving the purpose for which they were formed and whether the benefit given to those was really worth and whether the consumer was getting the benefit.

5.5 The Committee feels that the position in the societies is very peculiar. It also feels that it neither the Board nor the Consumer is getting benefit from the system. Hence, the Committee recommends the Government and the Board to review the system and the policy thoroughly.

(f) Misappropriation by Revenue Cashier (3A.9).

6.1 Mr. 'X' a revenue cashier misappropriated cash of Rs. 7.89 lakhs during the period from April 1986 to April 1991. There was a record that he was indicated for the same action as early as in 1976. Once again the same duty was entrusted to him who misappropriated the amounts.

6.2 The Board in its reply stated that he was kept under suspension and criminal and civil cases were pending against him.

6.3 The Government's representative in his oral evidence stated that the criminal case was yet to be finalised in the court and the person was missing and a warrant was issued by the Magistrate.

6.4 The Committee felt that it was not a wise decision to allot cash duties to the person who was already involved in misappropriation case. The Committee recommends that the Board should take all efforts to trace the person by publishing his photo in leading news papers and efforts should be made to recover the amount from his property under Revenue Recovery Act.

(g) Release of more than one LT service in the same premises for the same purpose (Para 3A.12.2):

7.1 Eleven cases, that are to be classified under HT services, were being billed under LT services. Of these 5 cases are still under LT service only. The other 6 services are also billed under HT service but in the ERO itself. Loss of Revenue was Rs. 30.27 lakhs. (upto January/February 1994).

7.2 The Board in its reply stated that all the consumers approached the Court and decisions were awaited.

7.3 The Board in its oral evidence stated that once again instructions were issued (16.5.97) directing that wherever multiple services of the same category were found existing in the same premises, it was necessary to club all such services into a single service.

7.4 The Committee recommends that the matter in the Court shall be pursued and settled early. The Committee also recommends that no such allotment of more than one LT service in the same premises for the same purpose whether it is manufacturing/production unit or it is domestic keeping in view the latest policy shall be allowed in future.

(h) Extra expenditure in construction of Raw Water Pipe Line at Rayalaseema Thermal Power Project (Para 4B.1.1).

8.1 To meet the water requirements of the Rayalaseema Thermal Power Project, tenders were invited in May 1990 for the work of construction of Raw Water Pipe Line at an estimated cost of Rs. 2255.71 lakhs. Due to urgency, the stores purchase Committee decided in January 1991 to divide the work into two reaches and awarded the same to two contractors in March 1991. The work involved 120000 cum of hard rock excavation at a rate of Rs. 100 per cum.

8.2 On the basis of detailed analysis of the soil conditions, the Board estimated the hard rock excavation at 506000 cum for both reaches. After negotiations, the Board agreed in December 1992 to the rate of Rs. 100 per cum (earlier agreed rate

was Rs. 72.50 per cum), till that date, and a rate of Rs. 165 per cum for the balance quantity from that date.

8.3 Audit observed that in the case of excess quantities executed as per the accepted tender the question of either offering less rates or negotiating with the contractors for higher rates did not arise.

8.4 The extra burden involved in payment of higher rate of Rs. 165 per cum for the balance quantity of 294000 cum of hard rock excavation worked out to Rs. 191.36 lakhs.

8.5 The Board in its explanatory notes stated that finally the extra payment made to the contractors was only Rs. 67.01 lakhs on a quantity of 271000 cum. The Board also stated that even if contract conditions were operated in terminating the balance work and fixing up new agencies, it was certain to prove costlier besides resulting in considerable loss of time in completion of the work.

8.6 The Board in its oral evidence (Director/Tech.) stated that because of objections made by the villagers for digging work as proposed the alignment was changed. With this the water line had increased by a Kilometer and pipe line was to be lowered in the upstream reach by 9 k.m. These two factors had contributed a lot for the project cost.

8.7 The Committee feels that it was not relevant to arrive at the net excess paid as Rs. 67,01,149 after taking into account the saving of Rs. 110 lakhs due to changes in track level. The Committee would like to know (i) The reasons for negotiations with the contractors for higher rates resulting in extra burden of Rs. 176.22 lakhs; (ii) The action taken against the Officer responsible for the lapse viz., for finalisation of tender without analysing the soil conditions. A detailed report on this may be submitted to the Committee immediately.

(i) Extra Expenditure information of Embankment for ashdyke (Para 4B.1.2):

9.1 According to the specifications made in the description for the work, the excavated soils were to be utilised for forming embankment for ashdyke. In this work, the aspect of mechanical compaction was not included for the contractors whereas for the same work on the other reach this aspect was included in the tender. During the execution of the work the contractor requested for extra payment on the plea of mechanical compaction and the same was rejected (July 1992) by the field Officers. But, the Board agreed (July 1993) for the payment at Rs. 18 per cum. A rate of Rs. 7.70 per cum was paid to the same contractor in his capacity as a sub-contractor for the same work executed at the other reach. Thus, payment of Rs. 18 per cum lacked justification. The extra expenditure was Rs. 43.57 lakhs.

9.2 The Board in its explanatory notes stated that due to minor changes in layout of reservoir, the quantity of hard rock to be excavated had increased and a decision was taken, on the advice of I.I.T., Madras to utilise the hard rock for formation of ashdyke.

9.3 The Board in its oral evidence stated (Director/Technical) that if separate tenders were to be called for this work, it would be difficult to maintain coordination between the two works and the contractors. Hence, the Board negotiated with the contractor and fixed the rate.

9.4 The Committee feels that when there is same and similar work under two reaches, adopting different standards while calling for tenders from one reach to another is highly irregular and improper.

The Committee, therefore, recommends that parameters should be fixed for the reaches and that dual standard should not be followed if the nature of work is a same in different reaches.

(j) Payment of Rail Freight on the basis of incorrect distance (Para No. 4B.1.5):

10.1 The Board gets coal from Talcher coal-fields in Orissa to Vijayawada Thermal Station (VTS) siding by rail, in accordance with the coal linkage agreed upon in March 1984. The actual distance from Talcher to VTS siding is 945 Kms. as per the notification (November 1978) of the Railways. But the Railways have been collecting freight for a distance of 968 Kms., since March 1984.

10.2 The claims of the Board for refund of freight collected on the differential distance of 23 Kms. for the period from April 1992 were admitted by the Railways while the claims aggregating Rs. 237.29 lakhs for the period from July 1989 to March 1992 were rejected as timebarred. Further the Board was yet to determine (November 1993) the quantum of freight paid in excess for the period from March 1984 to June 1989.

10.3 The process of settlement of refund of excess freight collected for the period from October 1984 to March 1992 after condonation of the delay in preferring the claim was in progress.

10.4 The Board in its oral evidence stated that the matter was under settlement.

10.5 The Committee recommends to pursue the matter with the Railway authorities and settle the claim early and fixup responsibility on the responsible persons for not preferring the claim on time.

(k) Unfruitful Expenditure (Para No. 4B.1.6):

11.1 An 'In motion weigh bridge' was installed in December 1987 at Ramagundam Thermal Station (RTS) at a cost of Rs. 12.05 lakhs. It was intended for weighment of coal wagons while in motion to enable the Board to ascertain the actual quantity received as against the invoiced quantity and daily transit losses. Due to frequent failures during the warranty period (December 1989) the weigh bridge could not be put to use since its commissioning and it worked for a brief period of 6 months only in 1990.

11.2 The Board in its explanatory notes stated that the weigh bridge was brought back to service and it was decided to divert the same to KTPS stage-V.

11.3 The Board in its oral evidence stated that this would be shifted to KTPS-V stage before December 1998.

11.4 The Committee was unhappy over the delay in taking the decision for shifting the weigh bridge purchased and installed in December 1987 at Ramagundam Thermal Station. The Committee desires that the bridge shall be shifted immediately and the same intimated to the Committee. The Committee would also like to be informed how weighment of coal wagons was being carried out of Ramagundam without in motion weigh bridges.

(1) General:

12.1 The Committee recommends that the latest policy should be adopted.

SUMMARY OF RECOMMENDSTIONS

(1) The Committee recommends that the stage of replacement by conventional lines at all the places where the solar panels exist and the expenditure incurred on them be intimated to the Committee, immediately. (Paragraph No. 1.4).

(2) The Committee feels that the discrimination shown in charging the tariff rates to the same type of customers is not tenable and recommends that the issue shall be discussed at the Government level also and come out with a solution to that consumers of the same category and conditions shall be brought under the same tariff rates. (Paragraph No. 2.5).

(3) The Committee recommends that the recovery of arrears should be made early and the fact of recovery be reported to the Committee within three months. (Paragraph No. 3.3).

(4) The Committee feels that the arrears are mounting year after year due to various reasons. The Committee, therefore, recommends to collect the arrears by putting all efforts by the Board and efforts should be made to clear the cases wherever they are pending in courts. (Paragraph No. 4.3).

(5) The Committee feels that the position in the societies is very peculiar. It also feels that neither the Board nor the consumer is getting benefit from the system. Hence, the Committee recommends the Government and the Board to review the system and the policy thoroughly. (Paragraph No. 5.5).

(6) The Committee felt that it was not a wise decision to allot cash duties to the person who was already involved in misappropriation case. The Committee recommends that the Board should take all efforts to trace the person by publishing his photo in leading news papers and efforts should be made to recover the amount, from his property under Revenue Recovery Act. (Paragraph No. 6.4).

(7) The Committee recommends that the matter in the court shall be pursued and settled early. The Committee also recommends that no such allotment of more than one LT service in the same premises

for the same purpose whether it is manufacturing/production unit or it is domestic keeping in view the latest policy shall be allowed in future.

(Paragraph No. 7.4).

(8) The Committee feels that it was not relevant to arrive at the net excess paid as Rs. 67,01,149 after taking into account the saving of Rs. 110 lakhs due to changes in tract level. The Committee would like to know (i) The reasons for negotiations with the contractors for higher rates resulting in extra burden of Rs. 176.22 lakhs; (ii) The action taken against the officer responsible for the labs viz., for finalisation of tenders without analysing the soild conditions. A detailed report on this may be submitted to the Committee immediately.

(Paragraph No. 8.7).

(9) The Committee feels that when there is same and similar work under two reaches, adopting different standards while calling for tenders from one reach to another is highly irregular and improper.

The Committee, therefore, recommends that parameters should be fixed for the reaches and that dual standard should not be followed if the nature of work is a same in different reaches.

(Paragraph No. 5 4).

(10) The Committee recommends to pursue the matter with the Railway authorities and settle the claim early and fix up responsibility on the responsible persons for not preferring the claim on time.

(Paragraph No.10.5).

(11) The Committee was unhappy over the delay in taking the decision for shifting the weigh bridge purchased and installed in December 1987 at Ramagundam Thermal Station. The Committee desires that the bridge shall be shifted immediately and the same shall be intimated to the Committee immediately. The Committee would also like to be informed how weightment of coal wagons was being carried out at Ramagundam without in motion weigh brige. (Paragraph No. 11.4).

(12) The Committee recommends that the latest policy should be adopted. (Paragraph No. 12.1).