

## CHAPTER-1

### Performance Audit Report on the performance of Tamil Nadu Generation and Distribution Corporation Limited during pre and post Ujwal DISCOM Assurance Yojana (UDAY)

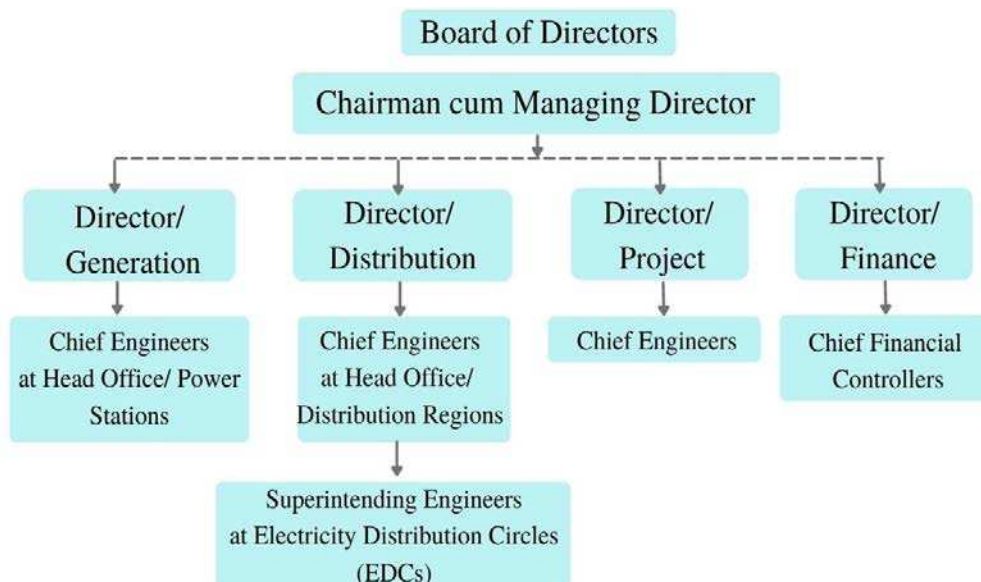
#### Introduction

**1.1** Tamil Nadu Electricity Board (TNEB) was formed on 01 July 1957 under Section 54 of the Electricity (Supply) Act 1948 in the State. TNEB functioned as a vertically integrated utility responsible for generation, transmission and distribution of electricity. Subsequently, in pursuance of Section 131 of the Electricity Act, 2003, Government of Tamil Nadu (GoTN) approved (08 October 2008) the re-organization of TNEB into three Companies namely TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO) during December 2009. Of these companies, TNEB Limited is the holding company and TANGEDCO, an integrated utility engaged in generation and distribution activities and TANTRANSCO, engaged in transmission activities are subsidiary companies of TNEB Limited.

#### Organisational Set up

**1.2** TANGEDCO is functioning under the administrative control of Energy Department and its management is vested with the Board of Directors appointed by GoTN. The organisational chart of TANGEDCO is given below in **Chart 1**.

**Chart 1: Chart showing the organisational structure of TANGEDCO**



### **UDAY Scheme and its salient features**

**1.3** With the objective of improving the health of state-owned DISCOMs<sup>1</sup>, the Ministry of Power (MoP), Government of India (GoI) launched the Ujwal DISCOM Assurance Yojana (UDAY) Scheme in November 2015. The Scheme envisaged reforms for realising affordable and accessible 24x7 Power for All with the following main objectives:

- Financial turnaround of the DISCOMs, and
- Improving operational efficiency of the DISCOMs.

As prescribed in the Scheme, a tripartite Memorandum of Understanding (MoU) was signed by and amongst GoI, GoTN and TANGEDCO (Integrated Utility) on 09 January 2017 specifying the responsibilities of the respective parties for achieving the financial and operational milestones. The salient features of the Scheme/MoU, inter alia, include;

- Reduction in gap between Average Cost of Supply (ACS) and Average Revenue Realised (ARR) to zero by 2018-19.
- States shall take over 75 per cent of DISCOM's debt as on 30 September 2015,
- States shall take over the future losses of DISCOMs in a graded manner up to the year 2020-21.
- Reduction of Aggregate Technical and Commercial (AT&C) losses of DISCOMs,
- Undertake the targeted activities viz., metering at feeders and Distribution transformers, feeders segregation and improvement, installation of smart meters etc., for improving the operational efficiency.

### **Audit Objectives**

**1.4** The objectives of the Performance Audit were to assess the performance of TANGEDCO for achieving the intended goals under the following two aspects:

1. Whether directives pertaining to financial parameters envisaged in the UDAY Scheme and MoU have been adhered to and the overall objective of financial turnaround of DISCOM was achieved?
2. Whether targeted operational improvement and intended outcomes were achieved by implementing operational efficiencies as envisaged in the tripartite MoU and Scheme?

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<sup>1</sup> DISCOMs for the purpose of UDAY included combined Generation, Transmission and Distribution Undertakings.

### **Audit Scope and Methodology**

**1.5** The UDAY Scheme/MoU envisaged financial turnaround and operational improvements *viz.*, reduction of gap between ACS and ARR to zero by 2018-19 and reduction in AT&C loss to 13.50 *per cent* by 2018-19. In line with the overall objectives of the Scheme, year wise action plan/target on various operational parameters were specified in the MoU for the year up to 2018-19 except in two<sup>2</sup> activities which were spilled over to 2019-20. Financial year (FY) 2015-16 being the base year was considered as Pre-UDAY period. FY 2016-17 to 2018-19, when major activities were carried out, has been considered as UDAY period and FY 2019-20 has been considered as Post UDAY period. Accordingly, the Performance Audit was conducted between August 2020 to April 2021 to analyse the effectiveness and efficiency in implementation of the Scheme *vis-à-vis* performance of the DISCOM, pre and post implementation of UDAY covering the period from 2015-16 to 2019-20. In order to assess the efforts of DISCOM and the State Government to fulfil the obligations envisaged in the MoU, the records of the Energy Department of GoTN, Head office of TANGEDCO were examined. Further, to check the operational achievements at field level, 12 out of 44 Electricity Distribution Circles (EDC) were selected based on the targets set for reduction of AT&C loss and the records of these EDCs were also examined in Audit.

Before commencement of Audit, the audit objectives, scope and methodology for the Performance Audit were discussed during the Entry Conference with Principal Secretary, Energy Department of GoTN and the Chairman cum Managing Director (CMD) of TANGEDCO on 30 September 2020. The audit findings noticed by Audit, were reported to GoTN in June 2021. Further, the audit observations were discussed in the Exit Conference held on 12 August 2021 with the Principal Secretary, Energy Department, GoTN and CMD, TANGEDCO. GoTN furnished the reply to the audit observations on 05 October 2021. The views expressed in the exit conference and reply of GoTN were considered and incorporated, wherever found appropriate, while finalising the report.

### **Audit Criteria**

**1.6** The following criteria were adopted to measure the performance of TANGEDCO in the implementation of UDAY:

- Guidelines of the UDAY Scheme issued by MoP, GoI and MoU signed amongst GoI, GoTN and TANGEDCO;
- The Electricity Act, 2003, National Electricity plan, Tariff policies and Tamil Nadu Electricity Supply Code (Supply Code) and other instructions issued by Tamil Nadu Electricity Regulatory Commission (TNERC);
- Agenda and Minutes of meetings of Board of Directors and Lending agreements of TANGEDCO under UDAY;

<sup>2</sup> Feeder separation and providing LED bulbs.

- Directions/instructions issued by MoP, GoI and GoTN from time to time.

**Acknowledgement**

Audit acknowledges the co-operation and assistance extended by the Energy Department and the Management of TANGEDCO at various stages of conducting the Performance Audit.