

Executive Summary

Introduction

The Ministry of Power (MoP), Government of India (GoI) launched (December 2014) Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) subsuming the targets laid down under the erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a separate rural electrification sub-component by carrying forward the approved outlay for the RGGVY to the DDUGJY with additional objectives, viz. separation of agriculture and non-agriculture feeders; and strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas, including metering at distribution transformers, and at feeder and consumers' end.

The GoI also launched (September 2017) Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) to achieve universal household electrification in the country. The scope of the scheme included providing last mile connectivity and electricity connections to all un-electrified households in rural areas, Solar Photovoltaic based standalone system for un-electrified households located in remote and inaccessible villages/habitations, where grid extension is not feasible or cost effective, and providing last mile connectivity and electricity connections to all remaining economically poor un-electrified households in urban areas.

The GoI provided funding of 60 *per cent* of the sanctioned cost under DDUGJY/SAUBHAGYA and 90 *per cent* under RGGVY in the form of capital subsidy/grant, and the remaining cost was met by ESCOMs.

Status update on implementation

In Karnataka, five Electricity Supply Companies (ESCOMs) implemented the schemes. A tripartite agreement was entered into (November 2015/December 2015) between the REC (on behalf of GoI), GoK and the ESCOMs for implementation of DDUGJY. The MoP sanctioned the total project cost of ₹ 2,072.60 crore for the state for implementing DDUGJY/SAUBHAGYA, RGGVY XII Plan. The ESCOMs had completed the electrification works under the schemes in December 2020, with a total expenditure of ₹ 2,246.58 crore. Against which, the GoI sanctioned total grant of ₹ 1,227.52 crore.

The ESCOMs had achieved the targets ranging from 65.88 *per cent* to 237.42 *per cent* of the sanctioned parameters under DDUGJY. 39 un-electrified villages, 13,949 partially electrified villages and 5,70,922 BPL households (HHs) were electrified. Besides, ESCOMs had created infrastructure in rural areas for strengthening and augmentation of sub-transmission and distribution system, which included construction of 11kV/ LT lines (16,711.39 circuit kilometres - CKMs), feeder segregation (11,724.76 CKMs), installation of Distribution Transformer Centres (DTCs) (12,301 Nos), and metering of DTCs (23,790 Nos).

A Performance Audit was conducted in all the five ESCOMs in the state covering the transactions during 2014-15 to 2020-21. Audit sample covered 10

districts, 21 blocks and 190 villages. Audit also conducted a survey of selected beneficiaries and villages with the help of a structured questionnaire designed to elicit their views regarding implementation of the scheme.

Audit Objectives

The Performance Audit is undertaken to ascertain whether:

- i) Planning and financial management of projects was done efficiently and economically to achieve the targets of the scheme;
- ii) Implementation of projects was done in an efficient and effective manner; and
- iii) Monitoring of the scheme was effective.

Audit Findings

ESCOMs though achieved the targets under the scheme, there were cost and time overruns due to various deficiencies in planning and implementation, whereby the envisaged benefits had either been deferred or not been achieved in true terms. There were cases of violation of prevailing acts and rules, avoidable expenditure, underutilisation of assets, loss of grant, shortage of materials, deviations from scheme guidelines, manual provisions, contractual terms, *etc.*

ESCOMs took 12 to 37 months beyond the stipulated periods for completion of works under DDUGJY, thereby deferring the realization of envisaged benefits. There were several instances of mismanagement of contracts due to which there were cases of award of contracts to ineligible firms violating the prevailing rules, quality of material used in the works was compromised by waiving the mandatory inspections and procuring from unapproved vendors. Non-resolution of bottlenecks in implementation (availability of land, clearances from railways, forest) caused breach of timelines for completion of works and deferring the envisaged benefits to the beneficiaries. ESCOMs had incurred additional expenditure of ₹ 225.49 crore over and above the sanctioned cost on which no grant was eligible under DDUGJY. ESCOMs failed to establish the mechanism for proper energy accounting despite incurring significant expenditure on metering of DTCs. Also, possibility of receipt of additional grant of ₹ 262.12 crore by the ESCOMs is doubtful, as they did not meet the underlying conditions.

Audit noticed deficiencies in planning and implementation of the schemes, some of the major audit findings are given below:

- Preparation of DPRs and proposals for infrastructure in the test checked eight of ten projects were made without adequate field survey and without considering relevant specified parameters. Significant quantity variations during execution resulted in unnecessary delays in completion of works.

(Paragraph 2.1)

- The contracts under DDUGJY were awarded after lapse of 17 to 26 months from the date of receipt of approval (August 2015) of Detailed Project Reports from the MoP, as against six months stipulated in the guidelines. Also, the works were completed with delay of 12 to 37 months from the stipulated dates. This led to deferment of envisaged benefits of electrification to the beneficiaries.

(Paragraphs 2.2, 3.3)

- ESCOMs incurred additional expenditure of ₹ 26.42 crore on Project Management Consultants due to fixation of higher fee than that stipulated under the scheme.

(Paragraphs 2.6, 2.7)

- ESCOMs incurred extra expenditure of ₹ 39.67 crore on procurement of material at higher rates over and above the Central Procurement Prices.

(Paragraph 2.8)

- Due to not ensuring timely statutory clearances and consequent delay in completion of works, envisaged benefits under the scheme had been deferred (24×7 power supply for more than three/five years for 204 villages and electricity to 416 BPL households).

(Paragraphs 3.5, 3.12.2)

- ESCOMs had opted out of the scheme for feeder metering and incurred expenditure of ₹ 14.48 crore out of own funds due to non-completion of works within the timelines.

(Paragraph 3.6.1)

- Though the infrastructure was created incurring significant expenditure of ₹ 62.87 crore for energy accounting and audit at DTC level, the ESCOMs failed to establish the mechanism for proper energy accounting and identifying high loss pockets for initiating remedial measures towards reduction of losses.

(Paragraph 3.6.2)

- Contracts were extended without levying penalty of ₹ 3 crore on the defaulting contractors in violation of the General Conditions of Contract/terms of Detailed Work Award, defeating the purpose of inclusion of penal clause in the contract to act as deterrent on non-performing contractors.

(Paragraph 3.8, 3.12.3)

- Not-ensuring the land availability and statutory approvals for execution of substations resulted in deferment of realising envisaged benefits, viz. improvement of voltage profile, providing reliable power supply, shifting of overloaded substations, etc, and loss of energy savings valued at ₹ 14.03 crore.

(Paragraph 3.7.1)

- ESCOMs had incurred additional expenditure of ₹ 3.18 crore on electrification of BPL households under RGGVY. Also, capital subsidy/grant of ₹ 25.17 crore was lost due to non-completion of sanctioned works under RGGVY.

(Paragraphs 3.11.2, 3.11.3, 3.11.4)

- GESCOM failed to ensure the safe custody of materials kept with contractor's custody in one contract under RGGVY which resulted in shortage of material valued at ₹ 4.27 crore.

(Paragraph 3.11.4)

- Monitoring was not effective as the periodical progress and bottlenecks in implementation were not discussed for their speedy resolution.

(Paragraph 4.3.1)

Recommendations

The Government should:

- 1. facilitate timely clearances from the statutory authorities (forest, railways, etc) and ensure availability of required land to the ESCOMs so as to complete the works within the stipulated timelines;**
- 2. ensure periodical discussion of progress of implementation of the schemes by the monitoring authorities at State and District levels so that irregularities/deficiencies in contract management, such as award of works to ineligible firms, non-levy of liquidated damages, delays in completion of works are avoided; and**
- 3. ensure release of revenue subsidy to ESCOMs based on metered energy consumption to ensure fulfilment of conditions for receipt of additional grant under DDUGJY.**

The ESCOMs should ensure:

- 1. preparation of DPRs after adequate field survey to avoid delays in completion of works due to significant variations in quantities during execution and consideration of relevant parameters as applicable while proposing distribution infrastructure to ascertain achievement of objective;**
- 2. awarding of contracts after invitation of tenders to the eligible firms duly complying with the provisions of KTPP Act and KTPP Rules;**
- 3. conducting of energy audit in all the metered Distribution Transformer Centres in compliance to the Karnataka Electricity Distribution Code so as to establish proper energy accounting and initiate remedial measures for reduction of aggregate technical and commercial losses;**

- 4. quality of materials used in the works by procuring them from the approved vendors and conducting mandatory quality inspection to ensure compliance to the standard bid document; and**
- 5. rectification of deficiencies in consumer connections, *viz.* bypassing of meters, non-sealing of meters, non-issuing of electricity bills, *etc* so as to prevent theft of energy and the consequent loss of revenue. They should ensure adherence to the prescribed technical specifications.**